

LVMH

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MOËT HENNESSY ♦ LOUIS VUITTON

FISCAL YEAR ENDED DECEMBER 31, 2020  
UNIVERSAL REGISTRATION DOCUMENT

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*As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component figures.*

This document is a free translation into English of the original French "Document d'enregistrement universel", hereafter referred to as the "Universal Registration Document". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

# HISTORY

Although the history of the LVMH group began in 1987 with the merger of Moët Hennessy and Louis Vuitton, the roots of the Group actually stretch back much further, to eighteenth-century Champagne, when a man named Claude Moët decided to build on the work of Dom Pérignon, a contemporary of Louis XIV; and to nineteenth-century Paris, famous for its imperial celebrations, where Louis Vuitton, a craftsman trunk-maker, invented modern luggage. Today, the LVMH group is the world's leading luxury goods company, the result of successive alliances among companies that, from generation to generation, have successfully combined traditions of excellence and creative passion with a cosmopolitan flair and a spirit of conquest. These companies now form a powerful, global group in which the historic companies share their expertise with the newer brands, and continue to cultivate the art of growing while transcending time, without losing their soul or their image of distinction.

## From the 14th century to the present

14th century	1365	Le Clos des Lambrays		1952	Givenchy
					Connaissance des Arts
16th century	1593	Château d'Yquem		1955	Château du Galoupet
				1957	Parfums Givenchy
18th century	1729	Ruinart		1958	Starboard Cruise Services
	1743	Moët & Chandon		1959	Chandon
	1765	Hennessy		1960	DFS
	1772	Veuve Clicquot		1969	Sephora
	1780	Chaumet		1970	Kenzo
					Cape Mentelle
19th century	1815	Ardbeg		1972	Perfumes Loewe
	1817	Cova		1974	Investir-Le Journal des Finances
	1828	Guerlain		1975	Ole Henriksen
	1832	Château Cheval Blanc		1976	Benefit Cosmetics
	1843	Krug		1976	Belmond
		Glenmorangie		1977	Newton
	1846	Loewe		1980	Hublot
	1849	Royal Van Lent		1983	Radio Classique
	1852	Le Bon Marché		1984	Marc Jacobs
	1854	Louis Vuitton			Make Up For Ever
	1858	Mercier		1985	Cloudy Bay
	1860	TAG Heuer		1988	Kenzo Parfums
		Jardin d'Acclimatation		1991	Fresh
	1865	Zenith		1992	Colgin Cellars
	1870	La Samaritaine		1993	Belvedere
	1884	Bvlgari		1998	Bodega Numanthia
	1895	Berluti		1999	Terrazas de los Andes
	1898	Rimowa			Cheval des Andes
20th century	1908	Les Echos	21st century	2004	Nicholas Kirkwood
	1914	Patou		2006	Château d'Esclans
	1916	Acqua di Parma			Maisons Cheval Blanc
	1923	La Grande Épicerie de Paris		2008	KVD Vegan Beauty
	1924	Loro Piana		2009	Maison Francis Kurkdjian
	1925	Fendi		2010	Woodinville
	1936	Dom Pérignon			Marc Jacobs Beauty
		Fred		2013	Ao Yun
	1944	Le Parisien-Aujourd'hui en France		2016	Cha Ling
	1945	Celine			Fenty Beauty by Rihanna
	1946	Christian Dior Couture		2017	Volcán De Mi Tierra
	1947	Parfums Christian Dior		2019	Fenty
		Emilio Pucci			

# FINANCIAL HIGHLIGHTS

## Key consolidated data

(EUR millions)	2020	2 019	2018 <sup>(1)</sup>
Revenue	44,651	53,670	46,826
Profit from recurring operations	8,305	11,504	10,003
Net profit	4,955	7,782	6,990
Net profit, Group share	4,702	7,171	6,354
Cash from operations before changes in working capital	13,997	16,105	11,965
Operating investments	2,478	3,294	3,038
Free operating cash flow <sup>(a)</sup>	6,117	6,167	5,452
Equity <sup>(b)</sup>	38,829	38,365	33,957
Net financial debt <sup>(c)(d)</sup>	4,241	6,206	5,487
Adjusted net financial debt/Equity ratio <sup>(d)</sup>	10.9%	16.2%	16.2%

(a) See the consolidated cash flow statement in the consolidated financial statements for definition of "Operating free cash flow".

(b) Including minority interests.

(c) Excluding "Lease liabilities" and "Purchase commitments for minority interests" included in "Other non-current liabilities".

(d) Excluding the acquisition of Belmond shares in late 2018. See Note 18.1 to the 2018 consolidated financial statements.

## Information by business group

Revenue by business group (EUR millions)	2020	2019	2018
Wines and Spirits	4,755	5,576	5,143
Fashion and Leather Goods	21,207	22,237	18,455
Perfumes and Cosmetics	5,248	6,835	6,092
Watches and Jewelry	3,356	4,405	4,123
Selective Retailing	10,155	14,791	13,646
Other activities and eliminations	(70)	(174)	(633)
<b>Total</b>	<b>44,651</b>	<b>53,670</b>	<b>46,826</b>

Change in revenue by business group (EUR millions and percentage)	2020	2019	2020-2019 Change		2018
			Published	Organic <sup>(a)</sup>	
Wines and Spirits	4,755	5,576	-15%	-14%	5,143
Fashion and Leather Goods	21,207	22,237	-5%	-3%	18,455
Perfumes and Cosmetics	5,248	6,835	-23%	-22%	6,092
Watches and Jewelry	3,356	4,405	-24%	-23%	4,123
Selective Retailing	10,155	14,791	-31%	-30%	13,646
Other activities and eliminations	(70)	(174)	-	-	(633)
<b>Total</b>	<b>44,651</b>	<b>53,670</b>	<b>-17%</b>	<b>-16%</b>	<b>46,826</b>

(a) On a constant consolidation scope and currency basis. The net impact of exchange rate fluctuations was -2% and the net impact of changes in the scope of consolidation was nil. The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 39.

Profit from recurring operations by business group (EUR millions)	2020	2019	2018
Wines and Spirits	1,388	1,729	1,629
Fashion and Leather Goods	7,188	7,344	5,943
Perfumes and Cosmetics	80	683	676
Watches and Jewelry	302	736	703
Selective Retailing	(203)	1,395	1,382
Other activities and eliminations	(450)	(383)	(330)
<b>Total</b>	<b>8,305</b>	<b>11,504</b>	<b>10,003</b>

(1) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

## Information by geographic region

Revenue by geographic region of delivery (as %)	2020	2019	2018
France	8	9	10
Europe (excl. France)	16	19	19
United States	24	24	24
Japan	7	7	7
Asia (excl. Japan)	34	30	29
Other markets	11	11	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Revenue by invoicing currency (as %)	2020	2019	2018
Euro	19	22	22
US dollar	27	29	29
Japanese yen	7	7	7
Hong Kong dollar	4	5	6
Other currencies	43	37	36
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Number of stores	2020	2019	2018
France	512	535	514
Europe (excl. France)	1,175	1,177	1,153
United States	866	829	783
Japan	428	427	422
Asia (excl. Japan)	1,514	1,453	1,289
Other markets	508	494	431
<b>Total</b>	<b>5,003</b>	<b>4,915</b>	<b>4,592</b>

## Data per share

(EUR)	2020	2019	2018
<b>Earnings per share</b>			
Basic Group share of earnings per share	9.33	14.25	12.64
Diluted Group share of earnings per share	9.32	14.23	12.61
<b>Dividend per share</b>			
Interim	2.00	2.20	2.00
Final	4.00	2.60	4.00
Gross amount paid for fiscal year <sup>(a)(b)</sup>	6.00	4.80	6.00

(a) For fiscal year 2020, amount proposed at the Shareholders' Meeting of April 15, 2021.

(b) Gross amount paid for fiscal year, excluding the impact of the tax regulations applicable to the recipient.



## EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

### Board of Directors

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Bernard Arnault  
*Chairman and Chief Executive Officer*

Antonio Belloni  
*Group Managing Director*

Antoine Arnault

Delphine Arnault

Dominique Aumont  
*Director representing the employees*

Nicolas Bazire

Marie-Véronique Belloeil-Melkin  
*Director representing the employees*

Sophie Chassat<sup>(1)</sup>

Charles de Croisset<sup>(1)</sup>  
*Lead Director*

Diego Della Valle<sup>(1)</sup>

Clara Gaymard<sup>(1)</sup>

Iris Knobloch<sup>(1)</sup>

Marie-Josée Kravis<sup>(1)</sup>

Marie-Laure Sauty de Chalon<sup>(1)</sup>

Yves-Thibault de Silguy<sup>(1)</sup>

Natacha Valla<sup>(1)</sup>

Hubert Védrine<sup>(1)</sup>

### Advisory Board members

Yann Arthus-Bertrand

Lord Powell of Bayswater

### Executive Committee

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Bernard Arnault  
*Chairman and Chief Executive Officer*

Antonio Belloni  
*Group Managing Director*

Delphine Arnault  
*Louis Vuitton Products*

Nicolas Bazire  
*Development and Acquisitions*

Pietro Beccari  
*Christian Dior Couture*

Michael Burke  
*Louis Vuitton & Tiffany*

Chantal Gaemperle  
*Human Resources and Synergies*

Andrea Guerra  
*LVMH Hospitality Excellence*

Jean-Jacques Guiony  
*Finance*

Christopher de Lapuente  
*Selective Retailing & Beauty*

Philippe Schaus  
*Wines and Spirits*

Sidney Toledano  
*Fashion Group*

Jean-Baptiste Voisin  
*Strategy*

### General Secretary

Marc-Antoine Jamet

### Performance Audit Committee

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Yves-Thibault de Silguy<sup>(1)</sup>  
*Chairman*

Charles de Croisset<sup>(1)</sup>

Clara Gaymard<sup>(1)</sup>

### Nomination and Compensation Committee

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Charles de Croisset<sup>(1)</sup>  
*Chairman*

Marie-Josée Kravis<sup>(1)</sup>

Yves-Thibault de Silguy<sup>(1)</sup>

### Ethics and Sustainable Development Committee

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Yves-Thibault de Silguy<sup>(1)</sup>  
*Chairman*

Delphine Arnault

Marie-Laure Sauty de Chalon<sup>(1)</sup>

Hubert Védrine<sup>(1)</sup>

### Statutory Auditors

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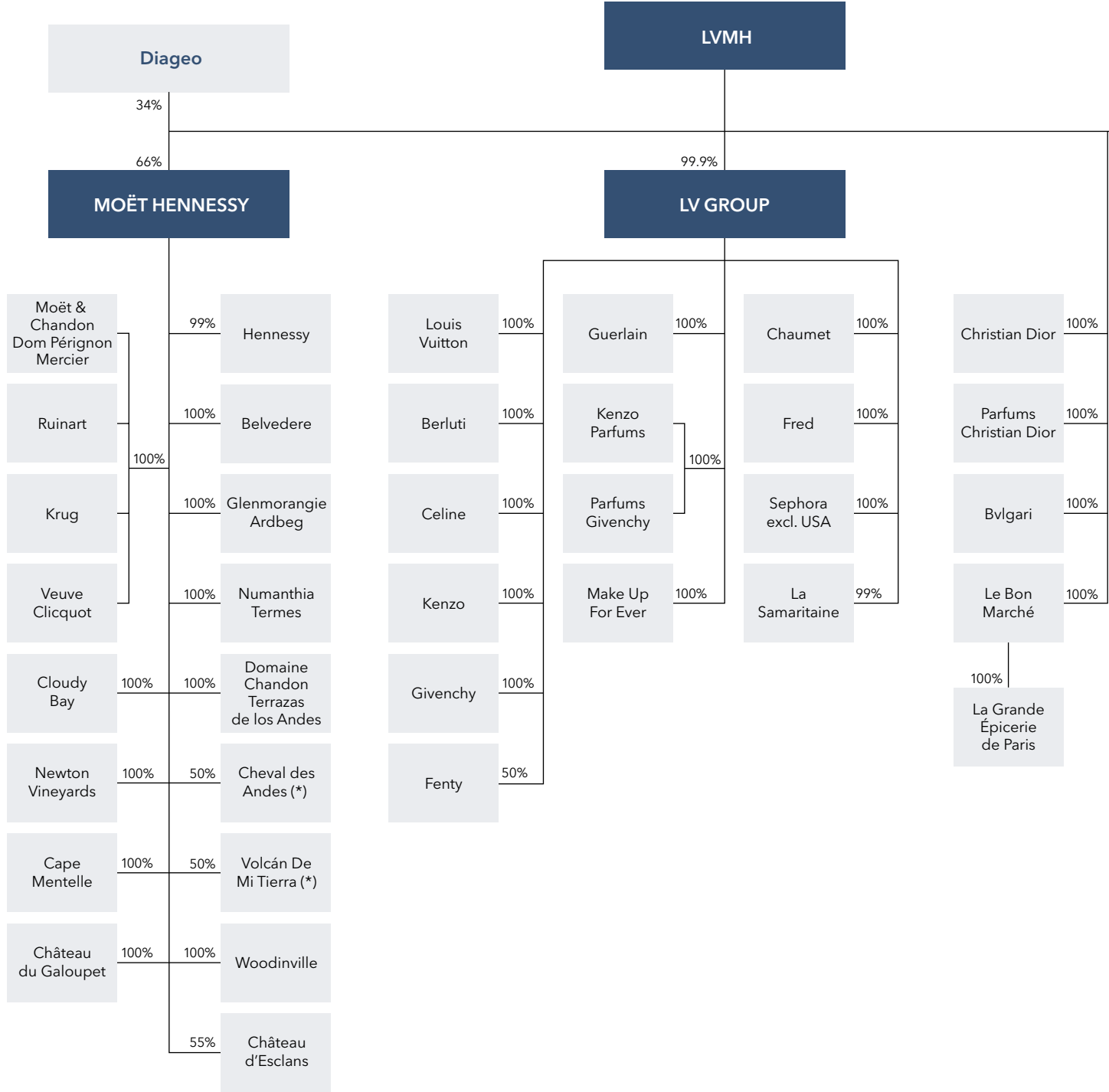
ERNST & YOUNG Audit  
*represented by Gilles Cohen  
and Patrick Vincent-Genod*

MAZARS  
*represented by Isabelle Sapet  
and Loïc Wallaert*

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(1) Independent Director.

# SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2020

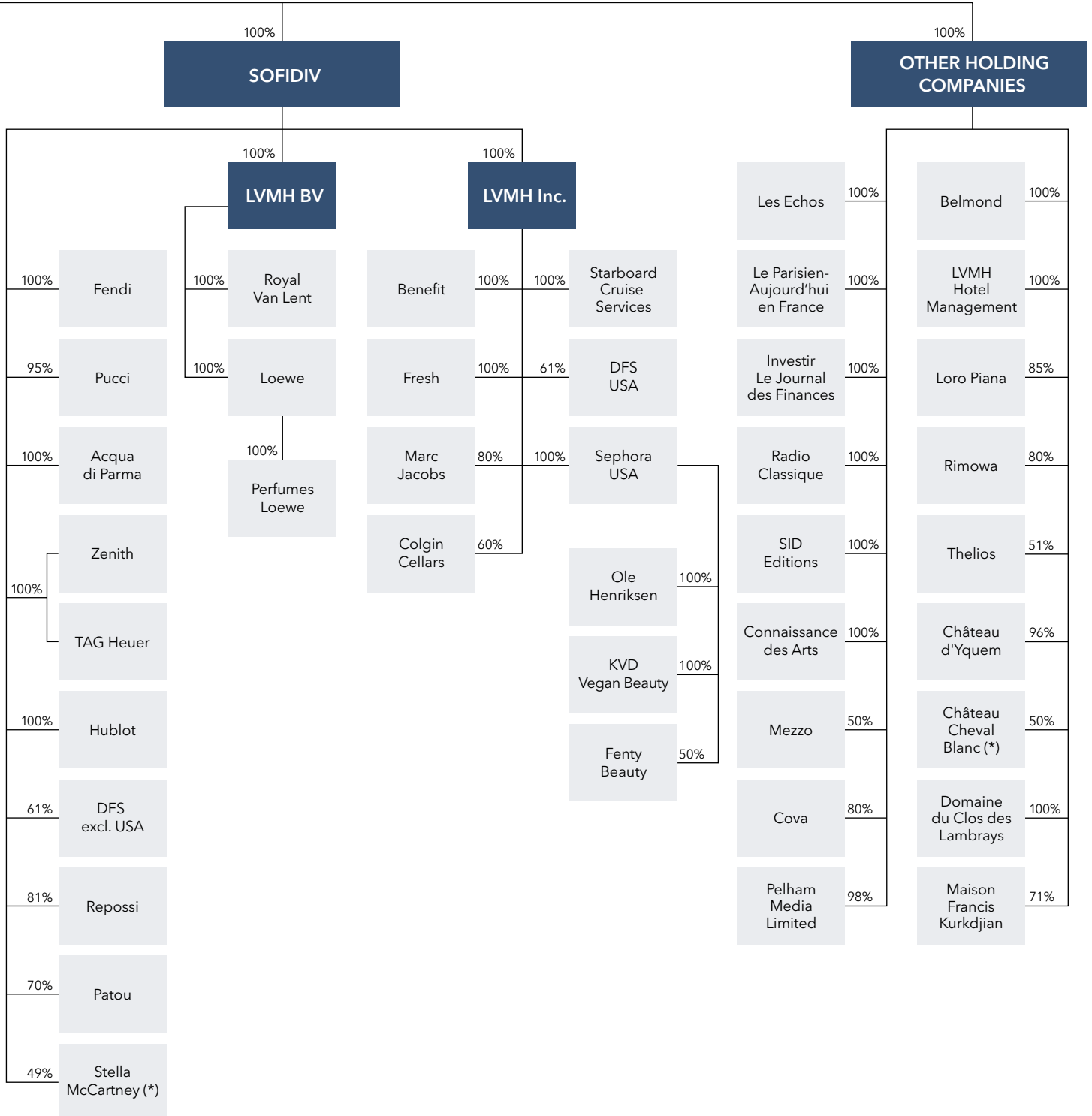


(\*) Accounted for using the equity method.



The objective of this chart is to present the direct and/or indirect control structure of brands and trade names by the Group's main holding companies. It does not provide a complete presentation of all Group shareholdings.

■ Holding companies    ■ Brands and trade names





# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## LVMH's business model

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## LVMH's business model

The LVMH group was formed from the merger of Moët Hennessy and Louis Vuitton in 1987. Bernard Arnault became the leading shareholder and Chairman and Chief Executive Officer in 1989, with the ambition of making LVMH the world leader in luxury.

Today, the LVMH group has built its leading position through a unique portfolio of 75 exceptional Maisons, operating in six business groups. Each of them creates products that combine high-level expertise with a strong heritage, drawing their

momentum from a spirit of innovation and openness to the world.

The Group helps its Maisons grow over the long term, based on respect for their specific strengths and individuality, underpinned by common values and a shared business model. LVMH provides them with all of the resources they need to grow in terms of designing, manufacturing and selectively retailing their products and services.

## 1. BUSINESS OVERVIEW

LVMH is the only group that operates simultaneously, through its Maisons, in all the following luxury sectors:

**Wines and Spirits:** Based in Champagne, Bordeaux and other renowned wine-growing regions, the LVMH group's Maisons – some of which are hundreds of years old – all have their own unique character, backed by a shared culture of excellence. The activities of LVMH in Wines and Spirits are divided between the Champagne and Wines segment and the Cognac and Spirits segment. This business group focuses on growth in high-end market segments through a powerful, agile international distribution network. LVMH is the world leader in cognac, with Hennessy, and in champagne, with an outstanding portfolio of brands and complementary product ranges. It also produces high-end still and sparkling wines from around the world.

**Fashion and Leather Goods:** LVMH includes established Maisons with their own unique heritage and more recent brands with strong potential. Whether they are part of Haute Couture or luxury fashion, LVMH's Maisons have based their success on the quality, authenticity and originality of their designs, created by talented, renowned designers. All the Group's Maisons are focused on the creativity of their collections, building on their iconic, timeless lines, achieving excellence in their retail networks and strengthening their online presence, while maintaining their identity.

**Perfumes and Cosmetics:** LVMH is a key player in the perfume, makeup and skincare sector, with a portfolio of world-famous established names as well as younger brands with a promising future. Its Perfumes and Cosmetics business group boasts exceptional momentum, driven by growing and securing the long-term future of its flagship lines as well as boldly developing new products. The Maisons cultivate their individuality, a differentiating

factor for their followers in a highly competitive global market. At the same time, they are all driven by the same values: the pursuit of excellence, creativity, innovation and complete control of their brand image.

**Watches and Jewelry:** The Maisons in Watches and Jewelry – LVMH's youngest business group – operate in the high-end watchmaking, jewelry and high jewelry sectors. It features some of the most dynamic brands on the market, positioned to complement each other's strengths. These Maisons rely on their outstanding expertise, creativity and innovation to surprise their customers all over the world and respond to their aspirations.

**Selective Retailing:** The Group's Selective Retailing brands all pursue a single objective: transforming shopping into a unique experience. From elegant interior design to a specialist selection of high-end products and services, combined with personalized relationships, customers are the focus of their attention on a daily basis. Operating all over the world, the Maisons are active in two spheres: selective retail and travel retail (selling luxury goods to international travelers).

**Other activities:** The Maisons in this business group are all ambassadors for culture and a certain *art de vivre* that is emblematic of LVMH. This approach is taken by Maisons including the Les Echos group, which – in addition to Les Echos, the leading daily financial newspaper in France – owns several business and arts titles; the Royal Van Lent shipyard, which builds and markets custom-designed yachts under the prestigious Feadship name; Belmond, which has a large portfolio of hotels, trains, cruise lines and safari lodges that combine heritage, expertise, authenticity and impeccable service; and the exceptional Cheval Blanc hotels, which operate worldwide.

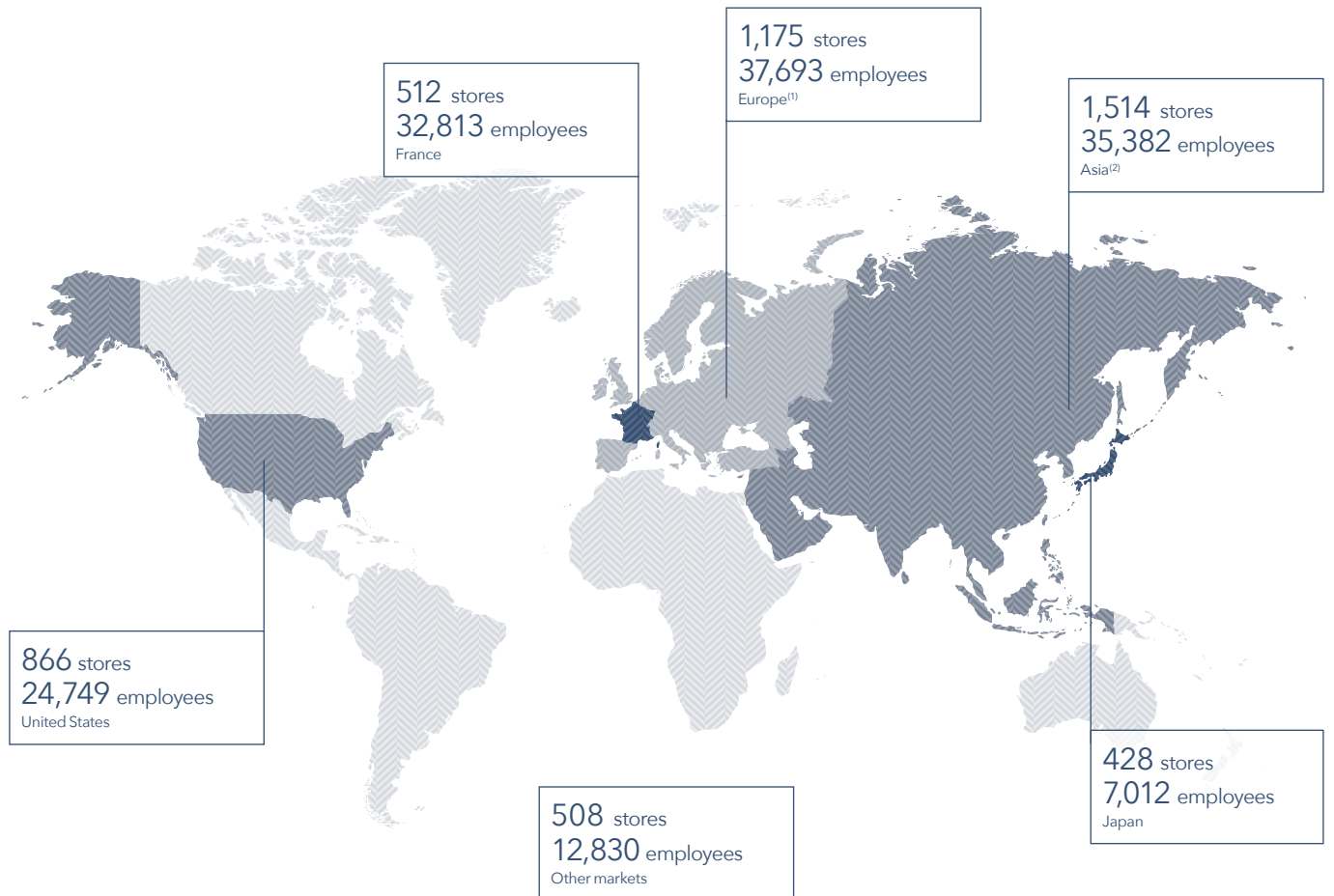
### Key figures

(as of December 31, 2020)



### Geographic presence

(as of December 31, 2020)



(1) Excluding France.

(2) Excluding Japan.

## 2. GROUP VALUES

Our Group and Maisons put heart and soul into everything they do. Our core identity is based on the fundamental values that run through our entire Group and are shared by all of us.

**Being creative and innovative:** Creativity and innovation are part of LVMH's DNA; throughout the years, they have been the keys to the Maisons' success and the basis of their solid reputations. These fundamental values of creativity and innovation are pursued in tandem by the Group's Maisons as they focus on achieving the ideal balance between continually renewing their offer while resolutely looking to the future, always respecting their unique heritage.

**Delivering excellence:** Within the Group, quality can never be compromised. Because the Maisons embody everything that is most noble and accomplished in the world of fine craftsmanship, they pay extremely close attention to detail and strive for perfection: from products to services, it is in this quest for excellence that the Group differentiates itself.

**Cultivating an entrepreneurial spirit:** The Group's agile, decentralized structure fosters efficiency and responsiveness. It encourages individuals to take initiative by giving everyone a significant level of responsibility. The entrepreneurial spirit promoted by the Group makes risk-taking easier and encourages perseverance. It requires a pragmatic approach and the ability to mobilize staff towards achieving ambitious goals.

**Taking action to make a difference:** Every action taken by the Group and its employees reflects its commitment to ethics, corporate social responsibility and respect for the environment. These commitments drive our Maisons' performance and ensure their longevity. Firmly convinced that truly desirable products can only come from sustainable businesses, we are committed to ensuring that our products and the way they are made have a positive impact on our entire ecosystem and the places we operate, and that our Group is actively working to build a better future.

## 3. OPERATING MODEL

LVMH has implemented a unique operating model based on six pillars, which contributes to the Group's long-term success by combining profitable growth, sustainability and a commitment to excellence:

**Decentralized organization:** The structure and operating principles adopted by LVMH ensure that Maisons are both autonomous and responsive. As a result, they are able to build close relationships with their customers, make fast, effective and appropriate decisions, and motivate Group employees for the long term by encouraging them to take an entrepreneurial approach.

**Internal growth:** The LVMH group prioritizes internal growth and is committed to developing its Maisons, and encouraging and protecting their creativity. Staff play a critical role in a model of this kind, so supporting them in their career and encouraging them to exceed their own expectations is essential.

**Vertical integration:** Designed to cultivate excellence both up- and downstream, vertical integration ensures control of every

stage of the value chain, from sourcing to production facilities and Selective Retailing. It also guarantees strict control of each Maison's brand image.

**Creating synergies:** Resources are pooled at Group level to create intelligent synergies while respecting each Maison's independence and autonomy. LVMH's shared strength as a Group is used to benefit each Maison individually.

**Securing expertise for the long term:** The Maisons that make up the Group cultivate a long-term vision. To protect their identity and excellence, LVMH and its Maisons have implemented numerous tools to pass on expertise and promote artisanal and creative skills in the next generation.

**Balance across business segments and geographies:** The LVMH group has the resources to sustain regular growth thanks to the balance across its business activities and a well-distributed geographic footprint. This balance means that the Group is well-positioned to withstand the impact of shifting economic factors.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Business overview, highlights and outlook

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## 1. WINES AND SPIRITS

In 2020, revenue for the Wines and Spirits business group represented 11% of the LVMH group's total revenue. Champagne and wines made up 45% of this revenue, while cognacs and spirits accounted for 55%.

### 1.1 Champagne and Wines

#### 1.1.1 Champagne and Wine brands

LVMH produces and sells a very broad range of high-quality champagnes. Beyond the Champagne region, the Group develops and distributes a range of high-end still and sparkling wines produced in nine countries spanning four continents: France, Spain, the United States (California), Argentina, Brazil, Australia, New Zealand, India and China.

Founded in 1743, **Moët & Chandon** is the Champagne region's leading wine grower, producer and exporter, renowned for its exceptional heritage and pioneering spirit. Steeped in tradition with its iconic *Moët Impérial* blend, its rosé versions the *Grand Vintage* collection, the Maison is also squarely positioned as an innovator, illustrated in particular by *Moët Ice Impérial*, the very first champagne exclusively designed to be served over ice in large glasses to reveal all its subtle nuances.

**Dom Pérignon** carries on the legacy of Dom Pierre Pérignon, the 17th-century Benedictine monk whose ambition was to make "the best wine in the world". Dom Pérignon only releases vintage champagnes. The Maison's Cellar Master has full control over the wine aging process, expressing a unique vision and a meticulously structured approach in the finished product. The wine evolves in successive phases, each one a window of expression, called *Plénitudes*. The first vintage of Dom Pérignon was produced by Moët & Chandon in 1936.

**Veuve Clicquot**, highly acclaimed for its work with Pinot Noir and its expertise in reserve wines, is currently ranked number-two in the profession. Veuve Clicquot embodies a bold, chic *art de vivre* cultivated by the Maison since it was founded in 1772. The Maison's iconic cuvées are *Brut Carte Jaune*, *Veuve Clicquot Rosé* (the first blended rosé champagne, created 200 years ago) and the prestige cuvée *La Grande Dame*, a blend based on the Maison's eight classic grands crus.

**Ruinart**, founded in 1729, is the oldest of the champagne houses. Each of its cuvées expresses the distinctive personality of Chardonnay, the Maison's dominant grape variety. **Krug**, established in 1843 and acquired by LVMH in January 1999,

is the first and only champagne house to create an exclusively prestige cuvée every year: *Krug Grande Cuvée*. **Mercier**, which was founded by Eugène Mercier in 1858, has always had the aim of creating a champagne for all occasions, which is sold mainly in the French market.

LVMH's portfolio of wines from outside the Champagne region includes a number of prestigious appellations in France, Spain, America, Asia and Oceania.

LVMH's wineries outside France are **Cloudy Bay** in New Zealand; **Cape Mentelle** in Australia; **Newton Vineyard** and the iconic **Colgin Cellars** (founded by Ann Colgin 25 years ago and acquired by LVMH in 2017) in California; **Terrazas de los Andes** and **Cheval des Andes** in Argentina; **Ao Yun** in China; and **Numanthia Termes** in Spain. The Chandon brand (created in 1959 in Argentina) includes the Moët Hennessy sparkling wines developed in California, Argentina, Brazil, Australia, India and China by Chandon Estates.

In France, since 1999 LVMH has owned **Château d'Yquem**, the most celebrated Sauternes and the only *Premier Cru Supérieur* in the 1855 classification. In 2009, the Group purchased a 50% stake in the prestigious winery **Château Cheval Blanc**, *Premier Grand Cru classé A* Saint-Émilion. In 2014, LVMH acquired **Domaine du Clos des Lambrays**, one of the oldest and most prestigious Burgundy vineyards, and Grand Cru of the Côte de Nuits. Lastly, **Château du Galoupet** (which has held the acclaimed Cru Classé des Côtes-de-Provence designation since 1955) and **Château d'Esclans** (the US market leader in Provence rosé wines, headed by Sacha Lichine) also joined the portfolio of wines in 2019.

#### 1.1.2 Competitive position

In 2020, shipments of LVMH champagne brands declined 21% in volume primarily as a result of the public health crisis and its impact on export sales, while shipments from the Champagne region as a whole were down 18% (source: CIVC). LVMH's market share decreased to 21.3% of the total shipments from the region, compared to 22.1% in 2019.

Champagne shipments, for the whole Champagne region, break down as follows:

(in millions of bottles and percentage)	2020			2019			2018		
	Sales volume		Market share (%)	Sales volume		Market share (%)	Sales volume		Market share (%)
	Region	LVMH		Region	LVMH		Region	LVMH	
France	114.0	6.8	5.9	141.3	8.7	6.1	147.5	8.7	5.9
Export	130.8	45.4	34.7	156.0	57.2	36.7	154.8	56.7	36.6
<b>Total</b>	<b>244.8</b>	<b>52.2</b>	<b>21.3</b>	<b>297.3</b>	<b>65.9</b>	<b>22.1</b>	<b>302.3</b>	<b>65.4</b>	<b>21.6</b>

(Source: Comité Interprofessionnel du Vin de Champagne - CIVC).



The geographic breakdown of LVMH champagne sales in 2020 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2020	2019	2018
Germany	5	5	5
United Kingdom	8	8	7
United States	24	20	19
Italy	4	4	4
Japan	10	11	10
Australia	4	4	5
Other	32	35	36
<b>Total export</b>	<b>87</b>	<b>87</b>	<b>87</b>
France	13	13	13
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

### 1.1.3 The champagne production method

The Champagne appellation covers a defined geographic area classified A.O.C. (*Appellation d'Origine Contrôlée*), which covers the 34,000 hectares that can be legally used for production. There are essentially three main types of grape varieties used in the production of champagne: Chardonnay, Pinot Noir and Pinot Meunier.

In addition to its effervescence, the primary characteristic of champagne is that it is the result of blending wines from different years and/or different varieties and land plots. The best brands are distinguished by their masterful blend and consistent quality, achieved thanks to the talent of their wine experts.

Weather conditions significantly influence the grape harvest from one year to the next. The production of champagne also requires aging in cellars for two years or more for premium, vintage and/or prestige cuvées. To protect themselves against crop variations and manage fluctuations in demand, but also to ensure consistent quality year after year, LVMH's champagne houses regularly adjust the quantities available for sale and keep reserve wines in stock, mainly in storage tanks. As maturation times vary, the Group constantly maintains significant champagne inventories in its cellars. An average of 229 million bottles are stored in LVMH's cellars in Champagne, equivalent to about 4 years of sales; in addition to this bottled inventory, the Group has wines still in storage tanks waiting to be drawn (equivalent to 95 million bottles), including the quality reserve withheld from sale in accordance with applicable industry rules (equivalent to 10 million bottles).

The making of champagne involves extremely rigorous processes in order to ensure absolute consistency in quality from year to

year. Moët et Chandon fully operates its Mont Aigu site, with its fermentation room, bottling line, cellars, disgorging area and packaging workshop supplementing the production capacity of Moët & Chandon's historic facilities in Epernay, which are undergoing renovation work. The historic production sites of Veuve Clicquot, Ruinart and Krug are in Reims. Veuve Clicquot pushed ahead with construction of its new "Comète" production site located in Saint-Léonard, near Reims, with the first bottling taking place in late 2020.

In order to drive innovation and develop expertise in its production processes, the Group has invested in a research and development facility in Oiry, which is open to all its Maisons.

### 1.1.4 Grape supply sources and subcontracting

The Group owns nearly 1,700 hectares under production, which provide almost 20% of its annual needs. In addition, the Group's Maisons purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 10% of total supplies for the Group's Maisons.

LVMH's champagne houses, along with their partner grape suppliers, are steadily building up their use of sustainable winegrowing practices.

Since 1996, industry agreements have established a qualitative reserve in order to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. Each year, the INAO (the French governing body for appellations of origin) sets the maximum harvest that can be made into wine and sold under the Champagne appellation, as well as the ceiling known as the PLC (*plafond limite de classement*), the quantity by which the appellation's marketable yield can be exceeded. For the 2020 harvest, the marketable yield for the Champagne appellation was set at 8,000 kg/ha provided that shipments from Champagne come to 230 million bottles, and the PLC at 7,000 kg/ha. The maximum level of the stockpiled reserve is set at 8,000 kg/ha.

The price paid for each kilogram of grapes in the 2020 harvest ranged between 5.60 euros and 6.45 euros depending on the vineyard, an average decrease of 3.9% compared to the 2019 harvest. Premiums may be paid on top of the basic price in line with the special conditions agreed under each partnership, including for sustainable winegrowing.

Dry materials (bottles, corks, etc.) and all other components of containers and packaging are purchased from non-Group suppliers. In 2020, the champagne houses used subcontractors for about 22 million euros of services, notably pressing, handling and storing bottles.

## 1.2 Cognac and Spirits

### 1.2.1 Cognac and Spirits brands

LVMH holds the most powerful brand in the cognac sector with **Hennessy**. The Company was founded by Richard Hennessy in 1765. Historically, the brand was most prominent in the Irish and British markets, but Hennessy rapidly expanded its presence in Asia, which represented nearly 30% of its shipments as early as 1925. The brand became the world cognac leader in 1890. Hennessy created *X.O (Extra Old)* in 1870, and since then it has developed a range of high-end cognac for which it is highly renowned.

In 2005, LVMH acquired **The Glenmorangie Company**, which owns the single malt whisky brands Glenmorangie, distilled in northeastern Scotland in Europe's tallest stills, and **Ardbeg**, distilled on the Isle of Islay in the southern Hebrides.

Since 2007, LVMH has owned the luxury vodka **Belvedere**, founded in 1993 in order to bring a luxury vodka for connoisseurs to the American market. It is made at the Polmos Zyrardów distillery in Poland, which was founded in 1910.

Since 2017, **Volcán De Mi Tierra** tequila, which was created in collaboration with the Mexican entrepreneur Juan Gallardo Thurlow, has been primarily available in the United States and Mexico.

The leading geographic markets for cognac, both for the industry and for LVMH, on the basis of shipments in number of bottles, excluding bulk, are as follows:

(in millions of bottles and percentage)	2020			2019			2018		
	Sales volume		Market share (%)	Sales volume		Market share (%)	Sales volume		Market share (%)
	Region	LVMH		Region	LVMH		Region	LVMH	
France	4.1	1.8	44.3	3.9	1.1	27.2	4.0	0.8	19.1
Europe (excluding France)	27.7	6.5	23.6	31.9	8.0	25.0	33.3	8.1	24.3
United States	103.0	61.1	59.3	101.9	68.7	67.4	86.9	53.6	61.6
Asia	42.8	15.7	36.8	61.1	23.5	38.5	61.9	22.9	36.9
Other markets	10.4	6.2	59.9	14.1	8.8	62.4	14.5	8.9	61.7
<b>Total</b>	<b>188.0</b>	<b>91.4</b>	<b>48.6</b>	<b>212.9</b>	<b>110.0</b>	<b>51.7</b>	<b>200.6</b>	<b>94.2</b>	<b>47.0</b>

The geographic breakdown of LVMH cognac sales, as a percentage of total sales expressed in number of bottles, is as follows:

(as %)	2020	2019	2018
United States	69	58	56
Japan	1	1	1
Asia (excluding Japan)	15	23	23
Europe (excluding France)	7	8	9
Other	8	11	11
<b>Total export</b>	<b>100</b>	<b>100</b>	<b>100</b>
France	-	-	-
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Acquired in 2017, **Woodinville Whiskey Company** – which was established in 2010 by Orlin Sorensen and Brett Carlile and is now the largest craft whiskey distillery in Washington State – completed a major production capacity expansion program in 2020.

In 2020, the Group expanded its portfolio of spirits with the launch of **Eminente**, an exceptional Cuban rum aimed at the European market.

### 1.2.2 Competitive position

In 2020, the volumes shipped from the Cognac region were down 11% from 2019 (source: *Bureau National Interprofessionnel du Cognac* – BNIC), while volumes of Hennessy shipped decreased by 17%. Hennessy's market share was 49%, compared to 52% in 2019, prior to the restatement of expected shipments to the United States (linked to the risk of import tariffs). After this restatement, Hennessy's market share improved by three points to 52% in 2020 from 49% in 2019. The Company is the world leader in cognac, with particularly strong positions in the United States and Asia.

### 1.2.3 The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 78,000 hectares, consists almost exclusively of the Ugni Blanc varietal which yields a wine that produces the best *eaux-de-vie*. This region is divided into six vineyards, each of which has its own qualities: Grande Champagne, Petite Champagne, Borderies, Fins Bois, Bons Bois and Bois Ordinaires. Hennessy selects its *eaux-de-vie* essentially from the first four vineyards, where the quality of the wines is more suitable for the preparation of its cognacs.

Charentaise distillation is unique because it takes place in two stages: a first distillation (*première chauffe*) and a second distillation (*seconde chauffe*). The *eaux-de-vie* obtained are aged in oak barrels. Cognac results from the gradual blending of *eaux-de-vie* selected on the basis of vintage, origin and age.

Hennessy – which carries out all of its production in Cognac – inaugurated a state-of-the-art bottling and packaging plant named Pont Neuf in 2017. The new plant will ultimately boost the Maison's production capacity to 10 million cases per year. The design of this 26,000-square-meter facility reduces its environmental footprint and optimizes working conditions to an extent never achieved previously.

#### 1.2.4 Supply sources for wines and cognac *eaux-de-vie* and subcontracting

Most of the cognac *eaux-de-vie* that Hennessy needs for its production are purchased from a network of approximately 1,600 independent producers, a collaboration which enables the Company to ensure that exceptional quality is preserved as part of an ambitious sustainable winegrowing policy. Hennessy directly operates about 180 hectares, providing for less than 1% of its *eaux-de-vie* needs.

Purchase prices for *eaux-de-vie* are agreed on between the Company and each producer based on supply and demand and the quality of the *eaux-de-vie*. In 2020, *eaux-de-vie* harvest prices were 1.6% above their level in the previous harvest, with this increase following on from a year of stable prices.

With an optimized inventory of *eaux-de-vie*, the Maison can manage the impact of price changes by adjusting its purchases from year to year under the contracts with its partners. Hennessy continues to control its purchase commitments and diversify its partnerships to prepare for its future growth across the various quality grades.

### 1.3 Wines and Spirits distribution

Moët Hennessy has a powerful and agile global distribution network, thanks to which the Wines and Spirits business group continues to expand the presence of its portfolio of brands in a balanced manner across all geographies. Part of this network consists of joint ventures with the Diageo spirits group<sup>(1)</sup>, governed by agreements that have been in place since 1987,

Like the Champagne and Wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers. Hennessy makes only very limited use of subcontractors for its core business: aging, blending and bottling *eaux-de-vie*.

#### 1.2.5 The vodka production method, supply sources and subcontracting

Belvedere vodka is made using only two ingredients – Polish rye and pure water – and is produced at one of Poland's oldest distilleries, which has been making vodka since 1910. Belvedere contains no additives, and is produced according to Polish laws governing vodka production, which stipulate that nothing may be added. Belvedere, an expert in rye distilling, draws upon more than 600 years of Polish tradition to produce extraordinary vodka with a distinct flavor and character. Overall, Belvedere's top raw *eaux-de-vie* supplier represents less than 35% of the Company's supplies.

#### 1.2.6 The Scotch whisky production method

As required by law to receive the Scotch whisky designation, the Glenmorangie and Ardbeg single malt whiskies are produced in Scotland from water and malted barley, fermented using yeast, and distilled and matured in Scotland for at least three years, in oak casks whose capacity may not exceed 700 liters. As single malt whiskies, they are the product of only one distillery. Glenmorangie's stills are the tallest in Scotland at 5.14 meters and allow only the lightest vapors to ascend and condense. The spirit still at Ardbeg has a unique spirit purifier. Glenmorangie whiskies are normally matured for a minimum of 10 years in very high-quality casks, while Ardbeg whiskies can be sold earlier as their uniquely peaty flavor has already developed.

which help strengthen the positions of the two groups, improve distribution control, enhance customer service and increase profitability by sharing distribution costs. This mainly involves Japan, China and France. In 2020, 24% of champagne and cognac sales were made through this channel.

(1) Diageo has a 34% stake in Moët Hennessy, which is the holding company of the LVMH group's Wines and Spirits businesses.

## 1.4 Highlights of 2020 and outlook for 2021

	2020	2019	2018
<b>Revenue (EUR millions)</b>	<b>4,755</b>	<b>5,576</b>	<b>5,143</b>
Of which: Champagne and wines	2,119	2,507	2,369
Cognac and spirits	2,636	3,069	2,774
<b>Sales volume (millions of bottles)</b>			
Champagne	52.4	64.7	64.9
Cognac	94.6	98.7	93.3
Other spirits	16.1	19.6	19.1
Still and sparkling wines	41.8	39.3	38.5
<b>Revenue by geographic region of delivery (%)</b>			
France	5	5	6
Europe (excl. France)	18	18	19
United States	41	33	32
Japan	6	7	6
Asia (excl. Japan)	19	24	23
Other markets	11	13	14
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit from recurring operations<sup>(a)</sup> (EUR millions)</b>	<b>1,388</b>	<b>1,729</b>	<b>1,629</b>
<b>Operating margin (%)</b>	<b>29.2</b>	<b>31.0</b>	<b>31.7</b>
<b>Operating investments of the period (EUR millions)</b>	<b>320</b>	<b>325</b>	<b>298</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

### Highlights

The Wines and Spirits business group drew on the strength of its portfolio of prestigious, powerful brands to maintain its robust innovative momentum and constantly enhance its customers' experiences while protecting the safety of its employees and actively supporting its partners throughout the crisis. LVMH's Maisons had to contend with the near-total disappearance of business in airports and on cruise ships; intermittent closures of restaurants, bars and night clubs; and serious difficulties faced by some of their distributors and partners. Amid this exceptionally challenging context, all of the business group's activities demonstrated great resilience and gained market share, with a decline in organic revenue limited to 14%. Additionally, strong commitments to expand sustainable winegrowing practices were made at the Vinexpo Paris trade fair in early 2020.

The champagne houses, synonymous with celebration, were hit particularly hard: organic revenue was down 17%, with volumes down 19%. Buoyed by its leading international position, **Moët & Chandon** demonstrated its resilience and recorded growth in the United States, its largest market. Markets in Europe saw a rebound at the end of the year, thanks to the success of the limited-edition "Specially Yours" series. **Dom Pérignon** was affected by the shutdown of some of its main distribution channels, namely fine restaurants, hotels and entertainment venues, as well as the cancellation of major iconic events of which the Maison is a

partner. The second half of 2020 saw the launch of *Dom Pérignon Vintage 2010*, the first vintage crafted by Vincent Chaperon, the Maison's new Cellar Master. **Veuve Clicquot** showed good resilience, especially in the United States. Since 1972, the Maison has showcased exceptional women entrepreneurs through the Bold Woman Award. The 2020 award ceremony - held virtually for the first time - recognized female business leaders who have inspired and encouraged generations of women to be bold. The iconic Japanese artist Yayoi Kusama designed a unique bottle and gift box for the Maison's latest vintage, *La Grande Dame 2012*, as an homage to the emblematic "Grande Dame of Champagne", Madame Clicquot. **Ruinart** confirmed its very strong resilience and significantly increased its market share, particularly in Europe. The Maison reaffirmed its commitment to the environment through the highly acclaimed launch of its new 100% paper "second skin" case, which is sustainably designed and plastic-free. It also demonstrated its social commitment with a range of initiatives, including its support for healthcare workers through a partnership with the "A table, les soignants!" initiative, and its new creative collaboration with British artist David Shrigley focused on protecting the planet. **Krug** confirmed its value-enhancing strategy and presented two new editions: *Krug Grande Cuvée 168<sup>e</sup> Edition* and *Krug Rosé 24<sup>e</sup> Edition*. The Maison strengthened ties with the Krug Lovers community through its "Krug Connect" immersive virtual experiences. Through its "Fonds K pour la Musique" endowment fund, the Maison continued to support a range of musical initiatives.

2020 marked the first full year of integration for **Château d'Esclans** and **Château du Galoupet**, acquired in 2019, which have strengthened Moët Hennessy's position in the growing market for high-end rosé wines. The year also saw the devastating Glass Fire in California's Napa Valley, which caused major damage to the **Newton** winery and vineyards. **Chandon** continued its expansion in its main markets and prepared for its relaunch in 2021.

**Hennessy**, the world's leading premium spirits brand by value for the second year in a row, emerged from the public health crisis in a strong position relative to its competitors, with a limited decrease in volumes. The Maison saw remarkable growth in the United States, driven mainly by its *V.S.* quality, but also by *V.S.O.P* and *Black*. Hennessy launched an initiative called "Unfinished Business" to support African-American, Latino and Asian family-owned businesses in the United States, hit particularly hard by the crisis. After the slowdown in demand observed at the beginning of the year due to the pandemic and the timing of the Chinese New Year, China showed very encouraging signs of a rebound in the second half, mainly driven by the Maison's *X.O* quality and sales to consumers, both online and in stores. Hennessy strengthened ties with its customers by opening new points of sale, such as "BLENDS by Hennessy", a concept bar on the Bund in Shanghai and a store in Sanya on the island of Hainan. A global partnership was signed with the NBA, an iconic league with which Hennessy shares the value of surpassing oneself. In 2020, the Maison also stepped up its commitment to sustainable winegrowing and transportation.

**Glenmorangie** and **Ardbeg** whiskies saw strong growth in retail sales. Their reputations in the single malt category were further cemented by winning several prestigious awards. New creations like *Ardbeg Wee Beastie* met with great success. Their distilleries continued work on expanding their production capacities, which is expected to be completed in 2021.

While **Belvedere** vodka was affected by the closure of night clubs, **Woodinville Whiskey Company** and **Volcán De Mi Tierra** continued their development, buoyed by favorable trends in the US market.

Moët Hennessy expanded its portfolio of spirits with the launch of **Eminente**, an exceptional Cuban rum aimed at the European market.

Online sales for all the Maisons saw strong growth during the lockdowns, as did those for the **Clos19** platform, which is currently available in Germany and the United Kingdom, with access to be extended to other countries in 2021.

## 2. FASHION AND LEATHER GOODS

In 2020, the Fashion and Leather Goods business group represented 47% of the total revenue of LVMH.

### 2.1 The brands of the Fashion and Leather Goods business group

In the luxury Fashion and Leather Goods sector, LVMH holds a group of brands that are primarily French, but also include Italian, Spanish, British, German and American companies.

Since 1854, **Louis Vuitton**'s success has been built on the flawless execution of its trunk-making craftsmanship, its complete control over distribution and its exceptional creative freedom, a source of perpetual renewal and innovation. By ensuring the right balance between new designs and iconic leather goods lines, between constantly perfected unique artisanal expertise and the dynamics of fashion designed in perfect symbiosis with the brand universe, the Maison is committed to surprising its customers, and making its stores inspiring. For over 150 years, its product line has continuously expanded with new models – from luggage to handbags and more – and new materials, shapes and colors. Famous for its originality and the high quality of its creations, today Louis Vuitton is the world leader in luxury goods and offers a full range of products: fine and high-end leather goods, ready-to-wear for men and women, shoes and accessories, watches, jewelry, eyewear and, since 2017, a collection of women's and men's fragrances.

**Christian Dior** was founded in 1946. Ever since its first “New Look” show, the Maison has continued to assert its vision through elegant, structured and infinitely feminine collections, becoming synonymous around the world with French luxury. Christian Dior's unique vision is conveyed today with bold inventiveness throughout the Maison's entire range, from Haute

### Outlook

In the current volatile and uncertain context, Moët Hennessy is cautiously optimistic with respect to the start of 2021 but remains confident regarding the Maisons' medium-term development prospects. Grounded in their heritage and expertise, stretching back centuries in most cases, LVMH's Wines and Spirits brands will steadfastly focus on excellence, authenticity and sustainability, which give them solid advantages in a rapidly changing business environment. In order to provide ever more varied experiences and adapt to new consumer behavior, their strong appeal will be celebrated through inspiring new collaborations with big names, bold innovations, inventive packaging and fresh marketing strategies. Moët Hennessy will continue to develop its portfolio while focusing on supporting and strengthening the transformation of its distribution, with the acceleration in e-commerce, and through targeted investments in the most promising markets. True to their long-term vision, all the Maisons aim to accentuate their sustainability commitments to protect the environment and pursue the development of innovative solutions through the “Living Soils – Living Together” program.

Couture, leather goods and ready-to-wear to footwear and accessories for both men and women as well as Watches and Jewelry. Parfums Christian Dior is included in the Perfumes and Cosmetics business group.

Founded in Rome by Adele and Edoardo Fendi in 1925, **Fendi** initially seduced its clientele of elegant Italian women, before conquering the rest of the world. Fendi has been part of the Group since 2000. Particularly well-known for its skill and creativity in furs, the brand is also present in accessories – including the iconic *Baguette* bag and the timeless *Peekaboo* – as well as ready-to-wear and footwear.

**Loewe**, the Spanish Maison founded in 1846 and acquired by LVMH in 1996, originally specialized in very high-quality leather work. Today it operates in leather goods and ready-to-wear. Perfumes Loewe is part of the Perfumes and Cosmetics business group.

**Marc Jacobs**, created in New York in 1984, is named after its founder and has been part of LVMH since 1997. Through its collections of men's and women's ready-to-wear, leather goods and shoes, it aims to be the symbol of an irreverent urban fashion movement that is culturally driven but also socially engaged.

**Celine**, founded in 1945 by Céline Vipiana and owned by LVMH since 1996, offers ready-to-wear items, leather goods, shoes and accessories.

Business overview, highlights and outlook

**Kenzo**, formed in 1970, joined the Group in 1993. Renowned for its lavish prints and vibrant colors, the Maison operates in the areas of ready-to-wear for men and women, fashion accessories and leather goods. Its perfume business is part of the Perfumes and Cosmetics business group.

**Givenchy**, founded in 1952 by Hubert de Givenchy and part of the Group since 1988, a company rooted in a tradition of excellence in Haute Couture, is also known for its collections of men and women's ready-to-wear and its fashion accessories. Parfums Givenchy are included in the Perfumes and Cosmetics business group.

**Pink Shirtmaker**, a brand formed in 1984 that joined the Group in 1999, is a recognized specialist in high-end shirts in the United Kingdom.

**Emilio Pucci**, an Italian brand founded in 1947, is a symbol of casual fashion in luxury ready-to-wear, a synonym of escape and refined leisure. Emilio Pucci joined LVMH in 2000.

## 2.2 Competitive position

In the Fashion and Leather Goods sector, the luxury market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands. LVMH's

## 2.3 Design

Working with the best designers, while respecting the spirit of each brand, is a strategic priority: the creative directors promote the Maisons' identities, and are the artisans of their creative excellence and their ability to reinvent themselves. As a means to continually renew this precious resource, LVMH has always been committed to supporting young designers and nurturing tomorrow's talent, in particular through the LVMH Prize for Young Fashion Designers, which each year honors the work of an up-and-coming designer displaying exceptional talent and outstanding creativity.

LVMH believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its Maisons. In 2020, Kim Jones succeeded Karl Lagerfeld to continue driving the success of the Rome-based fashion house alongside Silvia Fendi. Matthew M. Williams was named as

**Berluti**, an artisan bootmaker established in 1895 and held by LVMH since 1993, designs and markets very high-quality men's shoes, as well as a line of leather goods and ready-to-wear items for men.

**Loro Piana** – an Italian company founded in 1924 and held by LVMH since 2013 – creates exceptional products and fabrics, particularly from cashmere, of which it is the world's foremost processor. The brand is famous for its dedication to quality and the noblest raw materials, its unrivaled standards in design and its expert craftsmanship.

**Rimowa**, founded in Cologne in 1898, is the first German brand to be owned by LVMH. Renowned for its prestigious luggage, its products feature an iconic design and reflect its constant quest for excellence.

**Nicholas Kirkwood**, the British luxury footwear company established in 2004 and named after its founder, in which LVMH acquired a 52% stake in 2013, is famous throughout the world for its unique, innovative approach to footwear design. In 2020, LVMH disposed of its stake in this business.

brands are present all around the world, and it has established itself as one of the most international groups. All these groups compete in various product categories and geographic areas.

Creative Director of all Givenchy's women's and men's collections. In 2019, Felipe Oliveira Baptista took over as Creative Director of Kenzo, a role previously held by Humberto Leon and Carol Lim since 2011. 2018 saw four new arrivals to the Group: Virgil Abloh as Creative Director of Menswear at Louis Vuitton, with Kim Jones named to the same position at Christian Dior; Hedi Slimane as Artistic, Creative and Image Director at Celine; and Kris Van Assche as Creative Director at Berluti. Since 2016, Maria Grazia Chiuri has been the first female Creative Director of Dior's womenswear collections. At Louis Vuitton, Nicolas Ghesquière has been creating designs for women's collections in perfect symbiosis with the values and spirit of the brand since 2013. Jonathan Anderson has been Loewe's Creative Director since 2013. Marc Jacobs continues to lead the design team at the brand he founded in 1984.

## 2.4 Distribution

Controlling the distribution of its products is a core strategic priority for LVMH, particularly in luxury Fashion and Leather Goods. This control allows the Group to benefit from distribution margins, and guarantees strict control of the brand image, sales reception and environment that the brands require. It also gives the Group closer contacts with its customers so that it can better

anticipate their expectations, thereby offering them unique shopping experiences.

In order to meet these objectives, LVMH has the premier international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included more than 2,000 stores as of December 31, 2020.

## 2.5 Supply sources and subcontracting

Despite the public health crisis, Louis Vuitton continued to invest during 2020 in its production capacity in France, and it opened up a precious leather workshop in Vendôme. Including the addition of this workshop, Louis Vuitton's twenty-four leather goods workshops – seventeen in France, three in Spain, three in the United States and one in Italy – manufacture most of its leather goods products. Louis Vuitton's workshops in Italy handle all development and manufacturing processes for all types of footwear (in Fiesso d'Artico), as well as development for certain accessories (textiles, jewelry and eyewear). In Spain, Louis Vuitton's workshops also handle all leather goods accessories (belts and bracelets). Louis Vuitton uses external manufacturers only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton purchases its materials from suppliers located around the world, with whom the Maison has established partnership relationships. The supplier strategy implemented over the last few years has enabled volume, quality and innovation requirements to be met thanks to a policy of concentration and supporting the best suppliers while limiting Louis Vuitton's dependence on them. For this reason, the leading leather supplier accounts for only around 21% of Louis Vuitton's total leather supplies.

Christian Dior's production capacity and use of outsourcing vary very widely depending on the product. In leather goods, Christian Dior works with companies outside the Group to increase its production capacity and provide greater flexibility in its manufacturing processes. In ready-to-wear and high jewelry, it purchases supplies solely from non-Group businesses.

Fendi and Loewe have leather workshops in their countries of origin, and in Italy for Celine and Berluti, which cover only a portion of their production needs. Rimowa manufactures a large proportion of its products in Germany. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the brand's country of origin, France, Italy and Spain.

Loro Piana manages all stages of production, from the sourcing of natural fibers to the delivery of finished products to stores. Loro Piana procures its unique materials (Baby Cashmere from northern China and Mongolia, vicuña from the Andes, and extra-fine Merino wool from Australia and New Zealand) through exclusive partnerships with suppliers all over the world. Its exquisite textiles and products are then manufactured in Italy.

Moreover, in order to safeguard and develop the Fashion and Leather Goods companies' access to the high-quality raw materials and expertise they need, the LVMH Métiers d'Arts business segment created in 2015 invests in, and provides long-term support to, its best suppliers. In leather, for example, LVMH has worked with the Koh brothers since 2011 to develop the business of the Heng Long tannery in Singapore. Founded in 1950, it is now a leading crocodile leather tannery. In 2012, LVMH acquired Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin. In 2017, LVMH formed Thélios, a joint venture with Marcolin, combining the latter's eyewear expertise with the know-how of LVMH.

Lastly, fabric suppliers for the different Maisons are often Italian, but on a non-exclusive basis.

The designers and style departments of each Maison ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

## 2.6 Highlights of 2020 and outlook for 2021

	2020	2019	2018
<b>Revenue (EUR millions)</b>	<b>21,207</b>	<b>22,237</b>	<b>18,455</b>
<b>Revenue by geographic region of delivery (%)</b>			
France	5	8	9
Europe (excl. France)	18	23	23
United States	19	18	18
Japan	10	11	11
Asia (excl. Japan)	39	31	31
Other markets	9	9	8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Type of revenue as a percentage of total revenue (excluding Louis Vuitton and Christian Dior Couture)</b>			
Retail	74	71	67
Wholesale	25	28	32
Licenses	1	1	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit from recurring operations<sup>(a)</sup> (EUR millions)</b>	<b>7,188</b>	<b>7,344</b>	<b>5,943</b>
<b>Operating margin (%)</b>	<b>33.9</b>	<b>33.0</b>	<b>32.2</b>
<b>Operating investments of the period (EUR millions)</b>	<b>827</b>	<b>1,199</b>	<b>827</b>
<b>Number of stores</b>	<b>2,007</b>	<b>2,002</b>	<b>1,852</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

### Highlights

Amid the challenging conditions of a year marked by the closure of stores for several months, thanks to their highly committed staff all of our Maisons were able to continue mobilizing their creative resources, enriching their collections and building up their digital presence. While tightening their management in response to the impact of the public health crisis, our iconic brands benefited from their solid positions and exceptional appeal. The second half of the year saw a strong upturn in activity, with double-digit organic revenue growth. Several initiatives contributed to the collective effort to combat the pandemic.

**Louis Vuitton** continued to be driven by its exceptional momentum and creativity, with the art of innovating in all its businesses and offering its customers a unique experience. During this unprecedented period, Louis Vuitton was able to very quickly transform and boost its customer relationships with a high-quality and highly effective digital service strategy. Numerous innovations were unveiled throughout the year: in leather goods, the contemporary yet timeless *Pont 9* leather model; the summery, colorful *Escale* collection; the *Since 1854*

Jacquard canvas, inspired by the Maison's heritage; and the iconic *Capucines* bag, reinterpreted by six major contemporary artists. The new collections were presented at fashion shows featuring novel formats: inside the freshly renovated, mythical building of La Samaritaine in Paris for Nicolas Ghesquière's Spring/Summer Women's show; and on a roving journey from Paris to Tokyo via Shanghai and Miami for Virgil Abloh's Men's show. The year also saw the launch of the *Stellar Times* line in high jewelry and *LV Volt* in fine jewelry, as well as the discovery of two exceptionally rare diamonds, called Sewelô and Sethunya. Flagship store openings included the Louis Vuitton Maison Osaka Midosuji, the result of a collaboration between architects Jun Aoki and Peter Marino, reflecting the atmosphere of the city of Osaka and reaffirming Louis Vuitton's ties with Japan. True to the Maison's values, the new "Towards a Dream" marketing campaign was launched, inviting travelers to discover Iceland. During the public health crisis, thanks to its highly committed craftspeople who stepped forward and volunteered, Louis Vuitton mobilized a number of its workshops in France to make protective masks and gowns for healthcare providers. Louis Vuitton also further expanded its production capacity by opening a new workshop in Vendôme, France, and maintained its commitment to high-quality, sustainable craftsmanship dedicated to responsible design.

**Christian Dior Couture** showed remarkable momentum and gained market share in all regions thanks to its immense appeal. Sales to local customers rose sharply. The iconic *Lady Dior* bag was revisited by ten artists from around the world, and the first women's loungewear line, Dior Chez Moi, was very well received. Limited editions designed through a number of creative collaborations were launched, including the *Air Dior* sneaker, which was a major success. A number of fashion shows featuring inspiring decor paid tribute to figures from the world of art and fashion. A host of events and cultural activities were held during the second half of the year: Kim Jones teamed up with Ghanaian artist Amoako Bofo for his Spring/Summer Men's collection, followed by a colorful and joyful collaboration with American artist Kenny Scharf for his Fall collection, unveiled simultaneously in December in Beijing and around the world; in Lecce, Italy, the ancestral skills of local craftspeople and artists were honored in Maria Grazia Chiuri's 2021 Cruise show; and a poetic film was released, following the mythical voyage of a trunk filled with Haute Couture dresses inspired by the post-war era. A new flagship store was inaugurated on Rue Saint-Honoré in Paris and two major stores opened in China. On the heels of its success in Paris and London, the *Christian Dior: Designer of Dreams* exhibition made a stopover in Osaka before heading to Shanghai, attracting more than 200,000 visitors. Dior launched its "Dior Talks" podcasts in 2020, featuring conversations with inspiring individuals on art, culture and society. In response to the public health emergency, Maison employees volunteered using the Baby Dior workshop in Redon to produce masks for front-line workers, and workshops in Italy made gowns for hospital staff.



**Fendi** demonstrated great resilience. Following the major impact of the pandemic at the beginning of the year, in the second half of the year the Maison saw remarkable growth in China and in online sales, and continued to gain market share in South Korea and North America. The FENDI ROMA holiday capsule collection, inspired by the Maison's iconic packaging, was a major success. Active support was provided in the fight against the pandemic through donations, particularly to the Lombardy region, but also by activating its network of suppliers to produce protective masks and gowns for the Tuscany and Lazio regions, and for hospitals in Bergamo. Launched in Rome in June as a celebration of summer, Fendi continued its collaboration with the music world through the Anima Mundi project, featuring performances by renowned artists in Shanghai, Tokyo, Seoul and, soon, New York. The Hand in Hand project, in collaboration with 20 craftspeople in each of Italy's 20 regions, showcased local expertise and traditional skills by reinterpreting the iconic *Baguette* bag.

**Loro Piana** opened its new flagship store in Tokyo's Ginza district, where an immersive sensory journey called "An Odyssey of Touch" took its customers on a tour of the Maison's history, the excellence of its raw materials and the quality of its products. The new "Somewhere in Loro Piana" marketing campaign was rolled out, targeting an increasingly young clientele. A customization service was expanded to include new product categories.

**Celine** saw a strong recovery in the second half of the year, buoyed by its clientele in Asia. The Maison continued to develop its Women's Ready-to-Wear collections designed by Hedi Slimane, which enjoyed growing success. In leather goods, the *Triomphe* line received an excellent welcome. The year was marked by rapid advances in digital, including the launch of an e-commerce mini-program on the WeChat platform in China, and the rollout of its e-commerce site in some twenty countries.

**Loewe** showed good resilience and high adaptability. Under the impetus of its Creative Director Jonathan W. Anderson, the Maison continued to pursue its sustained pace of innovation and an active marketing strategy. Its highly original "Show-in-a-Box" and "Show-on-the-Wall" fashion show concepts received unanimous praise from the press and the Maison's customers. The fourth edition of the *Paula's Ibiza* collection was launched, enhanced by a fragrance and a *Loewe X Smiley* capsule collection. A new flagship store opened on Rue Saint-Honoré in Paris.

**Givenchy** announced the arrival of the Maison's new Creative Director Matthew M. Williams, a 2016 finalist for the LVMH Prize for Young Fashion Designers. Hardware – the designer's signature – featured prominently in his first collections, and the iconic *Antigona* bag celebrated its 10th anniversary.

A highlight for **Kenzo** was the first Men's and Women's shows by Felipe Oliveira Baptista, which received unanimous acclaim from the fashion world. These collections marked a new chapter

in the interpretation of the Maison's values and the legacy of its visionary founder, Kenzo Takada, who passed away in 2020, a beacon of creativity, color and freedom.

**Berluti** expanded its offering with the new *Signature* canvas, featuring the Scritto motif, inspired by an 18th-century manuscript. To commemorate its 125th anniversary, the Maison reinterpreted the iconic *Andy* model in a Penny Loafer version designed in collaboration with the Monnaie de Paris (Paris Mint). Its New York flagship store's move to 57th Street marked the end of the year. Its online store, launched in Europe, the United States and Japan, saw rapid growth.

Amidst the closure of its three production sites for several months and the suspension of international travel, **Rimowa** illustrated its drive for innovation and its spirit of resilience by reimagining travel. The new *Personal* line of cross-body cases was launched in several colors, and the *Never Still* collection of multi-use soft bags was unveiled.

**Marc Jacobs** continued to develop its core *Snapshot* and *Traveler* lines. A new *Heaven* collection was launched, offering a highly diverse ensemble of designs. The Maison reinforced its online presence, particularly in China.

## Outlook

In an environment that remains uncertain, LVMH's Maisons can count on their highly committed, responsive staff to unleash their creativity and build on their values of quality and sustainability, while maintaining their efforts to adapt to the economic situation. Focusing on their priorities, they will be well positioned to take advantage of a solid recovery, when it arrives, and regain strong momentum in the medium term. Driven by its talented designers and craftspeople, **Louis Vuitton** will continue to enrich its offering and invest in its distribution network. Future developments will fit within the Maison's steadfast aim of infusing its exceptional heritage with the best of modernity, providing each customer with an exceptional experience in its stores and online. **Christian Dior Couture** aims to continue its sustained growth. Among the highlights of the year, the House of Dior's historic location at 30 Avenue Montaigne is set to reopen its doors. **Fendi** will present the first Women's Couture and Ready-to-Wear collections under the leadership of its new Creative Director Kim Jones. The success of its iconic *Peekaboo* and *Baguette* bags will be a key growth driver for the Maison. The store network will continue to grow, with openings slated in Sydney, Milan and Doha, along with numerous plans under way in several cities in China. **Loro Piana** will add to its lines of leather goods and clothing made with sumptuous materials. **Celine** will hold virtual shows designed and filmed by Hedi Slimane. **Loewe** will continue to innovate with Jonathan Anderson. The e-commerce site will expand to new markets.

### 3. PERFUMES AND COSMETICS

In 2020, the Perfumes and Cosmetics business group posted revenue of 5,248 million euros, representing 12% of LVMH's total revenue.

#### 3.1 The brands of the Perfumes and Cosmetics business group

**Parfums Christian Dior** – which was born in 1947, the year Christian Dior held his first fashion show – introduced the revolutionary concept of “total beauty” with the launch of *Miss Dior* perfume, followed by makeup with *Rouge Dior* lipstick in 1953 and Dior's first line of skincare products in 1973. Today, Parfums Christian Dior allocates 1.8% of its revenue to research and is on the cutting edge of innovation. Today, Dior's perfumer François Demachy and Creative Director for makeup Peter Philips are building on Christian Dior's rich heritage and legacy by combining bold vision and unique expertise, in harmony with the Maison's couture collections.

**Guerlain**, founded in 1828 by Pierre-François-Pascal Guerlain, has created more than 700 perfumes since its inception, and enjoys an exceptional brand image in the world of perfume. Heir to an olfactory repository of more than 1,100 fragrances, the Maison's perfumer Thierry Wasser travels the world today in search of the most exclusive raw materials. His spirit of daring is shared by Olivier Echaudemaison, Creative Director for makeup, who works to reveal and exalt the beauty of women. The Maison's iconic perfumes include *Mon Guerlain*, *La Petite Robe Noire* and *Shalimar*.

Founded in 1957, **Parfums Givenchy** continues to honor the values of its founder, Hubert de Givenchy, through its perfumes, makeup and skincare products. From *L'Interdit* to *Givenchy Gentleman*, the Maison's fragrances embody Givenchy's unique vision. Inspired by the avant-garde spirit and sensual aura of the fashion house's couture collections, Nicolas Degennes, Givenchy's Creative Director for makeup, has perpetuated the label's singular inventiveness since 1999.

The first women's fragrance by **Kenzo Parfums** was released in 1988. Kenzo Parfums went on to create a series of fragrances whose unique and offbeat spirit has made its mark on the world of perfume, including *Flower by Kenzo*, *L'eau Kenzo*, and *Kenzo Homme*.

**Benefit Cosmetics**, founded in San Francisco in 1976 by twins Jean and Jane Ford, joined LVMH in late 1999. Benefit has forged its own distinctive identity among cosmetics brands, thanks to the relevance and effectiveness of its products, bursting on

the scene with playful, plucky names, creative packaging, and custom services.

**Fresh**, which started out in 1991 as a humble apothecary shop, joined LVMH in September 2000. Remaining true to its roots by using natural ingredients like sugar, the Maison continues to develop its unique approach combining innovative ingredients with time-honored techniques to transform everyday routines into holistic sensorial experiences.

**Perfumes Loewe** introduced its first perfume in 1972. Perfumes Loewe embodies the quintessentially Spanish spirit: elegant, refined, strong and unpredictable, with floral, woody and lemony essences.

**Make Up For Ever**, which was created in 1984 and joined LVMH in 1999, is a professional makeup brand with an innovative range of exceptional products designed for stage actors and other performers, makeup artists, and makeup lovers around the world.

Founded in Parma in 1916, **Acqua di Parma** was acquired by LVMH in 2001. Through its fragrances and beauty products imbued with elegance, Acqua di Parma – synonymous with Italian excellence and fine living – embodies discreet luxury.

**Kendo** is a cosmetics brand incubator set up in 2010, which now houses six brands: KVD Vegan Beauty, Marc Jacobs Beauty, Ole Henriksen, Bite Beauty, Fenty Beauty by Rihanna, which was launched in 2017, and Fenty Skin, launched in 2020. These brands are primarily distributed by Sephora, as well as increasingly via the Brands' own sites.

**Maison Francis Kurkdjian** was founded in 2009 by the renowned perfumer to explore new territories for perfume by creating custom fragrances for his private clientele and by collaborating with artists for installation projects involving scents. This acquisition, which was completed in 2017, has established the LVMH group in the fast-growing field of niche perfumes.

**Patou**, acquired by the Group in 2017, was founded by Jean Patou in 1914. The Maison, which became an iconic fashion label, went on to be run by a succession of designers including Marc Bohan, Karl Lagerfeld, Jean-Paul Gaultier and Christian Lacroix.

#### 3.2 Competitive position

Globally, the LVMH group's brands were affected by the downturn in the market, but they maintained their position.

### 3.3 Research

Innovation and the constant quest for performance have always been essential to the DNA of all the Group's Perfumes and Cosmetics brands. The Group's brands have pooled their resources in research and development since 1997, with a joint center in Saint-Jean-de-Braye (France), at the industrial site of Parfums Christian Dior. With the opening several years ago of Hélios, its new R&D facility, LVMH Recherche has been able to expand its activities under optimal conditions and become more involved in ambitious scientific projects. About 425 researchers work at LVMH, located at the heart of Cosmetic Valley (including 341 at the Hélios site in Saint-Jean-de-Braye), in over 20 key fields requiring cutting-edge expertise, such as

molecular and cell biology, dermatology, and ethnobotany. The second-largest cosmetics research center in France, its team consists of researchers, biologists and formulation scientists who work closely with colleagues at the world's most prestigious universities. Three other innovation centers – in Japan, China and South Korea – focus on research to meet the specific needs of Asian women. Thanks to their knowledge of cell mechanisms, researchers at Hélios have discovered biological targets that promote beautiful, youthful skin: protection of skin stem cells, aquaporins to provide long-lasting hydration, and skin detoxification mechanisms, to name a few. More than 230 patents have been granted in recognition of their scientific innovations.

### 3.4 Manufacturing, supply sources and subcontracting

The five French production centers of Guerlain, Parfums Christian Dior and LVMH Fragrance Brands meet almost all the manufacturing needs of the four major French brands, including Kenzo Parfums, in fragrances as well as makeup and beauty products. Make Up For Ever also has manufacturing capacities in France. Benefit, Perfumes Loewe and Fresh have some of their products manufactured by the Group's other brands, with the remainder subcontracted externally.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used to create the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

Most product formulas are developed at the LVMH Recherche laboratories in Saint-Jean-de-Braye (France), but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

### 3.5 Distribution and communication

The presence of a broad spectrum of brands within the business group generates synergies and represents a market force. The volume effect means that advertising space can be purchased at competitive rates, and better locations can be negotiated in department stores. The use of shared services by subsidiaries increases the effectiveness of support functions for worldwide distribution and facilitates the expansion of the newest brands. These economies of scale permit larger investments in design and advertising, two key factors for success in Perfumes and Cosmetics.

Excellence in retailing is key to the Group's Perfumes and Cosmetics Maisons. It requires expertise and attentiveness from beauty consultants, as well as innovation at points of sale. The Group's Perfumes and Cosmetics brand products are sold mainly through "selective retailing" channels (as opposed to mass-market retailers and drugstores), although certain brands also sell their products in their own stores.

Parfums Christian Dior mainly distributes its products to selective retail chains, such as Sephora, and department stores. Guerlain's products are distributed through its network of directly operated

stores, supplemented by a network of partner retail outlets. In addition, its unique expertise is showcased in its boutiques, which immerse customers in the Maison's entrancing universe. In addition to sales through its 79 exclusive boutiques around the world, Benefit currently retails in some 50 countries worldwide. Make Up For Ever products are sold through exclusive boutiques around the world, and through a number of Selective Retailing circuits, particularly in France, Europe and the United States (markets developed in partnership with Sephora), as well as in China, South Korea and the Middle East. Now based in Milan, Acqua di Parma relies on an exclusive retailing network, including its directly operated stores. The Kendo brands are primarily distributed by Sephora, as well as increasingly by their own sites.

To meet the expectations of younger generations, who are looking for originality, as well as demand for a connected in-store and online experience, all brands are accelerating the implementation of their online sales platforms and stepping up their digital content initiatives. Our brands are actively incorporating digital tools to enhance the customer experience and attract new consumers.

### 3.6 Highlights of 2020 and outlook for 2021

	2020	2019	2018
<b>Revenue (EUR millions)</b>	<b>5,248</b>	<b>6,835</b>	<b>6,092</b>
<b>Revenue by geographic region of delivery (%)</b>			
France	9	10	11
Europe (excl. France)	18	20	22
United States	14	15	16
Japan	5	5	5
Asia (excl. Japan)	45	40	35
Other markets	9	10	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit from recurring operations<sup>(a)</sup> (EUR millions)</b>	<b>80</b>	<b>683</b>	<b>676</b>
<b>Operating margin (%)</b>	<b>1.5</b>	<b>10.0</b>	<b>11.1</b>
<b>Operating investments of the period (EUR millions)</b>	<b>280</b>	<b>378</b>	<b>330</b>
<b>Number of stores</b>	<b>434</b>	<b>426</b>	<b>354</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

#### Highlights

LVMH's major Perfumes and Cosmetics brands demonstrated their resilience in a sector affected by the decline in spending by international travelers and in makeup sales overall, partially offset by stronger results for skincare products. All of the Maisons saw rapid growth in online sales. Combining rigorous management with their strong drive for innovation, they also showed their support in the collective fight against the pandemic. In France in particular, thanks to a large number of employee volunteers, Parfums Christian Dior, Guerlain and Parfums Givenchy were able to adapt the operations of their production units to manufacture large quantities of hand sanitizer, which we donated to hospitals.

**Parfums Christian Dior** showed good resilience, buoyed by its iconic lines and the strength of its innovations, amidst shutdowns and significant slowdowns in its manufacturing and sales activity for part of the first half of the year. Business improved gradually in the second half, with a notable acceleration in the fourth quarter, especially in China, the United States, Japan and the Middle East. The successful worldwide launches of *Miss Dior Rose N'Roses*, the new *Infinissime* version of *Jadore* and the new *Dior Homme*, as well as the launch in China of the new *Rouge Dior* lipstick, all attest to the Maison's excellence and creativity. The *Maison Christian Dior* collection of exceptional fragrances performed very well. Other lines built further momentum, particularly the men's fragrance *Sauvage* as well as the *Forever* foundation and its new concealer. Major breakthroughs in skincare included the January launch of *Capture*, which epitomizes the scientific rigor of LVMH's research and innovation center as well as the sensory expertise that characterizes its formulas,

while *Dior Prestige*, *Micro-Lotion de Rose* and *Micro-Huile de Rose* continued their strong development, particularly in Asia. The Maison saw a considerable uptick in online sales, especially in China. A number of digital initiatives were pursued, expanding its customer base and offering a unique brand experience. The expansion of its network of stores in Asia and the Middle East helped drive growth in direct sales to customers.

**Guerlain** demonstrated good resilience and strong responsiveness. Skincare turned in excellent results, notably in China, where the Maison ramped up its development and gained market share. The *Abeille Royale* and *Orchidée Impériale* lines - firmly backed by Guerlain's commitment to biodiversity and sustainable innovation - continued to see exceptional growth. In fragrances, the *Aqua Allegoria* collection achieved solid gains, as did the Maison's Haute Parfumerie collections, illustrating the excellence and creative virtuosity that have built its renown. In makeup, the exceptional rejuvenating foundation *Parure Gold* held its positions, particularly in Asia. The year also saw a number of breathtaking displays and installations at stores paying tribute to the Maison, in connection with its Bee Garden pop-ups and the year-end holidays. Guerlain's long-standing "In the Name of Beauty" sustainability program was reaffirmed with the introduction of a sustainable design approach and a number of bee protection initiatives, including Women for Bees, a partnership with UNESCO aimed at training women to become beekeepers and developing new beekeeping supply chains at UNESCO's biosphere reserves around the world.

**Parfums Givenchy** delivered a strong performance in China, thanks in particular to its iconic *Prisme Libre* line. Its fragrance *L'Interdit* continued to gain market share in Europe, and especially in France. **Benefit** was hampered by the limited availability of its services due to closures of its points of sale. Nevertheless, the Maison saw strong momentum in its online sales and the successful addition of the *Microfilling Pen* to its brow collection, an area in which the brand further consolidated its global leadership position. **Fresh** actively developed its digital marketing campaigns and its online sales, particularly in China. Its premium *Crème Ancienne* line proved extremely popular and its *Kombucha Facial Treatment Essence* continued to enchant customers. **Make Up For Ever** successfully launched its new *Rouge Artist* lipstick, co-designed with the Maison's star makeup artists. Its innovative formula and unique look made it one of the brand's new icons. **Fenty Beauty** maintained its appeal as a premier makeup brand. **Fenty Skin**, which launched exclusively online, generated unprecedented buzz during the pandemic. At **Parfums Kenzo**, the *Flower by Kenzo* line celebrated its 20th anniversary with the launch of *Poppy Bouquet*. The Maison has partnered with the Louvre to create floral compositions in the Tuileries Gardens in Paris each spring and summer until 2023. **Maison Francis Kurkdjian** saw its growth accelerate, due in particular to the success of its new fragrance *L'Homme À la rose*, which upends received notions of masculinity. **Perfumes Loewe's** performance was driven by solid momentum in China, the success of its *Paula's Ibiza* fragrance and the launch of *Home Scents*, a collection of home fragrances created with Jonathan Anderson. **Acqua di Parma**

opened new stores in China and launched its first eau de cologne made with 99% natural ingredients, *Colonia Futura*. The Maison actively supported the fight against Covid-19 in Italy through its #StayHome campaign. **Ole Henriksen** expanded its footprint in Europe and the Middle East and added a serum to its flagship *Banana Bright* line.

### Outlook

In an environment that remains uncertain, LVMH's Maisons will remain vigilant in light of the economic situation, reaffirm their fundamentals and focus their efforts on their strategic development priorities: innovation, utmost quality in their products, the constant pursuit of excellence and selectivity in distribution, and developing their digital presence. **Parfums Christian Dior** will maintain its strong innovative momentum across all of its product categories while continuing to expand its global reach and further raise the bar for creativity and excellence. Fragrances will be the focus of particular attention, with the ongoing development of its iconic lines, combined with a unique customer experience both in stores and online. Building on the Maison's couture spirit, makeup will undergo a robust innovation program and upmarket strategy. Skincare will continue to make

strong advances, with an emphasis on premium lines, particularly in China. **Guerlain** will expand further internationally, in particular by raising its profile in China, Japan, the Middle East, and in travel retail once business activities resume. The Maison will focus on developing its core lines, which will be enriched with bold new creations. Guerlain will showcase its position as a Maison at the forefront of high perfumery and luxury cosmetics by rolling out a new store concept and a more selective distribution strategy.

At **Parfums Givenchy**, *Le Soir Noir* will return to center stage, while **Acqua di Parma** will pay tribute to its long-standing expertise in fragrance extraction with the launch of *Bergamotto La Spugnatura*. **Benefit** will unveil a number of innovations, including the worldwide launch of *They're Real! Magnet* mascara. **Fresh** will reaffirm its expertise through an even more effective serum. **Make Up For Ever** will roll out original initiatives, in particular in foundation and the customer experience, both digital and in-store. **Maison Francis Kurkdjian** will continue to pursue the highly selective growth of its distribution. **Parfums Loewe** will expand the distribution of its *Home Scents*, accompanied by a series of special events.

## 4. WATCHES AND JEWELRY

In 2020, the Watches and Jewelry business group represented 7% of the total revenue of LVMH.

### 4.1 The brands of the Watches and Jewelry business group

**TAG Heuer**, a pioneer of Swiss watchmaking since 1860, which was acquired by LVMH in November 1999, combines innovative technology with the ultimate in precision timekeeping and avant-garde designs to create extremely accurate watches. Its most coveted traditional and automatic watches and chronographs are the *Carrera*, *Aquanacer*, *Formula 1*, *Link* and *Monaco* lines. In 2010, TAG Heuer launched the first automatic movement developed and built in-house, followed, in 2015, by the launch of a smartwatch.

**Hublot**, founded in 1980 and part of the LVMH group since 2008, has always been an innovative brand, creating the first watch in the industry's history fitted with a natural rubber strap. Relying on a team of top-flight watchmakers, the brand is widely renowned for its original concept combining noble materials with state-of-the-art technology and for its iconic *Big Bang* model launched in 2005. Along with the many versions of this model, Hublot has launched the *Classic Fusion* and the more recent *Spirit of Big Bang* lines.

**Zenith** (founded in 1865 and established in Le Locle near the Swiss Jura region) joined LVMH in November 1999. Zenith belongs to the very select group of watch movement manufactures. In the watchmaking sector, the term "manufacture" designates a company that provides the entire design and manufacturing of

mechanical movements. The two master movements of Zenith, the chronograph *El Primero* and the extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand.

**Bulgari**, founded in 1884, stands for creativity and excellence worldwide and is universally recognized as one of the major players in its sector. The long-celebrated Italian brand occupies a strong leadership position in jewelry, with an outstanding reputation for its expertise in combining colored gemstones and watches, while also playing an important role in the fragrance and accessories segments. Iconic lines include *Serpenti*, *B.Zero1*, *Diva* and *Octo*.

**Chaumet**, a jeweler established in 1780, has maintained its prestigious expertise, which is reflected in all its designs, from high jewelry and fine jewelry to watch collections. Its major lines are *Joséphine* and *Liens*. The LVMH group acquired Chaumet in 1999.

**Fred**, founded in 1936 and part of the LVMH group since 1995, is present in high jewelry, fine jewelry and watchmaking. Since joining the Group, Fred has completely revamped its design, image and distribution. This revival can be seen in the bold, contemporary style exemplified by the brand's iconic *Force 10* line.

## 4.2 Competitive position

The jewelry market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands from many different countries. LVMH's brands are

## 4.3 Distribution

The business group, which enjoys a strong international presence, has reaped the benefits of its excellent coordination and pooling of administrative, sales and marketing teams. A worldwide network of after-sale multi-brand services has been gradually put in place to improve customer satisfaction. LVMH Watches and Jewelry has a territorial organization that covers all European markets, the American continent, northern Asia, Japan, and the Asia-Pacific region.

This business group is focusing on the quality and productivity of its retail networks and is also developing its online sales. It selects

## 4.4 Supply sources and subcontracting

In watchmaking, manufacturing has been coordinated through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers. In jewelry, centralized checking has been introduced for diamonds, alongside technical cooperation between brands for the development of new products.

At its Swiss workshops and manufacturing centers, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Tramelan, Le Sentier, Chevenez and Nyon, the Group assembles a substantial proportion of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bvlgari, Montres Dior, Chaumet and Fred brands; it also designs and manufactures mechanical movements such as *El Primero* and *Elite* by Zenith, *Heuer 01* by TAG Heuer, *UNICO* by Hublot and *Solotempo* by Bvlgari; and it manufactures some critical components such as dials, cases and straps. Zenith's

present all around the world, and it has established itself as one of the international leaders.

multi-brand retailers very carefully and builds partnerships so that retailers become genuine brand ambassadors when interacting with end-customers. In an equally selective approach, the Maisons also continue to refurbish and open their own directly operated stores in buoyant markets in key cities.

The Watches and Jewelry brands' directly operated store network comprised 471 stores as of year-end 2020 at prestigious locations in the world's largest cities. The Watches and Jewelry business group also developed a network of franchises.

manufacturing facility in Le Locle underwent a major renovation in 2012. In 2013, TAG Heuer inaugurated a new movement manufacturing facility in Chevenez, and in 2015 Hublot opened a second one at its Nyon site.

Bvlgari opened a jewelry manufacturing facility in Valenza, Italy, at the end of 2016, and in 2019 inaugurated a new watch casing manufacturing facility in the Jura canton of Switzerland. It also operates a high jewelry workshop in Rome.

Overall, for the Group's Watches and Jewelry operations, subcontracting accounted for around 15% of the cost of sales in 2020.

Even though the Watches and Jewelry group can sometimes use third parties to design its models, they are most often designed in its own studios.

## 4.5 Highlights of 2020 and outlook for 2021

	2020	2019	2018
<b>Revenue (EUR millions)</b>	<b>3,356</b>	<b>4,405</b>	<b>4,123</b>
<b>Revenue by geographic region of delivery (%)</b>			
France	4	5	6
Europe (excl. France)	20	23	23
United States	8	8	9
Japan	12	12	12
Asia (excl. Japan)	43	38	35
Other markets	13	14	15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit from recurring operations<sup>(a)</sup> (EUR millions)</b>	<b>302</b>	<b>736</b>	<b>703</b>
<b>Operating margin (%)</b>	<b>9.0</b>	<b>16.7</b>	<b>17.1</b>
<b>Operating investments of the period (EUR millions)</b>	<b>210</b>	<b>296</b>	<b>303</b>
<b>Number of stores</b>	<b>471</b>	<b>457</b>	<b>428</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

### Highlights

Store closures and the suspension of international travel due to the global public health crisis affected the Watches and Jewelry businesses. However, the rebound in China in the second half helped limit the full-year revenue decline to 23% at constant consolidation scope and exchange rates. In this context, the Maisons took measures to reduce costs and preserve cash while doing their best to spur demand and develop alternative distribution methods such as digital channels and direct sales. Watch Week – an event held by Bvlgari, Hublot, TAG Heuer and Zenith in Dubai in January – was an excellent opportunity to present the Maisons' new collections to retailers and the media.

Heavily affected by the market downturn starting in mid-March, **Bvlgari** quickly capitalized on the recovery in China starting in the second quarter. A number of digital initiatives were developed. The Maison helped combat the pandemic by donating hand sanitizer to healthcare facilities in Italy, Switzerland and the United Kingdom, and launched the Bvlgari Virus Free Fund to support Covid-19 vaccine research being done by leading teams at Oxford University, Rockefeller University and Lazzaro Spallanzani Hospital. New designs continued to appear at a rapid pace, with the *B.Zero1 "Rock"* collection adding rings, bracelets, pendants and earrings, reflecting the brand's bold creativity along with other iconic jewelry models launched in the *Diva*, *Fiorever* and *Bvlgari Bvlgari* series. High jewelry featured the presentation of the *Jannah Flower* collection in Abu Dhabi and the bold and colorful new *Barocko* line, reflecting the precious link between the Maison, the city of Rome and the baroque style. Sales held in Beijing and Shanghai confirmed the design's major success. The *Serpenti Seduttori Tourbillon*, *Octo Répétition Minutes* and

the new *Bvlgari Aluminium* watch designs sparked a keen interest. As a leading patron, the Maison contributed to the restoration of 96 Greek and Roman marble statues belonging to the Fondazione Torlonia. A new global marketing campaign was launched, featuring Zendaya, Naomi Watts, Kris Wu and Lily Aldridge.

**TAG Heuer** showed good resilience thanks to its solid positioning with local customer bases in its main markets. In March, the third generation of its smartwatch was launched in New York. Its performance, innovative materials, wide range of features and elegance ensured this product's success, rounded out by a *Golf* version that was well received by connoisseurs. The Maison's flagship lines were enhanced with the new *Carrera* chronographs, additions to the *Aquaracer* and *Formula 1* collections, and new versions in the iconic *Monaco* line. To celebrate its 160th anniversary, the Maison offered a number of special limited editions in the *Carrera* collection. The end-of-year sale of a 1969 Heuer *Monaco* model worn by Steve McQueen fetched the highest auction price ever recorded by the Maison. The network of directly operated stores was expanded in parallel with its presence in digital channels, which is being actively developed. TAG Heuer's team of brand ambassadors and its sports contracts have helped reinforce brand awareness among target customers and strengthen its social media presence. 2020 saw TAG Heuer and Porsche join forces in a number of collaborations that will be revealed over the course of 2021. Together with Hublot and Zenith, TAG Heuer showed its support in the fight against the pandemic by donating protective face masks to Swiss hospitals.

**Hublot's** new additions included the *Big Bang Integral*, for the first time featuring an integrated metal bracelet, and the *Spirit of Big Bang Meca-10*, whose manufacture movement offering a 10-day power reserve was adapted to the "barrel" design. The marketing launch of the *Big Bang e* digital model was accompanied by the addition of an e-commerce function to the Hublot.com website. Innovative new models such as the *Big Bang Millennial Pink* and the *Big Bang MP-11 Red Magic* reflected the Maison's dynamism. After several previous collaborations on different models, Hublot and Berluti pooled their talent for the first time on the iconic *Big Bang Unico* chronograph. In Japan, which is now the brand's number-one market, a store was opened in the Hublot Tower in Tokyo's Ginza district. To celebrate Hublot's 40th anniversary, the new *#timetorelect* campaign was launched, chronicling the origins of its iconic collections, all its ambassadors who have become loyal partners, and the Maison's high-level partnerships in the realms of soccer, automobiles and golf with current World Number 1 Dustin Johnson. For the 2020-2021 season, Hublot became the official timekeeper for the English Premier League, the most popular soccer league in the world.

**Zenith** launched its *Time To Reach Your Star* marketing campaign and a new website offering online sales. The Maison enriched its collections with the *Defy Midnight* women's model, as well as the new *Elite* and the *Chronomaster Revival*, which celebrates its long tradition of watchmaking. A new store was opened in Tokyo's Ginza district.

**Chaumet** reopened its Place Vendôme location, unveiling a meticulously restored space, true to the spirit of the Maison. The new workshops showcase the expertise and artistry of its jewelers. To mark the occasion, the *Légende de Chaumet* collection of 29 medallions was presented, along with *Trésors d'Ailleurs*, a sparkling combination of gemstones, colors and textures in 16 original high jewelry rings. After a challenging first quarter, the Maison regained strong momentum in China, spurred by the launch of a WeChat site offering a wide range of products, with pendants in the *Jeux de Liens* Mother-of-Pearl and Harmony series performing especially well. The *Perspectives* high jewelry collection was presented in Monaco and China. In other regions, initiatives were taken to boost direct and remote sales.

**Fred** expanded its *Force 10* line with the creation of *Color Crush* and launched *Chance Infinie*, an original, seductive capsule collection. The Maison ramped up its development in China and expanded its digital presence. It showed its commitment to the fight against the pandemic by participating in the *Visières de l'Espoir* program, which donated face shields to healthcare providers.

## Outlook

To adapt to an environment whose future and pace of improvement are still uncertain, the Maisons will continue their cost reduction and management measures while further accentuating the appeal of their brands. Market developments are being closely monitored and the focus is on extremely rigorous resource allocation. Production and supply levels will remain strictly aligned with demand. The Watches and Jewelry brands will receive highly targeted investments, with a special emphasis on digital, and will continue their programs focused on distribution quality and productivity. **Bulgari** will open an expanded and remodeled store on Place Vendôme in Paris, as well as new stores in China, Saudi Arabia, the United States and Russia. **TAG Heuer** will strengthen its partnership with Porsche and continue the highly selective development of its retail network (particularly in China) with the implementation of its new store concept. **Chaumet, Hublot and Fred** will also expand their store coverage in China. Chaumet will present its *Joséphine & Napoléon* exhibition. Lastly, the highlight of 2021 will be the arrival of the prestigious Maison **Tiffany**, which will substantially bolster the business group's standing in a very dynamic, highly promising market segment.

## 5. SELECTIVE RETAILING

In 2020, the Selective Retailing business group represented 23% of the total revenue of LVMH.

### 5.1 Travel retail

#### DFS

**Duty Free Shoppers** (DFS), which joined LVMH in 1997, is the pioneering world leader in the sale of luxury products to international travelers. Its activity is closely linked to tourism cycles.

Since it was formed in 1960 as a duty-free concession in the Kai Tak airport in Hong Kong, DFS has acquired an in-depth knowledge of the needs of traveling customers, built solid partnerships with Japanese and international tour operators as well as with the world's leading luxury brands, and has significantly expanded its business, particularly in tourist destinations in the Asia-Pacific region.

To accompany the rise of travel retail, DFS has also focused on the development of its city-center *Galleria* stores, which currently account for over 60% of its revenue. The 20 DFS *Galleries*, each with a floor area of between 6,000 and 12,000 square meters, are centrally located in top tourist destinations for airline passengers in the Asia-Pacific region, the United States and Japan, but also in Europe, with the 2016 opening of *T Fondaco dei Tedeschi* in Venice,

Italy. Each space combines in one site, close to the hotels where travelers are lodged, two different but complementary sales spaces: a general luxury product offering (including perfumes and cosmetics, fashion and accessories) and a gallery of prestigious boutiques, some of which belong to the LVMH group (including Louis Vuitton, Hermès, Bulgari, Tiffany, Christian Dior, Chanel, Prada, Fendi and Celine).

While continuing with the development of its *Galleries*, DFS maintains its strategic interest in the airport concessions if these can be obtained or renewed under good financial terms. DFS is currently present at some fifteen international airport sites in the Asia-Pacific, the United States, Japan and Abu Dhabi.

#### Starboard Cruise Services

**Starboard Cruise Services**, acquired by LVMH in 2000, is an American company founded in 1958, the world leader in the sale of duty-free luxury items on board cruise ships. It provides services to around 80 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.



## 5.2 Selective retail

### Sephora

**Sephora**, founded in 1969, has developed over time a perfume and beauty format that combines direct access and customer assistance. This concept led to a new generation of stores with a sober and luxurious architecture, divided into areas mainly dedicated to perfume, makeup and skincare. Based on the quality of this concept, Sephora has gained the confidence of selective perfume and cosmetics brands. In addition, Sephora has offered products sold under its own brand name since 1995 and has developed a line of exclusive products thanks to its close ties with brands selected for their bold ideas and creativity.

Since it was acquired by LVMH in July 1997, Sephora has recorded rapid growth in Europe by opening new stores and acquiring companies that operated perfume retail chains. Sephora is present in 16 European countries. The Sephora concept also crossed the Atlantic in 1998, with a strong presence in the United States, the sephora.com website, and a store network in Canada. Sephora entered the Chinese market in 2005. The retailer also has locations in the Middle East, Latin America, Russia – with directly operated stores and via the perfumes and cosmetics retail chain *Ile de Beauté* (wholly owned since 2016) – and Southeast Asia, in particular thanks to the 2015 acquisition of the e-commerce site *Luxola*, which operates in eight countries throughout the region.

Sephora is at the forefront of the retail industry's unstoppable digital transformation. Sephora builds on the complementarity of its in-store and online shopping offerings and its strong social media presence to maximize customer touchpoints

and opportunities to build loyalty. With its websites, digitally equipped stores, customer mobile apps and beauty consultants, the Maison creates an omnichannel beauty experience that is increasingly innovative and personalized and offers customers an interactive, seamless, flexible shopping journey.

### Le Bon Marché

**Le Bon Marché Rive Gauche** – the world's first department store – opened its doors in 1852, with entrepreneur Aristide Boucicaut at the helm. Both a forerunner and trendsetter, Le Bon Marché Rive Gauche presents a selection of sophisticated and exclusive labels, in a space with a strong architectural concept. Customers from around the world looking for a true Parisian experience rub shoulders with locals, all drawn to the department store's unique vibe and the quality of its service. The sole department store located on the Left Bank in Paris, it was acquired by LVMH in 1998.

### La Grande Épicerie de Paris

Newly inaugurated in late 2013, **La Grande Épicerie de Paris** is a trailblazing gourmet food emporium. La Grande Épicerie de Paris offers its customers a culinary shopping experience like no other, made possible by the expertise of the artisans, architects and artists selected for this project, and has become an absolute must for food lovers. In 2017, La Grande Épicerie de Paris – historically located on the ground floor of Le Bon Marché – added a location on Rue de Passy in the 16th arrondissement of Paris, in premises formerly occupied by Franck et Fils.

## 5.3 Competitive position

Following the recent round of market consolidation, DFS is the fourth-largest travel retail operator (according to a Bain study based on data as of end-2016). In the United States, Sephora has been the market leader since the first quarter of 2016, and has since continued to make headway. In France, where the prestige beauty product market (including e-commerce)

declined by 20% in 2020 compared with 2019 (data source: NPD – Brick-and-mortar sales to end-December), Sephora slightly increased its market share. In addition, Sephora continued to gain market share in the Middle East and Canada, where it has led the market since 2015.

## 5.4 Highlights of 2020 and outlook for 2021

	2020	2019	2018
<b>Revenue (EUR millions)</b>	<b>10,155</b>	<b>14,791</b>	<b>13,646</b>
<b>Revenue by geographic region of delivery (%)</b>			
France	13	11	12
Europe (excl. France)	9	9	9
United States	35	37	38
Japan	1	2	2
Asia (excl. Japan)	27	27	27
Other markets	15	14	12
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit from recurring operations<sup>(a)</sup></b>			
(EUR millions)	(203)	1,395	1,382
<b>Operating margin (%)</b>	<b>(2.0)</b>	<b>9.4</b>	<b>10.1</b>
<b>Operating investments of the period (EUR millions)</b>	<b>410</b>	<b>659</b>	<b>537</b>
<b>Number of stores</b>			
Sephora	2021	1957	1886
Other	51	54	54

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

### Highlights

The Covid-19 pandemic slowed revenue sharply in Selective Retailing for 2020, spurring the Maisons to take the necessary measures to adapt to the situation and expand their digital offering. With the improvement in the global health situation, they welcomed customers back to their stores with the unwavering desire to offer them the best experience yet, while ensuring their safety and that of their employees.

**Sephora** showed strong resilience in a retail environment heavily impacted by the global health crisis that led to the closure of more than 90% of its stores worldwide for more than two months in the first half of the year, and then a second wave of closures in Europe in the fourth quarter. Thanks to the commitment and agility of its teams, Sephora accelerated its online sales, breaking all-time online sales records in all regions. To enhance client experience, Sephora accelerated best practices like Click & Collect, Call & Collect, new apps and livestream beauty advice, and set up partnerships with recognized third parties to offer services such as payment deferral and same-day delivery. Sephora continued to gain market share in its key regions and confirmed its leadership as the world's most loved beauty community. This was illustrated in mega-events like China's Virtual Sephora Day and the "11/11" day, when Sephora connected with more than one million people on social media. Importantly, Sephora put

great emphasis on reopening stores with best-in-class health and safety protocols for its clients and employees. Furthermore, Sephora continued to expand its long-term "Sephora Cares" program devoted notably to combating domestic violence in the United States, and the employment of people with disabilities, notably in its distribution centers. Sephora continued to build new and exclusive brands, and accelerated its growth in skincare and hair care categories, including the continued success of the "Good for skin.you.all" skincare line. The brand was reinforced with the launch in Europe and the Middle East of the corporate communication campaign "The Unlimited Power of Beauty" and the opening of a new Paris Opéra flagship store. Sephora also launched its new Employee Value Proposition and strengthened its commitment to the environment through product innovation, with the launch of the "Good For" label in Europe and Clean@Sephora in North America.

In an unprecedented context of suspended international travel and months-long store closures at airports and downtown shopping areas, **DFS** was particularly affected by the public health crisis and its economic consequences. Placing top priority on the health and safety of its customers and staff, starting in January the Maison deployed a wide range of resources to inform and protect them and adapt employees' working hours. Programs were also launched to support local communities, aimed at donating food and protective equipment to the most at-risk individuals. Several stores have begun gradually reopening with strict safety measures, as the local public health situation improves. DFS's two main markets were affected to varying degrees during this trying period: Hong Kong, which was already hampered by the drop in tourism in 2019, was much more heavily hit by the pandemic; in Macao, on the other hand, the closure of DFS's stores only lasted a few weeks, and there was an improvement in business activity at the end of the year with the return of travelers from mainland China. In Venice, the *T Fondaco dei Tedeschi* showcased local Italian craftsmanship when it reopened in July. The Maison resolutely undertook a series of cost-cutting measures and, in order to continue to serve its customers, concentrated on developing new distribution channels for its local clientele and ramping up its online service offering.

**Starboard Cruise Services** gradually suspended its activities during the first quarter, following the decision by various countries and authorities in the markets it serves to ban cruises and the opening of national ports. While closely monitoring developments in each country that could lead to the possible resumption of operations, the Maison's teams reinforced their digital distribution channel, implemented strict new health and safety guidelines in stores, and enriched their offering with a range of innovative products tailored to their specific cruise clientele.

For **Le Bon Marché**, 2020 was a truly unprecedented year, closed for nearly three months due to the public health situation: first from March 16 to May 11, then from October 30 to November 27. Despite these closure periods, the department store on Paris' left bank maintained close ties with its customers by scaling up mail-order sales, launching an e-commerce site for Christmas shopping and kicking off a holiday edition of its eclectic *OFF* series of talks, tutorials and concerts filmed in the store and shared on social media. The year was marked by the *carte blanche* given to Japanese design studio Nendo and its founder Oki Sato – set to music in a special evening concert performed by a philharmonic orchestra right in the store – and the cheerful, humorous back-to-school exhibition *Once Upon a Time in Belgium*. New permanent and pop-up spaces also emerged, for a customer experience focused on service and sensation: *Octobre Rose* (Pink October), *L'Atelier Maquillage* (the Makeup Workshop), *la Maison du Bien-Être* (the House of Well-Being), Atelier Notify's upcycling stand, and more. Thanks to its highly committed staff, the two sites of La Grande Épicerie de Paris continued to welcome their customers without interruption and to support their suppliers, particularly small-scale producers. The Rive Droite location in particular saw strong growth. To offer some comfort during this trying time, 4,000 chocolates were donated to the AP-HP hospital system for healthcare providers.

### Outlook

In 2021, **Sephora** will accelerate its expansion in key markets, particularly by expanding its physical and digital footprint in China and North America. The strong online momentum will continue in all markets. A new shop-in-shop partnership in the

US with the iconic retailer Kohl's will enable the brand to open 200 exclusive prestige beauty points of sale in 2021. Sephora will continue to delight consumers through exceptional product offer, with its selected brand partners and own brand, as well as excellence of service and advice delivered by expert teams and the best omnichannel experience. The Maison will accelerate its synergies between its physical store network and digital presence with enhanced services and experiences for the client. Corporate Social Responsibility will continue to be a major priority for Sephora, with a very strong focus on clean products, community impact, diversity and inclusion. **DFS** is expected to benefit from higher tourist numbers in Macao in the first half of the year. For the other destinations that are still closed, the improvement in the public health situation and forecasts on the resumption of air traffic will be closely monitored to effectively prepare for the reopening of stores, in connection with the launch of vaccination programs approved by local authorities. DFS will continue its omnichannel transformation and maintain its expansion plans in the Asia-Pacific region and in China, on the island of Hainan in particular. Postponed due to the pandemic, the grand opening of La Samaritaine in Paris will take place in 2021. **Le Bon Marché** will rely more than ever on its excellent customer service, its highly creative and exclusive offering, and its unique program of events. Resolutely committed to returning to normal and welcoming back in-store customers, Le Bon Marché will continue to cultivate its distinction and its unique positioning as a trendsetting store and a venue for art and culture. La Grande Épicerie de Paris will continue its initiatives to enhance its appeal and build customer loyalty on both sides of the Seine.

## 6. OTHER ACTIVITIES

### Les Echos group

LVMH acquired the Les Echos group in 2007. The Les Echos group includes *Les Echos*, France's leading financial newspaper, *LesEchos.fr*, the top business and financial website in France, the business magazine *Enjeux-Les Echos*, as well as other specialized business services. The Les Echos group also holds several other financial and cultural media titles that were previously owned directly by LVMH: *Investir – Le Journal des finances*, resulting from the 2011 merger of two financial weeklies; *Connaissance des Arts*; and the French radio station *Radio Classique*. The Les Echos group also publishes trade journals, with titles produced by SID Presse, and is active in the business-to-business segment, with the organizations *Les Echos Formation* and *Les Echos Conférences*, the trade show *Le Salon des Entrepreneurs*, and *Eurostaf* market studies. Since late 2015, Les Echos has also encompassed the *Le Parisien* daily newspaper and its *Aujourd'hui en France* magazine.

### La Samaritaine

**La Samaritaine** is a real estate complex located at the heart of Paris, beside the Seine river. It comprised a department store in addition to leased office and retail space until 2005 when the department store was closed for safety reasons. La Samaritaine is undergoing a large-scale renovation project which adheres to an innovative environmental approach and views diversity, a concept dear to the department store's founders, as central to its *raison d'être*. Several activities will be grouped together in its buildings on the two blocks between the Quai du Louvre and the Rue de Rivoli: a department store, a Cheval Blanc luxury hotel, 96 social housing units, a daycare center and offices.

Business overview, highlights and outlook

### Royal Van Lent

Founded in 1849, **Royal Van Lent** designs and builds luxury yachts according to customers' specifications and markets them under the Feadship brand, one of the most prestigious in the world for yachts over 50 meters.

### LVMH Hotel Management

**LVMH Hotel Management** is the spearhead of the LVMH group's business development in hotels, under the Cheval Blanc brand. The Cheval Blanc approach, based on the founding values of craftsmanship, exclusivity, creativity and hospitality, is applied at all of its hotels, whether proprietary or independently managed. Cheval Blanc has locations in Courchevel (France), Saint-Barthélemy (French Antilles) with the hotel acquired in 2013, the Maldives and Saint-Tropez.

### Belmond

Founded in 1976, with the acquisition of Hotel Cipriani in Venice, **Belmond** is a pioneer in luxury tourism. For more than 40 years, the Maison has aimed to offer its customers one-of-a-kind trips and experiences in inspirational locations. Belmond has a large portfolio of hotels, trains, cruises and safaris that bring together heritage, expertise, authenticity and exacting customer service.

### Le Jardin d'Acclimatation

Imagined as an emblem of modern Paris by Napoleon III and opened in 1860, the **Jardin d'Acclimatation** is the oldest leisure and amusement park in France. LVMH has held the concession to the park since 1984. Following the renewal of this concession in 2016, an ambitious modernization project was launched, culminating in the reopening of the entirely refurbished and redesigned park in June 2018.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Business and financial review

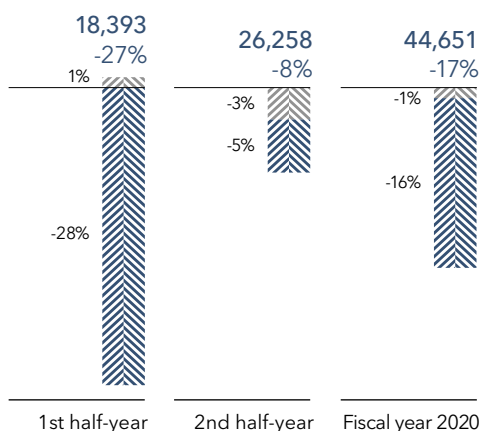
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# 1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

## 1.1 Breakdown of revenue

### Change in revenue per half-year period

(EUR millions and as %)



■ Organic growth

■ Changes in the scope of consolidation<sup>(a)</sup>

■ Exchange rate fluctuations<sup>(a)</sup>

(a) The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 39.

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted LVMH's operations during the year and significantly affected the financial statements. The closure of stores and production facilities in most countries for several months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability across all the business groups.

Consolidated revenue for the fiscal year ended December 31, 2020 was 44,651 million euros, down 17% from the previous fiscal year. It fell by 1 point as a result of many of the Group's invoicing currencies weakening on average against the euro, in particular the US dollar.

The main changes to the Group's consolidation scope since January 1, 2019 were as follows: in "Other activities", the consolidation of the Belmond hotel group as of April 2019; in the Wines and Spirits business group, the consolidation of Château d'Esclans as of January 1, 2020. These changes in the scope of consolidation did not have a significant impact on the change in revenue for the fiscal year.

On a constant consolidation scope and currency basis, revenue decreased by 16%.

### Revenue by invoicing currency

(as %)	2020	2019	2018
Euro	19	22	22
US dollar	27	29	29
Japanese yen	7	7	7
Hong Kong dollar	4	5	6
Other currencies	43	37	36
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

The breakdown of revenue by invoicing currency changed appreciably with respect to the previous fiscal year: the contributions of the euro, the US dollar and the Hong Kong dollar fell by 3 points, 2 points and 1 point, respectively, to 19%, 27% and 4%, while that of "Other currencies" rose by 6 points to 43%. The contribution of the Japanese yen remained stable at 7%.

### Revenue by geographic region of delivery

(as %)	2020	2019	2018
France	8	9	10
Europe (excl. France)	16	19	19
United States	24	24	24
Japan	7	7	7
Asia (excl. Japan)	34	30	29
Other markets	11	11	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

By geographic region of delivery, the relative contribution of Europe (excluding France) to Group revenue fell from 19% to 16%, while that of France fell from 9% to 8%, due to the significant reduction in tourist travel to these regions, in the wake of widespread lockdowns in the first half of the year and the varying impact of partial lockdowns in certain countries in the second half. The relative contributions of the United States, Japan and "Other markets" remained stable at 24%, 7% and 11%, respectively, while that of Asia (excluding Japan) was boosted by the carryover of consumer demand among its local clientele who canceled their travel plans, with this region's contribution growing by 4 points to 34%.

### Revenue by business group

(EUR millions)	2020	2019	2018
Wines and Spirits	4,755	5,576	5,143
Fashion and Leather Goods	21,207	22,237	18,455
Perfumes and Cosmetics	5,248	6,835	6,092
Watches and Jewelry	3,356	4,405	4,123
Selective Retailing	10,155	14,791	13,646
Other activities and eliminations	(70)	(174)	(633)
<b>Total</b>	<b>44,651</b>	<b>53,670</b>	<b>46,826</b>

By business group, the breakdown of Group revenue changed appreciably. The contributions of Wines and Spirits, and Fashion and Leather Goods increased by 1 point and 6 points, respectively, to 11% and 47%, while the contributions of Perfumes and Cosmetics, and Watches and Jewelry decreased by 1 point each to 12% and 7%, respectively, and that of Selective Retailing fell by 5 points to 23%.

Revenue for Wines and Spirits decreased by 15% based on published figures. Affected by a negative 2-point exchange rate impact and boosted by a positive 1-point scope impact following the consolidation of Château d'Esclans, revenue for this business group was down 14% on a constant consolidation scope and currency basis. Champagnes and wines were down 15% based on published figures and 16% on a constant consolidation scope and currency basis, after taking into account the positive 3-point impact of the consolidation of Château d'Esclans. Cognac and spirits were down 14% based on published figures and 12% on a constant consolidation scope and currency basis. The impact of the global health crisis related to the Covid-19 pandemic was felt across all geographic areas, especially Asia (including Japan) and Europe. Only the United States recorded positive revenue growth.

## 1.2 Profit from recurring operations

(EUR millions)	2020	2019	2018 <sup>(a)</sup>
Revenue	44,651	53,670	46,826
Cost of sales	(15,871)	(18,123)	(15,625)
Gross margin	28,780	35,547	31,201
Marketing and selling expenses	(16,792)	(20,207)	(17,755)
General and administrative expenses	(3,641)	(3,864)	(3,466)
Income/(loss) from joint ventures and associates	(42)	28	23
<b>Profit from recurring operations</b>	<b>8,305</b>	<b>11,504</b>	<b>10,003</b>
<b>Operating margin (%)</b>	<b>18.6</b>	<b>21.4</b>	<b>21.4</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

The Group's gross margin came to 28,780 million euros, down 19% compared to the previous fiscal year; as a percentage of revenue, the gross margin was 65%, down 1 point. The Group incurred the negative impact of the closure of a number of production sites and a higher level of inventory impairment, especially in Fashion and Leather Goods, due to the public health crisis. These two effects had a negative 1-point impact on the margin.

Revenue for Fashion and Leather Goods was down 3% in terms of organic growth and 5% based on published figures. Online sales grew rapidly. Europe and Japan were the most affected regions, while the United States and Asia recorded positive performances; in this context, Christian Dior Couture achieved an exceptional performance, while Louis Vuitton showed remarkable resilience.

Revenue for Perfumes and Cosmetics decreased by 22% in terms of organic growth and by 23% based on published figures. Guerlain and Fresh proved highly resilient despite the public health crisis, showing more limited declines. Asia was the region where revenue decreased the least.

Revenue for Watches and Jewelry decreased by 23% in terms of organic growth and by 24% based on published figures. All the business group's brands felt the impact of the public health crisis. The United States, Japan and Europe were the most heavily affected areas.

Revenue for Selective Retailing decreased by 30% on a constant consolidation scope and currency basis, and by 31% based on published figures. The halt in international travel and the closure of the store network for many months in 2020 led the business group to record major revenue declines across all its geographic areas, especially in the United States and Asia.

Marketing and selling expenses totaled 16,792 million euros, down 17% based on published figures and 16% on a constant consolidation scope and currency basis. Efforts made to reduce marketing and selling expenses partly offset the decrease in the gross margin. The level of these expenses expressed as a percentage of revenue amounted to 38%, remaining stable with respect to 2019. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, decreasing by 21% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2020	2019	2018
France	512	535	514
Europe (excl. France)	1,175	1,177	1,153
United States	866	829	783
Japan	428	427	422
Asia (excl. Japan)	1,514	1,453	1,289
Other markets	508	494	431
<b>Total</b>	<b>5,003</b>	<b>4,915</b>	<b>4,592</b>

General and administrative expenses totaled 3,641 million euros, down 6% based on published figures and 5% on a constant consolidation scope and currency basis. They amounted to 8% of revenue.

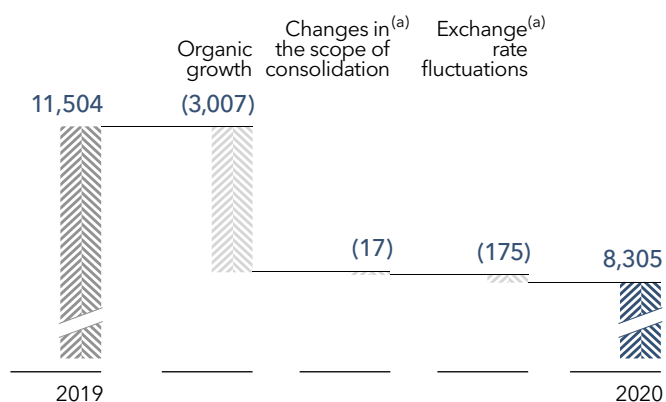
**Profit from recurring operations by business group**

(EUR millions)	2020	2019	2018
Wines and Spirits	1,388	1,729	1,629
Fashion and Leather Goods	7,188	7,344	5,943
Perfumes and Cosmetics	80	683	676
Watches and Jewelry	302	736	703
Selective Retailing	(203)	1,395	1,382
Other activities and eliminations	(450)	(383)	(330)
<b>Total</b>	<b>8,305</b>	<b>11,504</b>	<b>10,003</b>

The Group's profit from recurring operations was 8,305 million euros, down 28%. The Group's operating margin as a percentage of revenue was 18.6%, down 2.8 points with respect to the previous fiscal year.

**Change in profit from recurring operations**

(EUR millions)



(a) The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 39.

Exchange rate fluctuations had a negative overall impact of 175 million euros on profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

**Wines and Spirits**

	2020	2019	2018
Revenue (EUR millions)	4,755	5,576	5,143
Profit from recurring operations (EUR millions)	1,388	1,729	1,629
Operating margin (%)	29.2	31.0	31.7

Profit from recurring operations for Wines and Spirits was 1,388 million euros, down 20% relative to December 31, 2019. Champagne and wines contributed 488 million euros, while

cognacs and spirits accounted for 900 million euros. Cost control and targeted advertising and promotional investments helped partly offset the negative impact of the decrease in volumes. The business group's operating margin as a percentage of revenue fell by 1.8 points to 29.2%.

**Fashion and Leather Goods**

	2020	2019	2018
Revenue (EUR millions)	21,207	22,237	18,455
Profit from recurring operations (EUR millions)	7,188	7,344	5,943
Operating margin (%)	33.9	33.0	32.2

Fashion and Leather Goods posted profit from recurring operations of 7,188 million euros, down 2% compared with the previous fiscal year. Amidst the Covid-19 pandemic, efforts to control costs and adapt to new requirements enabled Louis Vuitton to maintain its exceptional level of profitability, while Christian Dior Couture further increased its profitability. All the brands strengthened their management measures to limit the impact of store closures in most regions, carefully targeting their investments. The business group's operating margin as a percentage of revenue grew by 0.9 points to 33.9%.

**Perfumes and Cosmetics**

	2020	2019	2018
Revenue (EUR millions)	5,248	6,835	6,092
Profit from recurring operations (EUR millions)	80	683	676
Operating margin (%)	1.5	10.0	11.1

Profit from recurring operations for Perfumes and Cosmetics was 80 million euros, down 603 million euros compared to the previous fiscal year. Special attention paid to the cost price of finished products and careful management of operating costs enabled the business group to limit the deterioration in gross margin. The business group's operating margin as a percentage of revenue fell by 8.5 points to 1.5%.

**Watches and Jewelry**

	2020	2019	2018
Revenue (EUR millions)	3,356	4,405	4,123
Profit from recurring operations (EUR millions)	302	736	703
Operating margin (%)	9.0	16.7	17.1

Profit from recurring operations for Watches and Jewelry came to 302 million euros, down 434 million euros compared to the previous fiscal year. In a challenging environment for the watches and jewelry industry, the business group's brands actively pursued the operating levers at their disposal in order to limit the negative impact of the public health crisis. The operating margin as a percentage of revenue for the Watches and Jewelry business group fell by 7.7 points to 9%.



### Selective Retailing

	2020	2019	2018
Revenue (EUR millions)	10,155	14,791	13,646
Profit from recurring operations (EUR millions)	(203)	1,395	1,382
Operating margin (%)	(2.0)	9.4	10.1

Profit from recurring operations for Selective Retailing was a loss of 203 million euros, down 1,598 million euros compared to 2019.

### 1.3 Other income statement items

(EUR millions)	2020	2019	2018 <sup>(a)</sup>
Profit from recurring operations	8,305	11,504	10,003
Other operating income and expenses	(333)	(231)	(126)
Operating profit	7,972	11,273	9,877
Net financial income/(expense)	(608)	(559)	(388)
Income taxes	(2,409)	(2,932)	(2,499)
<b>Net profit before minority interests</b>	<b>4,955</b>	<b>7,782</b>	<b>6,990</b>
Minority interests	(253)	(611)	(636)
<b>Net profit, Group share</b>	<b>4,702</b>	<b>7,171</b>	<b>6,354</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

“Other operating income and expenses” amounted to a net expense of 333 million euros, compared with a net expense of 231 million euros in 2019. For fiscal year 2020, “Other operating income and expenses” included 35 million euros in donations related to the public health crisis; 35 million euros in transaction costs relating to the acquisition of consolidated companies; 235 million euros in depreciation, amortization and impairment charges for brands, goodwill and real estate assets; and 22 million euros in net losses on disposals.

The Group’s operating profit was 7,972 million euros, down 29% compared to 2019.

The net financial expense was 608 million euros, compared with a net financial expense of 559 million euros in 2019. This item comprised the following:

- the aggregate cost of net financial debt, which totaled 35 million euros, versus a cost of 107 million euros in 2019, representing a reduction of 72 million euros;

The halt in tourism and store closures around the world led to a very sharp decline in results. The business group’s operating margin as a percentage of revenue fell by 11.4 points to -2%.

### Other activities

The loss from recurring operations of “Other activities and eliminations” increased with respect to the previous fiscal year, totaling 450 million euros. In addition to headquarters expenses, this heading includes the results of the hotel and media divisions, Royal Van Lent yachts, and the Group’s real estate activities.

- interest on lease liabilities recognized under IFRS 16, which amounted to an expense of 281 million euros, compared with an expense of 290 million euros in the previous year;
- other financial income and expenses, which amounted to a net expense of 291 million euros, compared to a net expense of 162 million euros in 2019. The expense related to the cost of foreign exchange derivatives was 262 million euros, versus an expense of 230 million euros a year earlier. Lastly, fair value adjustments of available for sale financial assets amounted to a net expense of 4 million euros, compared to net income of 82 million euros for 2019.

The Group’s effective tax rate was 32.7%. It diverged from the Group’s normal rate given its geographic footprint as a result of recurring and non-recurring items. Recurring items that raised the tax rate mainly included the impact of tax on dividends and the impact of non-deductible expenses. The main impacts of non-recurring items related to the impact on inventories of deferred tax of the change in certain corporate income tax rates and the impact on losses of certain Maisons which could not be offset against taxable profits, or which did not give rise to the recognition of deferred tax assets.

Profit attributable to minority interests was 253 million euros, compared to 611 million euros as of December 31, 2019; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group’s share of net profit was 4,702 million euros, compared with 7,171 million euros in 2019. This represented 10% of revenue as of December 31, 2020, compared to 13% in 2019. The Group’s share of net profit for fiscal year 2020 was down 34% compared to 2019.

#### Comments on the determination of the impact of exchange rate fluctuations and changes in the scope of consolidation

The impact of exchange rate fluctuations is determined by translating the financial statements for the fiscal year of entities with a functional currency other than the euro at the prior fiscal year’s exchange rates, without any other restatements.

The impact of changes in the scope of consolidation is determined as follows:

- for the fiscal year’s acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated during that fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year’s acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated over the months during which the acquired entities were not consolidated in the prior fiscal year;
- for the fiscal year’s disposals, by adding to revenue for the fiscal year the amount of revenue generated by the divested entities in the prior fiscal year over the months during which those entities were no longer consolidated in the current fiscal year;
- for the prior fiscal year’s disposals, by adding to revenue for the fiscal year the amount of revenue generated in the prior fiscal year by the divested entities.

Profit from recurring operations is restated in accordance with the same principles.

## 2. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR millions)	2020	2019	Change
Intangible assets	33,054	33,246	(192)
Property, plant and equipment	18,224	18,533	(309)
Right-of-use assets	12,521	12,409	112
Other non-current assets	4,899	5,810	(911)
<b>Non-current assets</b>	<b>68,698</b>	<b>69,997</b>	<b>(1,299)</b>
Inventories	13,016	13,717	(701)
Cash and cash equivalents	19,963	5,673	14,290
Other current assets	6,994	7,120	(126)
<b>Current assets</b>	<b>39,973</b>	<b>26,510</b>	<b>13,463</b>
<b>Assets</b>	<b>108,671</b>	<b>96,507</b>	<b>12,164</b>

LVMH's consolidated balance sheet totaled 108.7 billion euros as of year-end 2020, up 12.2 billion euros from year-end 2019. This increase resulted, on the asset side, from the 14.3 billion euro increase in cash and cash equivalents, and, on the liability side, from the 12.0 billion euro increase in borrowings, changes mostly related to the acquisition of Tiffany & Co., which took place on January 7, 2021.

Intangible assets were down slightly (0.2 billion euros) from year-end 2019, totaling 33.1 billion euros. Investments for the year were lower than amortization charges, generating a 0.2 billion euro decrease, combined with the negative 0.3 billion euro impact of exchange rate fluctuations. Conversely, the impact on goodwill of the revaluation of purchase commitments for minority interests was positive (0.3 billion euros).

Property, plant and equipment were also down slightly (0.3 billion euros) and totaled 18.2 billion euros at the fiscal year-end. Exchange rate fluctuations had a negative 0.5 billion euro impact, and exceeded the increase generated by investments for the year, net of depreciation charges as well as disposals, which was limited to 0.2 billion euros. Operating investments were held back in response to the circumstances surrounding the Covid-19 pandemic; the comments on the cash flow statement provide further information on investments.

Right-of-use assets totaled 12.5 billion euros, remaining stable with respect to their level at year-end 2019 (12.4 billion euros), with the slight increase resulting from lease renewals being close to depreciation during the fiscal year. In addition, the negative 0.7 billion euro impact of exchange rate fluctuations was offset by the effect of changes in assumptions and that of leases ended or cancelled, amounting to 0.9 and -0.2 billion euros, respectively. Store leases represented the majority of right-of-use assets, for a total of 10.1 billion euros.

Other non-current assets decreased by 0.9 billion euros, amounting to 4.9 billion euros, with this change primarily resulting from the reclassification within "Other current assets" of the market

(EUR millions)	2020	2019	Change
Equity	38,829	38,365	464
Long-term borrowings	14,065	5,101	8,964
Non-current lease liabilities	10,665	10,373	292
Other non-current liabilities	19,795	20,045	(251)
<b>Equity and non-current liabilities</b>	<b>83,354</b>	<b>73,884</b>	<b>9,469</b>
Short-term borrowings	10,638	7,610	3,028
Current lease liabilities	2,163	2,172	(9)
Other current liabilities	12,516	12,841	(324)
<b>Current liabilities</b>	<b>25,318</b>	<b>22,623</b>	<b>2,695</b>
<b>Liabilities and equity</b>	<b>108,671</b>	<b>96,507</b>	<b>12,164</b>

value of non-current available for sale financial assets and other financial instruments subscribed in connection with convertible bonds issued in 2016 and maturing in 2021, a substantial proportion of which were redeemed early at the end of 2020 (see Notes 9, 19 and 23.5 to the consolidated financial statements).

Inventories were down 0.7 billion euros, with their 0.6 billion euro increase offset by the 0.8 billion euro charge to provisions for impairment, net of reversals. Exchange rate fluctuations also had a negative 0.5 billion euro impact. See also the "Comments on the consolidated cash flow statement" section.

Excluding inventories, other current assets increased by 14.2 billion euros, largely due to the 14.3 billion euro increase in cash and cash equivalents, in connection with the acquisition of Tiffany & Co., which took place in early January 2021, as well as the 0.8 billion euro increase in the market value of derivatives following, in particular, the reclassification of financial instruments from "Other non-current assets" (see above) to "Other current assets". Conversely, trade accounts receivable decreased by 0.7 billion euros, related to the decline in business activity.

Lease liabilities arising from the application of IFRS 16 were up slightly (0.3 billion euros), in line with the increase in right-of-use assets.

Other non-current liabilities totaled 19.8 billion euros, down 0.3 billion euros from 20.0 billion euros as of year-end 2019. This change resulted from the decrease in value of financial instruments, including a 0.7 billion euro decrease resulting from the reclassification within "Current liabilities" of the market value of options embedded in convertible bonds issued in 2016, a substantial proportion of which were redeemed early at the end of 2020 (see Notes 19 and 23.5 to the consolidated financial statements). The liability in respect of purchase commitments for minority interests' shares increased slightly (0.3 billion euros) due to changes in the metrics used to measure these commitments, and totaled 11.0 billion euros.

Lastly, other current liabilities decreased by 0.3 billion euros, amounting to 12.5 billion euros. Operating liabilities decreased by 0.8 billion euros, with this reduction partly offset by the 0.5 billion euro increase in the value of derivatives, due in particular to the reclassification of options embedded in convertible bonds issued in 2016, which were recorded within “Other non-current liabilities” as of year-end 2019.

### Net financial debt and equity

(EUR millions or as %)	2020	2019	Change
Long-term borrowings	14,065	5,101	8,964
Short-term borrowings and derivatives	10,891	7,641	3,250
<b>Gross borrowings after derivatives</b>	<b>24,956</b>	<b>12,742</b>	<b>12,214</b>
Cash and cash equivalents	(20,715)	(6,536)	(14,179)
<b>Net financial debt</b>	<b>4,241</b>	<b>6,206</b>	<b>(1,965)</b>
<b>Equity</b>	<b>38,829</b>	<b>38,365</b>	<b>464</b>
<b>Net financial debt/Equity ratio</b>	<b>10.9%</b>	<b>16.2%</b>	<b>-5.3 pts</b>

Total equity amounted to 38.8 billion euros as of year-end 2020, increasing slightly, (0.5 billion euros) from year-end 2019. Net profit for the fiscal year, after the distribution of dividends, contributed 2.3 billion euros to this increase. This increase was offset by the 1.7 billion euro negative impact of exchange rate fluctuations, and by the 0.2 billion euro negative impact of gains and losses recognized in equity. As of year-end 2020, net financial debt was equal to 10.9% of total equity, compared to 16.2% as of year-end 2019, up 5.3 points largely due to the 2.0 billion euro increase in net financial debt.

Gross borrowings after derivatives totaled 25.0 billion euros as of year-end 2020, up 12.2 billion euros compared with year-end 2019, mainly due to the 8.3 billion euro increase in bond debt. Eight bond issues were completed during the year, in preparation in particular for the acquisition of Tiffany & Co., comprised of six euro-denominated bonds totaling 9.0 billion euros, and two sterling-denominated bonds totaling 1.55 billion pounds sterling. At the time the sterling-denominated bonds were issued, swaps were entered into that converted them into euro-denominated borrowings in their entirety. Details on these issues are provided in Note 19 to the consolidated financial statements. Conversely, the 1.25 billion euro and 0.6 billion euro bonds issued in 2017 and 2013, respectively, were repaid, along with most of the cash-settled convertible bonds issued in 2016 (594 million US dollars redeemed as of year-end 2020 out of an initial face value of 750 million US dollars), following the exercise of the conversion clause in late 2020 (see Note 19 to the consolidated financial statements). Euro- and US-dollar denominated commercial paper (ECP and USCP) outstanding increased by 3.7 billion euros, with this increase resulting from the combined impact of the 5.2 billion euro increase in USCP outstanding, and the 1.5 billion euro decrease in ECP outstanding. Cash, cash equivalents, and current available for sale financial assets totaled 20.7 billion euros as of year-end 2020, up 14.2 billion euros from 6.5 billion euros at year-end 2019. Net financial debt thus decreased by 2.0 billion euros during the fiscal year.

As of year-end 2020, the Group's undrawn confirmed credit lines amounted to 15.8 billion euros. This amount exceeded the outstanding portion of its euro- and US dollar-denominated commercial paper (ECP and USCP) programs, which came to 8.6 billion euros as of year-end 2020.

## 3. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2020	2019	Change
<b>Cash from operations before changes in working capital</b>	<b>13,997</b>	<b>16,105</b>	<b>(2,108)</b>
Cost of net financial debt: interest paid	(58)	(124)	65
Lease liabilities: interest paid	(290)	(239)	(50)
Tax paid	(2,385)	(2,940)	555
Change in working capital	(367)	(1,154)	787
<b>Net cash from operating activities</b>	<b>10,897</b>	<b>11,648</b>	<b>(751)</b>
Operating investments	(2,478)	(3,294)	815
Repayment of lease liabilities	(2,302)	(2,187)	(114)
<b>Operating free cash flow</b>	<b>6,117</b>	<b>6,167</b>	<b>(50)</b>
<b>Financial investments and purchase and sale of consolidated investments</b>	<b>(461)</b>	<b>(2,575)</b>	<b>2,114</b>
<b>Equity-related transactions</b>	<b>(2,838)</b>	<b>(3,644)</b>	<b>806</b>
<b>Change in cash before financing activities</b>	<b>2,818</b>	<b>(53)</b>	<b>2,870</b>

Cash from operations before changes in working capital totaled 13,997 million euros, down 2,108 million euros from 16,105 million euros a year earlier. This significant decrease directly resulted from the impact of the crisis triggered by the Covid-19 pandemic, with operating profit 3,301 million euros lower in 2020 than in 2019.

After tax and interest paid on net financial debt and lease liabilities, and after the change in working capital, net cash from operating activities amounted to 10,897 million euros, down 751 million euros from 2019.

Interest paid on net financial debt came to 58 million euros, much lower than in 2019, despite a significant increase in average gross borrowings related to the financing of the acquisition of Tiffany & Co., which took place on January 7, 2021. This change arose from the favorable impact of lower average interest rates, which more than offset the unfavorable impact of higher average borrowings.

Tax paid came to 2,385 million euros, 19% lower than the 2,940 million euros paid a year earlier, due to the decrease in the Group's earnings.

The change in working capital (367 million euros) generated a requirement 787 million euros lower than in the previous fiscal year, during which the change in working capital totaled -1,154 million euros. The 562 million euro increase in inventories in 2020 was substantially lower than the 1,604 million euro increase in inventories observed in 2019, generating a 1,042 million euro reduction in the financing requirement related to the increase in inventories. In addition, trade accounts receivable – which had increased by 111 million euros as of year-end 2019 – were down 518 million euros as of year-end 2020, reducing the working capital requirement by an additional 629 million euros. Conversely, trade accounts payable and other operating payables, which were down as of year-end 2020, generated a 322 million euro financing requirement, while as of year-end 2019 they had been up 561 million euros, helping to finance the working capital requirement.

Operating investments net of disposals resulted in an outflow of 2,478 million euros in 2020, down 815 million euros relative to the outflow of 3,294 million euros as of year-end 2019. These mainly included investments by the Group's brands – in particular Louis

Vuitton, Sephora and Bvlgari – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses and Hennessy in their production equipment.

Repayment of lease liabilities totaled 2,302 million euros as of year-end 2020, versus 2,187 million euros as of year-end 2019.

As of year-end 2020, "Operating free cash flow"<sup>(1)</sup> amounted to 6,117 million euros, stable with respect to the 6,167 million euros recorded in 2019, with the decrease in "Cash from operations before changes in working capital" almost entirely offset by the decrease in working capital expenditure, operating investments and tax paid.

In fiscal year 2020, financial investments accounted for an outflow of 461 million euros, the predominant share of which related to the impact of foreign exchange hedges implemented in anticipation of the acquisition of Tiffany & Co.

Equity-related transactions generated an outflow of 2,838 million euros. A portion of this amount, 2,317 million euros, arose from dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 1,309 million euros were for the final dividend payment in respect of fiscal year 2019 and 1,008 million euros were for the interim dividend payment in respect of fiscal year 2020, as well as tax related to dividends paid for 116 million euros. Net cash used in purchases of minority interests' shares and dividends paid to minority interests came to 432 million euros. Conversely, capital increases subscribed by minority interests generated an inflow of 43 million euros.

The change in cash after all transactions relating to operating activities, investing activities and equity-related transactions thus represented a net inflow of 2,818 million euros. Proceeds from borrowings after repayments and changes in the value of current available for sale financial assets came to 12,544 million euros, after which the year-end end cash balance was 14,309 million euros higher than at year-end 2019, including a negative 1,052 million euro impact of the change in the cumulative translation adjustment on cash balances. It totaled 19,806 million euros as of the fiscal year-end, a level justified by the financing of the acquisition of Tiffany & Co., which took place on January 7, 2021 for an amount of 16.1 billion US dollars.

(1) "Operating free cash flow" is defined in the consolidated cash flow statement. In addition to net cash from operating activities, it includes operating investments and repayment of lease liabilities, both of which the Group considers as components of its operating activities.

## 4. FINANCIAL POLICY

During the fiscal year, the Group's financial policy focused on the following areas:

- securing financing for the acquisition of Tiffany & Co., announced in November 2019;
- ensuring the Group's access to liquidity in the unprecedented context of the Covid-19 pandemic, as the measures taken by governments to combat the Covid-19 pandemic heavily disrupted LVMH's operations, particularly through the closure of stores and production facilities in most countries for several months, along with the halt in international travel, which generated a deterioration in cash flow and profitability across all business groups.

These areas were addressed by:

- completing bond issues totaling 10.7 billion euros in February and April 2020 to finance in particular the acquisition of Tiffany initially planned for the second half of 2020, which was finalized on January 7, 2021. In 2020, the Group was therefore able to take advantage of increasingly favorable market conditions, enabling it to maintain a good balance of short- and long-term debt;
- preserving the Group's financial structure and flexibility, as evidenced by the following key indicators:
  - a significant reserve of undrawn confirmed credit lines totaling 15.8 billion euros,
  - the Group's access to liquidity, notably through its euro- and US dollar-denominated commercial paper programs, which benefit from extremely favorable rates and spreads, as well as the option to call on bond markets on a regular basis over medium/long-term maturities, with issue spreads that were highly volatile in the first half of 2020 in the midst of the Covid-19 crisis, before returning to pre-crisis levels at the end of the year; the assignment of a second rating for the Group by Moody's in 2019 confirmed LVMH's credit quality (A1/P1 with Moody's and A+/A1 with Standard & Poor's) and bolstered LVMH's credit profile in these markets,
  - equity before appropriation of profit was stable, totaling 38.8 billion euros as of year-end 2020, versus 38.4 billion euros a year earlier;

- preserving the Group's assets:
  - maintaining the necessary level of cash and cash equivalents with a diversified range of top-tier banking partners and short-term money market funds. Special attention was paid to the return on these investments to avoid any potential negative yields, a corollary of the quantitative easing policy of the European Central Bank,
  - maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's business activity and to hedge its debt. With regard to foreign exchange risks, the Group continued to hedge the risks of its exporting companies by buying options or collars, which protect against the negative impact of currency depreciation while retaining some of the gains in the event of currency appreciation. The hedging strategies enabled the Group to obtain exchange rates for most currencies that were better than the respective average rates for the year,
  - greater concentration of Group liquidity owing to the rollout of cash pooling practices worldwide, ensuring the fluidity of cash flows across the Group and optimal management of surplus cash.

Lastly, the Group adopted a policy of adjusted dividend payouts to shareholders, to enable them to benefit from the Group's very good performance in 2019, while taking into account the disruptions caused by the global public health crisis and its consequences on the Group's profitability:

- adjustment of the dividend per share (initially planned to be 6.80 euros) to 4.80 euros in respect of fiscal year 2019, paid in July 2020. The distribution to shareholders of LVMH SE in respect of 2019 thus totaled 2.4 billion euros, before the impact of treasury shares;
- an interim dividend for 2020 of 2.00 euros was paid in December 2020;
- dividend per share of 6.00 euros for fiscal year 2020 (i.e. a final dividend of 4.00 euros to be distributed in 2021). The distribution to shareholders of LVMH SE in respect of 2020 thus totals 3.0 billion euros, before the impact of treasury shares.

Net debt came to 4.2 billion euros as of year-end 2020, as against 6.2 billion euros a year earlier.

## 5. OPERATING INVESTMENTS

### 5.1 Communication and promotion expenses

Over the last three fiscal years the Group's total investments in communication, in absolute values and as a percentage of revenue, were as follows:

<b>Communication and promotion expenses:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
– in millions of euros	4,869	6,265	5,518
– as % of revenue	10.9	11.6	11.8

### 5.2 Research and development costs

The Group's research and development investments in the last three fiscal years were as follows:

<i>(EUR millions)</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Research and development costs	139	140	130

### 5.3 Investments in production facilities and retail networks

Apart from investments in communication, promotion and research and development, operating investments are geared towards improving and developing retail networks as well as guaranteeing adequate production capabilities.

Acquisitions of property, plant and equipment and intangible assets for the last three fiscal years were as follows, in absolute values and as a percentage of the Group's cash from operations before changes in working capital:

<b>Acquisitions of intangible assets and property, plant and equipment:</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
– in millions of euros	2,526	3,287	2,990
– as % of cash from operations	18	20	25

These expenses mainly correspond to advertising campaign costs, especially for the launch of new products, public relations and promotional events, and expenses incurred by marketing teams responsible for all of these activities.

Most of these amounts cover scientific research and development costs for skincare and makeup products of the Perfumes and Cosmetics business group.

Following the model of the Group's Selective Retailing companies, which directly operate their own stores, Louis Vuitton distributes its products exclusively through its own stores. The products of the Group's other brands are marketed by agents, wholesalers, or distributors in the case of wholesale business, and by a network of directly operated stores or franchises for retail sales.

In 2020, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total store network increasing from 4,915 to 5,003.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2020 were related to ongoing investments in the Champagne region (initiated in 2012) as well as the construction of cognac cellars for Hennessy.

## 6. MAIN LOCATIONS AND PROPERTIES

### 6.1 Production

#### 6.1.1 Wines and Spirits

The surface areas of vineyards in France and abroad that are owned by the Group are as follows:

<i>(in hectares)</i>	2020		2019	
	Total	<i>Of which: Under production</i>	Total	<i>Of which: Under production</i>
<b>France</b>				
Champagne appellation	1,872	1,699	1,867	1,693
Cognac appellation	187	160	189	161
Vineyards in Provence	163	147	120	120
Vineyards in Bordeaux	193	160	194	156
Vineyards in Burgundy	11	11	11	11
<b>International</b>				
California (United States)	452	276	450	294
Argentina	1,635	923	1,660	948
Australia, New Zealand	682	612	684	626
Brazil	198	110	197	110
Spain	119	86	116	83
China	68	60	68	60
India	4	2	4	2

In the table above, the total number of hectares owned is determined exclusive of areas not usable for winegrowing. The difference between the total number of hectares owned and the number of hectares under production represents areas that are planted but not yet productive, and areas left fallow.

The Group also owns industrial and office buildings, wineries, cellars, warehouses, offices and visitor and customer centers for each of its main Wines and Spirits brands or production operations in France, the United Kingdom, the United States, Argentina, Australia, China, New Zealand, Brazil, India and Spain, as well as distilleries, warehouses and offices in the Cognac region of France, Poland and Mexico. The total surface area is approximately 960,000 square meters in France and 317,500 square meters abroad.

#### 6.1.2 Fashion and Leather Goods

Louis Vuitton owns twenty-nine leather goods and shoe production facilities, in addition to its fragrance laboratory. Most of them are in France, but there are also major workshops located in Spain (near Barcelona), Italy (in Fiesso) and the United States (in San Dimas, California, and near Dallas, Texas). Overall, production facilities and warehouses owned by the Group represent approximately 218,200 square meters.

Fendi owns its manufacturing facility near Florence, Italy, as well as the Palazzo Fendi building in Rome, which houses its historic boutique and a hotel.

Celine also owns manufacturing and logistics facilities in Radda in Chianti and Greve in Chianti, Italy.

Berluti's shoe production factory in Ferrara, Italy is owned by the Group.

Rossimoda owns its office premises and its production facility in Vigonza, Italy.

Loro Piana has several manufacturing workshops in Italy as well as a site in Ulaanbaatar, Mongolia.

Rimowa owns its offices, production facilities and warehouses in Germany, the Czech Republic and Canada. This property represents approximately 70,500 square meters.

Christian Dior owns four manufacturing workshops (three in Italy and one in Germany) and a warehouse in France. Overall, this property represents approximately 36,000 square meters.

LVMH Métiers d'Arts owns several farms in Australia and the United States, with a total surface area of about 220 hectares, as well as a tannery covering about 13,500 square meters in France.

The other facilities used by this business group are leased.

### 6.1.3 Perfumes and Cosmetics

Buildings located near Orléans and in Chartres, France, housing the Group's Research and Development operations for Perfumes and Cosmetics as well as the manufacturing and distribution activities of Parfums Christian Dior, are owned by Parfums Christian Dior and total around 165,600 square meters.

Guerlain has a 20,000-square-meter production site in Chartres. The brand also owns another production site in Orphin, France, measuring 10,500 square meters.

Parfums Givenchy owns two plants in France – one in Beauvais and the other in Vervins – with a total surface area of 19,000 square meters. The Vervins plant handles the production of Givenchy and Kenzo product lines. The company also owns distribution facilities in Hersham, in the United Kingdom.

Make Up For Ever owns a 2,300-square-meter warehouse in Gennevilliers, France.

## 6.2 Distribution

Retail distribution of the Group's products is most often carried out through exclusive stores. Most of the stores in the Group's retail network are leased and only in exceptional cases does the LVMH group own the buildings that house its stores.

### 6.2.1 Fashion and Leather Goods

Louis Vuitton owns certain buildings that house its stores in Tokyo, Osaka, Hawaii, Guam, Seoul, Cannes, Saint-Tropez and Genoa, for a total surface area of approximately 13,000 square meters.

Christian Dior owns certain buildings that house its stores in France, South Korea, Japan, England, Australia, Switzerland and Spain, for a total surface area of approximately 5,600 square meters.

Celine, Fendi and Berluti also own stores in Paris and Italy.

As of December 31, 2020, the Group's store network broke down as follows:

<i>(number of stores)</i>	2020	2019	2018
France	512	535	514
Europe (excl. France)	1,175	1,177	1,153
United States	866	829	783
Japan	428	427	422
Asia (excl. Japan)	1,514	1,453	1,289
Other markets	508	494	431
<b>Total</b>	<b>5,003</b>	<b>4,915</b>	<b>4,592</b>

### 6.1.4 Watches and Jewelry

TAG Heuer has two workshops in Switzerland, one in Cornol and the other in Chevèze, together totaling about 4,700 square meters.

Zenith owns the manufacture which houses its movement and watch manufacturing facilities in Le Locle, Switzerland.

Hublot owns its production facilities in Switzerland and its office premises.

Bvlgari owns its production facilities in Italy and Switzerland. In 2019 and 2020, Bvlgari acquired land totaling around 54,300 square meters to expand its production workshop in Italy.

The facilities used by the business group's other brands (Chaumet and Fred) are leased.

### 6.2.2 Selective Retailing

Le Bon Marché owns its stores, which total approximately 79,800 square meters.

DFS owns its stores in Guam, the Mariana Islands, and Hawaii.

### 6.2.3 Other activities

The Group owns the Cheval Blanc hotel in Saint-Barthélemy and the Résidence de la Pinède in Saint-Tropez, France.

Belmond owns 25 hotels, 7 of which are in Italy.

<i>(number of stores)</i>	2020	2019	2018
Fashion and Leather Goods	2,007	2,002	1,852
Perfumes and Cosmetics	434	426	354
Watches and Jewelry	471	457	428
Selective Retailing	2,072	2,011	1,940
<i>Of which: Sephora</i>	2,021	1,957	1,886
<i>Other, including DFS</i>	51	54	54
Other	19	19	18
<b>Total</b>	<b>5,003</b>	<b>4,915</b>	<b>4,592</b>



### 6.3 Administrative sites and investment property

Most of the Group's administrative buildings are leased, with the exception of the headquarters of certain brands, particularly those of Louis Vuitton, Christian Dior Couture, Parfums Christian Dior, and Zenith.

The Group holds a 40% stake in the Company that owns the building housing its headquarters on Avenue Montaigne in Paris. It also owns three buildings in New York with about 19,800 square meters of office space and four buildings in London with about 3,500 square meters of office space. These buildings are occupied by Group entities.

The Group also owns investment properties with office space in New York, Osaka and London, which total 500, 3,000 and 1,400 square meters, respectively. These buildings are leased to third parties.

La Samaritaine and Le Bon Marché own office space in Paris totaling 31,600 and 18,700 square meters, respectively.

The Group of properties previously used for the business operations of the La Samaritaine department store in Paris are the focus of a redevelopment project, which will transform it into a complex mainly composed of offices, shops and a luxury hotel.

## 7. OPTION PLANS SET UP BY SUBSIDIARIES

None.

## 8. SUBSEQUENT EVENTS

On January 7, 2021, LVMH acquired 100% of the shares of Tiffany & Co. (NYSE: TIF), in accordance with the agreement signed in November 2019 and amended in October 2020. The acquisition was completed at the price of 131.50 US dollars per share, for a total of 16.1 billion US dollars, paid in cash. Tiffany & Co. will be consolidated as of January 2021, and the purchase price allocation will be carried out in 2021. The annual report of Tiffany & Co. as

of January 31, 2020 and the quarterly publications as of April 30, July 31 and October 31, 2020 are available on the SEC website ([www.sec.report](http://www.sec.report)).

No other significant subsequent events occurred between December 31, 2020 and January 26, 2021, the date on which the financial statements were approved for publication by the Board of Directors.

## 9. RECENT DEVELOPMENTS AND PROSPECTS

In an environment that remains highly turbulent, LVMH is very well-equipped to capitalize on the anticipated recovery and rebuild growth momentum across all business groups in 2021.

The Group will pursue its strategy focused on developing its brands by continuing to build on strong innovation and investments as well as a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance between its different businesses and geographic diversity, LVMH enters 2021 with cautious confidence and once again, sets an objective of reinforcing its global leadership position in luxury goods.



# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Ethics and responsibility

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## 1. BACKGROUND

LVMH has always sought to:

- ensure that its practices reflect the highest standards of integrity, responsibility and respect for its partners;
- offer a working environment that allows its employees to fully express their talents and implement their skills and expertise;
- ensure that its Maisons define and adapt their production processes, habits and behaviors in order to continuously improve their response to the environmental challenges they face;
- participate in the regional development of the areas in which it operates through its activities;
- mobilize resources and skills to serve philanthropic initiatives and projects of general interest, and promote access to art and culture for as many people as possible.

As a responsible and committed stakeholder, the Group seeks to anticipate and meet the expectations of civil society in relation to corporate social and environmental responsibility, which include the following:

- taking into account changing career expectations and helping employees navigate, in particular, new unique career paths, technological changes and new demographics;
- responding to environmental challenges in light, in particular, of urgent changes called for by climate change;
- greater transparency in supply management to ensure that every stakeholder in the value chain offers satisfactory living and working conditions and uses environmentally friendly production methods;
- a demand for integrity in business at a time of growing global emphasis on the obligation for major groups to detect and prevent financial crime;
- sensitivity to the use of personal data, a key issue in safeguarding the fundamental right to privacy.

Information about the Group's Vigilance Plan and Statement of Non-Financial Performance can be found in the cross-reference tables at the end of this section.

## 2. STANDARDS

The LVMH group stays true to its uniqueness through a meticulous dedication to excellence. This dedication requires an unwavering commitment to the highest standards in terms of ethics, corporate social responsibility and respect for the environment.

In recent years, the Group has supported or signed up for a number of international standards, implementation of which it promotes within its sphere of influence, as well as putting in place its own internal standards.

### 2.1 International instruments

For many years now, the LVMH group has demonstrated its desire to act as a responsible corporate citizen and align its operations and strategy to support various internationally recognized benchmarks, including the following:

- the United Nations Global Compact, to which the Group signed up in 2003, as well as the Caring for Climate initiative;
- the Universal Declaration of Human Rights;
- OECD Guidelines;
- the International Labor Organization's Fundamental Conventions;
- the 17 Sustainable Development Goals drawn up and developed by the United Nations;
- the French Diversity Charter, signed by the Group in 2007;
- the United Nations Women's Empowerment Principles, signed by the Group in 2013;
- France's national biodiversity protection strategy;
- the Kimberley Process, an international system for certifying rough diamonds;
- the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- UNESCO's intergovernmental scientific program, "Man and the Biosphere" (MAB), aimed at protecting global biodiversity;
- the United Nations' standards of conduct for business tackling discrimination against lesbian, gay, bi, trans and intersex (LGBTI) people.

## 2.2 Internal standards

### LVMH Code of Conduct

In 2009, LVMH drew up its first Code of Conduct, designed to serve as a common ethical foundation for the Group and its Maisons. In 2017, the Code was fine-tuned and updated to reflect changes in country-specific contexts, business lines and cultures.

The LVMH Code of Conduct outlines the rules to be followed by all employees as they go about their work.

It is based on the following six core principles:

- acting responsibly and compassionately;
- offering a fulfilling work environment and valuing talent;
- committing to protect the environment;
- winning the trust of customers;
- winning the trust of shareholders;
- embodying and promoting integrity in the conduct of business.

Supported by the members of the Executive Committee and Presidents of the Maisons, it promotes consistency and continuous improvement across the Group's various entities. It does not replace existing codes and charters within Maisons, but serves as a shared foundation and source of inspiration. Where appropriate, its policies are defined in greater detail by Maison according to its business sector or location. Furthermore, locally applicable codes and charters are implemented where this is appropriate in the light of local laws and regulations.

The Code has been translated into more than 10 languages and is widely disseminated across the Group. Supplementary tools have also been developed to help employees better understand and apply the principles set out in the Code, including an e-learning module and various communication materials.

### Supplier Code of Conduct

In 2008, the Group implemented a Supplier Code of Conduct, which sets out its requirements for its partners in the fields of corporate social responsibility, the environment and the fight against corruption. Like the LVMH Code of Conduct, the Supplier Code of Conduct was revised in 2017 to fine-tune and supplement the requirements set out in it.

The Supplier Code of Conduct has been disseminated across the Group's Maisons; providers subject to the Code are required to comply with the principles laid down in it.

This Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment and discrimination; provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct

(in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence-peddling that must be respected by suppliers and any subcontractors in managing their business.

The Supplier Code of Conduct states that suppliers to LVMH and its Maisons must take responsibility for work undertaken by their own subcontractors and suppliers, and make sure that they comply with the principles laid down in the Code and any other relevant obligations.

It also gives LVMH the right to conduct audits to verify compliance with these principles by suppliers and subcontractors.

If the Supplier Code of Conduct is violated by one of its suppliers – or by a supplier or subcontractor of one of its suppliers – LVMH or the Maison concerned reserve the right to suspend or end the commercial relationship, subject to the conditions provided by law and depending on the severity of the violations identified.

### Environmental Charter

Adopted in 2001, the Environmental Charter is the founding document for LVMH's five main aims with regard to the environment:

- striving for high environmental performance;
- encouraging collective commitment;
- managing environmental risks;
- designing products that factor in innovation and environmental creativity;
- making a commitment that goes beyond the Company.

It encourages the President of each Maison to demonstrate commitment to this approach through concrete actions.

The Charter was given a significant boost by the strategic LIFE (LVMH Initiatives for the Environment) program, launched in 2011, described in the "Environment and sustainability" section.

### Recruitment Code of Conduct

The LVMH Recruitment Code of Conduct, implemented in 2009, has been widely disseminated to all employees involved in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at LVMH in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. The Group began work on updating the Recruitment Code of Conduct in 2020 to better take into account new challenges and situations relating to recruitment, which will be completed in the first half of 2021.

### Animal-Based Raw Materials Sourcing Charter

In 2019, the Group launched its Animal-Based Raw Materials Sourcing Charter. This charter is the result of a long process of scientific research and collaboration between LVMH's environmental experts, its Maisons and their suppliers. The exhaustive charter covers the full range of issues concerning the sourcing of fur, leather, exotic leather, wool and feathers. It allows the Group to make long-term commitments to achieving progress in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local populations, the environment and biodiversity. Under the charter, a scientific committee has been formed, and each year it will support and supervise a number of research projects aimed at driving progress in this area.

### Charter on Working Relations with Fashion Models

In 2017, the Group drew up a Charter on Working Relations with Fashion Models in consultation with the Kering group and sector professionals motivated by a shared desire to promote dignity, health and well-being among fashion models.

The Charter, which applies to all Maisons worldwide, aims to bring about genuine change in the fashion world by rooting out certain behaviors and practices not in keeping with the Group's

values and raising awareness among fashion models that they are full-fledged stakeholders in these changes.

To help spread the principles laid down in the Charter, the LVMH and Kering groups have set up a dedicated website, [wecareformodels.com](http://wecareformodels.com). The site provides fashion models with best practice and advice from independent nutritionists and coaches.

### Internal Competition Law Compliance Charter

In 2012, the Group formalized its commitment to uphold free and fair competition by adopting an Internal Competition Law Compliance Charter. The Charter aims to help develop a true culture of compliance with competition rules within the Group. This charter sets out the main rules that should be known by all employees in conducting commercial relationships on a day-to-day basis, and defines in a pragmatic way the standards of conduct expected of them. In particular, LVMH prohibits any abuse of dominant position, concerted practice or unlawful agreement, through understandings, projects, arrangements or behaviors which have been coordinated between competitors concerning prices, territories, market shares or customers. The Charter is available on the Ethics & Compliance Intranet.

## 3. GOVERNANCE

Dedicated governance arrangements are in place to ensure the Group's values and ethical standards are put into practice.

The Board of Directors' Ethics & Sustainable Development Committee – the majority of whose members are Independent Directors – ensures compliance with the individual and shared values on which the Group bases its actions. The Committee provides leadership on matters of ethics as well as environmental, workforce-related and social responsibility.

The Group's Executive Management coordinates the efforts of LVMH's Audit & Internal Control, Operations, Purchasing, Environment, Social Development, Ethics & Compliance and Financial Communications Departments, which work together to raise awareness and help the Maisons make progress – especially in the areas of risk management and supplier relations – with regard to environmental, social and integrity issues.

The Ethics & Compliance Department is led by the Group's Ethics & Compliance Director, who reports to the Group Managing Director. The department draws up behavioral standards and makes available various tools designed to help Group entities implement applicable regulations. It has its own budget and headcount and is also supported by representatives from various Group departments so as to promote coordination on cross-functional projects led by it.

Around this central function, a network of more than 80 Ethics & Compliance Officers coordinate implementation of the compliance program within each Maison and help share best practice across the Group. Ethics & Compliance committees have been set up in most of the Maisons to improve coordination of the responsibilities of Ethics & Compliance officers in the implementation of compliance programs and keep Maison presidents informed of their results.

This governance structure is also supported by the following:

- the network of CSR Officers at Maisons, who help organize the measures to be implemented and facilitate their application by the Maisons, who will then make the necessary adjustments in line with their own values, their environment, and the expectations of their employees and customers. These officers are supported by a network of CSR Officers in major geographic areas;
- the Environment Committee, which brings together a network of Environment Officers from the Maisons. This body provides a forum for reflection and discussion about major objectives (LIFE program), environmental challenges and opportunities;

- Maison representatives in charge of purchasing, certain supply chains and supplier relations, who come together at the Responsible Purchasing seminar to review priority issues, launch new initiatives and share best practices within the Group;
- the network of Internal Control Officers led by the Audit & Internal Control Department, which coordinates the implementation of internal control and risk management systems. These officers are responsible, within the Maisons, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their business.

## 4. RISK IDENTIFICATION

The Group's activities involve exposure to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. The approach to identifying risks that the Group's business might generate for its stakeholders has been systematized through a comprehensive risk-mapping exercise covering the fight against corruption, respect for human rights and environmental protection, based on a shared methodology covering the whole Group.

The first non-financial risk-mapping exercise was performed in 2018 with the assistance of global risk and strategic consulting firm Verisk Maplecroft, which specializes in analyzing political, economic, social and environmental risks. In 2020, this exercise was updated to take into account developments in the business activities of each Maison. Some of the weightings given to risk factors were revised in light of lessons learned during the initial exercise and in order to better reflect potential risks. A data visualization platform, developed using Power BI technology, was also introduced in 2020 to provide more interactive access to risk analyses. This will allow the Maisons to better identify their key risks (both internally and across their supply chains).

The risk map was based on an assessment comparing external assessments of risk levels provided by Verisk Maplecroft with quantitative information provided internally by various Group entities, such as their level of activity, the number of employees, and the amount of purchases by category and supplier. This work has allowed the Group to categorize its suppliers by criticality (a critical supplier is one playing a major role in a company process, i.e. any supplier that if affected by a failure, disruptions or other issues would lead to a complete or partial suspension of the Company's operations).

The exercise analyzed a wide variety of factors by geography and sector:

- With respect to human rights: decent pay and working hours, workplace discrimination, freedom of association and trade union membership, health and safety, forced labor, etc.
- With respect to the environment: air quality, waste management, water stress, water quality, deforestation, climate change, risk of drought, etc. The CO<sub>2</sub> emissions indicator was also added.
- With respect to corruption: the Corruption Perceptions Index published by the NGO Transparency International was used to assess country risk. Verisk Maplecroft's industry risk indices were used to assess risks for specific industry sectors.

The resulting risk map separates out administration, production and distribution activities across these various risks, highlighting the severity of potential risks arising from the Group's own activities and those of its supply chain. Some 30,000 suppliers and service providers, representing 90% of Group expenditure, were assessed in relation to their risk levels across the three categories mentioned above.

Based on an array of data – including this mapping work, feedback from the Maisons' networks of Ethics & Compliance, CSR and Environment Officers, and an assessment of the impact and probability of occurrence of the various risks identified – the following were classified in 2019 and reviewed in 2020 by representatives of the Group's central functions and Executive Management as “key risks” in light of the Group's activities:

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy to promote employee inclusion and fulfillment;
- shortcomings in the implementation of personal data protection rules;
- shortcomings in the implementation of business practice compliance arrangements.

## 5. RISK MANAGEMENT

In keeping with its aim of constantly improving its management of non-financial risks, the Group has set up a system for regularly monitoring risks relating to ethical, social and environmental responsibility.

The risk-mapping exercise (described in the previous section) helps the Maisons identify which countries and types of purchases are particularly at risk with respect to corruption, human rights violations and environmental impact. This exercise is now one of the key components of the Group's new Convergence program. The aim of this program is to ensure the best possible alignment between the gross risks identified by the risk-mapping exercise and supplier audit programs as well as risk mitigation actions.

By way of example, in preparing the 2020 risk map on the basis of 2019 data, a supplier based in Madagascar was identified as presenting a very high risk in the area of human rights. An analysis of the audits carried out in 2019 and 2020 revealed that the Maisons working with this supplier had conducted three audits

over the last two years, including one also covering environmental issues, which found its performance to be satisfactory in 2020.

This information is taken into account in letters of representation concerning risk management and internal control arrangements under the "ERICA" approach, an overview of which can be found in the "Financial and operational risk management and internal control" section.

Each year, the Ethics & Compliance Department reports to the Ethics & Sustainable Development Committee of the Board of Directors on the implementation of the Group's ethics and compliance policy. The Group Ethics & Compliance Director delivered presentations to this committee on two occasions in 2020.

The policies put in place to manage the key risks identified above, together with their results, where relevant, are set out in this section. Readers are referred to the "Attracting and retaining talent" and "Environment and sustainability" sections where applicable.

### 5.1 Comprehensive program to protect ecosystems and natural resources

Because its businesses celebrate nature at its purest and most beautiful, LVMH sees preserving the environment as a strategic imperative. The fact that this imperative is built into all the Group's activities constitutes an essential driver of its growth strategy, enabling it to respond to stakeholders' expectations and constantly stimulate innovation.

Built around nine key aspects of the Group's environmental performance, the global LIFE (LVMH Initiatives for the Environment) program provides a structure for this approach, from design through to product sale. It is presented in detail in the "Environment and sustainability" section.

### 5.2 Supplier assessment and support

The LVMH group considers it very important that the Maisons and the Group's partners abide by a shared body of rules, practices and principles in relation to ethics, corporate social responsibility and environmental protection. The complexity of global supply chains means there is a risk of exposure to practices that run counter to these rules and values.

The Group's responsible supply chain management approach therefore aims to motivate suppliers and every link in the supply chains involved to meet ethical, social and environmental requirements.

Supporting suppliers has long been a strategic focus for LVMH, with a view to maintaining sustainable relationships based on a shared desire for excellence. The Group pursues an overarching approach aimed at ensuring that its partners adopt practices that are environmentally friendly and respect human rights.

This approach is based on a combination of the following:

- identifying priority areas, informed in particular by the non-financial risk-mapping exercise covering the activities of the Group and its direct suppliers by type of activity;
- site audits of our suppliers (Tier 1 and higher) to check that the Group's requirements are met on the ground, and implementation of corrective action programs in the event of compliance failures;
- supplier support and training;
- actively participating in cross-sector initiatives covering high-risk areas.

To a large extent, actions implemented address issues connected with both the environment and human rights.



## Identifying priority areas

The non-financial risk-mapping exercise described under §4 helps determine which suppliers should be audited as a priority. It takes into account risks related to the country, purchasing category and amount of purchases in question.

As part of its Convergence project, the Group continued to expand its use of the EcoVadis platform in 2020. Following the completion of the risk-mapping exercise each year, the main suppliers identified as at risk may be assessed using the EcoVadis methodology. This allows for the assessment of their ethical, social and environmental performance through the collection of documentary data, external intelligence and online research.

More than 1,400 suppliers were invited to join the platform in 2020. In all, 86% of suppliers improved their score upon reassessment, with an average 13-point improvement since the first assessment. Following sign-on by the Group Purchasing Department, Louis Vuitton, the Perfumes and Cosmetics business group, Sephora and the Wines and Spirits business group, new Maisons came on board in 2020: Bvlgari, Fendi and Loewe.

## Assessment and corrective action plans

LVMH is unique in that it undertakes much of its own manufacturing in-house, with subcontracting accounting for only a small proportion of the cost of sales. The Group is therefore able to directly ensure that working conditions are safe and human rights respected across a significant part of its production.

The Maisons apply reasonable due diligence measures and audit their suppliers – and, above Tier 1, their subcontractors – to ensure they meet the requirements laid down in the LVMH Supplier Code of Conduct.

Contracts entered into with suppliers of raw materials and product components with whom the Group maintains a direct relationship include a clause requiring them to be transparent about their supply chain by disclosing their subcontractors.

Given the growing level of maturity in the management of their supply chains, a certain number of Maisons (including Louis Vuitton, Fendi and Sephora) carried out more audits of Tier 2 or higher suppliers than of Tier 1 suppliers in 2020.

Maisons maintain collaborative, active working relationships with direct suppliers by helping them conduct audits and draw up any corrective action plans that might be required.

The Group uses specialist independent firms to conduct these audits. In 2020, 1,325 audits (not including EcoVadis assessments) were undertaken at 1,071 suppliers and subcontractors. Compared with 2019, when 1,589 audits were conducted, and despite the exceptional public health situation beginning in early 2020, a high number of audits at Group supplier production sites were still carried out during the year.

Of all the audits undertaken, 44% covered both workforce-related aspects (health and safety, forced labor, child labor, decent pay, working hours, discrimination, freedom of association and collective bargaining, the right to strike, etc.) and environmental aspects (environmental management system, water usage and pollution, gas emissions and air pollution, management of chemicals, waste management, types of raw materials used, etc.). A total of 45% of audits covered only workforce-related aspects, and 11% only environmental aspects.

In keeping with the aim of monitoring at-risk suppliers and ensuring permanent controls on their level of compliance, more than one-quarter of the audits carried out in 2020 involved suppliers that had already been audited in previous years.

	Europe	North America	Asia	Other
Breakdown of suppliers by volume of purchases (as %)	63	20	15	2
Breakdown of suppliers by number (as %)	73	13	11	3
Breakdown of audits (as %)	67	1	28	4

Some Maisons have supplemented their audits using measures to directly ask their suppliers' employees about their working conditions. These surveys help gain a clearer vision of working conditions at the sites concerned and check for problems such as forced labor or harassment, which may not be detected during audits. These fully anonymous, confidential surveys are offered through a mobile instant messaging application. In 2020, Sephora once again teamed up with audit firm Elevate to conduct surveys of this type during site audits. Moët Hennessy has launched a similar approach in collaboration with Fairmakers.

In 2020, 22% of suppliers audited failed to meet the Group's requirements based on a four-tier performance scale that takes into account the number and severity of compliance failures observed; 3% were found to have critical compliance failures.

The majority of compliance failures identified had to do with health and safety. In such cases, the Group always works with the supplier to draw up a corrective action plan, implementation of which is monitored by the buyer responsible for the relationship within the relevant Maison. Some Maisons, such as Loewe and Parfums Christian Dior, also offer personalized coaching to help suppliers correct compliance failures identified during audits.

When, in spite of the support offered by LVMH, a supplier or its subcontractors prove unwilling to make the effort required to meet the relevant requirements, the relationship is terminated. Given the increasing maturity of the suppliers for the Group's Maisons, only six contracts were terminated in 2020 (compared with 21 in 2019). Similarly, three production sites were not approved following unsatisfactory preliminary audits.

A project was also carried out in 2020 to develop workforce-related audit guidelines to be shared by all of the Group's Maisons. These guidelines, presented in the fourth quarter of 2020 to all of the Group's approved workforce-related audit providers, will be applied from early 2021. The new workforce-related audit guidelines also include a section concerned with the assessment of environmental and anti-corruption risks.

### Supplier and buyer training

For several years, LVMH has taken part in Utthan, an embroidery industry initiative bringing together major luxury brands. This initiative aims to empower artisans in Mumbai's hand embroidery cluster, where many of the embroiderers partnering with the Maisons are based, and help them gain recognition for their skills. The initiative also includes an on-site training program for embroiderers. In light of the exceptional circumstances relating to the public health crisis, the Group provided direct financial assistance to the employees of subcontractors of its Mumbai-based suppliers.

In keeping with its aim of providing support and fostering continuous improvement, the Group regularly offers its suppliers training opportunities. For example, in 2020:

- continuing with an approach adopted in 2019, Sephora has reinforced its HERproject initiative (pursued in collaboration with BSR), which aims to help low-income women working for certain suppliers improve their well-being, build self-confidence and manage their financial resources, adding two new Chinese factories to the program during the year;
- in February, LVMH Italia's held its fifth sustainable development coordination seminar at Celine's new production facility in Radda in Chianti, Italy. The theme for the first day was the circular economy. The 46 attendees from Maisons based in Italy met representatives from three Italian companies working in this area: a social enterprise specializing in the recovery of fabric trimmings, a company offering a new process for the reuse of leather offcuts, and another with its own integrated, transparent and traceable supply chain for the transformation of scraps into thread and fabric as well as the destruction of unsold products. Risk management was the main theme of the second day, with the presentation of new activities to improve actions in this area by Fendi and its service provider Bureau Veritas;
- in October, eight of the Group's Maisons (Berluti, Givenchy, Kenzo, Loewe, Louis Vuitton, Moët Hennessy, Sephora and TAG Heuer) together organized an online training course for 53 managers of supplier sites based in China. Given the results of the risk-mapping exercise and the findings of certain audits, this training placed emphasis on human rights, health and safety, the environment, and anti-corruption;
- also in October, Louis Vuitton held a one-day, in-person training course focusing on anti-corruption compliance issues for 16 companies representing its main global suppliers in the field of supply chain logistics.

At the same time, the Group ensures that its buyers receive training in issues relating to responsible purchasing. For example, in 2020:

- Loewe brought together all its buyers to raise their awareness of key issues and check compliance among all their suppliers;
- Bvlgari held a training session on the Supplier Code of Conduct and the Kimberley Process (specific to diamonds) for its buyers;
- around 150 people took part in the annual full-day Responsible Purchasing seminar held remotely in November by the Group Purchasing Department, in cooperation with the Environment and Ethics & Compliance Departments.

### Participation in multi-party initiatives covering high-risk areas

In addition to its actions aimed at direct suppliers, LVMH takes part in initiatives intended to improve visibility along supply chains and throughout subcontractor networks, to ensure that it can best assess and support all stakeholders.

Working groups have been put in place and targeted programs rolled out to address issues specific to each of the industry sectors in which the Group operates. To maximize efficiency and optimize influence over subcontractors' practices, preference is generally given to sector-specific initiatives covering multiple purchasing entities.

For Maisons in the Watches and Jewelry business group, the mining sector, which is highly fragmented and relies substantially on the informal economy, carries significant risks to human rights. As such, the Maisons have formally committed under the LIFE 2020 program to ensuring that all gold supplies are certified by the Responsible Jewellery Council (RJC). Alongside suppliers and other pioneering competitors, LVMH also participates in the Coloured Gemstones Working Group (CGWG) run by sustainable development consultancy The Dragonfly Initiative, aimed at optimizing oversight of supply arrangements for colored gemstones. In 2020, a shared platform for the CGWG's member companies was created and made available to the Maisons.

Maisons in the Perfumes and Cosmetics business group have signed up for the Responsible Beauty Initiative run by EcoVadis, working with major sector players to develop action plans in response to business-specific issues. The business group is also involved in the Responsible Mica Initiative, which aims to pool sector stakeholders' resources to ensure acceptable working conditions in the sector by 2022. Work to map Indian mica supply chains began in 2015, followed by a program of audits down to the individual mine level. Over 80% of the supply chain has been covered to date.

The business group also joined Action for Sustainable Derivatives (ASD), a collaborative initiative jointly managed and overseen by BSR and Transitions. ASD brings together large companies in the cosmetics sector and the oleochemical industry to achieve their shared goal of improving traceability, working conditions and practices throughout the entire palm derivatives supply chain.

For Maisons in the Fashion and Leather Goods business group, specific traceability requirements applicable to the leather and cotton sectors have been incorporated into the LIFE 2020 program. Leather traceability is taken into account via the score resulting from audits of the Leather Working Group standard. Targets for the certification of raw materials like cotton and leather were set as part of the LIFE 2020 program; the results are presented in the “Environment and sustainability” section, §3.2 “Results for LIFE 2020 ‘Sourcing’ targets”.

### 5.3 Unrelenting focus on quality and safety

LVMH is continuously looking to offer products of the highest quality, through research and innovation and high standards in the selection of materials and the implementation of expertise in its activities. The Group is motivated by a constant desire to protect the health and safety of its stakeholders.

As regards its own employees, LVMH pursues a health, safety and well-being policy that is set out in the “Attracting and retaining talent” section.

As regards its suppliers’ employees, the assessment criteria used in workforce audits of suppliers at Tier 1 and above include aspects related to health and safety (see §5.2).

As regards its customers, the Group is particularly attentive to two key issues: prudent use of chemical compounds in production processes and promoting responsible consumption of wines and spirits.

#### Prudent use of chemical compounds in production processes

LVMH is committed to safeguarding against risks inherent in the use of chemical compounds, and complies with regulations, industry group recommendations and opinions issued by scientific committees in this field. The Group is constantly seeking to anticipate changes in this area, drawing on its employees’ expertise to produce only the safest products.

The Group’s experts regularly take part in working groups set up by domestic and European authorities and play a very active role within industry groups. Their ongoing monitoring of changes in scientific knowledge and regulations has regularly led LVMH to prohibit the use of certain substances and make efforts to reformulate some of its products.

The Group’s Maisons have customer relations departments that analyze customer complaints, including those relating to adverse effects.

For all Maisons, particular attention is paid to purchases of packaging materials due to fragmentation of production processes in this sector. Specific tools are used to assess and improve the environmental performance of packaging.

As part of a project focusing on living wages, initial contacts were made in 2020 with various structures and bodies, notably in Italy with Camera della Moda and with Fair Wage. This initiative will be continued in 2021.

#### Supply chain visibility

In 2020, in line with its move towards greater transparency, Fendi made public its full list of Tier 1 suppliers for the first time: <https://www.fendi.com/sustainability/supply-chain.html>.

The Perfumes and Cosmetics business group has a dedicated team of specialists who provide the Maisons with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. Such post-market surveillance makes it possible to explore new avenues of research and constantly improve the quality and tolerance with respect to the Group’s products. The Maisons in this business group comply with the most stringent international safety laws, including the EU regulation on cosmetic products. Their products must meet very strict internal requirements covering development, quality, traceability and safety.

Maisons in the Fashion and Leather Goods, and Watches and Jewelry business groups abide by the LVMH Restricted Substances List, an in-house standard that prohibits or restricts the use of certain substances in products placed on the market, as well as their use by suppliers. This standard, which applies to all raw materials used by the Maisons, goes beyond global regulatory requirements and is regularly updated in response to ongoing monitoring of scientific developments. In 2019, LVMH joined the ZDHC (Zero Discharge of Hazardous Chemicals) trade association, which aims to promote best practices concerning the use of dangerous substances and the quality of discharged wastewater at textile and leather manufacturing sites. In 2020, the ZDHC protocol began to be implemented, specifically at the Group’s tanneries.

To help suppliers eliminate the substances on this list, the Group’s Environment Department has produced specific technical guides suggesting alternatives. Training is regularly offered on this subject.

Another in-house tool, the LVMH Testing Program, reinforces the control system of Maisons in the Fashion and Leather Goods business group, allowing them to test the highest-risk substances for different materials at nine partner laboratories.

### Moët Hennessy: an ambassador for responsible consumption of wines and spirits

The LVMH group's Maisons specializing in wines and spirits are committed to combating practices that encourage inappropriate drinking. For many years, Moët Hennessy has promoted the responsible enjoyment of its champagnes, wines and spirits, which is also one of the key social responsibility tenets of its sustainable development manifesto, "Living Soils, Living Together". This commitment takes shape through a diverse range of initiatives aimed at its employees and customers, as well as guests and visitors to its Maisons.

Not only does Moët Hennessy scrupulously adhere to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, as well as following strict digital media guidelines, for example by using filters to keep underage viewers from visiting its Maisons' websites.

On the labels of all its wine and champagne bottles sold in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that provide consumers with information

on responsible drinking, such as [www.wineinmoderation.com](http://www.wineinmoderation.com) for wines, [www.responsibleddrinking.eu](http://www.responsibleddrinking.eu) for spirits and [www.drinkaware.co.uk](http://www.drinkaware.co.uk) in the United Kingdom. Links to these websites are also available on the websites of the Maisons in this business group.

Raising awareness also means educating consumers. For example, every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products.

Moët Hennessy continues to provide its employees with training on the importance of responsible drinking, notably through an in-house mobile app, as well as running an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking".

Lastly, Moët Hennessy continued to actively support responsible drinking programs run by the industry associations it belongs to around the world. In particular, Moët Hennessy is one of three ambassador companies of Wine in Moderation, a nonprofit that actively supports a wine culture based on a healthy and balanced lifestyle.

## 5.4 Ongoing efforts to attract and support talent

The pursuit of LVMH's strategy of growth, international expansion and digitalization relies on the Group's ability to identify talented individuals with the skills it needs and attract them in a highly competitive environment. In particular, the highly specific and demanding nature of the luxury goods industry means the Group must recruit staff with outstanding craftsmanship. Promoting the Group's business lines, passing on skills and

training the designers and craftspeople of the future are therefore key issues for LVMH.

This is why innovative recruitment initiatives, academic partnerships and professional education programs are key components of the Group's human resources policy, detailed in the "Attracting and retaining talent" section.

## 5.5 Constant focus on employee inclusion and fulfillment

LVMH is constantly seeking to create conditions that enable its employees to realize their full potential and succeed within the business. At a time of shifting career expectations, it is vitally important to foster employees' aspirations and their fulfillment and to promote diversity.

This is why workplace well-being, career guidance, reducing gender inequality, promoting employment for people with disabilities and retaining older employees are all priorities within the Group's human resources policy, detailed in the "Attracting and retaining talent" section.

## 5.6 Integrity in business

LVMH requires its employees and partners to conduct their work with exemplary integrity.

Any lapse in prevention and detection in its operations, or any practices contrary to applicable regulations, may bring serious harm to LVMH's reputation, cause disruptions in its business activities, and, in certain cases, expose the Group to various types of administrative and judicial penalties (such as fines, withdrawals of authorizations or lawsuits filed against employees or senior executives).

Due to their extraterritorial aspects, laws relating to the prevention of bribery and other forms of financial crime as well as policies regarding international sanctions are giving rise to enforcement actions and the announcement of judicial and financial penalties.

The Group's senior executives may be held personally liable for any breach of their obligation to put in place adequate prevention and detection measures, possibly even in the absence of any noted illicit activity.

Given the global reach of its business, LVMH has operations in many countries around the world, including some with a level of maturity in the adoption of ethical business practices deemed unsatisfactory by organizations producing popular indices that rank countries worldwide.

The Group pays taxes in the countries and regions where it operates, and endeavors to fully comply with all its tax obligations. The risk management measures taken in connection with its tax policy are described in §1.3.2 of the “Financial and operational risk management and internal control” section.

Due to the nature of its business model, the Group does not enter into any significant contracts with governments. Consequently, it is not exposed to the corruption risks associated with public procurement procedures.

However, LVMH’s business activities involve contacts with government agencies, including for the granting of various authorizations and permits. Similarly, out of a willingness to discuss and cooperate with authorities and decision-makers, LVMH contributes to public debate in countries where to do so is authorized and relevant. The Group’s contributions in the public space always abide by the laws and regulations applicable to the institutions and organizations in question, and LVMH is registered with interest representatives where its activities so require.

Furthermore, the Group may be exposed, in the same way as any other private company, to the risk of corruption in its dealings with private business partners.

Risk-mapping exercises (described in §4 “Risk identification”) were carried out at the level of the Group’s headquarters and the Maisons to identify and prioritize these risks.

Given the diversity of the LVMH ecosystem and its decentralized organizational model, Maisons have developed their own tools and policies adapted to their specific business contexts. At a central level, the Ethics & Compliance Department develops and coordinates the rollout of cross-departmental initiatives to strengthen compliance programs already in place within the Group and ensure their consistency.

Communications, awareness and training efforts aiming to improve employee vigilance are implemented, as well as the sharing of experiences with these subjects within the Group. Common rules, procedures and tools are also in place to facilitate day-to-day detection and prevention of prohibited conduct by operational staff.

#### **Communications, awareness, training and intra-Group experience sharing**

Serving as the central information resource for the Group’s ethics and compliance policy, the LVMH Ethics & Compliance Intranet provides access for all employees to a set of documents, tools and information relating to business ethics.

Specific information is provided by the relevant human resources departments to newly hired employees concerning the Code of Conduct and the whistleblowing system. Information on the Code of Conduct and the whistleblowing system is also shared on the Group’s website. An online training tool, available to all employees on the Ethics & Compliance Intranet, is designed to help them understand and better assimilate the rules, practices and values presented in the LVMH Code of Conduct. This module is available in around ten languages.

The Group’s Maisons have access to a set of documentary resources (summary reports, examples of best practices, awareness videos, guides, etc.) that is updated on a regular basis by the Group’s Ethics & Compliance Department. Since fiscal year 2019, they have reported annually to the Group’s Ethics & Compliance Department on progress made in relation to the various aspects of the compliance program.

On December 9, 2020, in honor of International Anti-Corruption Day, the Group’s Ethics & Compliance Department organized a virtual seminar bringing together 130 participants, including Ethics & Compliance officers from the Maisons and other individuals closely associated with the rollout of compliance programs. Group Managing Director Antonio Belloni, in a video address prepared for the event, called for ongoing efforts to continue in spite of the public health crisis and outlined the priority targets to be met by the Maisons. Awareness initiatives are coordinated by the Ethics & Compliance Department, which holds in-house events in various regions, aimed at staff in various roles. In 2020, an anti-corruption webinar was organized in collaboration with a specialized firm for the Group’s central functions.

The Maisons also made progress in 2020 in the implementation of training and awareness initiatives. For example, Bvlgari launched a new mandatory training course for all employees in July covering the principles of the Group’s Code of Conduct. To date, 80% of its employees worldwide have completed this training course. Louis Vuitton held in-person anti-corruption training sessions for six of its purchasing departments at its headquarters and in Italy, for a total of 57 participants.

In addition to the training and awareness initiatives implemented by the Group and its Maisons, the Group has also developed a specific 45-minute online anti-corruption training module, which is available to all Maisons and serves as a common core that supplements existing training materials. This module is aimed at staff identified as particularly exposed to corruption risk, and its results are regularly assessed. Since it was launched in late 2018, the module has been completed by several thousand employees throughout the Group. This module has been translated into six more languages to expand employee awareness of its content, and more than 3,500 of them successfully completed this training in 2020.

Specifically, this module:

- reiterates LVMH's zero-tolerance policy on corruption;
- expresses the Group Chairman and Chief Executive Officer and Group Managing Director's commitment to promoting exemplary, responsible behavior;
- defines and illustrates the notions of corruption and influence-peddling;
- provides an overview of the policies, governance and tools involved in the Group's anti-corruption compliance program;
- illustrates the negative consequences of corruption on civil society and companies;
- provides information on anti-corruption laws in force around the world and obligations for businesses in combating corruption;
- introduces the concept of due diligence on third parties to combat corruption and the main items to check;
- includes a number of case studies and questionnaires to ensure that employees have fully understood the key concepts involved.

#### Rules, procedures and tools

The LVMH Code of Conduct defines and illustrates prohibited behaviors, in particular those that may constitute corruption or influence-peddling. It reaffirms the Group's zero-tolerance stance on this issue.

In addition to the LVMH Code of Conduct, the Group has internal guidelines, a set of documents that apply to all entities, intended to be used as a reference guide to help employees adopt appropriate behaviors in various areas to do with business ethics. In particular, these principles cover the following:

- preventing corruption and influence-peddling, including basic definitions of these concepts and information about how to identify various suspicious behaviors against which staff should be on their guard;
- mandatory rules on gifts and entertainment;
- preventing money laundering, including information on cash payment limits and formalities for reporting large payments;
- rules for preventing, reporting and resolving conflicts of interest; in this regard, an annual conflict of interest reporting campaign is undertaken within the governing bodies of the Group and the Maisons;
- use of assets belonging to the Group and the Maisons, including the fact that such assets are made available only for a temporary period and the requirement that they be used in a professional and conscientious manner;
- loans of clothes and accessories by Maisons to employees or individuals outside the Group;

- Group policy on travel and security, which includes rules on authorization of travel and payment of travel expenses.

These internal guidelines help employees recognize risky situations and act responsibly and appropriately, by drawing their attention to a number of key points to watch out for. It includes a number of everyday examples to illustrate how to react in risky situations.

These guidelines provide a common core that can be adjusted to fit each entity's specific situation.

LVMH's internal control framework includes a set of minimum requirements for ethics and compliance, which are checked through self-assessments and audits at the Group's various entities (as described in the "Financial and operational risk management and internal control" section).

These requirements notably include the anti-corruption assessment of third parties, in accordance with a risk-based approach. A summary document in a question-and-answer format was made available to the Maisons via the Ethics & Compliance Intranet. A tool is in the process of being rolled out to automate a portion of the assessment and risk management work, by way of a platform allowing for the analysis of questionnaires and continuous checks of various monitoring lists.

In addition to the usual existing communication and warning channels within the Group and the Maisons, LVMH has set up a centralized whistleblowing system (<https://alertline.lvmh.com>), available in around ten languages to all the Group's Maisons, to collect and process reports from any employee or outside stakeholder concerning infringements or serious risks of infringement of laws, regulations, the provisions of the LVMH Code of Conduct and other principles, guidelines and internal policies.

The system includes coverage of the following behaviors:

- corruption and influence-peddling;
- money laundering, fraud and falsification of accounting records;
- embezzlement;
- anti-competitive practices;
- data protection breaches;
- discrimination, harassment, violence and threatening behavior;
- infringements of workers' rights and labor law, illegal employment;
- infringements of occupational health and safety regulations;
- violation of environmental protection laws.

Alerts handled through dedicated whistleblowing systems can be used to help improve risk identification and prevention procedures, as part of a continuous improvement approach.

The Group's whistleblowing system gave rise to 127 reports in respect of fiscal year 2020. Most of these reports related to human resources matters.

If employees fail to abide by rules laid down in the Code of Conduct, the guiding principles or, more generally, the Rules of Procedure (or equivalent document) of their employing

## 5.7 Responsible management of personal data

In order to offer their customers exceptional products and experiences that meet their expectations, the LVMH group's Maisons must have access to high-quality customer data, and are committed to ensuring that all data collected is kept secure.

In an era of innovation for the LVMH group – which is moving ahead with an ambitious digital strategy, resolutely focused on its customers and their aspirations – every Maison in the LVMH group takes steps to comply with the regulations applicable to personal data, including the General Data Protection Regulation (GDPR).

Ensuring full compliance with personal data protection regulation requires adequate governance arrangements to be implemented within the LVMH group. Accordingly, each Group Maison has appointed a Data Protection Officer (DPO) to ensure that its operations are compliant, with support from the legal and cybersecurity departments and in close cooperation with staff in a range of roles (including IT, digital, marketing and HR).

This also means building and promoting a personal data protection culture that permeates all the Group's business lines and activities as well as taking into account technical and methodological developments. To this end, LVMH and its Maisons regularly hold in-person and/or e-learning training and awareness sessions on personal data protection-related issues. The privacy policies for customers and employees of the LVMH group's Maisons were updated to inform these individuals of their rights and obligations regarding personal data, pursuant to the principle of transparency required by the GDPR.

A strict cybersecurity policy is also applied within the Group to ensure a fresh customer experience without compromising on data security, privacy, integrity or availability requirements. Under this policy, LVMH and its Maisons monitor not only the security of their own information systems but also the security levels of the products and services offered by the third-party providers used by LVMH and its Maisons. Providers that have access to LVMH and/or its Maisons' data are assessed to ensure that the technical and organizational measures they have implemented provide a level of security that is sufficient and well suited to their work. Specific cybersecurity incident management and prevention policies are also applied within the Group.

Maison, the Group will take appropriate steps to put an end to the infringement in question, including appropriate disciplinary sanctions proportionate to the severity of the infringement, in accordance with the provisions of the Rules of Procedure (or equivalent document) and applicable laws and regulations.

As a general rule, projects carried out by LVMH and/or its Maisons **must complete a Security and Privacy Risk Assessment** to check that any personal data protection and security-related issues have been adequately addressed by the business lines involved (Security and Privacy by Design), that only personal data that is necessary for the project's purposes is actually collected and processed (Privacy by Default), and that any data protection-related impact analyses that must be completed have been identified.

To ensure a consistent, effective approach, a data protection policy is proposed to all Maisons in order to provide them with a common framework of rules and recommendations, helping ensure that appropriate measures are taken to protect personal data within the LVMH group, in compliance with applicable regulations.

This policy defines a Group compliance program on personal data protection, aimed at putting in place clear and transparent governance arrangements to manage issues concerning data protection, together with a range of common directives, bodies and processes. Sample data processing records, impact analyses, privacy notices, security questionnaires and personal data clauses to be added to contracts signed with subcontractors who process personal data are also provided to the Maisons by the Group, which each Maison then adapts to its own context.

The LVMH group also has Binding Corporate Rules (BCR) approved by France's Commission Nationale de l'Informatique et des Libertés (CNIL), which govern international transfers within the LVMH group of the personal data of employees and job candidates.

An annual audit and assessment campaign is run as part of internal control or the Maisons' internal audit work, in order to assess compliance with their personal data protection obligations.

Lastly, communities to share experience and exchange ideas – made up of the DPOs and their local representatives as well as the heads of security and legal directors of the Group's Maisons – meet regularly to discuss shared issues related to personal data protection, with the goal of continuously improving practices in this area.

## INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE

To the Shareholders' Meeting,

In our capacity as an Independent Verifier accredited by COFRAC (Accreditation No. 3-1681; scope of accreditation available at [www.cofrac.fr](http://www.cofrac.fr)) and belonging to the network of a Statutory Auditor of your Company (hereinafter "entity"), we hereby present our report on the consolidated statement of non-financial performance for the fiscal year ended December 31, 2020 (hereinafter "Statement"), as set out in the Management Report pursuant to the provisions laid down in Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

### Responsibility of the entity

It is the Board of Directors' responsibility to prepare a Statement compliant with legal and regulatory requirements, including an overview of the business model, a description of key non-financial risks and an overview of the policies adopted in light of those risks, together with the results of those policies, including key performance indicators.

The Statement was prepared by applying the entity's procedures (hereinafter "Guidelines"), the significant components of which are set out in the Statement and are available on request from your Group's Environment and Human Resources Departments.

### Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the code of ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures designed to ensure compliance with applicable laws and regulations, ethical standards and professional guidelines.

### Responsibility of the Independent Verifier

It is our responsibility, on the basis of our work, to express a reasoned opinion reflecting a limited assurance conclusion that:

- the Statement complies with the requirements laid down in Article R. 225-105 of the French Commercial Code;
- the information provided is fairly presented in accordance with Point 3 of Sections I and II of Article R. 225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions in relation to key risks, hereinafter "Information".

It is also our responsibility to express, at the entity's request and outside the scope of our accreditation, a conclusion of reasonable assurance that the information selected by the entity and identified by the symbol ✓ in Appendix I (hereinafter "Selected Environmental and Social Information") was prepared, in all material respects, in accordance with the Guidelines.

It is not our responsibility, however, to express an opinion on whether the entity complies with other applicable legal and regulatory provisions, notably concerning the vigilance plan and the prevention of corruption and tax evasion, or whether products and services comply with applicable regulations.

#### 1. Reasoned opinion on the compliance and fair presentation of the Statement

##### Nature and scope of work

The work described below was carried out in accordance with the provisions of Articles A.225-1 *et seq.* of the French Commercial Code, the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to this engagement, and ISAE 3000<sup>(1)</sup>:

- we familiarized ourselves with the business of all entities falling within the scope of consolidation and the key risks;
- we assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, objectivity and comprehensible nature, taking the sector's best practices into consideration, where applicable;

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.



- we checked that the Statement covers each category of information laid down in Section III of Article L. 225-102-1 on workforce-related and environmental issues, as well as the information required by Paragraph 2 of Article L. 22-10-36 regarding compliance with human rights and the prevention of corruption and tax evasion;
- we checked that the Statement provides the information required by Section II of Article R. 225-105 wherever relevant with respect to the key risks and, where applicable, includes an explanation of the reasons for the absence of information required by Section III, Paragraph 2 of Article L. 225-102-1;
- we checked that the Statement provides an overview of the business model and a description of the key risks associated with the business of all entities falling within the scope of consolidation, including, where relevant and proportionate, risks arising from business relationships, products and services as well as policies, actions and results, including key performance indicators related to key risks;
- we consulted source documents and conducted interviews to:
  - assess the process used to select and validate key risks, as well as the consistency of results, including key performance indicators related to the key risks and policies presented, and
  - corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1. For all risks, our work was carried out at the level of the consolidating entity and on a selection of the entities listed below:
    - for environmental risks: Wines and Spirits: MHCS: Maison and sites (France); Hennessy: Maison and sites (Cognac, France); Glenmorangie: site (Tain, Scotland); Chandon Argentina: Maison and sites (Argentina); Belvédère: Maison and site (Poland); Perfumes and Cosmetics: Parfums Christian Dior: Maison and site (Saint-Jean-de-Braye, France); LVMH Fragrance Brands: site (Beauvais, France); Fashion and Leather Goods: Loro Piana: site and stores (Quarona, Italy); Louis Vuitton Malletier: Maison and stores (France); Watches and Jewelry: TAG Heuer: site (Switzerland); Selective Retailing: Sephora North America: stores (USA); Sephora Europe and Middle East: Maison and stores (France); DFS: stores (Hong Kong),
    - for workforce-related risks: Wines and Spirits: Bodegas Chandon (Argentina); Perfumes and Cosmetics: Parfums Christian Dior (France); Fashion and Leather Goods: Celine (France), Rimowa (Czech Republic); Watches and Jewelry: TAG Heuer (Switzerland); Selective Retailing: Sephora USA (United States), Sephora Canada (Canada); Other activities: Proximity (France),
    - for social risks:
      - responsible supply chains: Louis Vuitton Malletier (France), Loewe (Spain), Kenzo (France), Parfums Christian Dior (France), MHCS (France), Hennessy (France), Chandon Argentina (Argentina), Chaumet (France), Bvlgari (Italy),
      - protection of personal data: Christian Dior Couture (Paris, France), Bvlgari (Rome, Italy),
      - compliant business practices: Christian Dior Couture (Paris, France); Loro Piana (Quarona, Italy);
- we checked that the Statement covers the scope of the consolidated Group, i.e. all entities falling within the scope of consolidation in accordance with Article L. 233-16, within the limits set out in the Statement;
- we reviewed the internal control and risk management procedures put in place by the entity and assessed the collection process aimed at ensuring that the Information is complete and fairly presented;
- for key performance indicators and those other quantitative results we considered the most significant, set out in Appendix 1, we carried out the following:
  - analytical procedures that consisted in checking that all data collected had been properly consolidated, and that trends in that data were consistent,
  - detailed, sample-based tests that consisted in checking that definitions and procedures had been properly applied and reconciling data with supporting documents. This work was carried out on a selection of contributing entities listed above and covers between 14.5% and 90% of the consolidated data selected for these tests (14.5% of the workforce, 55% of energy consumption and an average of 71% of certified supplies);
- we assessed the Statement's overall consistency with our knowledge of all the entities falling within the scope of consolidation.

We consider that the work we performed using our professional judgment allow us to formulate a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

### Means and resources

Our work was undertaken by a team of twelve people between September 2020 and February 2021, for a period of fourteen weeks.

We conducted around fifteen interviews with those responsible for preparing the Statement, notably representing Executive Management and the Administration & Finance, Risk Management, Ethics & Compliance, Human Resources, Environment and Purchasing Departments.

### Conclusion

On the basis of our work, we found no material misstatements that might have led us to believe that the consolidated statement of non-financial performance is not compliant with applicable regulatory requirements or that the Information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

## 2. Reasonable assurance report on the Selected Information

### Nature and scope of work

Concerning the Selected Information identified by the symbol ✓ in Appendix 1, we carried out the same type of work as set out in Section 1 above for what we considered the most important key performance indicators and other quantitative results, though in greater depth, particularly as regards the extent of tests.

The sample selected represents on average 51% of the Selected Environmental Information and 71% of the Selected Social Information.

We consider that this work allows us to express a reasonable assurance conclusion on the Selected Information.

### Conclusion

In our opinion, the Selected Environmental Information provided by the entity has been established, in all material aspects, in compliance with the Guidelines.

Paris-La Défense, February 8, 2020

The Independent Verifier

French original signed by

EY & Associés

Jean-François Bélorgey

Partner

Éric Duvaud

Sustainable Development Partner

This is a free translation into English of the Independent Verifier's report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

## Appendix 1: Information considered the most important

### Workforce-related information

#### Quantitative information (including key performance indicators)

- Breakdown of the workforce as of December 31 by gender and professional category
- Recruitment on permanent contracts from January 1 to December 31 (breakdown by gender)
- Turnover among employees on permanent contracts from January 1 to December 31 (total, voluntary and involuntary)
- Proportion of employees on permanent contracts trained between January 1 and December 31, by professional category
- Average number of days' training for employees on permanent contracts
- Absence rate by reason
- Work-related accident frequency rate
- Work-related accident severity rate

#### Qualitative information (actions and results)

- Implementing the employer policy and attracting and retaining students and recent graduates
- Training and support for employees throughout their careers
- Workplace health and safety
- Constructive labor relations

### Environmental information

#### Quantitative information (including key performance indicators)

- Proportion of manufacturing sites certified ISO 14001 (%)
- Total energy consumption (MWh) ✓
- Energy-related greenhouse gas emissions – Scope 1 and 2 (metric tons of CO<sub>2</sub> equivalent) ✓
- Greenhouse gas emissions generated by outbound transport – Scope 3 (metric tons of CO<sub>2</sub> equivalent) ✓
- Total water consumption for process requirements (m<sup>3</sup>)
- Total water consumption for agricultural requirements (m<sup>3</sup>)
- Total waste produced (metric tons)
- Total hazardous waste produced (metric tons)
- Waste recovery rate (%)
- Total packaging that reaches customers (metric tons) ✓
- Environmental Performance Index for packaging (value)
- Greenhouse gas emissions avoided per year by projects under the banner of the Carbon Fund (metric tons of CO<sub>2</sub> equivalent avoided)

#### Qualitative information (actions and results)

- Organization of the environmental approach, particularly governance and commitments, including the LIFE program
- Environmental impact of packaging and monitoring of the LIFE “Products” target
- Environmental standards applied to the supply chain and monitoring of the LIFE “Sourcing” targets
- Combating climate change and monitoring the LIFE “Climate change” target
- Environmental management of sites and monitoring of the LIFE “Sites” targets

### Social information

#### Quantitative information (including key performance indicators)

- Proportion of grape supplies (in kg), from the Group's own vineyards or from purchases, with sustainable winegrowing certification (%) ✓
- Proportion of supplies of palm oil, palm kernel oil and their derivatives (in kg) certified RSPO Mass Balance or Segregated (%) ✓
- Proportion of leather supplies (in m<sup>2</sup>) sourced from LWG-certified tanneries (excluding exotic leather) (%) ✓
- Proportion of gold supplies (in kg) certified RJC CoC ✓
- Proportion of gold supplies (in kg) sourced from RJC CoP-certified supplier ✓
- Proportion of diamond supplies (in carats) sourced from RJC CoP-certified suppliers ✓
- Proportion of certified cotton supplies (in metric tons) (%) ✓
- Number of social and/or environmental audits carried out on suppliers and subcontractors

#### Qualitative information (actions and results)

- Implementation of the Charter on Working Relations with Fashion Models and Their Well-Being
- Supplier assessment and support
- Management of personal data
- Business conduct and ethics

## 6. CROSS-REFERENCE TABLES

### 6.1 Statement of non-financial performance

Like any other economic actor, the LVMH group is exposed to a number of non-financial risks that may affect its performance, cause harm to its reputation, and impact its stakeholders and/or the environment. The following risks have been classified by representatives of the Group's central functions and Executive Management as "key risks" in light of the Group's activities (see §3 of the "Ethics and responsibility" section):

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy to promote employee inclusion and fulfillment;
- shortcomings in the implementation of personal data protection rules;
- shortcomings in the implementation of business practice compliance arrangements.

LVMH is committed to addressing each of these risks by putting the appropriate policies in place. The cross-reference tables below provide a summary presentation of the information constituting the Group's statement of non-financial performance, as required by Article L. 225-102-1 of the French Commercial Code, indicating for each item the location in this *Management Report* where further details may be found. They include cross-references to the specific disclosures required by this article with regard to respect for human rights and measures to combat corruption, climate change, and discrimination.

The remaining disclosures required by this article may be found in the following locations:

- with regard to the Group's business model, in the sections entitled "The LVMH business model" and "Business overview, highlights and outlook" in the introduction to this report;
- with regard to the presentation of the workforce for each business group and geographic region, in §1.3 of the "Attracting and retaining talent" section;
- with regard to collective bargaining agreements signed at the level of companies across the Group, in §3.2 of the "Attracting and retaining talent" section;
- with regard to efforts to promote the circular economy, in §1.2.2 and §5.4 of the "Environment and sustainability" section;
- with regard to combating food waste, in §5.4.2 of the "Environment and sustainability" section;
- with regard to social commitments to promote sustainable development, apart from the topics covered by the cross-reference tables below in terms of social consequences, respect for human rights and the environment, in §1 and §2 of the "Outreach and giving back" section;
- with regard to protecting animal welfare, in §3.1 and §3.3 of the "Environment and sustainability" section;

Lastly, given the nature of the Group's business activities, topics relating to the fight against food insecurity or efforts to promote responsible and sustainable food production as well as fair food systems are not discussed in this Management Report.

### 6.1.1 Social consequences

Risk	Policies	Results
<b>Loss of key skills and expertise</b>	<ul style="list-style-type: none"> <li>– Academic partnerships (§2.3 of the “Attracting and retaining talent” section)</li> <li>– Institut des Métiers d’Excellence (§2.3 of the “Attracting and retaining talent” section)</li> <li>– Employee training and support (§3.1 of the “Attracting and retaining talent” section)</li> <li>– EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.4 of the “Attracting and retaining talent” section)</li> <li>– Support for high-potential female employees to help them move into key positions (§2.4 of the “Attracting and retaining talent” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Joiners by business group and geographic region (§2.1 of the “Attracting and retaining talent” section)</li> <li>– Investment in training (§3.1 of the “Attracting and retaining talent” section)</li> <li>– Internal mobility data (§2.1 of the “Attracting and retaining talent” section)</li> <li>– Awards, recognition and rankings obtained as an employer (§2.1 of the “Attracting and retaining talent” section)</li> </ul>
<b>Health and safety issues faced in the Group’s business activities</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Whistleblowing system (§5.6 of the “Ethics and responsibility” section)</li> <li>– Charter on Working Relations with Fashion Models (§2.2 of the “Ethics and responsibility” section)</li> <li>– Investments in health, safety and security (§3.2 of the “Attracting and retaining talent” section)</li> <li>– Employee training in health, safety and security (§3.2 of the “Attracting and retaining talent” section)</li> <li>– Social audits of suppliers and subcontractors including a health and safety dimension (§5.2 of the “Ethics and responsibility” section)</li> <li>– Measures relating to the use of chemicals and cosmetovigilance (§5.3 of the “Ethics and responsibility” section)</li> <li>– Promoting responsible consumption of wines and spirits (§5.3 of the “Ethics and responsibility” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Breakdown, frequency and severity of work-related accidents (§3.2 of the “Attracting and retaining talent” section)</li> <li>– Data relating to social audits that include a health and safety dimension (§5.2 of the “Ethics and responsibility” section)</li> <li>– Training for employees and suppliers focusing on the LVMH Restricted Substances List (§5.3 of the “Ethics and responsibility” section)</li> </ul>
<b>Implementation of a policy of employee inclusion and fulfillment (aspects related to fulfillment at work)</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Whistleblowing system (§5.6 of the “Ethics and responsibility” section)</li> <li>– DARE program (§3.1 of the “Attracting and retaining talent” section)</li> <li>– LVMH Global Pulse Survey (§3.1 of the “Attracting and retaining talent” section)</li> <li>– Specific training for managers (§3.1 of the “Attracting and retaining talent” section)</li> <li>– Group Works Council and SE Works Council (§3.2 of the “Attracting and retaining talent” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Number of meetings held by employee representative bodies in 2019 (§3.2 of the “Attracting and retaining talent” section)</li> </ul>

## 6.1.2 Respect for human rights

Risk	Policies	Results
<b>Setting up and maintaining responsible supply chains (aspects relating to respect for human rights)</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Supplier Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Charter on Working Relations with Fashion Models (§2.2 of the “Ethics and responsibility” section)</li> <li>– Whistleblowing system (§5.6 of the “Ethics and responsibility” section)</li> <li>– Risk mapping (§4 of the “Ethics and responsibility” section)</li> <li>– Social audits of suppliers and subcontractors (§5.2 of the “Ethics and responsibility” section)</li> <li>– Collection of information on suppliers’ social and ethical performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section)</li> <li>– Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the “Ethics and responsibility” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Breakdown of suppliers and audits (§5.2 of the “Ethics and responsibility” section)</li> <li>– Data on combined audits and audits examining only social aspects carried out at suppliers (§5.2 of the “Ethics and responsibility” section)</li> <li>– Data on follow-up audits (§5.2 of the “Ethics and responsibility” section)</li> <li>– Proportion of suppliers not meeting the Group’s standards (§5.2 of the “Ethics and responsibility” section)</li> <li>– Number of contracts terminated following audits (§5.2 of the “Ethics and responsibility” section)</li> <li>– Number of business relationships not initiated following audits (§5.2 of the “Ethics and responsibility” section)</li> </ul>
<b>Implementation of a policy of employee inclusion and fulfillment (aspects relating to the fight against discrimination and the promotion of diversity)</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Whistleblowing system (§5.6 of the “Ethics and responsibility” section)</li> <li>– Recruitment Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Specific training for recruiters (§2.4 of the “Attracting and retaining talent” section)</li> <li>– Independent review of hiring practices (§2.4 of the “Attracting and retaining talent” section)</li> <li>– EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.4 of the “Attracting and retaining talent” section)</li> <li>– Support for high-potential female employees to help them move into key positions (§2.4 of the “Attracting and retaining talent” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Proportion of employees with disabilities (§2.4 of the “Attracting and retaining talent” section)</li> <li>– Proportion of women among joiners and in the Group’s workforce (§2.4 of the “Attracting and retaining talent” section)</li> <li>– Number of participants in the EXCELLhanCE initiative (§2.4 of the “Attracting and retaining talent” section)</li> </ul>
<b>Shortcomings in the implementation of personal data protection rules</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Data protection policy (§5.7 of the “Ethics and responsibility” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Creation of a network of Data Protection Officers (§5.7 of the “Ethics and responsibility” section)</li> </ul>

### 6.1.3 Environmental consequences

Risk	Policies	Results
<b>Business impacts on ecosystems and depletion of natural resources (including aspects relating to the fight against climate change)</b>	<ul style="list-style-type: none"> <li>– LVMH Environmental Charter (§1.1 of the “Environment and sustainability” section)</li> <li>– LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the “Environment and sustainability” section)</li> <li>– Combating climate change and the LVMH Carbon Fund (§4 of the “Environment and sustainability” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Improvement in the Environmental Performance Index scores of product packaging for Wines and Spirits companies and Perfumes and Cosmetics companies (§2.3 of the “Environment and sustainability” section)</li> <li>– Accelerated and expanded rollout of sustainable and organic winegrowing (§3.6 of the “Environment and sustainability” section)</li> <li>– Certification of materials used in products: leather, cotton, fur, palm oil derivatives, diamonds and precious metals (§3.6 of the “Environment and sustainability” section)</li> <li>– Achievement of targets set for the LVMH Carbon Fund (§4.2 of the “Environment and sustainability” section)</li> <li>– Increase in the proportion of renewable energy in the Group’s energy mix (§4.5 of the “Environment and sustainability” section)</li> <li>– Implementation of an environmental management system at manufacturing sites (§5.5 of the “Environment and sustainability” section)</li> </ul>
<b>Setting up and maintaining responsible supply chains (environmental aspects)</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Supplier Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– LVMH Environmental Charter (§1.1 of the “Environment and sustainability” section)</li> <li>– LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the “Environment and sustainability” section)</li> <li>– Whistleblowing system (§5.6 of the “Ethics and responsibility” section)</li> <li>– Risk mapping (§1.2 of the “Environment and sustainability” section)</li> <li>– Collection of information on suppliers’ environmental performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section)</li> <li>– Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the “Ethics and responsibility” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Data on environmental audits carried out at suppliers, both combined audits and audits examining only environmental aspects (§5.2 of the “Ethics and responsibility” section)</li> <li>– LIFE 2020 program – “Sourcing” target, particularly relating to supply chains for grapes, leather, skins and pelts, gemstones and precious metals, palm oil derivatives and regulated chemicals (§3 of the “Environment and sustainability” section)</li> </ul>

#### 6.1.4 Fight against corruption

Risk	Policies	Results
<b>Shortcomings in the implementation of business practice compliance arrangements</b>	<ul style="list-style-type: none"> <li>– LVMH Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Supplier Code of Conduct (§2.2 of the “Ethics and responsibility” section)</li> <li>– Whistleblowing system (§5.6 of the “Ethics and responsibility” section)</li> <li>– Group Ethics and Compliance Intranet site (§5.6 of the “Ethics and responsibility” section)</li> <li>– Risk mapping (§4 and §5.6 of the “Ethics and responsibility” section)</li> <li>– Anti-corruption assessment of third parties (§5.6 of the “Ethics and responsibility” section)</li> <li>– Role of the Ethics &amp; Compliance Department, officers and committees (§3 and §5.6 of the “Ethics and responsibility” section)</li> <li>– Internal guidelines (§5.6 of the “Ethics and responsibility” section)</li> <li>– Anti-corruption training (§5.6 of the “Ethics and responsibility” section)</li> <li>– Compliance rules included in the internal audit and control framework (§5.6 of the “Ethics and responsibility” section)</li> <li>– Reports to the Ethics &amp; Sustainable Development Committee of the Board of Directors (§5.6 of the “Ethics and responsibility” section)</li> </ul>	<ul style="list-style-type: none"> <li>– Group whistleblowing system giving rise to 127 reports (§5.6 of the “Ethics and responsibility” section)</li> <li>– More than 3,500 employees throughout the Group have completed the anti-corruption training module (§5.6 of the “Ethics and responsibility” section)</li> </ul>



## 6.2 Vigilance plan

As a responsible, actively engaged corporate citizen on a global scale, the LVMH group strives to exert a positive influence on the communities, regions and countries where it operates and to minimize the potential adverse impacts of its activities, as well as those of its suppliers and subcontractors, for its stakeholders and the environment.

The cross-reference tables below provide a summary presentation of the information constituting the Group's vigilance plan, as required by Article L. 225-102-4 of the French Commercial Code, indicating for each item the sections within this Management Report where further details may be found.

### 6.2.1 Human rights and fundamental freedoms

	Group's own operations	Suppliers' and subcontractors' activities
<b>Risk mapping</b>	<ul style="list-style-type: none"> <li>– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)</li> <li>– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)</li> </ul>
<b>Frequent risk assessments</b>	<ul style="list-style-type: none"> <li>– Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section)</li> <li>– Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Mitigation and prevention measures</b>	<ul style="list-style-type: none"> <li>– Specific training for recruiters to prevent discrimination (§2.4 of the "Attracting and retaining talent" section)</li> <li>– Independent review of hiring practices (§2.4 of the "Attracting and retaining talent" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section)</li> <li>– Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section)</li> <li>– Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section)</li> <li>– Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Whistleblowing system</b>	<ul style="list-style-type: none"> <li>– Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Group employees can use the whistleblowing system to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section)</li> <li>– Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Follow-up and assessment measures</b>	<ul style="list-style-type: none"> <li>– Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section)</li> <li>– Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section)</li> <li>– Risk mapping exercise carried out regularly</li> </ul>	<ul style="list-style-type: none"> <li>– Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section)</li> <li>– Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)</li> </ul>

## 6.2.2 Individuals' health and safety

	<b>Group's own operations</b>	<b>Suppliers' and subcontractors' activities</b>
<b>Risk mapping</b>	<ul style="list-style-type: none"> <li>– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)</li> <li>– Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Frequent risk assessments</b>	<ul style="list-style-type: none"> <li>– Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section)</li> <li>– Accident analysis and prevention (§3.2 of the "Attracting and retaining talent" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section)</li> <li>– Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Mitigation and prevention measures</b>	<ul style="list-style-type: none"> <li>– LVMH Restricted Substances List (§5.3 of the "Ethics and responsibility" section)</li> <li>– LVMH Testing Program (§5.3 of the "Ethics and responsibility" section)</li> <li>– Promoting responsible consumption of Wines and Spirits (§5.3 of the "Ethics and responsibility" section)</li> <li>– Third-party liability insurance and product recalls (§2.3 of the "Financial and operational risk management and internal control" section)</li> <li>– Specific insurance policies in countries where work-related accidents are not covered by social security systems (§2.3 of the "Financial and operational risk management and internal control" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section)</li> <li>– Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section)</li> <li>– Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section)</li> <li>– Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)</li> <li>– Assistance guides provided to suppliers for the elimination/substitution of chemicals whose use is restricted or prohibited by LVMH (§5.3 of the "Ethics and responsibility" section)</li> <li>– Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Whistleblowing system</b>	<ul style="list-style-type: none"> <li>– Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Group employees can use the whistleblowing system to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section)</li> <li>– Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Follow-up and assessment measures</b>	<ul style="list-style-type: none"> <li>– Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section)</li> <li>– Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section)</li> <li>– Risk mapping exercise carried out regularly</li> </ul>	<ul style="list-style-type: none"> <li>– Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section)</li> <li>– Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)</li> </ul>

### 6.2.3 Environment

	<b>Group's own operations</b>	<b>Suppliers' and subcontractors' activities</b>
<b>Risk mapping</b>	<ul style="list-style-type: none"> <li>– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)</li> <li>– Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Frequent risk assessments</b>	<ul style="list-style-type: none"> <li>– Environmental management system (§5 of the "Environment and sustainability" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section)</li> <li>– Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Mitigation and prevention measures</b>	<ul style="list-style-type: none"> <li>– LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section)</li> <li>– Insurance for environmental damage (§2.3 of the "Financial and operational risk management and internal control" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section)</li> <li>– Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section)</li> <li>– Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section)</li> <li>– Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)</li> </ul>
<b>Whistleblowing system</b>	<ul style="list-style-type: none"> <li>– Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section)</li> </ul>	<ul style="list-style-type: none"> <li>– Group employees can use the whistleblowing system to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section)</li> </ul>
<b>Follow-up and assessment measures</b>	<ul style="list-style-type: none"> <li>– Tracking achievement of LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section)</li> <li>– Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section)</li> <li>– Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section)</li> <li>– Risk mapping exercise carried out regularly</li> </ul>	<ul style="list-style-type: none"> <li>– Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section)</li> <li>– Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)</li> </ul>



# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Environment and sustainability

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## 1. GENERAL ENVIRONMENTAL POLICY

While 2020 was dominated by an unparalleled public health crisis, it was also the year in which the Group took its corporate social responsibility policy to the next level, adding a new value – a commitment to inclusiveness, solidarity and the environment – to its three enduring values (creativity and a passion for innovation, a quest for excellence, and entrepreneurial spirit). Ever since LVMH put in place its pioneering environmental policy in 1992, environmental performance has increasingly taken

its rightful place as a central aspect of the Group's determination to offer products of the highest quality. This policy is structured around a program called LVMH Initiatives for the Environment (LIFE), which comprises a set of commitments to meet quantified targets within a specified time frame and is implemented across all of the Group's Maisons. 2020 was both a year of reflection on LIFE 2020's achievements and preparation for LIFE 360, the successor program.

### 1.1 Organization of the Group's environmental approach

#### 1.1.1 Governance

Reporting directly to Antoine Arnault, a member of LVMH's Board of Directors, the 10-member Environmental Development Department has the following objectives:

- roll out the LIFE (LVMH Initiatives for the Environment) program at the Maison level;
- guide Group companies' environmental policies, in compliance with the LVMH Environmental Charter;
- conduct internal audits to assess Maisons' environmental performance;
- monitor regulatory and technical developments;
- promote innovation and create management tools that address issues such as packaging design, supplier relations and regulatory monitoring;
- help the Group's companies safeguard against risks;
- train employees and raise environmental awareness at every level of the organization;
- define and consolidate environmental indicators through dedicated reporting;
- work with the various stakeholders involved (nonprofits, rating agencies, public authorities, etc.).

Each Maison also draws on its own in-house expertise in environmental matters. These experts make up a network of nearly 200 Environment Officers from Maisons, known as the Environment Committee, which meets several times a year, in particular to share and discuss best practices.

In 2003, the Group joined the United Nations Global Compact, which aims to promote responsible corporate citizenship through business practices and policies based on ten universal principles, including the following three relating to the environment:

- adopt a precautionary approach to environmental challenges;
- promote greater environmental responsibility;

- encourage the development and widespread adoption of environmentally friendly technologies.

In addition, LVMH's ability to drive continuous improvement is closely tied to the Group's success at making sure that its 150,200 employees understand their role as active participants in its approach to environmental matters. The Environment Department thus works to inform, train and raise awareness among employees with regard to the conservation of natural resources and biodiversity, as well as climate change. In 2016, the Group established an in-house Environment Academy to serve this role. The Academy designs training programs based on the major objectives of the LIFE program, using a range of learning materials – including face-to-face training sessions, e-learning modules and virtual classes – covering a large number of subjects, from sustainable design to environmental audits. Sustainable design training was delivered in 2020 focusing on products, stores and also biodiversity. In addition, almost all Maisons continued with their employee environmental training and awareness programs. These programs totaled 15,380 hours.

In 2020, the Group was included in the main indices based on responsible investment criteria: FTSE4Good Global 100 (4.4/5), Euronext Vigeo Eurozone 120, ESI (Ethibel Sustainability Indices) Europe, SAM (Industry Mover 2021), CDP Climate (B), CDP Water (B) and CDP Forests (B). LVMH also took part in the "Wake-Up Call on the Environment" student manifesto organized by several French schools.

#### 1.1.2 Risk identification

The main environmental risks identified at the Group level relate to the following topics:

1. impacts on ecosystems;
2. depletion of natural resources;
3. setting up and maintaining responsible supply chains.

The policies implemented and their results are set out in the following sections.

The full materiality matrix provides detailed information on the following environmental issues relating to the Group's business activities:

	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing
<b>Depletion of energy resources and climate change</b>	<ul style="list-style-type: none"> <li>- Grape growing;</li> <li>- Packaging production;</li> <li>- Distillation;</li> <li>- Transportation of products.</li> </ul>	<ul style="list-style-type: none"> <li>- Store lighting and air conditioning;</li> <li>- Transportation of products;</li> <li>- Production of resources needed to manufacture products:               <ul style="list-style-type: none"> <li>- Plant fibers used for textiles (cotton, etc.),</li> <li>- Leather, including exotic leather,</li> <li>- Fur,</li> <li>- Wool.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Packaging production;</li> <li>- Store lighting and air conditioning;</li> <li>- Transportation of products.</li> </ul>	<ul style="list-style-type: none"> <li>- Store lighting and air conditioning.</li> </ul>	<ul style="list-style-type: none"> <li>- Store lighting and air conditioning;</li> <li>- Transportation of products.</li> </ul>
<b>Impact on water resources</b>	<ul style="list-style-type: none"> <li>- Water consumption (vineyard irrigation in Australia, New Zealand, Argentina and California);</li> <li>- Production of effluents containing organic matter during winemaking and distillation.</li> </ul>	<ul style="list-style-type: none"> <li>- Water consumption (crocodile farms and tanneries);</li> <li>- Production of effluents containing organic matter.</li> </ul>	<ul style="list-style-type: none"> <li>- Water consumption (production and transformation of raw materials).</li> </ul>	<ul style="list-style-type: none"> <li>- Water consumption during the extraction of mineral resources needed to manufacture products;</li> <li>- Production of effluents containing mineral matter.</li> </ul>	
<b>Impact on ecosystems (including deforestation and desertification) and depletion of natural resources</b>	<ul style="list-style-type: none"> <li>- Production of plant resources needed for other production processes (grape vines, barley, rye, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Production of resources needed to manufacture products:               <ul style="list-style-type: none"> <li>- Plant fibers used for textiles (cotton, etc.),</li> <li>- Leather, including exotic leather,</li> <li>- Fur,</li> <li>- Wool;</li> </ul> </li> <li>- Eider down;</li> <li>- Farming and trapping practices concerning raw materials of animal origin.</li> </ul>	<ul style="list-style-type: none"> <li>- Production of plant resources needed to manufacture products (rose, jasmine, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>- Extraction of resources needed to manufacture products:               <ul style="list-style-type: none"> <li>- Gems and precious metals,</li> <li>- Exotic leather;</li> </ul> </li> <li>- Farming and trapping practices concerning raw materials of animal origin.</li> </ul>	
<b>Waste production</b>	<ul style="list-style-type: none"> <li>- Production of residues from winemaking or distillation processes and packaging waste.</li> </ul>	<ul style="list-style-type: none"> <li>- Unused raw materials, obsolete and unsold products, window displays and events.</li> </ul>	<ul style="list-style-type: none"> <li>- Point-of-sale advertising, packaging waste, and obsolete and unsold products.</li> </ul>	<ul style="list-style-type: none"> <li>- Scrap metal.</li> </ul>	<ul style="list-style-type: none"> <li>- Point-of-sale advertising, packaging waste, and obsolete and unsold products.</li> </ul>

### 1.1.3 Environmental expenses

Environmental expenses are recognized in accordance with the recommendations of the Autorité des Normes Comptables, France's accounting standards authority. Operating expenses and capital expenditure are recognized against each of the following items:

- air and climate protection;
- wastewater management;
- waste management;
- soil protection and purification;
- noise and vibration reduction;

- conservation of biodiversity and other environmental protection measures;
- research and development.

In 2020, expenses related to environmental protection broke down as follows:

- operating expenses: 24.4 million euros;
- capital expenditure: 10.4 million euros.

Provisions for environmental risks amounted to 12.4 million euros as of December 31, 2020. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

## 1.2 The LIFE program

Signed in 2001 by the Group's Chairman, the Environmental Charter is the founding document for LVMH's five main aims with regard to the environment:

- striving for high environmental performance;
- encouraging collective commitment;
- managing environmental risks;
- designing products that factor in innovation and environmental creativity;
- demonstrating a commitment to wider society.

The Environmental Charter also encourages all Maison Presidents to become directly involved in the approach through concrete actions, and requires each Maison to set up an effective environmental management system, create think tanks to assess the environmental impacts of its products, manage risks, and adopt environmental best practices. The Environmental Charter has guided LVMH's environmental commitments and its program of actions.

### 1.2.1 Overview of the LIFE program

Launched in 2011, the LIFE (LVMH Initiatives for the Environment) program is designed to reinforce the incorporation of environmental concerns into brand strategy, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Maisons.

The Maisons have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Maison and is based on nine key aspects of environmental performance:

- environmental design;
- securing access to strategic raw materials and supply chains;
- traceability and compliance of materials;
- suppliers' environmental and social responsibility;
- preserving critical expertise;
- reducing greenhouse gas emissions;
- environmental excellence in manufacturing processes;
- product life span and reparability;
- keeping customers and key stakeholders informed.

### 1.2.2 LIFE 2020

In 2016, the Group set the Maisons four common goals for 2020 under the LIFE program based on the environmental risk mapping, with 2013 as the reference year:

- sustainable product design: the Group's Maisons had been set a target of making their products more environmentally friendly by the end of 2020. The Group's Perfumes and

Cosmetics Maisons, and Wines and Spirits Maisons undertake to improve their Environmental Performance Index (EPI) score by 10%. The Group's Fashion and Leather Goods Maisons, and Watches and Jewelry Maisons are working to reduce their environmental footprint arising from the sourcing of raw materials;

- suppliers and raw materials: the Maisons had to ensure that the strictest standards were rolled out covering their procurement of supplies of strategic raw materials and their suppliers across 70% of the supply chain by 2020 and 100% by 2025;
- cutting energy-related CO<sub>2</sub> emissions by 25% by raising the proportion of renewables in the Group's energy mix to at least 30%, improving store energy efficiency by 15%, and ensuring that new stores achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart;
- make all production sites and stores more environmentally friendly: Maisons undertake to reduce at least one of three indicators (water consumption, energy consumption and waste production) by 10% at each of their sites, and to have an effective environmental management system focused on continuous improvement.

### 1.2.3 Preparations for LIFE 360

LIFE 2020 came to a close at the end of 2020. The results show that the majority of targets were met and also highlight areas for improvement in the future. The results of LIFE 2020 were used to draw up LIFE 360, the Group's new program of commitments, and the Maisons are all determined to make even more rapid progress. Other work was involved in preparing the new program:

- priorities set jointly with the Maisons and via the various consultative bodies: the LVMH Science Committee; the Future of Luxury Commission (established in July 2020 and made up of leading outside figures from various disciplines); and work sessions with students and young employees;
- updates to the analysis of risk factors;
- analysis of the Sustainable Development commitments made by certain LVMH Maisons. This is the case for Louis Vuitton, which has committed to achieve the following by 2025: set up or maintain responsible supply chains for 100% of its raw materials; map out a climate trajectory approved by the Science Based Targets initiative; and promote circular creativity by committing to sustainable design for all its products. At the end of 2020, Moët Hennessy had made all of its own vineyards in the Champagne region herbicide-free as part of its Living Soils program; Hennessy will do the same in 2021 for its own vineyards and by 2028 for its independent grape suppliers;
- LVMH Climate Week, held from December 8 to 11, 2020, offered a week-long program of discussions and meetings with experts on climate and biodiversity-related topics for the Group's 150,200 employees;



- the calculation of the Group's environmental footprint for its entire value chain, including Scope 1, 2 and 3 emissions, covering issues relating to climate change, biodiversity and water.

LIFE 360, LVMH's new roadmap produced on the basis of all this work, lays down commitments for the periods to 2023, 2026 and 2030 and action plans to reach the target of 100% of products having a positive footprint by 2030. It has been presented to the Board of Directors and to all Executive Committee members and is predicated on four action programs:

- the circular economy innovation action program covering the sustainable design of products and packaging and their ultimate fate (unsold items and use), as well as efforts to find alternative materials;

### 1.3 2020 reporting scope

The environmental indicator reporting process covered the following scope in 2020:

Production facilities, warehouses and administrative sites (number)	2020
Sites covered <sup>(a)</sup>	271
Sites not covered <sup>(b)(c)</sup>	174
<b>Total number of sites</b>	<b>445</b>

(a) Integration of new sites (Belmond and Louis Vuitton). Removal of Pink Shirtmaker from the reporting scope.

(b) Main components: certain regional administrative sites of Louis Vuitton and Moët Hennessy as well as administrative sites with fewer than 20 employees.

(c) The Belmond group was added to the reporting scope; three hotels were included in a portion of indicators.

The total store floor space used to calculate energy consumption, greenhouse gas emissions and water consumption is as follows, expressed as a percentage of the Group's total store floor space:

	% of Group's total store floor space taken into account in calculating energy consumption and greenhouse gas emissions <sup>(a)</sup>	
	2020	2019
<b>Group total</b>	<b>73</b>	<b>65</b>

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.

The total store floor space of the main Maisons used to calculate energy consumption and greenhouse gas emissions is as follows, expressed as a percentage of the total store floor space of each Maison:

	% of Maison's total store floor space taken into account in calculating energy consumption and greenhouse gas emissions <sup>(a)</sup>	
	2020	2019
DFS	77	77
Louis Vuitton	64	69
Sephora (North America and Latin America)	63	63
Sephora (Europe, Asia and Middle East)	69	64
Le Bon Marché	100	100
Christian Dior Couture	74	64

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.

- the animal and plant biodiversity promotion and protection action program applying the strictest standards to all the strategic supply chains without exception and implementing an agricultural regeneration plan;
- a climate action contribution program, which aims to achieve a carbon trajectory compatible with the Paris Agreement for Scopes 1, 2 and 3, with four main elements: exclusive use of renewable energy by production sites and stores, an action plan dedicated to green e-commerce, increase in the share of maritime transportation for freight, and a supplier carbon footprint plan;
- a traceability and transparency program that aims to roll out traceability initiatives covering all strategic raw materials and tools for sharing environmental and/or social information at product level.

95% of production sites are covered. The manufacturing, logistics and administrative sites that are not covered by environmental reporting are essentially excluded for operational reasons and their environmental impact is not material. A plan to gradually include them is underway.

Calculations of energy consumption and greenhouse gas emissions also include certain stores operated by all Maisons in the Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing business groups.

Stores for Sephora in China, Rimowa, Cha Ling, Francis Kurkdjian and Parfums Givenchy are excluded from the scope.

For waste production and water consumption, only certain stores operated by DFS and stores operated by the Le Bon Marché group are included.

## 2. LIFE 2020 – “PRODUCTS” TARGET

LVMH’s Maisons have always worked to limit the impact of their products on the natural environment by improving the environmental performance of each product and taking its entire life cycle into account. The other LIFE 2020 targets cover the environmental impact of the steps involved in sourcing raw materials, production, transport and sales. With respect to the “Products” target, sustainable design is the key priority for all

of the LVMH group’s Maisons. Two of its essential components are the guarantee of superior quality and a constant focus on innovation. In taking up this challenge, the Maisons have access to the range of tools developed with their input by the Environment Department, including a materials library and tools such as Edibox that are used for the environmental assessment of packaging.

### 2.1 Results for LIFE 2020 “Products” targets

Edibox is a web-based tool that calculates Environmental Performance Indices (EPIs) for product packaging as well as the carbon footprint of the materials used to manufacture this packaging. This calculation results in a score for each product’s packaging, depending on its weight and volume, the number of layers of packaging used, and the separability of the various components. Positive points (for rechargeable packaging, recycled

materials, etc.) and negative points (for packaging features that hinder recycling, etc.) are also included in calculating scores.

The LIFE 2020 target to improve EPI scores by 10% by 2020 was met by all of the Group’s Perfumes and Cosmetics Maisons and by Hennessy. In 2020, 84% of products developed by the champagne houses were rated 14 or higher but they did not reach the target.

Progress toward meeting the LIFE 2020 “Products” targets:

Indicators	Baseline	Performance in 2020	Target for 2020
EPI score for Perfumes and Cosmetics packaging	8.32	9.15 (+10%) <sup>(a)</sup>	+10%
EPI score for Wines and Spirits packaging	Champagne: 16.03 Cognac: 10.60	16.1 (+0.5%) 13.9 (+31%)	+10%

(a) Maisons included: Guerlain, Parfums Christian Dior, LVMH Fragrance Brands, Benefit, Bvlgari and Make Up For Ever.

The Group’s Fashion and Leather Goods Maisons, and Watches and Jewelry Maisons are working to reduce their environmental footprint arising from the sourcing of raw materials, which is the step that generates the most substantial environmental

impact. For the analysis of the LIFE 2020 “Products” targets relating to these two business groups, it was decided to refer to the “Sourcing” targets.

## 2.2 Change in packaging volumes

The quantities of packaging consolidated by the Maisons concern the following items:

- Wines and Spirits: bottles, boxes, caps, etc.
- Fashion and Leather Goods: boutique bags, pouches, cases, etc.
- Perfumes and Cosmetics: bottles, cases, etc.
- Watches and Jewelry: cases, boxes, etc.
- Selective Retailing: boutique bags, pouches, cases, etc.

Packaging used for transport is not included in this breakdown.

For the Group as a whole, the 22% decrease in packaging volumes in 2020 was partly due to the Covid-19 crisis, but should not

overshadow the sustainable packaging design efforts made by all of the Maisons. For example, Sephora includes recycled raw materials as well as plant-based plastics in its packaging and aims to eliminate the use of virgin plastics derived from fossil fuels by 2025. Ruinart launched its minimalist “second skin” packaging, which is nine times lighter than existing boxes and fully recyclable. Louis Vuitton launched the LV Pack in Green program. This applies to both packaging used by suppliers to ship products and packaging for sales and marketing purposes. The Maison’s goal is to improve the durability of packaging in three main ways at the design stage: cutting the size and environmental impact of the materials used to manufacture them, using recycled materials, and cutting out single-use plastics.

The weight of packaging that reaches customers changed as follows between 2019 and 2020:

<i>(in metric tons)</i>	2020	2019	2020 pro forma <sup>(1)</sup>	Change <sup>(1)</sup> <i>(as %)</i>
Wines and Spirits	141,224	181,319	141,224	(22)
Fashion and Leather Goods	13,090	13,375	12,871	(4)
Perfumes and Cosmetics	23,163	31,115	23,163	(26)
Watches and Jewelry	3,274	4,416	3,121	(29)
Selective Retailing	4,541	6,375	4,541	-
Other activities	1	2	1	(50)
<b>Total</b>	<b>185,293</b>	<b>236,602</b>	<b>184,921</b>	<b>(22)<sup>(a)</sup></b>

(a) Change related to lower business levels and sustainable packaging design.

The total weight of packaging that reaches customers, by type of material, broke down as follows in 2020:

<i>(in metric tons)</i>	Glass	Paper/ Cardboard	Plastic	Metal	Fabric	Other packaging materials
Wines and Spirits	124,759	12,617	1,103	1,434	63	1,246
Fashion and Leather Goods	305	10,997	184	73	1,490	42
Perfumes and Cosmetics	11,762	4,098	5,607	1,479	77	141
Watches and Jewelry	1,232	864	741	118	112	207
Selective Retailing	287	2,562	1,527	80	64	21
Other activities	-	1	-	-	-	-
<b>Total</b>	<b>138,345</b>	<b>31,139</b>	<b>9,162</b>	<b>3,184</b>	<b>1,806</b>	<b>1,657</b>

(1) Value and change at constant scope.

### 3. LIFE 2020 – “SOURCING” TARGET

#### 3.1 Overview of the Sourcing policy

LVMH’s heavy dependence on natural resources, together with its strong values and commitments, prompted the Group to put in place a sustainable sourcing policy a number of years ago. LVMH pays very close attention to the traceability and compliance of the materials and substances used to manufacture its products. The Group promotes responsible purchasing practices and works to ensure that its supply chains are more environmentally sustainable, in close collaboration with its suppliers and subcontractors.

The LVMH group implemented a strategy for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which committed Maisons, by 2020, to buying and producing at least 70% of their core raw materials in accordance with optimum environmental standards for raw material sourcing and production sites. Choosing which components to use is an essential part of preserving the environment, especially rare resources that are vital for product manufacturing. The “Sourcing” target concerns the following raw materials in particular:

- grapes;
- leathers, raw lamb and calf skins, exotic leathers and furs;
- cotton;
- gems and precious metals;
- palm oil and its derivatives;
- regulated chemicals. All the Maisons have incorporated the requirements of international regulations, including REACH, into their contractual documents so as to engage all suppliers in this undertaking.

Furthermore, the Maisons have implemented procedures to ensure that all of their products comply with CITES, a convention on international trade in endangered species. Through a system of import-export permits, this convention was set up to prevent overexploitation of certain species of endangered fauna and flora.

LVMH’s sourcing policy is one of the ways in which the Group helps to protect plant and animal species. In addition, LVMH has been active for more than 10 years alongside many partners working to conserve biodiversity. LVMH was the first private-sector entity to join the eight public research bodies on the Board of Directors of the French Foundation for Research on Biodiversity (FRB). In 2019, LVMH stepped up its involvement by signing a five-year partnership with UNESCO to support its

intergovernmental scientific program, “Man and the Biosphere” (MAB). This tool for international cooperation is aimed at protecting global biodiversity. Both partners will appear side by side at international events. For example, the Group’s Maisons draw on UNESCO’s scientific expertise and its network of 686 biosphere reserves to develop their sustainable sourcing policies. For example, in connection with UNESCO’s Man and the Biosphere (MAB) intergovernmental scientific program, Guerlain has launched a five-year plan aimed at training and supporting female beekeepers, while putting structures in place to pass on their knowledge and skills. In 2020, LVMH renewed its commitment to act4nature by taking part in the act4nature international initiative and also joined the Science Based Targets for Nature (SBTN) corporate engagement program. Lastly, in 2020, LVMH calculated its environmental footprint for its entire value chain, including Scope 1, 2 and 3 emissions, covering issues relating to climate change, biodiversity and water. Some biodiversity impact indicators are geolocalized to allow for analysis at a more granular level and the implementation of specific action plans for some regions.

LVMH has also implemented many tools to improve and monitor the use of chemicals in products. These are described in §5.3 “Unrelenting focus on quality and safety”.

#### 3.1.1 Wines and Spirits

The Wines and Spirits business group is actively committed to sustainable and/or organic winegrowing, both of which are helping to considerably reduce its environmental impact, in particular by limiting the use of plant protection products.

Stepping up the roll-out of sustainable and/or organic winegrowing at the Maisons’ vineyards and among independent grape suppliers has thus been adopted as a LIFE 2020 target. Various certification systems have been established across winegrowing regions: Viticulture Durable en Champagne for champagne houses, Haute Valeur Environnementale (HVE) 3 for cognac, organic farming for certain vineyards, Napa Green in California, etc. At the Vinexpo Paris trade fair in February 2020, Moët Hennessy presented an overview of these different winegrowing models and announced the creation of a “University of Living Soils” to help step up the ecological transition.

### 3.1.2 Fashion and Leather Goods

The Fashion and Leather Goods business group has adopted five major targets for 2020:

- at least 70% of leather purchased from LWG-certified tanneries. LWG certification is a standard created by the Leather Working Group to improve the environmental performance of tanneries (energy, water, waste, traceability);
- at least 70% of cotton purchased from sustainable cotton sources. The Group has joined the Better Cotton Initiative (BCI), which has developed a standard to encourage measurable improvements in the main environmental impacts of growing cotton on a global scale;
- certification for all crocodile farms supplying the Group's tannery;
- at least 80% of pelts supplied by certified fur farms by the end of 2019, in particular by rolling out FurMark certification;
- integration of the Animal Sourcing Principles – developed with Business for Social Responsibility (BSR) – into supplier contracts. LVMH shares civil society's aim of improving animal welfare, as reflected in the Group's Animal-Based Raw Materials Sourcing Charter unveiled in 2019. It is supported by a consultative Science Committee that helps support scientific research. This work is the result of a long process of research and collaboration between LVMH's environmental experts, its Maisons and its suppliers. Taking a comprehensive approach, the charter addresses the full range of issues involved in the sourcing of fur, leather, exotic leather, wool and feathers, with commitments to achieving progress in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local communities, the environment and biodiversity. In 2020, following rigorous work with their partner suppliers, the Group's Maisons achieved country-of-origin visibility on 97% of fur supplies, 72% of wool supplies and 43% of supplies of exotic materials.

## 3.2 Results for LIFE 2020 "Sourcing" targets

The target of certified sourcing meeting the highest standards is underpinned by specific audits meeting the stated given requirements (number and frequency). The public health crisis disrupted the audit schedule and impacted the LIFE 2020 review of the sourcing target. It was reached in certain sourcing channels. For example, the rate of leather from LWG-accredited tanneries rising from 25% in 2013 to 74% by 2020, and sustainable winegrowing certification was gained for 100% of

### 3.1.3 Perfumes and Cosmetics

The Perfumes and Cosmetics business group has set LIFE 2020 targets relating to its suppliers and supply chains, in particular by developing a system to assess their environmental and social performance. Initial performance targets have been set for suppliers of packaging and ingredients. The business group also takes part in specific initiatives related to the sourcing of palm oil (RSPO) and mica (RMI). The Group's Research & Development Department and Maisons have been carrying out ethnobotanical studies for a number of years. They seek to identify plant species with a particular interest as components of cosmetic products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of LVMH's staff with its partners. As part of this initiative, Parfums Christian Dior's Dior Gardens are plots dedicated to cultivating plant species chosen for their exceptional properties. Guerlain has also launched a number of partnerships focused on orchids in China, vetiver in India, honey in Ouessant in France, sandalwood in Asia and lavender from the south of France.

### 3.1.4 Watches and Jewelry

All of the Watches and Jewelry Maisons have received certification under the Responsible Jewellery Council's Code of Practices standard, known as RJC CoP. As part of the LIFE 2020 targets, and in line with this certification, which applies to their gold and diamond supply chains, they expanded their responsible sourcing efforts. Bvlgari is particularly active in this area, and has become the first company in its market to obtain the Chain of Custody (CoC) certification for its jewelry business. In 2020, the RJC gave eight Maisons training in the new RJC CoP v.2019 at the Group's request. The Group and its Maisons are also involved in the Coloured Gemstones Working Group (CGWG) run by The Dragonfly Initiative, which aims to promote environmental and social best practices in the sourcing of colored gemstones. In 2020, the CGWG released the Gemstones and Jewellery Community Platform (GJCP), which makes all the tools developed by the initiative available to industry players on an open-source basis. Four Maisons used these tools in 2019 and 2020 to rate almost a hundred colored gemstone suppliers.

directly-operated French vineyards, with an increase from 58% to 90% for Group vineyards outside France between 2019 and 2020. Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil and derivatives now make up 91% of purchases by the Group's Maisons. The percentage of sustainable cotton purchased by the Group's Maisons jumped from 2% in 2013 to 51% in 2020, albeit short of the 70% target.

Progress toward meeting the LIFE 2020 “Sourcing” targets:

Indicators	Baseline (2013)	Performance in 2020	Target for 2020
<b>Wines and Spirits</b>			
Sustainable Winegrowing Certification <i>(certified grapes by weight, as %)</i>	LVMH vineyards: French vineyards: 100%	LVMH vineyards: French vineyards: 100% Rest of the world: 90%	LVMH vineyards: French vineyards: 100% Rest of the world: 100%
	Independent grape suppliers: Champagne: 7%	Independent grape suppliers: Champagne: 24%	
<b>Fashion and Leather Goods</b>			
LWG-certified tanneries <i>(leather from certified tanneries by weight, as %)</i>	25%	74%	70%
Certified cotton <i>(GOTS- or Better Cotton-certified cotton by weight, as %)</i>	2%	51%	70%
<b>Perfumes and Cosmetics</b>			
Perfume ingredient supplier performance <i>(Tier 1 suppliers covered by environmental/social audits, as %)</i>	64	82	90
Cosmetics ingredient supplier performance <i>(Tier 1 suppliers covered by environmental/social audits, as %)</i>	56	78	80
Palm oil derivatives <i>(RSPO-certified Mass Balance or Segregated palm oil derivatives by weight, as %)</i>	0%	91%	70%
<b>Watches and Jewelry</b>			
Diamonds: RJC COP certification <i>(carats of diamonds from COP-certified direct suppliers, as %)</i>	90%	99%	100%
Gold: RJC COP certification	94%	79%	100%
RJC CoC certification <i>(For Maisons without CoC certification, gold is included within the reported indicator if it is sourced from CoC-certified precious metal refiners, regardless of any intermediate subcontractors between the precious metal refiner and the Maison)</i>	-	77%	100%

## 4. LIFE 2020 – “CLIMATE CHANGE” TARGET

Combating climate change is a major focus of LVMH’s environmental policy. The Group has often played a pioneering role in this area. In the early 2000s, for example, it took part in testing the carbon assessment method that would later become the Bilan Carbone®. In 2015 it was also the first luxury company to set up an internal carbon fund.

The Group is pursuing four priorities for action to mitigate the climate impact of its activities:

- the improvement in the environmental profile of stores, which represent the main source of the Group’s energy consumption,
- greater use of renewable energies at production sites, administrative sites and stores;

- sustainable transportation, using several different methods: an emphasis on local sourcing, use of trains and boats where possible, supply chain optimization, and electric vehicles for deliveries. The Group is looking to champion sustainable transportation via alliances, including the Sustainable Air Freight Alliance (SAFA), which aims to track and reduce air freight-related carbon emissions and to promote responsible freight transportation;
- a lower carbon footprint for raw materials, products and packaging: dedicated policies are being implemented by each business group, with the involvement of suppliers, such as independent grape suppliers, livestock farmers and growers.

Five years on from the Paris Agreement, the Group held LVMH Climate Week from December 8 to 11, 2020 to instill a genuinely carbon impact-focused culture. A week-long slate of events was organized for its 150,200 employees, encouraging them all to play their part by heeding the call to: “Be the Change”. Round tables and online discussions with various experts and scientists covered topics such as the link between the climate and biodiversity, and how to define what carbon-neutral actually means. LVMH Climate Week also provided an opportunity to review the Maisons’ carbon performances as part of preparations for the LIFE 360 program. On the final day of this event, 49 practical solutions to protect the environment were presented

in a Solutions Showroom. The Group sourced around 20 of these solutions from among those accredited by Bertrand Piccard’s Solar Impulse Foundation, delivering on its commitments set out in the partnership entered into in 2019.

Innovation also acts as a powerful driver of the Group’s Climate policy. Innovations stemming from use of LVMH’s Carbon Fund complement the joint development of clean technologies alongside the Solar Impulse Foundation.

Created in 2016, the LVMH Carbon Fund aims to drive carbon innovation. Each Maison’s expected annual contribution is calculated by multiplying the greenhouse gas emissions resulting from its business activities by the carbon price set by LVMH, which went from 15 to 30 euros per metric ton in 2018. The amount thus obtained must be invested the following year in projects aimed at reducing emissions. With 44 million euros invested since its inception, the 361 projects approved by the Carbon Fund have avoided a total of 12,800 metric tons of greenhouse gas emissions. In 2020, the LVMH Carbon Fund invested 3.8 million euros in 23 projects that could help avoid 892 metric tons of greenhouse gas emissions per year. Amidst the public health crisis and context of economic uncertainty, the Maisons were not able to contribute to the Carbon Fund to the same extent as in past years, and some planned investment projects were postponed until 2021.

## 4.1 Energy efficiency and renewable energy

Improving energy efficiency and expanding the use of renewable energy are the main thrusts of LVMH’s strategy to limit its carbon footprint, an approach that also entails better energy management, which is vital to help reduce overall energy consumption.

### 4.1.1 Energy consumption

Total energy consumption amounted to 998,817 MWh in 2020 for the Group’s subsidiaries included in the reporting scope. This corresponds to primary energy sources (such as fuel oil, butane, propane and natural gas) added to secondary energy

sources (such as electricity, steam and ice water) mainly used for the implementation of manufacturing processes in addition to buildings and stores’ air conditioning and heating systems. Power consumption by stores not covered by reporting (27% of the total sales floor area) estimated based on consolidated figures stands at 150,842 MWh.

Energy consumption by business group changed as follows between 2019 and 2020:

(in MWh)	2020	2019	2020 pro forma <sup>(1)</sup>	Change <sup>(1)</sup> (as %)
Wines and Spirits	214,226	223,395	214,226	(4)
Fashion and Leather Goods	368,275	394,620	356,003	(10)
Perfumes and Cosmetics	93,267	93,923	90,419	(4)
Watches and Jewelry	37,688	40,726	35,405	(13)
Selective Retailing	250,901	286,142	232,281	(19)
Other activities	34,460	21,086	18,319	(13)
<b>Total</b>	<b>998,817</b>	<b>1,059,892</b>	<b>946,653</b>	<b>(11)<sup>(a)</sup></b>

(a) Approximately 10% of the reduction was related to the impact of the public health crisis and store closures. The Wines and Spirits and the Perfumes and Cosmetics business groups were not affected to the same extent because they operate fewer stores.

(1) Value and change at constant scope.

Energy consumption by business group and by energy source was as follows in 2020:

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane/Propane	Steam	Ice water	Renewable energies
Wines and Spirits	15,279	85,288	-	26,326	2,139	-	-	85,194
Fashion and Leather Goods	144,551	97,518	-	13,693	4,882	1,974	3,282	102,375
Perfumes and Cosmetics	11,012	31,633	-	2,127	-	646	-	47,850
Watches and Jewelry	9,758	4,961	-	408	150	779	254	21,377
Selective Retailing	105,513	9,891	-	224	-	3,776	7,111	124,386
Other activities	10,507	8,870	-	698	21	1,147	2,819	10,398
<b>Total</b>	<b>296,620</b>	<b>238,161</b>	<b>-</b>	<b>43,476</b>	<b>7,192</b>	<b>8,322</b>	<b>13,466</b>	<b>391,580</b>

#### 4.1.2 Renewable energies

Alongside actions to reduce its fossil fuel consumption, LVMH is rapidly expanding its use of renewable energy. Between 2013 and 2020, the proportion of renewables in the Group's energy mix rose from 1% to more than 39%. Framework agreements signed with energy suppliers have been one of the main drivers of the Group's progress in this area. The first of these dates back to 2015 and supplies green electricity to more than 90% of LVMH's sites

in France, belonging to 23 of its Maisons. A similar agreement was signed in 2016 for the supply of electricity to several Maisons in Italy and a third is in preparation for sites in Spain. Many sites have also installed solar panels or geothermal systems. As of 2019, all of Sephora's sites in the United States are powered by green electricity. The other driver is the use of biogas, which is either produced from production waste (Glenmorangie since 2017) or purchased (biomethane with a regional guarantee of origin sourced by Hennessy in 2020).

## 4.2 Greenhouse gas emissions

### 4.2.1 Direct emissions (Scope 1) and indirect emissions (Scope 2)

Scope 1 emissions are those generated directly by sites, mainly through the combustion of fuel oil and natural gas. Scope 2 emissions are those generated indirectly from energy use, mainly electricity used on-site. Measures to reduce these emissions have been in place for a number of years at Maisons' production sites. The Maisons are also working hard to

improve energy efficiency at stores, the main source of LVMH's greenhouse gas emissions. Thanks to their efforts, one of the LIFE 2020 targets has already been achieved: a 15% improvement in the average energy efficiency of existing stores, in particular by installing the advanced lighting systems offered by the LVMH Lighting program and by rolling out the LVMH Store Guidelines. Greenhouse gas emissions by stores not covered by reporting (27% of the total sales floor area), estimated based on consolidated figures, stands at 72,997 metric tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e).

CO<sub>2</sub> emissions by business group changed as follows between 2019 and 2020:

(in metric tons of CO <sub>2</sub> equivalent)	CO <sub>2</sub> emissions in 2020	Of which:		CO <sub>2</sub> emissions in 2019	CO <sub>2</sub> emissions in 2020 pro forma <sup>(1)</sup>	Change <sup>(1)</sup> (as %)
		Direct CO <sub>2</sub> emissions (as %)	Indirect CO <sub>2</sub> emissions (as %)			
Wines and Spirits	33,796	11	4	40,893	33,796	(17)
Fashion and Leather Goods	107,404	11	36	113,314	100,759	(11)
Perfumes and Cosmetics	14,701	3	3	12,971	12,501	(4)
Watches and Jewelry	6,772	-	2	7,257	6,128	(16)
Selective Retailing	62,605	1	26	72,643	56,866	(22)
Other activities	6,051	1	2	3,340	2,810	(16)
<b>Total</b>	<b>231,329</b>	<b>27</b>	<b>73</b>	<b>250,418</b>	<b>212,860</b>	<b>(15)<sup>(a)</sup></b>

(a) Approximately 10% of the reduction was related to the impact of the public health crisis and store closures.

(1) Value and change at constant scope.



## 4.2.2 Scope 3 emissions

In 2020, LVMH instructed an external firm to assess the carbon footprint of the entire value chain based on 2019 data with a view to setting a quantified target for the reduction in Scope 3. This indicates that the total carbon footprint stands at 4.8 million metric tons of CO<sub>2</sub> equivalent, including 4.5 million metric tons for Scope 3. It will be updated every two years. The main findings are as follows:

- More than 50% of Scope 3 emissions are generated by the production of raw materials (products and packaging). The main sources of greenhouse gas emissions are the production of luxury wool fibers (535,000 tCO<sub>2</sub>e); leather (460,000 tCO<sub>2</sub>e); grapes, wines and spirits (234,000 tCO<sub>2</sub>e, which includes vineyards belonging to the Group's Maisons as well as independent grape suppliers); glass for packaging (192,000 tCO<sub>2</sub>e); and cotton (187,000 tCO<sub>2</sub>e).
- Inbound and outbound transport of components and finished products is the second-largest area, generating 18% of emissions.
- Employees' commutes were assessed using average figures by geographical region and accounted for 7% of Scope 3 emissions.

Greenhouse gas emissions generated by inbound transport (transport of raw materials and components toward production sites; only the main components and raw materials are taken into account) broke down as follows in 2020:

<i>(in metric tons of CO<sub>2</sub> equivalent)</i>	Road	Air	Ship	Total
Wines and Spirits	21,304	92	479	21,875
Fashion and Leather Goods	7,867	9,418	441	17,726
Perfumes and Cosmetics	951	34,722	417	36,090
Watches and Jewelry	97	1,753	-	1,850
Selective Retailing	-	-	-	-
<b>Total</b>	<b>30,219</b>	<b>45,985</b>	<b>1,337</b>	<b>77,541</b>

Greenhouse gas emissions generated by outbound transport (transport of finished products from production sites to distribution centers) broke down as follows in 2020:

<i>(in metric tons of CO<sub>2</sub> equivalent)</i>	Road	Rail	Air	Ship	Inland barge	Electric vehicle	Liquid natural gas	Total
Wines and Spirits	18,792	654	22,728	16,693	15	2	120	59,004
Fashion and Leather Goods	2,542	17	174,402	123	-	-	150	177,234
Perfumes and Cosmetics	2,172	-	286,814	1,802	-	-	-	290,788
Watches and Jewelry	403	-	20,978	52	-	-	-	21,433
Selective Retailing	2,893	-	4,148	197	-	66	-	7,304
<b>Total</b>	<b>26,802</b>	<b>671</b>	<b>509,070</b>	<b>18,867</b>	<b>15</b>	<b>68</b>	<b>270</b>	<b>555,763</b>

Rimowa, Le Bon Marché, DFS, Fred, Royal Van Lent, Thelios, Château Cheval Blanc and Les Echos did not report their data for this indicator.

## 4.3 Initiatives for adapting to climate change

To accompany its initiatives, the Group is also conducting a review of the various issues involved in adapting to climate change. Winegrowing activities are notably included in the review. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy. Several solutions are available for European vineyards depending on the extent of climate change, from altering harvest dates to developing different methods of vineyard management (such as widening rows, increasing the size of grapevine stocks and employing irrigation in certain countries) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §5.3 "Water consumption and preventing pollution").

More broadly, innovation – a key component of the Group's mitigation policy – also plays a part in LVMH's adaptation policy: new agricultural regeneration practices, the switch to new materials derived from biotechnologies and the use of biomimetics provide opportunities for reducing greenhouse gas emissions while simultaneously diversifying procurement sources and reducing the Group's exposure to climate change. The program to jointly develop clean technologies with Bertrand Piccard's Solar Impulse Foundation, the Matières à Penser (Food for Thought) materials library, and the Maison's partnership with Central Saint Martins dedicated to innovation and sustainable creativity will help drive new solutions at the Group's Maisons.

#### 4.4 Results for LIFE 2020 “Climate” targets

The three climate targets were already met in 2019: the increase in the proportion of renewable energy in the energy mix and the improvement in store energy efficiency together enabled a 25% reduction in energy-related greenhouse gas emissions.

Stores’ energy efficiency (45% of Scope 1 and 2) has made steady progress since 2013 thanks to a specific lighting policy: in addition to the widespread use of LED lighting, efforts to implement innovative optics technology and lighting control systems, pursued in partnership with the Purchasing department, helped achieve very substantial gains in energy efficiency. In addition, the robust monitoring of stores’ performance in line with the LVMH Life in Stores guidelines was further reinforced: in 2020, version 4 of the guidelines was certified by the Centre

Scientifique et Technique du Bâtiment (CSTB), and its criteria were deemed to be “equivalent to or more stringent than other international standards, such as LEED, BREEAM and HQE”. The third edition of the LIFE in Stores Awards was held during LVMH Climate Week and Maison Christian Dior won a prize in the Progress category: the Maison halved the lighting power density in the course of one year through three successive projects.

Between 2019 and 2020, energy-related greenhouse gas emissions continued to decline, with the decrease reaching 36.5%, reflecting the steady focus on the energy management policy, despite the fact that the closure of a number of stores as a result of the public health crisis also contributed to this decrease.

Progress toward meeting the LIFE 2020 “Climate change” targets:

Indicators	Baseline	Performance in 2020	Target for 2020
CO <sub>2</sub> emissions	220,480 tCO <sub>2</sub> e	-36.5% <sup>(a)</sup>	-25%
Proportion of renewable energy in the Group’s energy mix	1%	39%	30%
Store energy efficiency ( <i>electricity consumption in kWh/m<sup>2</sup></i> )	460 kWh/m <sup>2</sup>	-31%	-15%

(a) The performance of production, logistics and administrative sites is calculated by comparing data for each site between 2013 and the reporting year. Store CO<sub>2</sub> performance is calculated by multiplying CO<sub>2</sub> efficiency for the reporting year (in metric tons of CO<sub>2</sub> equivalent per square meter) by the baseline floor area (total floor area of stores reported in 2013). The CO<sub>2</sub> value generated covers 60% of total emissions in 2020.

## 5. LIFE 2020 – “SITES” TARGET

Since it was launched in 2012, the LIFE program has focused on ensuring that the Group’s sites are environmentally friendly. LIFE 2020 further strengthens these commitments. As a major

player in the luxury industry, LVMH aims to ensure that its 445 manufacturing and administrative sites are exemplary in this area.

### 5.1 Environmental management and certification systems

The Group has decided to extend the implementation of environmental certification programs to all its sites, because this can serve as a dynamic, unifying and motivating tool to promote continuous improvement. This approach to certification is not new for the Maisons: the LVMH Environmental Charter already requires that they put in place an environmental management system reporting to Executive Management. Many of them have opted for ISO 14001 certification. Hennessy has played a pioneering role in this regard, becoming the world’s first wines and spirits company to obtain ISO 14001 certification in 1998. At the end of 2020, 69% of the Group’s manufacturing sites were ISO 14001 certified.

Carbon and environmental performance is the key factor shaping the design of new production sites. Every new workshop has been certified: after the manufacturing facility set up by Celine in central Chianti in Italy, and the new Louis Vuitton leather workshop in Beaulieu-sur-Layon that received BREEAM® certification in 2019, Fendi broke ground on its new Fendi Factory in November 2020.

The newly converted site, a study in glass nestled in the rolling Tuscan countryside, is aiming for LEED Platinum certification.

In connection with the construction of new stores and the renovation of existing ones, the Maisons use the LIFE in Stores guidelines, which were developed in 2015 on the basis of the most stringent international standards (including LEED, BREEAM, Green Star, HQE, WELL, BEAM and Title 24). The LVMH LIFE in Stores framework identifies the six most important factors contributing to a store’s environmental performance, from the building’s insulation and lighting to heating and air conditioning. In 2020, the fourth version of these guidelines was prepared with the assistance of the Centre Scientifique et Technique du Bâtiment (CSTB), the leading public research establishment for the French construction sector. Its aim is to encourage the integration of environmental issues at an early stage in the development of store projects, preferably from the design phase.

## 5.2 Water consumption and preventing pollution

### 5.2.1 Breakdown of water consumption

Water consumption is broken down into the following requirements:

- process requirements: Use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc. Such water consumption generates wastewater;

- agricultural requirements: Water used for vineyard irrigation outside France, as irrigation is not used for the Group's vineyards in France. Water is taken directly from the natural environment for irrigation purposes, with water use from year to year closely linked to changes in weather conditions. However, it should be noted that water consumption for agricultural requirements is assessed by sites with a higher level of uncertainty than water consumption for process requirements.

Water consumption changed as follows between 2019 and 2020:

(in m <sup>3</sup> )	2020	2019	2020 pro forma <sup>(1)</sup>	Change <sup>(1)</sup> (as %)
Process requirements	3,310,906	3,927,034	3,139,000	(20) <sup>(a)</sup>
Agricultural requirements (vineyard irrigation)	6,969,256	7,018,856	6,696,256	(1)

(a) Change related to lower business levels.

Water consumption for process requirements broke down as follows by business group:

(process requirements in m <sup>3</sup> )	2020	2019	2020 pro forma <sup>(1)</sup>	Change <sup>(1)</sup> (as %)
Wines and Spirits	1,068,162	1,247,673	1,068,162	(14)
Fashion and Leather Goods	1,472,857	1,918,215	1,392,806	(27)
Perfumes and Cosmetics	197,032	194,720	196,169	1 <sup>(a)</sup>
Watches and Jewelry	62,427	75,955	62,203	(18)
Selective Retailing	229,211	306,062	229,211	(25)
Other activities	281,217	184,408	190,449	3 <sup>(b)</sup>
<b>Total</b>	<b>3,310,906</b>	<b>3,927,034</b>	<b>3,139,000</b>	<b>(20)</b>

(a) Change related to exceptional maintenance work at one site.

(b) Change related to measurement adjustments at a site.

In 2020, LVMH calculated its environmental footprint for its entire value chain, including Scope 1, 2 and 3 emissions, covering issues relating to climate change, biodiversity and water use. As part of this exercise, an in-depth analysis of sensitivity to local constraints was carried out at each of the Group's Maisons using the AWARE method. This analysis was based on measurements of each geographic area's sensitivity, obtained by comparing water consumption to available resources at the local level. Four Maisons whose water consumption is significant relative to the Group as a whole are located in areas where water stress is close to 100%, meaning that water requirements in these areas are close to the level of available resources:

- the Domaine Chandon Argentina vineyards (Agrelo and Terrazas), which represent 76% of the Group's agricultural water requirements and 65% of the Group's environmental footprint for Scopes 1 and 2;
- the Domaine Chandon California and Newton vineyards, which represent 7% of the Group's agricultural water requirements and 7% of the Group's environmental footprint for Scopes 1 and 2.

Vineyard irrigation requires authorization and is regulated in California and Argentina due to the climate. Such irrigation is necessary for winegrowing. Nevertheless, the Group has taken the following measures to limit water consumption: harvesting rainwater; implementing protocols to measure and specify water requirements; standardizing drip irrigation practices in California; using weather forecasts to optimize irrigation; and adopting the "regulated deficit irrigation" technique, which reduces water consumption and improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color. For example, Chandon Argentina reduced its water consumption for irrigation by 6% in 2020.

In 2020, as part of the calculation of the environmental footprint of LVMH's value chain, water consumption related to the Group's Scope 3 activities was measured at 126 million cubic meters of water, more than 95% of which was used for the production of raw materials, mainly luxury wool fibers (47%), cotton (17%), and grapes, wines and spirits (15%).

(1) Value and change at constant scope.

## 5.2.2 Preventing pollution

The only significant, relevant indicator related to preventing water pollution is the release of substances into water by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations contributing to eutrophication. The Group's other activities have only a very limited impact on water quality. Eutrophication is the excessive buildup of algae and aquatic plants caused by excess nutrients in the water (particularly

phosphorus), which reduces water oxygenation and adversely affects the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of effluents from the Group's own plants or external plants with which the Group has agreements. The following operations are considered treatment: city and county wastewater collection and treatment, independent collection and treatment (aeration basin), and land application.

COD after treatment changed as follows between 2019 and 2020:

COD after treatment (metric tons/year)	2020	2019	2020 pro forma <sup>(1)</sup>	Change <sup>(1)</sup> (as %)
Wines and Spirits	917	967	917	(5)
Fashion and Leather Goods	19	37	19	(49)
Perfumes and Cosmetics	16	26	16	(38)
<b>Total</b>	<b>952</b>	<b>1,030</b>	<b>952</b>	<b>(8)</b>

Measurement frequencies at the highest-contributing Maisons are compliant with local regulations but remain limited with regard to the changes observed in quantities discharged.

Volatile Organic Compound (VOC) emissions are addressed through specific action plans, notably for Perfumes and Cosmetics operations and the tanneries.

## 5.3 Reducing and recovering waste

### 5.3.1 Waste produced and recovered

In 2020, 93% of waste was recovered (91% in 2019). Recovered waste is waste for which the final use corresponds to one of the following channels, listed in descending order of interest in accordance with European and French laws:

- re-use, i.e. using the waste for the same purpose as the one for which the product was initially intended;

- recovery of materials, i.e. recycling (direct reintroduction of waste into its original manufacturing cycle resulting in the total or partial replacement of an unused raw material) or controlled composting or land treatment of organic waste to be used as fertilizer;
- incineration for energy production, i.e. recovery of energy in the form of electricity or heat by burning the waste.

The weight of waste generated changed as follows between 2019 and 2020:

(in metric tons)	Waste produced in 2020	Of which: Hazardous waste produced in 2020 <sup>(a)</sup>	Waste produced in 2019	Waste produced in 2020 pro forma <sup>(1)</sup>	Change in waste produced <sup>(1)</sup> (as %)
Wines and Spirits	52,256	371	62,667	52,256	(17)
Fashion and Leather Goods	13,125	1,619	16,327	12,475	(24)
Perfumes and Cosmetics	8,540	1,595	9,112	8,532	(6)
Watches and Jewelry	1,584	331	992	753	(24)
Selective Retailing	3,140	3	4,806	3,140	(35)
Other activities	2,042	55	1,716	1,486	(13)
<b>Total</b>	<b>80,687</b>	<b>3,974</b>	<b>95,620</b>	<b>78,642</b>	<b>(18)<sup>(b)</sup></b>

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic and paper).

(b) Change related to lower business levels.

(1) Value and change at constant scope.

Waste was recovered as follows in 2020:

(as % of waste produced)	Re-used	Recovery of materials	Waste-to-energy recovery	Total recovery
Wines and Spirits	9	82	6	97
Fashion and Leather Goods	2	46	30	78
Perfumes and Cosmetics	4	71	23	98
Watches and Jewelry	55	19	12	86
Selective Retailing	3	48	34	85
Other activities	-	56	25	81
<b>Total</b>	<b>8</b>	<b>72</b>	<b>14</b>	<b>93</b>

In France, the Perfumes and Cosmetics Maisons, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE (*Centre Environnemental de Déconditionnement, Recyclage Écologique*) recovery and recycling facility to handle all the waste generated by the manufacturing, packaging, distribution, and sale of cosmetic products. CEDRE accepts several types of articles: obsolete packaging, alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. In 2014, the service was expanded to accept textiles. In 2020, around 2,920 metric tons of waste were processed. The various materials (glass, cardboard, wood, metal, plastic, alcohol and cellophane) are resold to a network of specialized recyclers.

## 5.4 Results for LIFE 2020 "Sites" targets

The 10% reduction target for sites was exceeded for process water consumption, which decreased by 11.6% (versus a 1.1% decrease in 2019); the target was not met for waste production (a 4.4% reduction versus an 8.7% increase in 2019) or energy consumption (a 0.5% increase versus a 6.5% increase in 2019). As sites were closed for an average of six weeks in 2020, the public health crisis had an impact on site performance; it should be noted that certain sites remained open but reduced their activity levels during the lockdown period (logistics centers and headquarters), and activities continued for the production of hand sanitizer and masks. In addition, these indicators varied widely according to weather conditions (such as process water in response to substantial grape harvests and energy used in air conditioning and heating) as well as the economic environment (such as waste production arising from construction work and maintenance).

## 5.3.2 Actions to combat food waste and food donations

La Grande Épicerie de Paris, which has a number of fresh food production facilities, has developed a reliable system for predicting sales in order to adapt production to sales volumes on a daily basis.

The store has signed a partnership with the French Red Cross, which collects any unsold prepared food each day. Another partnership was launched in 2018 with Too Good To Go, an app that lets stores give their unsold items to its users.

Both La Grande Épicerie Rive Droite and La Grande Épicerie Rive Gauche are looking into setting up new partnerships with organizations and companies active in this field, and plan to extend the selection of products offered under these partnerships.

In light of the Group's business activities, food insecurity and actions promoting responsible, fair and sustainable food use do not constitute key risks.

Beyond the impact of the public health crisis, the following best practices were put in place:

- process water: day-to-day water consumption initiatives and training for employees (Chandon Argentina);
- energy consumption: installation of energy recovery equipment (Glenmorangie);
- waste production: implementation of an employee incentive program targeting food waste and electricity consumption (Hennessy).

The target of obtaining ISO 14001 certification for 100% of manufacturing and logistics sites was not met. The year-on-year decrease in the percentage of sites certified (from 71% to 69%) arose in particular from the fact that audits were postponed to 2021 as a result of the public health crisis.

## Environment and sustainability

## Progress toward meeting the LIFE 2020 “Sites” targets:

Indicators	Baseline (2013)	Performance in 2020	Target for 2020
Presence of environmental management systems (ISO 14001, EMAS, etc.) at manufacturing sites	60%	69%	100%
Reduction in process water consumption at production sites, logistics facilities and headquarters	2,275,818 m <sup>3</sup>	-11.6%	-10%
Reduction in energy consumption at production sites, logistics facilities and headquarters	467,025 MWh	+0.5%	-10%
Reduction in waste production at production sites, logistics facilities and headquarters	85,442 metric tons	-4.4%	-10%

(a) The performance of production, logistics and administrative sites at constant scope is calculated by comparing data for each site between 2013 and the reporting year. The value generated covers 59% of process water consumption, 47% of energy consumption and 100% of total waste in 2020.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Attracting and retaining talent

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## 1. GENERAL POLICY

The Group's employees use their talents and commitment to ensure excellence in the LVMH customer experience. In a constantly changing competitive environment, they are vital to LVMH's success. They help protect and develop expertise all along the Group's value chain, particularly in craftsmanship and design. Attracting and supporting the best people on every continent drives strong performance and helps secure the Group's long-term future.

### 1.1 Committed to developing talent

2020 was marked by an unprecedented public health crisis. Employee health and safety was a priority for the Group. At the same time, the Group continued to pursue its ambitious policy to attract talent, support staff on every continent and unite them around a set of enduring core values: creativity and a passion for innovation, which helped the Group adapt very quickly during the crisis, a quest for excellence, and entrepreneurial spirit. In addition to these four values, the Group added a fifth in 2020, commitment – to the environment and to inclusiveness and solidarity.

Our people's talent drives strong performance and helps secure the Group's long-term future. Responsible people management

Through its ambitious recruitment policy and close relationships with world-class educational institutions, LVMH works to attract the very best people. The Group offers development opportunities for all, based solely on talent and skills. By ensuring employee health and safety, fostering constructive labor relations and promoting workplace well-being, LVMH strives to create a nourishing environment where every employee can flourish and give of their best.

is structured around four key priorities identified through stakeholder consultation and a mapping of issues and risks:

- developing talent and skills;
- paying constant attention to working conditions;
- preventing all forms of discrimination and respecting each person as a unique individual;
- engaging with communities to help local populations.

Within this shared social responsibility program, each of the Maisons implements its own action plan. The Maisons are also free to identify additional issues specific to their own particular business and environment.

### 1.2 Organization and quality of workforce-related reporting

LVMH works hard to ensure the quality and completeness of workforce-related data. The Group follows a rigorous process to gather and check this data within its Maisons. Data covers the Group's consolidated companies, providing a comprehensive view of talent management.

#### 1.2.1 Collection and validation of workforce-related reporting data

Within each Maison, a reporter collects and reports workforce-related data, a controller checks and validates its accuracy, and the Maison's Human Resources Director provides final sign-off.

Everyone involved in workforce-related reporting is provided with an instructional guide. This guide sets out the aims and requirements both for the approach as a whole and for each indicator: its relevance, how the associated data is defined, how the information is to be gathered, the calculation method if applicable, and checks to be carried out when data is reported. Manual checks on the reliability and consistency of the data input are backed up by automated checks throughout the procedure.

Since 2007, selected employee-related disclosures for the Group have been verified each year by an independent third party. For fiscal year 2020, workforce-related data was verified by Ernst & Young, in accordance with Article R. 225-105-2 of the French Commercial Code<sup>(1)</sup>.

#### 1.2.2 Scope of workforce-related reporting

The reconciliation of organizational and legal entities ensures consistency between the workforce and financial reporting systems. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully consolidated Group companies, but does not include equity-accounted associates.

Workforce information set out below includes all consolidated companies as of December 31, 2020, including LVMH's share in joint ventures, with the exception of certain companies that have been part of the Group for less than a year. Other employee-related indicators were calculated for a scope of 894 organizational entities covering over 99% of the global workforce and encompass staff employed during the fiscal year, including those employed by joint ventures.

(1) This article resulted from the transposition into French law of European Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups.



LVMH's employees in China and its regions are included in the number of staff working under permanent contracts (24,311 as of December 31, 2020). Although Chinese labor law limits the

duration of employment contracts, which can only become permanent after several years, the Group considers employees working under such contracts as permanent.

### 1.3 Key workforce data

The public health crisis and its consequences in terms of public health decisions forced some of our Maisons to make changes to their organizational structure. In some cases, this resulted in local headcount reductions; all such reductions were supported in a responsible manner and implemented in strict compliance with local legal requirements.

Total headcount as of December 31, 2020 stood at 150,479 employees, a decrease of 8% compared with 2019. Of this total, 141,383 employees

were working under permanent contracts and 9,096 under fixed-term contracts. Part-time employees represented 15% of the total workforce, or 22,140 individuals. Staff outside France represented 78% of the global workforce.

The Group's average total full-time equivalent (FTE) workforce in 2020 comprised 148,344 employees, up 0.45% compared with 2019.

#### 1.3.1 Breakdown of the workforce by business group, geographic region and professional category

##### Breakdown by business group

Total workforce as of December 31 <sup>(a)</sup>	2020	%	2019	%	2018	%
Wines and Spirits	7,530	5	7,671	5	7,380	5
Fashion and Leather Goods	53,002	35	53,456	33	48,101	31
Perfumes and Cosmetics	28,017	19	30,427	19	29,141	18
Watches and Jewelry	9,078	6	9,426	6	8,784	6
Selective Retailing	43,741	29	57,383	35	57,975	37
Other activities	9,111	6	4,946	3	4,707	3
<b>Total</b>	<b>150,479</b>	<b>100</b>	<b>163,309</b>	<b>100</b>	<b>156,088</b>	<b>100</b>

(a) Total permanent and fixed-term headcount.

##### Breakdown by geographic region

Total workforce as of December 31 <sup>(a)</sup>	2020	%	2019	%	2018	%
France	32,813	22	33,701	21	31,156	20
Europe (excluding France)	37,693	25	40,453	25	38,645	25
United States	24,749	16	31,483	19	32,724	21
Japan	7,012	5	7,391	5	6,905	4
Asia (excluding Japan)	35,382	23	38,109	23	34,802	22
Other markets	12,830	9	12,172	7	11,856	8
<b>Total</b>	<b>150,479</b>	<b>100</b>	<b>163,309</b>	<b>100</b>	<b>156,088</b>	<b>100</b>

(a) Total permanent and fixed-term headcount.

##### Breakdown by professional category

Total workforce as of December 31 <sup>(a)</sup>	2020	%	2019	%	2018	%
Executives and managers	32,713	22	32,004	20	29,288	19
Technicians and supervisors	14,575	9	15,333	9	14,500	9
Administrative and sales staff	79,059	53	93,575	57	91,624	59
Production workers	24,132	16	22,398	14	20,676	13
<b>Total</b>	<b>150,479</b>	<b>100</b>	<b>163,309</b>	<b>100</b>	<b>156,088</b>	<b>100</b>

(a) Total permanent and fixed-term headcount.

### 1.3.2 Average age and breakdown by age

The average age of the global workforce employed under permanent contracts is 37 and the median age is 33. The youngest age ranges are found among sales staff, mainly in Asia, the United States and “Other markets”.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Age: Under 25	8.7	4.7	7.0	12.4	4.5	10.0	14.9
25-29	18.7	15.8	14.8	20.0	11.8	25.2	20.3
30-34	21.1	17.3	17.8	19.6	17.4	29.7	21.2
35-39	16.3	14.2	16.3	14.3	19.5	18.5	16.8
40-44	11.9	12.6	14.2	10.0	21.2	8.7	11.2
45-49	9.1	12.0	12.4	7.2	15.3	4.2	6.4
50-54	6.7	10.4	9.1	6.4	6.9	2.1	4.2
55-59	4.9	9.0	5.8	5.1	3.2	1.0	3.0
60 and up	2.6	4.0	2.6	5.0	0.2	0.6	2.0
	100	100	100	100	100	100	100
<b>Average age</b>	<b>37</b>	<b>40</b>	<b>39</b>	<b>37</b>	<b>39</b>	<b>33</b>	<b>35</b>

### 1.3.3 Average length of service and breakdown by length of service

The average length of service within the Group is 9 years in France and ranges from 5 to 8 years in other geographic regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate of turnover.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Length of service: Less than 5 years	58.4	46.7	51.9	65.2	49.4	70.2	65.9
5-9 years	19.3	17.8	20.4	20.2	19.6	18.8	20.0
10-14 years	9.8	11.8	12.8	8.1	12.0	6.3	7.5
15-19 years	5.3	8.1	7.1	3.5	11.5	2.0	2.8
20-24 years	3.5	6.7	4.4	1.7	4.8	1.0	2.4
25-29 years	1.9	4.1	1.7	0.6	1.7	1.5	0.6
30 years and up	1.8	4.8	1.7	0.7	1.0	0.2	0.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Average length of service</b>	<b>7</b>	<b>9</b>	<b>7</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>5</b>

## 2. AN AMBITIOUS AND INCLUSIVE APPROACH TO DEVELOPING TALENT

Developing talent is a strategic pillar of the Group’s human resources policy and is critical to its momentum. Given the huge diversity of opportunities it offers, LVMH is seen as a highly attractive employer and is constantly working to improve its attractiveness by training promising individuals and ensuring that it offers motivating career paths. In particular, the Group is

careful to model exemplary practices with regard to recruitment and mobility so as to ensure that it attracts and promotes people based solely on how closely their talent and skills are aligned with vacant positions.

## 2.1 Implementing an attractive employer policy

Whether they be young graduates, managers or senior executives, talented people are the Maisons' most valuable assets. Their diversity and commitment help power the Group's momentum. For these reasons, LVMH identifies the best people, monitors their development and offers them the best opportunities.

### Values and empowerment

LVMH is careful to identify people who shares its values and culture: a commitment to excellence, a flair for entrepreneurship and innovation, and an inclination to cultivate personal creativity, perseverance and pragmatism. Over the past year, the Group's human resources teams have been working to meet employees' expectations for greater empowerment, which is to say resolutely modern and inspiring leadership. The talented people we look for and develop share this desire to join or lead teams where there is a focus on listening, engagement and cooperation.

### Attractiveness

In 2020, LVMH launched its new employer brand based around the message "Craft the Future". As part of this initiative, the Group brought together key stakeholders – both internal (employees and executives from the Maisons and regions) and external – in a collaborative effort. The aim was to reinforce key messages describing LVMH's positioning as an employer and boost the employer brands of its Maisons. Alongside this Group initiative, Maisons including Sephora, Moët Hennessy, Louis

Vuitton, Parfums Christian Dior and Dior Couture also revisited their messages. "Craft the Future" was first shared with internal ambassadors through online talks and an e-learning platform. Its external rollout is planned for 2021.

For the 15th consecutive year, LVMH topped the Universum ranking of preferred employers among business school students in France. The Group also climbed higher in international employer rankings.

### Engagement and opportunities

LVMH's diversity of cultures, professions and sectors offers unique career prospects for its employees. The public health situation meant fewer new recruits were taken on in 2020. However, LVMH opted to continue to develop high-quality links with future talent.

LVMH conducts an annual review of talent within each of its Maisons, divisions, functions and regions to identify opportunities for internal promotion. Managers and human resources teams work together to define the organization's future requirements in light of their Maison's strategy. They then identify the most promising individuals and incorporate them into their succession planning so they will have the opportunity to attain key positions within the Group. LVMH, through its rich ecosystem and the attention paid to its talent, offers solid long-term career prospects for its employees.

### Turnover by geographic region

(as %)	2020	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets	2019	2018
Total turnover <sup>(a)</sup>	24.5	9.5	15.2	47.9	11.0	30.6	36.7	23.1	22.9
Of which: Voluntary turnover <sup>(b)</sup>	11.7	3.9	8.8	20.3	7.3	16.4	13.3	17.2	17.5
Involuntary turnover <sup>(c)</sup>	12.2	4.5	5.8	27.1	3.5	13.6	23.0	5.4	4.9

(a) All reasons. Excluding internal mobility and non-Group transfers.

(b) Resignations.

(c) Dismissals/end of trial period.

### Breakdown of movements<sup>(a)</sup> of employees working under permanent contracts by business group

(number)	Joiners			Leavers		
	2020	2019	2018	2020	2019	2018
Wines and Spirits	481	844	855	609	717	708
Fashion and Leather Goods	7,777	13,563	11,915	7,458	8,609	7,610
Perfumes and Cosmetics	3,486	7,468	8,113	5,165	6,340	6,343
Watches and Jewelry	924	1,799	1,697	1,036	1,253	1,124
Selective Retailing	9,190	16,719	17,176	17,503	16,508	15,458
Other activities	1,064	894	858	3,369	892	844
<b>Total</b>	<b>22,922</b>	<b>41,287</b>	<b>40,614</b>	<b>35,140</b>	<b>34,319</b>	<b>32,087</b>

(a) Under permanent contracts, including conversions of fixed-term contracts to permanent contracts and excluding internal mobility within the Group.

In 2020, a total of 35,140 employees working under permanent contracts left the Group (all reasons combined); of these, 50% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate.

## 2.2 Recognizing talent through compensation

LVMH is keen to recognize, attract and motivate talented people by offering compensation that is generous relative to employee and market expectations. Salaries are benchmarked annually both in France and abroad to ensure that the Maisons are positioned appropriately, taking into account the specific characteristics of business lines and segments.

The Group is careful to reward performance appropriately. Variable compensation is linked to the financial results of each employee's company and the achievement of individual targets.

### Average compensation

The table below shows the average monthly gross compensation paid to Group employees in France under full-time permanent contracts who were employed throughout the year:

Employees concerned (as %)	2020	2019	2018
Less than 1,500 euros	1.4	1.9	1.5
1,501 to 2,250 euros	18.6	15.3	16.2
2,251 to 3,000 euros	21.6	22.6	22.8
Over 3,000 euros	58.4	60.2	59.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Personnel costs<sup>(a)</sup>

Worldwide personnel costs break down as follows:

(EUR millions)	2020	2019	2018
Gross payroll – Fixed-term or permanent contracts	6,509.8	6,544.7	5,787.2
Employer social security contributions	1,629.8	1,619.3	1,490.9
Temporary staffing costs	315.7	324.0	306.0
<b>Total personnel costs</b>	<b>8,455.3</b>	<b>8,488.0</b>	<b>7,584.2</b>

(a) Indicators are taken from the HR reporting system, which covers 894 organizational entities. Unlike for financial reporting, workforce-related reporting excludes certain items when calculating total payroll: incentives and profit-sharing, bonus share awards and similar awards, and provisions related to bonuses.

Outsourcing and temporary staffing costs decreased year over year, accounting for 6.3% of the total worldwide payroll (versus 6.7% in 2019), including employer social security contributions.

### Profit-sharing, incentive and company savings plans

All companies in France with at least 50 employees have a profit-sharing, incentive or company savings plan. These plans accounted for a total expense of 310.9 million euros in 2020, paid in respect of 2019, a decrease compared to the previous year.

(EUR millions)	2020	2019	2018
Profit sharing	139.3	138.3	131.4
Incentive	139.4	148.8	123.6
Employer's contribution to company savings plans	32.2	32.9	26.7
<b>Total</b>	<b>310.9</b>	<b>320.0</b>	<b>281.7</b>

## 2.3 Nurturing future talent

To secure its long-term success, LVMH must constantly inspire excellence. The Group is committed to attracting and training those individuals who best match its current and future needs. LVMH runs a number of initiatives aimed at students

and graduates, key examples being the Institut des Métiers d'Excellence (IME), the immersive "INSIDE LVMH" program and various international academic partnerships.

### 2.3.1 Institut des Métiers d'Excellence – Training in the luxury trades

The Institut des Métiers d'Excellence (IME) – the luxury sector's first work-linked training program in craftsmanship, design and sales – exists to pass on expertise and build up a talent pool for LVMH. Apprentices, whether starting out on their career or retraining to enter a new profession, receive technical and theoretical instruction at 22 prestigious partner schools and universities and put their experience into practice within 36 partner Maisons. The program is supplemented by foreign language courses and masterclasses.

Since 2014, IME has trained over 900 people in four countries (France, Switzerland, Italy and Spain), with a cumulative pass rate of 97%. The majority of people on the program join LVMH or its external partners.

In 2020, IME and its partners worked hard to ensure continuity of learning and create an authentic online experience both during and after lockdowns. IME also designed a new program in partnership with Pasticceria Cova and the Galdus school in Milan, bringing its total number of courses to 31. Lastly, LVMH announced a new partnership between IME and Campus d'Excellence des Métiers d'Art et du Design de Paris, initiated by France's Education Minister Jean-Michel Blanquer.

### 2.3.2 INSIDE LVMH – supporting the next generation

In 2020, most schools and universities closed or rethought their approach to face-to-face and remote learning. In these highly unusual circumstances, LVMH continued to support students,

## 2.4 Engaged employee management

### Discrimination-free recruitment and development

LVMH is convinced that people, in their diversity, make all the difference and drive the Group's success. Recognizing that each person's unique contribution is a valuable asset, LVMH is keen to ensure that its workforce is drawn from all backgrounds, reflecting the diversity of its customer base. The recruitment and talent development policy ensures that the Group remains intently focused on diversity. LVMH makes sure each and every new recruit feels welcome and benefits from equal opportunities throughout their career. The Group implements practices to prevent any discrimination on the basis of skin color, sex, religion, political convictions, national or social origin, age, disability, trade union membership, sexual orientation or gender identity. The Diversity and Inclusion network ensures that this policy is implemented within Maisons and business lines. In 2020, the Group strengthened its approach in this area by hiring a North America Diversity and Inclusion Director.

helping them put together career plans and offering internships, apprenticeships and fixed-term or permanent contracts.

Midway through the year, LVMH also co-wrote a column in newspaper *Les Echos* in which it committed to maintaining the work-linked training recruitment targets put in place before the pandemic. As of December 31, 2020, more than 1,300 young people were working under apprenticeship or vocational training contracts (including the IME) across LVMH's French companies.

LVMH adapted most of its student events in light of the public health situation to enable students to continue to learn about the wide range of businesses and career opportunities offered by the Group. More than 200 initiatives were organized, the vast majority of which were held online: executive talks, discussion panels, recruitment sessions, business line presentations, discussions of business case studies, virtual tours, and so on. To recruit interns and apprentices in France for 2021, LVMH held "Start Your Journey with LVMH" virtual events in September and October that connected over 20 Maisons and 4,000 students. Meanwhile, US-based Maisons participated online in the National Black MBA Association Conference and Career Fair.

The Group renewed and strengthened its historical partnerships with schools and universities such as ESSEC, HEC Paris, École Polytechnique and CentraleSupélec in France, Central Saint Martins in the United Kingdom, Bocconi University in Italy and Fudan University in China. Most of these partnerships are aimed at immersing students in the world of the Maisons and having them work in conjunction with Group managers on innovative projects (such as packaging and product design with CSM, and launching an e-commerce website with Bocconi).

### Promoting diversity and inclusion training

The Inclusion Index, designed to help monitor and strengthen diversity and inclusion across the Group, is sponsored by two members of the LVMH group's Executive Committee: Chantal Gaemperle, Director of Human Resources and Synergies, and Jean-Jacques Guiony, Group Chief Financial Officer. This tool highlights initiatives within the Maisons and encourages them to go further. In 2020, the Index counted 148 initiatives promoting gender equality and 65 in support of LGBTI people. The particularly hard-hitting initiatives of 2019 were honored with awards and celebrated on International Women's Day and during Pride Month in June.

LVMH has designed training in unconscious bias in decision-making and its effects. Starting in late 2019 and throughout 2020, the Group delivered this training to senior executives and encouraged its Maisons to roll out this type of training to managers.

## Attracting and retaining talent

In 2020, 500 members of the human resources function took part in two “Black Lives Matter” webinars. The first was for the US-based HR team and the second for all the Group’s HR staff. Organized by the Group and moderated by the United States human resources team, these webinars were aimed at raising awareness among HR staff and empowering them to help create a fairer and more inclusive culture. They covered the issue of racial bias and its impact.

### Open to talented people of all kinds

LVMH is constantly working to prevent any form of discrimination in its recruitment practices. This ambition is reaffirmed in the Code of Conduct and the Recruitment Code of Conduct. Recruiters identify candidates without any preference as to business line or segment. Starting in 2011, the Group and the Maisons have periodically held mandatory anti-discrimination training for recruiters. In 2020, the majority of these training sessions continued despite the public health situation. Recruiters completed in-depth sessions on the employer brand and implicit bias as part of a wider rollout of inclusion and diversity policies in line with changes in society.

LVMH regularly checks that its job offers do not include any discriminatory wording. Since 2008, the Group has been monitoring its recruitment practices by having an independent firm carry out discrimination testing on its posted job offers. These testing campaigns are run regularly and over long periods; since 2014, they have been worldwide in scope. This approach was supplemented by a first global statistical survey on discrimination risk in recruitment, the findings of which were put to use in 2020. Results are presented to Human Resources Directors at Group and Maison level, with appropriate measures adopted as necessary.

### Committed to employment for people with disabilities

Thanks to its longstanding commitment to people with disabilities, LVMH was able to join the International Labor Organization (ILO) Business and Disability Network. On the International Day of Persons with Disabilities, the Group took the opportunity to reaffirm its commitment to inclusion for people with disabilities, whether through recruitment or accessibility.

This approach is coordinated by the Mission Handicap initiative, established in 2007 and supported by a network of 54 disability officers at the various Maisons, who meet regularly. In France, Sephora, Moët & Chandon and Ruinart entered into their own agreement with AGEFIPH, the country’s leading partner for employment for people with disabilities, in 2017. Hennessy, Christian Dior Couture and Parfums Christian Dior also have their own formal agreements with the organization.

The LVMH group has put into place a number of initiatives aimed at selecting and training people with disabilities and ensuring that they are optimally integrated into the workforce. Candidates are selected using the “Handi-Talents” process, which uses work-based role-play exercises to objectively identify

each individual’s aptitudes and skills. Around 50 people have participated in the program since its launch, and 36 people are still working under a vocational training contract or have successfully secured a job or further training or education (26 of whom within the Group). As a result of the public health crisis, the launch of the fourth intake of the EXCELLhanCE program was postponed until 2021. In world regions where LVMH has a presence, the Group and its Maisons organized a range of events in late 2020 highlighting partnerships with non-profits and stories of successful integration of employees with disabilities. In the United States, Sephora put in place a system to hire people with disabilities with an ambitious target: over 140 people with disabilities had already been hired under the system by end 2020.

LVMH also supports employees who report that they have a disability. The Maisons offer solutions on a case-by-case basis to help people keep their jobs, where necessary by making adjustments to their workspaces or helping them transition to a different role. In March 2011, to help employees keep their jobs, Moët & Chandon founded MHEA. With almost its entire workforce consisting of people with disabilities, this fully-fledged disability-friendly company enables some employees with disabilities to continue working in better conditions for the same pay. Since it was founded, MHEA has enabled over 80 people to work under fixed-term or permanent contracts and around ten of them to join one of the Group’s champagne houses under permanent contracts.

Worldwide, people with disabilities make up 1.2% of the LVMH group’s workforce. Due to changes in the legislative framework governing the compulsory declaration of employees with disabilities in France for fiscal year 2020, data consolidation was delayed and it has not been possible to publish figures for the year.

### Gender equality

Gender diversity has long been an integral part of LVMH’s culture. Having signed the United Nations Women’s Empowerment Principles in 2013-2014, the Group and its Maisons are formally committed to gender equality and, in particular, gender diversity at the most senior levels, fair treatment, professional development for women, the promotion of equality, and transparency on results.

In 2020, 42% of key positions at LVMH were held by women, compared with 23% in 2007. The Group is aiming to achieve gender equality in key positions by 2025. Fifteen of the Group’s Maisons are led by women, two more than in 2019. Through its EllesVMH initiative, the Group is working closely with its Maisons to achieve this target and implementing coaching and mentoring programs (the EllesVMH Coaching program has been offered to around 30 women a year for over 10 years), specific programs and local networks. Furthermore, the Group scored 91 points out of 100 on the French government’s Gender Equality Index.

The Group also aims to achieve pay equity. Each Maison is putting in place initiatives and tools to reduce any pay gaps between women and men within a given professional category.

Lastly, LVMH is demonstrating and promoting its commitment. The Group celebrates International Women's Day every year. Although the Covid-19 crisis meant the celebrations were mostly digital, 2020 was no exception. LVMH also kicked off its first radio program, dubbed "Echo Day", hosted by journalist Marie Drucker and Chantal Gaemperle, Director of Human Resources and Synergies. A number of Maisons have showcased gender equality best practice. Examples include the Women@Dior mentoring program at Christian Dior Couture, Hennessy's Vignoble

au Féminin event honoring women winemakers, EllesVMH on Tour by Loro Piana, Sephora Poland's Fun.Tech.Future program for young women living in supportive housing or with foster families, and LVMH Japan's family concierge service. Lastly, the Group launched the first series of its "Tips to the Top" podcast, in which 11 women talk about how they have succeeded in career paths sometimes thought of as more male-oriented. These podcast episodes were distributed via the internal SHERO platform, currently being rolled out in app form.

A total of over 148 initiatives were implemented in 2020 in support of gender equality, involving almost 29,000 employees.

### Proportion of women among joiners and in the Group's workforce<sup>(a)</sup>

(% women)	Joiners			Group workforce		
	2020	2019	2018	2020	2019	2018
<b>Breakdown by business group</b>						
Wines and Spirits	49	45	45	38	38	38
Fashion and Leather Goods	66	65	66	67	67	69
Perfumes and Cosmetics	84	85	86	82	83	83
Watches and Jewelry	58	60	58	59	59	59
Selective Retailing	82	83	83	83	83	83
Other activities	37	42	33	38	37	35
<b>Breakdown by professional category</b>						
Executives and managers	64	65	65	64	65	65
Technicians and supervisors	67	68	67	66	68	68
Administrative and sales staff	79	79	80	79	80	81
Production workers	56	61	57	57	59	58
<b>Breakdown by geographic region</b>						
France	64	66	63	64	64	64
Europe (excluding France)	72	74	76	71	72	74
United States	80	79	80	75	78	79
Japan	71	73	69	73	73	74
Asia (excluding Japan)	73	75	76	76	77	77
Other markets	70	79	79	67	73	73
<b>LVMH group</b>	<b>73</b>	<b>75</b>	<b>75</b>	<b>71</b>	<b>73</b>	<b>73</b>

(a) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

### Supporting older employees

LVMH is proud of all its talented people, however young or old they may be. The most experienced employees play an especially important role in passing on expertise. LVMH aims to keep its older employees in work by continuing to offer them a motivating and fulfilling work environment. The Group is committed to offering an approach to career development that

recognizes the fact that working lives are getting longer and to adjusting roles or working hours if necessary. The Maisons offer end-of-career interviews, dedicated training, special working arrangements or even specific healthcare and retirement support arrangements.

### 3. A FULFILLING WORK ENVIRONMENT

LVMH is committed to offering its employees the optimum conditions in which they can flourish in their roles and achieve their full potential. Achieving this objective means offering high-quality career support to each and every employee, adopting

#### 3.1 Dialogue, training and career support

While the challenges of 2020 differed greatly from country to country, they were very demanding for everyone. LVMH worked hard to maintain the continued discussion and dialogue needed to meet these challenges head-on.

##### 3.1.1 New solutions driven by the public health situation

The Group's decentralized structure meant it was able to continue supporting local staff and team development. Within the Group's Maisons, many innovative initiatives aimed at sharing learning and experience emerged spontaneously, boosted by local stakeholders' freedom to act.

At Group level, LVMH House's Group Learning & Development teams quickly suggested new ways of working and came up with new, more agile formats tailored to the needs of employees and executives at every level. Beyond simply digitalizing existing programs, LVMH forged a new approach to employee learning and development, very quickly implementing new ways of working, learning and managing.

##### 3.1.2 Asking employees about their work

In 2020, LVMH worked particularly hard to listen to its employees and find out how they were coping in this unusual year. Midway through the year, LVMH launched its largest-ever survey of all employees worldwide. The LVMH Global Pulse Survey aimed to "take employees' pulse" and ask staff what they were learning through this experience. LVMH wanted to find out how employees were feeling and gather opinions about the Group's management of the crisis, as well as to ask how they saw the future of customer relationships and work culture and what they saw as essential aspects of leadership.

To supplement and help it better interpret quantitative feedback from the survey, the Group also interviewed 77 talented young employees, high-fliers and Chief Executives.

Through this survey, over 78,000 employees shared more than 180,000 very encouraging verbatim comments. In all, 56% of respondents said they felt motivated and confident. The vast majority (89%) praised the Group's and Maisons' handling of

best practice on health and safety, and fostering constructive labor relations. Amid last year's public health crisis, LVMH demonstrated innovation so as to be able to continue with its employee initiatives.

the Covid-19 pandemic and said they were proud to belong to the Group (93%) and to work for their Maison (91%). Their proposed priorities for the future have fueled a number of strategic initiatives. The Maisons began to launch these initiatives in October 2020 and the Group drew on them to launch Next Frontier, an ambitious project to evolve working arrangements and leadership at LVMH from 2021 onwards. Lastly, the sharing of the survey findings provided opportunities for valuable feedback and discussion between LVMH group executives and staff at the Group's Maisons.

##### 3.1.3 Developing people and skills in an uncertain and demanding environment

In a world undergoing far-reaching change, LVMH is helping its employees adapt to technological and market developments and adopt new ways of working and managing. The LVMH group is sustainably committed to developing its employees' skills, expertise and knowledge so they can make an impact in demanding, fast-changing environments. Over the past year, the Group's human resources teams have worked particularly hard to meet employees' aspirations for greater empowerment: empathetic and inspiring leadership. Talented people share this desire to join or lead teams where there is a focus on listening, engagement and cooperation.

Teams responsible for development and training at every level of the Group quickly proposed and built new, agile ways of learning suited to remote working. Beyond just training, these initiatives have often also proved to be an effective way to stay in touch and, for some people, to overcome isolation. They have changed people's relationship with time and the training experience.

By offering new digital formats and new offerings, training seminars have reinvented relationships among learners and between learners and trainers. New short programs available to all are opening up new horizons for employees and triggering discussion on previously unexplored topics. Thanks to agile remote meeting tools, communities are now even more active, becoming places where new approaches can be tried out without fear, and where vocational training, knowledge, experience and high-impact practices are valued.



This new approach to training has reached many more employees: for example, seven times more people participated in initiatives run by LVMH House during the year. This new way of interacting yielded some major success stories. LVMH House Americas launched its “Monday Morning Memo” platform and LVMH House Japan kicked off its “L> C Digital Learning” program during lockdown. LVMH House Asia Pacific staff coordinated more than 20 business line communities. And the LVMH House London team created six online-only programs in the space of just a few weeks to help senior executives manage this complex and uncertain period.

LVMH placed a particular emphasis on strengthening its offering of seminars and programs to promote the following:

- understanding and promoting the LVMH group’s company culture;
- management and leadership through a range of programs aimed at young managers, experienced senior managers, high-fliers and executives covering topics like respect and inclusion, collective intelligence and collaborative working;
- excellence in strategic areas such as retail, supply chain, operations and the appeal of the Group’s brands;
- open innovation, by raising awareness of initiatives now recognized both in-house and outside the Group, such as DARE and LVMH’s La Maison des Startups.

### 3.1.4 Employees taking charge of mobility and career development

In a constantly changing world, keeping skills and knowledge up to date is crucial; the success of LVMH depends on it. Working to keep skills and knowledge up to date ensures that employees keep in step with changes in the working world and the market and helps them flourish in their roles. Furthermore,

the 80 countries where LVMH operates offer a wide variety of opportunities for job moves and experience for employees keen to embark on new personal and professional adventures on foreign soil. International mobility for managers and senior executives helps spread values, best practice and expertise throughout the Group’s global ecosystem. Against this backdrop, LVMH works to forecast its requirements in terms of jobs and skills and takes care to ensure that all employees can explore their own path and fulfil their ambitions in keeping with their particular aspirations, talent and motivations.

Annual interviews are held to review employees’ performance and career development. These interviews provide an opportunity for all managers and the vast majority of non-managers worldwide to have formal, constructive discussions with their line managers covering their performance, aspirations and career goals.

The Group takes a dual approach to helping employees prepare for their future within the organization: on the one hand, it offers a varied range of training and initiatives aimed at developing skills and expertise; and on the other, it offers concrete career opportunities within the LVMH ecosystem. Lastly, managers and human resources teams work together to provide employees with advice on career planning and learning.

#### Training investment

Overall, in 2020, training expenses incurred by Group companies throughout the world represented a total of 90.7 million euros, or 1.4% of total payroll. On top of this investment, in addition to everyday workplace training LVMH developed various new forms of learning in 2020, offering webinars daily at every level of the organization as well as discussions and learning pilots in employee communities. The diversity of these new, faster and more collaborative forms of learning means it is not currently possible to count them all. However, LVMH is convinced of their impact and relevance.

	2020	2019	2018
Training investment (EUR millions)	90.7	138.0	131.0
Proportion of total payroll (as %)	1.4	2.1	2.3
Number of days of training per employee	1.2	1.9	2.0
Average cost of training per employee (EUR)	631.0	930.0	943
Employees trained during the year (as %)	40.8	57.5	58.9

The average training investment per full-time equivalent employee was approximately 631 euros. In 2020, the total number of training days was 169,258, equivalent to around 736 people receiving full-time training for the entire year. In 2020, 40.8% of employees received training and the average number of days of training

was 1.2 days per employee. LVMH has opted here to count only training events lasting over three hours. As an illustration, if online remote training lasting under three hours is included, LVMH estimates that 66% of its workforce received training.

The training investment is spread across all professional categories and geographic regions as presented in the table below:

	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Training investment (EUR millions)	33.1	13.8	11.9	3.5	24.0	4.4
Proportion of total payroll (as %)	1.9	0.9	0.9	1.0	1.9	1.2
Employees trained during the year (as %)	36.8	36.6	26.2	54.9	53.5	46.9
Of which: Executives and managers	36.0	44.3	23.5	65.0	48.1	44.8
Technicians and supervisors	49.8	40.0	31.9	54.5	49.8	52.9
Administrative and sales staff	34.4	36.9	30.4	52.5	56.1	42.5
Production workers	32.5	29.2	13.1	20.0	26.4	67.1

Note: Indicators are calculated on the basis of the total number of employees under permanent contracts present at the workplace as of December 31 of that fiscal year.

## 3.2 Promoting workplace health and safety and fostering constructive labor relations

The Group is constantly working to offer all staff a high-quality working environment by ensuring their health and safety, adapting workspaces – particularly for older employees and those with disabilities – and fostering constructive labor relations.

### 3.2.1 Ensuring health and safety for all staff

Employee health and safety are an absolute priority for which everyone is responsible. LVMH makes sure all its activities comply with health and safety laws and regulations in force in all the countries in which it operates. Beyond meeting its obligations, the Group is committed to implementing site-specific action plans, developing ergonomic workspaces, investing in the safety of tools and equipment, training employees and raising awareness of workplace health and safety issues, and continuously improving performance in respect of work-related accidents. LVMH thus pays particular attention to implementing best practice with regard to safety in the workplace.

Given the wide range of situations encountered within the various business groups, the Maisons implement their own approaches to ensure workplace health and safety and prevent accidents. Actions thus take a variety of forms under the banner of an overarching investment, certification and training program. Health, safety and ergonomics assessments are regularly conducted at workshops, vineyards, stores and headquarters, following which action plans are drawn up to address any needs identified.

Action is taken to improve ergonomics and reduce physical strain, particularly for those positions most exposed to physical or mental stress in workshops and at production facilities. The Group is also particularly attentive to working conditions for staff members over 50 and those with disabilities, aiming to enable them to continue working under optimal conditions.

A deterioration in health and safety performance had been observed over previous fiscal years. To reverse this trend, a dedicated working group established a diagnosis and proposed an action plan including the creation of a health and safety charter. Having been drawn up in 2020 and signed by a member of the Executive Committee, this charter will be disseminated starting in 2021.

In 2020, LVMH invested over 47.6 million euros in health and safety. These investments were allocated to occupational health, protective equipment, and continuous improvement programs covering compliance for new equipment, signage, replacement of protective equipment, fire prevention training and noise reduction. More generally, the total amount spent on and invested in improving working conditions came to more than 53 million euros, or 0.8% of the Group's gross payroll worldwide.

LVMH also maintained its initiatives for awareness-raising and training in workplace safety and risk prevention. In 2020, 49,535 employees received training in these areas.

Lastly, during the Covid-19 pandemic, LVMH favored working from home. This was facilitated by the existence of agreements and charters already in place within the Maisons. LVMH provided all staff with protective equipment, hand sanitizer, face masks and Plexiglas shields to ensure continuity of operation. Working from home was the preferred option where compatible with an employee's role, facilitated by office equipment, technical infrastructure and close management, including advice on protective measures and postures and time management. The Group also encouraged the implementation of listening and advice systems such as the Employee Assistant Program within its Maisons. In mid-2020, a major survey dubbed Pulse was sent out to all employees asking them about how they had coped during the crisis.

	Number of accidents	Frequency rate <sup>(a)(b)</sup>	Severity rate <sup>(b)(c)</sup>
<b>Breakdown by business group</b>			
Wines and Spirits	102	7.88	0.26
Fashion and Leather Goods	333	3.71	0.11
Perfumes and Cosmetics	153	3.15	0.09
Watches and Jewelry	18	1.12	0.02
Selective Retailing	406	5.59	0.23
Other activities	146	9.04	0.25
<b>Breakdown by geographic region</b>			
France	612	13.31	0.43
Europe (excluding France)	218	3.51	0.06
United States	122	3.17	0.29
Japan	10	0.83	0.01
Asia (excluding Japan)	107	1.49	0.04
Other markets	89	3.47	0.05
<b>LVMH group 2020</b>			
2019	1,532	5.60	0.16
2018	1,416	5.55	0.16

(a) The frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked.

(b) The calculation of hours worked is based on actual data for France; for other countries, it is based on the number of full-time equivalent (FTE) employees present within the Group as of December 31 of the fiscal year and a ratio of hours worked per FTE employee per country taken from OECD knowledge bases. Theoretical 2020 data from the OECD does not include hours not worked as a result of the public health crisis, with the result that frequency and severity rates are understated.

(c) The severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked.

In calculating its overall absence rate, LVMH has opted to include all absences related to the Covid-19 crisis, including sick leave and paid or unpaid leave. The public health crisis had a significant impact, bringing the overall absence rate to 15.3% in 2020.

The Group has estimated the effect of the public health crisis on its overall absence rate: 10.2 percentage points were attributable

to the extraordinary circumstances linked to the crisis and its impacts, including lockdowns, family obligations, illness and quarantine. Excluding factors linked to the Covid-19 crisis, the estimated overall absence rate was therefore 5.1% in 2020, reflecting employees' strong commitment, motivation and trust in the Group and its Maisons. The absence rate in 2019 was 5.2%.

### Absence rate<sup>(a)</sup> by region and by reason

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Illness	2.8%	4.3%	4.2%	1.8%	0.4%	1.4%	2.1%
Work/commuting accidents	0.1%	0.4%	0.1%	0.2%	0.0%	0.0%	0.1%
Parental leave	1.6%	1.3%	2.8%	0.8%	1.2%	1.5%	1.2%
Paid leave (personal leave and other paid leave)	7.7%	6.5%	11.7%	9.4%	5.0%	4.5%	7.0%
Unpaid leave	3.0%	0.5%	5.3%	4.1%	4.6%	2.9%	1.1%
Overall absence rate	15.3%	12.9%	24.1%	16.3%	11.3%	10.2%	11.5%
Estimated overall absence rate excl. Covid effect	5.1%	6.1%	7.3%	4.1%	3.2%	3.7%	3.4%

(a) Number of days' absence divided by theoretical number of days worked.

### 3.2.2 Fostering constructive labor relations

Employee representatives also play an important part in enabling the Group's employees to flourish, by passing on their colleagues' needs and expectations at various levels of the organization: the Group in Europe, the Group in France and the Maisons. Employee representatives are consulted in accordance with locally applicable provisions.

At the European level, the SE Works Council is an employee representative body consisting of 28 members from the 22 European countries in which the Group's Maisons operate. The rules governing this body are laid down in an agreement that was unanimously approved by employee representatives from those 22 countries and by Group management on July 7, 2014. The SE Works Council handles transnational issues at the European level. It held one plenary meeting in 2020, on November 10.

The Group Works Council, established in 2005 and renewed in 2018, covers France. This 30-member body holds one plenary meeting each year. Through this representative body, delegates meet with the Presidents of all of the Group's business areas to exchange information on strategic direction, business and financial issues, employment trends within the Group and future prospects. The Group Works Council met on October 14, 2020.

In keeping with the Group's decentralized approach, representatives at each Maison deal with workforce-related issues specific to their entity.

In France, the Maisons have employee representative bodies known as CSEs (Comités Sociaux et Economiques). These CSEs combine employee representatives, the works council and the health and safety committee, or replace the DUP (Délégation Unique du Personnel) where such a body was in place. Each CSE's remit depends on the size of the Company's workforce. In companies with fewer than 50 employees, they present the employer with employees' individual or collective claims in relation to pay, compliance with the French Labor Code, and so on. For entities with 50 or more employees, CSEs ensure that employees' collective interests are taken into account in decisions relating to the Company's management, business development and financial performance, as well as professional training and production techniques.

In 2020, Group companies allocated a budget totaling over 27.5 million euros (1.6% of total payroll) to social and cultural activities in France via contributions to CSEs.

In the unusual circumstances of the Covid-19 crisis, meetings of employee representative bodies at Group and Maison level were held remotely to ensure that employee dialogue could continue unimpeded.

In 2020, employee representatives attended 1,754 meetings in France:

Type of meeting	Number
CSE: 50 or more employees	1,146
CSE: Fewer than 50 employees	296
Other	312
<b>Total</b>	<b>1,754</b>

As a result of these meetings, 143 company-wide agreements were signed in France.

### 3.2.3 Work-life balance and workplace well-being

LVMH is convinced that its employees are more fulfilled when they share the Group's vision. In mid-2020, the Group launched a survey to sound out all its employees worldwide. Over 78,000 employees – more than 50% of the Group's workforce – responded to the questionnaire. In all, 89% of respondents felt that management decisions at the LVMH group were well-informed, and 93% said they were proud to be part of the Group and their Maison.

Work-life balance is another factor that is essential to employee fulfilment. The Group's Maisons are careful to cultivate conditions conducive to a high quality of life at work. Workplace concierge services and childcare are becoming more and more widespread within the Group. For example, in France LVMH reserves 200 daycare places for use by its employees.

Worldwide, 16% of employees have variable or adjusted working hours, and 46% have shift work or alternating working hours.

### Global workforce affected by various forms of working time adjustments: Breakdown by geographic region

Employees concerned <sup>(a)</sup> (as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Variable or adjusted working hours	16%	26%	24%	1%	19%	13%	5%
Part-time	15%	11%	19%	30%	3%	5%	15%
Shift work or alternating hours	46%	12%	30%	72%	75%	67%	61%

(a) Percentages for France are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts). For the other regions, they are calculated in relation to the number of employees under permanent contracts, except for part-time workers, in which case the percentages are calculated with respect to the total headcount.

**Workforce in France affected by various forms of working time adjustments: Breakdown by professional category**

Employees concerned <sup>(a)</sup> (as %)	Workforce in France	Executives and managers	Technicians and supervisors	Administrative and sales staff	Production workers
Variable or adjusted working hours	26%	16%	53%	49%	2%
Part-time	11%	2%	6%	17%	21%
Shift work or alternating hours	12%	0%	19%	10%	26%
Employees given time off in lieu	8%	1%	13%	14%	11%

(a) Percentages are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts).

The total cost of overtime was 80 million euros, averaging 1.2% of the worldwide payroll.

**Overtime by region**

(as % of total payroll)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Overtime	1.2%	1.1%	1.0%	1.2%	2.6%	1.4%	0.7%

In spite of a particularly challenging public health and economic situation, the Group's priority has always been to protect its employees' health by working closely with occupational health, social services and innovative initiatives such as medical concierge services.



# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Outreach and giving back

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## Outreach and giving back

LVMH's aim is to amplify the positive social impact of its activities through its community outreach and corporate giving initiatives. This ambition is based on two guiding principles: respect for each individual's unique identity, and a commitment to use excellence as a driver of social inclusion and employment. The LVMH group and its Maisons mobilize resources and skills to support community-oriented initiatives that help give back to the regions where the Group is located. Maisons pursue their own commitments according to their specific priorities and operating environments, while the Group coordinates and provides overall leadership.

LVMH's innovative corporate giving program aims to benefit a wide audience through a range of initiatives that reflect and transmit the cultural values that unite the Maisons, upon which they have built their success. LVMH primarily takes action to support equal opportunities, education, access to employment, culture and the arts, with the Group's approach also reflecting its attachment to historical and artistic heritage, as well as its involvement in major social and humanitarian causes. With regard to education and young people, LVMH's initiatives include democratizing access to the richness of the world's cultural heritage and nurturing future talent.

With the entire world affected by the coronavirus pandemic, the LVMH group took action in an unprecedented effort to support the community and fight the spread of the virus, in France and around the globe. The firm commitment demonstrated by LVMH, its Maisons and its employees enabled the Group to produce hand sanitizer, masks and gowns for healthcare facilities, local government offices, nonprofits and key service providers, as well as to offer meals to medical staff, and more.

For example, more than 300 leather workers at Louis Vuitton's 16 workshops in France stepped up to make 500,000 masks. At the same time, Louis Vuitton's workshop in Paris produced 11,000 gowns for hospital staff at the AP-HP Paris hospital system and the French health authorities. They were quickly joined in their efforts by staff at Givenchy's French workshops. Dior reopened its Redon workshop in Brittany, which usually specializes in manufacturing Baby Dior clothing. The Maison's tailors and seamstresses produced non-surgical cloth masks for the general public, a vital aid in slowing the spread of the virus. Kenzo and Celine supplied fabric and mobilized their resources to provide gowns to medical staff at Paris hospitals. In Spain, Loewe got involved by producing non-surgical masks at its Getafe workshop near Madrid. The Maison also donated 100,000 masks to the Spanish Red Cross. Apart from modifying its production lines to manufacture hand sanitizer in Italy, Switzerland and the United Kingdom, Bvlgari made donations to Italian hospitals and renewed its civic commitment in Japan, by organizing bento deliveries at several Tokyo hospitals for frontline medical workers. LVMH also offered financial support from the outset of the pandemic, in China, making a 2 million euro donation to the Chinese Red Cross at the end of January. In addition, LVMH successfully brought its teams together to join a national effort in France to supply 40 million surgical masks, from March 2020. The Group covered the full cost of the first week's delivery of 10 million masks. Lastly, the Group made a 5 million euro donation to the Institut Pasteur in Lille for the launch of a large-scale clinical trial to test the effectiveness of a treatment already shown to inhibit Covid-19 replication in vitro.

## 1. LOCAL INVOLVEMENT AND SOCIAL IMPACT

LVMH puts its values to work in society, not only to ensure the successful integration of its Maisons and their activities at the local and national levels, but also to create positive grassroots outcomes where it operates.

### 1.1 Supporting job creation, entrepreneurship and regional development

LVMH helps drive economic growth and social development around the world, in all its operating regions, both directly at its own sites and indirectly at its partners' locations. The Group develops initiatives, pays taxes in the countries where it carries out its activities, and pursues steady growth for its Maisons. These companies create many jobs in their regions, particularly as a result of the expansion of the network of directly operated stores.

A number of Group companies have been established for many years in specific regions of France and play a major role in creating local jobs: Parfums Christian Dior in Saint-Jean-de-Braye (near Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local government, covering cultural and educational aspects as well as employment.



In the United States, Hennessy launched “Unfinished Business”, an initiative to support store owners from the African American, Latino and Asian communities, which have been hit particularly hard by the economic crisis amid the Covid-19 pandemic. The Maison has offered them financial assistance and counseling to help them weather the crisis. In order to tailor its outreach for each community, the Maison is partnering with the nonprofits One Hundred Black Men of America, the Asian American Business Development Center, and the Hispanic Federation.

The LVMH group is a long-standing supporter of entrepreneurship. In early 2018, to help connect open innovation and business development with new ways of learning, the Group launched La Maison des Startups. This startup accelerator for the luxury industry is housed within the world’s biggest startup incubator,

Station F. La Maison des Startups can be a stepping stone to the Group’s Maisons. It illustrates LVMH’s entrepreneurial spirit by giving entrepreneurs the opportunity to reflect on the future of luxury and the Group, together with colleagues from varying backgrounds, within an innovative ecosystem.

In the beauty industry, women entrepreneurs are under-represented. In 2016, Sephora launched “Sephora Accelerate” to support women who have started their own businesses in all areas of the beauty industry and in different countries around the world. In 2020, the program provided specialized mentoring and coaching as well as financial assistance to 20 female beauty entrepreneurs and also arranged meetings for them with investors. Brands founded and owned by women of color are the focus of special efforts.

## 1.2 Facilitating access to employment and social inclusion for people who have been marginalized on the job market

As major employers in many labor markets, LVMH and its Maisons pay close attention to each region’s specific employment situation, and have forged partnerships with nonprofits and NGOs to promote social inclusion and employment for people who have been marginalized on the job market.

In France, the Group has built up a long-term partnership with nonprofit Nos Quartiers ont des Talents, and has served on its board since it was founded. The nonprofit offers young graduates from underprivileged backgrounds the chance to be mentored by a Group executive or manager. In 2020, 150 managers signed up to serve as mentors, double the number taking part the previous year. Since 2007, 640 young people have found jobs after being mentored by a Group employee.

To speed up access to employment, LVMH has put in place job coaching sessions. Recruiters and beauty consultants from the Group’s Maisons offer guidance to job seekers and help them build self-confidence. The program is aimed at groups that are underrepresented in the labor market. Participants are also made

aware of the program by the Group’s partners who are active in the fields of education, disability and integration.

In Asia, through its partnership with Daughters of Tomorrow, Guerlain organized four virtual coaching sessions for five underprivileged women interested in working in the beauty sector. The aim of this initiative was to give the participants all the keys they need to find a job in this field.

Through Classes for Confidence, Sephora offers both beauty classes and coaching to help people facing major life transitions – including cancer survivors, people who have been marginalized on the job market, and transgender and non-binary people – show themselves in the best light and regain self-confidence. Many of these classes have been held around the world. They were launched in the United States and were expanded in seven countries across Europe (France, Russia, Poland, Spain, Italy, Greece and Portugal) and the United Arab Emirates. Given the public health situation, a number of countries have developed online formats. Since the start of this program, more than 77,000 participants have taken nearly 2,150 classes.

## 1.3 Facilitating employment for people with disabilities

As a key focus of LVMH’s approach to corporate social responsibility from its origins, supporting access to employment for people with disabilities still holds an important place in its policy. It is an apt reflection of the Group’s values: respect for each person as an individual and the same attitude expected of everyone working for the Group.

LVMH works with organizations that support young people with disabilities in training programs, along with others that foster employment and social inclusion.

In France, the Group is a co-founder of ARPEJEH, a nonprofit organization that brings together some sixty companies to offer

support and guidance to students with disabilities in secondary and post-secondary education. Employees volunteer their time, talent and skills in support of this initiative and 21 young people benefited from LVMH’s involvement in 2020.

LVMH also encourages its Maisons to develop their relationships with companies specifically employing people with temporary or permanent severe disabilities, and provide them with special facilities and support (known as the “secteur protégé et adapté” in French). Services entrusted to companies specifically employing people with disabilities totaled 7.8 million euros in 2020, 11.4% lower than in 2019, representing 384 full-time equivalent jobs.

## 2. SUPPORTING HUMANITARIAN AND SOCIAL CAUSES

LVMH encourages its Maisons to support the causes it feels are most important, in particular ensuring access to education for young people and helping the most vulnerable communities.

### 2.1 Helping young people get an education

LVMH aims to put the renowned excellence of its Maisons – the very foundation of their success – to work in support of equal opportunities and wider access to education for young people. Following the Group’s lead, the Maisons have developed numerous partnerships with schools located near their sites or further away.

LVMH is committed to expanding access to higher education for all students, whatever their social class, family situation or ethnic background. The Group supports the priority education program run by the Institut d’Études Politiques (Sciences Po Paris) by funding student grants and having Group managers mentor recent graduates of this program. In 2020, LVMH renewed its commitment to this program for another year. A total of 17 students were mentored by Group managers during the year (three times as many as in the previous year).

In 2020, LVMH also continued its partnership with Clichy-sous-Bois and Montfermeil, two Paris suburbs with young, diverse populations. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods and social inclusion. A wide range of initiatives are developed, including “business discovery” internships for 108 middle school students in 2020, visits to the Group’s Maisons and career orientation. As an illustration, the national work-linked training fair showcasing the positions on offer at the Institut des Métiers d’Excellence was held once again on February 4 in Clichy-sous-Bois. It drew more than 1,000 attendees.

### 2.2 Helping those in need

LVMH and its Maisons are committed to helping disadvantaged communities in the regions where they operate. Their support may take the form of employee volunteering, product donations or financial assistance. A number of major initiatives to support important causes emerged during the public health crisis.

In 2016, Louis Vuitton launched an international partnership with the United Nations International Children’s Emergency Fund (UNICEF). It has collected a total of 13 million dollars since its launch, in support of vulnerable children facing emergencies. Of this total, 1 million dollars has been allocated to the public health crisis. Sales of the *Silver Lockit* also raised 400,000 dollars in donations to help survivors of the Beirut explosions. Once a year, volunteer employee-reporters travel with UNICEF to refugee camps and share their first-hand accounts of their experience.

In 2020, Sephora continued to strengthen its “Sephora Stands” CSR program developed in the Americas, Europe, the Middle East and Asia. Its aim is to generate positive social and environmental

LVMH also supports the “Cultures et création” fashion show in Montfermeil, which showcases the region’s creative talent. The Group provides early training for young people through masterclasses and organizes events where they can meet designers and craftspeople. At the fashion show, it awards the LVMH CSR Young Talent Prize to one young but underprivileged fashion design enthusiast, helping winners gain wider recognition within the profession. Since the program was launched, several of the winners have joined the Group’s Maisons under a work-linked training program organized together with Paris’s couture union school. The 2013 winner was hired at Christian Dior’s Haute Couture workshop.

The Group is also actively involved in lending support to students in the United States, in particular those from disadvantaged areas in the cities of New York and Miami. Live chats are held to allow young people to connect with Group employees to discuss career opportunities. In 2020, more than 2,500 young people took part in 20 sessions. Five of these sessions were arranged through a partnership with United Way of NYC and Honey Shine, two nonprofits that help at-risk youth overcome barriers to continuing their education, whose families have also been among those most affected by the Covid-19 pandemic.

In 2020, Acqua di Parma launched its #SupportOurFuture campaign to support five nonprofits working to expand educational opportunities for young people in Germany, France, Spain, Italy and the United Kingdom. Under this initiative, the Maison will donate 100% of its net proceeds from sales of its latest collection, *Colonia Futura*, placed on its website during the month of December.

impacts on Sephora’s employees, communities and the planet. It has three key priorities, including giving back and promoting inclusion. Sephora has forged ties with more than 500 local NGOs around the world, providing them with financial support, involving its employees through volunteering initiatives and mobilizing customers to round up purchase amounts as a donation and buy products that raise funds for good causes. Sephora also organizes sales of fundraising products, the proceeds of which are donated to partner nonprofits.

In 2009, Bvlgari decided to get involved with Save The Children. Through its custom-designed Save The Children jewelry collection, the Maison has so far donated nearly 100 million US dollars, helping more than two million children. Through this major financial support, Bvlgari’s top priority is helping ensure a quality education for children around the world. Its other priority areas are empowering young people and helping them access employment, responding to emergencies, and fighting poverty. This year, Bvlgari also provided support to the nonprofit

in its efforts to fight Covid-19. In addition, in the aftermath of the Beirut explosions, the Maison launched its “B for Beirut” initiative, a large-scale fundraising campaign to help children affected by the situation.

LVMH also supports Secours Populaire to help underprivileged women. The Group’s partnership with this nonprofit made it possible to hold the second event in the Une Journée Pour Soi (“A Day All Your Own”) initiative. Participants were able to put their day-to-day worries aside for a special day focused on regaining self-confidence and looking to the future in order to move forward. They were treated to makeover sessions with makeup artists from the Group’s Maisons, photo shoots with professional photographers, a wellness coaching workshop and the chance to explore unique cultural landmarks. In three cities across France, more than 500 women supported by Secours Populaire took part in these events.

Unleash Your Beauty, a CSR initiative launched by Make Up For Ever, aims to help people with unique physical attributes embrace their uniqueness, in particular individuals with vitiligo, a condition in which the skin gradually loses its pigment cells.

The Maison runs educational and awareness campaigns to promote an inclusive vision of beauty.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This event – which LVMH has held every year since 2013, and is organized by Chantal Gaemperle, the Group’s Director of Human Resources and Synergies, and attended by Antonio Belloni, Group Managing Director – is an opportunity for the Maisons to come together and celebrate the Group’s commitment to its people and society. This year, due to the unprecedented circumstances, the Engaged Maisons Dinner took the form of an “engaged broadcast” shown exclusively at Group locations around the world, bringing together members of the Group’s Executive Committee, Maison presidents, employees and a number of partner nonprofits.

This occasion also allows LVMH to raise funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia. A total of 1.3 million euros has been donated to this institution since 2011 to improve patient care and fund research. Every year, LVMH also provides financial support to a cause that is close to its heart. In 2020, this support went to the “À Table, Les Soignants” initiative.

### 3. CORPORATE PHILANTHROPY TO SUPPORT CULTURE AND THE ARTS

For more than 25 years, LVMH’s groundbreaking corporate philanthropy has expressed the creative and humanitarian values shared by all its Maisons, while respecting each one’s specific communications approach and image.

#### 3.1 Culture, heritage and contemporary creative arts

##### 3.1.1 Restoring and enriching historical heritage

In 2020, LVMH upheld its commitment to the restoration of Notre-Dame de Paris Cathedral, a project that will require several more years of work. The day after the fire that devastated the monument in 2019, LVMH, as announced by its Chairman, Bernard Arnault, pledged a 200 million euro donation to ensure that Notre-Dame’s long restoration process would be followed through to completion.

##### 3.1.2 Commitments to culture and expanding access to it

Before the crisis, LVMH had signed on to sponsor a new production of Tennessee Williams’ *The Glass Menagerie* (in French) in 2020 at the Théâtre de l’Odéon in Paris, directed by Ivo van Hove. With its performances canceled as a result of the first lockdown, this play will be presented again in 2021, still thanks to the support of LVMH.

LVMH has been a loyal patron of the Nuit Blanche nighttime arts festival for nearly 15 years, providing support to the French and international arts scene, giving center stage to contemporary artists for a celebration open to all in the heart of Paris. Once again in 2020, LVMH partnered with the City of Paris in support of this event. Following an entirely new itinerary focused on the outdoors and wending its way through several iconic Parisian

cultural institutions and monuments, the event thus instilled a dialogue between nature and the city.

LVMH also renewed its support for the Giacometti Institute in Paris, helping it develop its scientific and cultural program as well as its temporary exhibitions.

##### 3.1.3 LVMH Prize

Due to the Covid-19 pandemic, the final event for the seventh edition of the LVMH Prize for Young Fashion Designers was canceled. LVMH decided to distribute the 300,000 euro award equally among the eight finalists of the 2020 edition, previously selected by the Prize’s international committee of experts. Since it was first awarded in 2014, the LVMH Prize has received more than 6,500 applications from around the world.

In addition, to support young designers who have been particularly hard hit by the public health crisis, LVMH set up an aid fund for young fashion designers with the prize money from the 2020 Karl Lagerfeld Prize. The fund will support all the designers that have won the LVMH Prize for Young Fashion Designers and the Karl Lagerfeld Prize.

Since it was first awarded in 2014, the LVMH Prize has received more than 6,500 applications from designers from every continent. The previous winners of the Prize for Young Fashion Designers are Thomas Tait (from Canada, 2014), Marta Marques

## Outreach and giving back

and Paulo Almeida (Portugal, 2015), Grace Wales Bonner (United Kingdom, 2016), Marine Serre (France, 2017), Masayuki Ino (Japan, 2018) and Thebe Magugu (South Africa, 2019).

### 3.1.4 Fondation Louis Vuitton

Since it was opened in 2014, the Fondation Louis Vuitton (see note (1)) has consolidated its position as a leading institution on the international arts scene and has been a resounding success with a French and international audience. It has welcomed a total of over 6 million visitors from around the world.

Throughout 2020, the unprecedented public health situation upended the activities of cultural institutions. The Fondation Louis Vuitton demonstrated great agility in continuing to pursue its core missions: supporting artists and building a dialogue between key figures in modern art, leading lights of the international contemporary art scene and a wide audience, especially young people.

The *Cindy Sherman at the Fondation* exhibition, initially scheduled for the spring, was thus able to open its doors to the public

in the fall. This exceptional retrospective featured more than 170 works by Cindy Sherman. Spanning her entire career as one of the greatest photographers of our time, it focused in particular on works from the past decade, some of which were exhibited for the first time ever. Visitors flocked to admire this universally acclaimed artist's insightful, sensitive exploration of the notions of identity and image.

*The Morozov Collection: Icons of Modern Art*, an exhibition initially due to be held in October 2020, will instead be on view from February 24 to July 25, 2021. In partnership with the State Hermitage Museum in Saint Petersburg and two Moscow institutions, the Pushkin State Museum of Fine Arts and the State Tretyakov Gallery, it will present, for the first time outside Russia, more than 200 masterpieces from the prestigious collection of French and Russian modern art amassed by the brothers Mikhail and Ivan Morozov.

Lastly, in 2020 the Fondation Louis Vuitton continued its international programming under the "Hors les Murs" banner. The Espaces Louis Vuitton in Munich and Tokyo thus presented solo exhibitions of works by Anicka Yi and Doug Aitken.

## 3.2 Opportunities for arts education initiatives

Once again this year, LVMH's patronage of programs for young people focused on music. LVMH renewed its support for Orchestre à l'École, a nonprofit that enables hundreds of children to start playing a musical instrument. The Group also continued

its actions to promote access for young people to performances at the Opéra Comique in Paris. LVMH also once again loaned out the Stradivarius in its collection.

## 3.3 Backing medical research and certain social causes

Lastly, LVMH supported numerous institutions well known for their work with children, the elderly and people with disabilities, and for their efforts to combat major causes of suffering and exclusion. In particular, LVMH has supported: the Fondation des Hôpitaux de Paris-Hôpitaux de France and the Association Le Pont Neuf in France; Save The Children Japan; the Robin Hood Foundation in New York, who promote initiatives for children; the Fondation Claude Pompidou, which provides support in France

for seniors and people with disabilities; Association Fraternité Universelle, which works in Haiti to improve access to health care and education alongside actions in favor of agricultural development, especially in the Central Plateau; and Institut Curie in France, for its research and efforts to combat childhood cancers. The Group is also a long-standing supporter of a number of scientific teams and foundations engaged in cutting-edge public health research.

#### (1) Fondation Louis Vuitton

The Fondation Louis Vuitton is a "fondation d'entreprise" (corporate foundation) established by prefectural order published in the Journal Officiel (official gazette) on November 18, 2006, and governed by French Law No. 87-571 of July 23, 1987 on the development of corporate philanthropy. The Fondation is a nonprofit organization that pursues a diverse range of initiatives aimed at promoting artistic and cultural activities in France and abroad, as well as expanding access to works of art; these initiatives include exhibitions, educational activities for schools and universities, seminars and conferences.

The members of the Fondation are the Group's main French companies. The Fondation is overseen by a Board of Directors, one-third of whose members are non-Group individuals chosen for their expertise in its fields of activity, and the other two-thirds of which are company officers and employees of the Group's Maisons. It is funded in part by contributions from Fondation members as part of multi-year programs, as required by law, as well as external financing guaranteed by LVMH.

It is subject to verification by a Statutory Auditor, which carries out its assignment under the same conditions as those that apply to commercial companies, and to the general supervisory authority of the Prefect of Paris and the Paris region.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

## Financial and operational risk management and internal control

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## 1. STRATEGIC, OPERATIONAL AND FINANCIAL RISKS

The risk factors to which the LVMH group is exposed, and the occurrence of which could jeopardize the Group's ability to carry on its normal business activities and to execute its strategy, are presented under the following three headings:

- operational and business risks;
- external risks;
- financial risks.

Only major risks, classified as such based on their probability of occurrence and their adverse impact on the Group are presented below. Risk magnitude was assessed after taking into account the preventive measures and risk management procedures put in place by the Group. The severity of the risks has been rated on a scale from 3 (moderate risk) to 1 (critical risk).

Type of risk	Risk description	Degree of severity <sup>(a)</sup>	See §
Operational and business risks	Risks related to products or communication at odds with the Maisons' image	1	1.1.1
	Risks arising from the loss of strategic competencies	3	1.1.2
	Risks arising from access to and pricing of raw materials	3	1.1.3
	Information system-related risks	3	1.1.4
External risks	Counterfeit and parallel retail network-related risks	1	1.2.1
	Risks arising from regulations adversely affecting the Group	2	1.2.2
	Risks arising from the public-health, political and economic environment	1	1.2.3
	Climate change-related risks	2	1.2.4
	Risks arising from the occurrence of serious adverse events	3	1.2.5
Financial risks	Foreign exchange risks	1	1.3.1
	Liquidity risks and risks linked to fluctuations in interest rates	3	1.3.1
	Risks arising from tax policy	3	1.3.2

(a) 1: Critical; 2: Major; 3: Moderate.

### 1.1 Operational and business risks

#### 1.1.1 Risks related to products or communication at odds with the Maisons' image

##### Risk description

The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks and the marketing strategy applied. Products, production methods, distribution networks or marketing methods not in line with brand image could affect brand awareness and adversely impact revenue. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of December 31, 2020 amounted to 31.9 billion euros.

##### Risk management

- The Group is highly vigilant with regard to the inappropriate use by third parties of its brand names, in particular through the systematic registration of brands and main product names and communications to limit the risk of confusion between LVMH brands and others with similar names.
- The Group supports and develops the reputations of its Maisons by working with seasoned and innovative professionals in various fields (creative directors, oenologists, cosmetics research specialists, etc.), with the involvement of the most senior executives in strategic decision-making processes (collections, distribution and communication). In this regard, the Group's key priority is to respect and bring to the fore each Maison's unique characteristics.
- At every stage in the production process, LVMH implements an exacting control and quality audit process and selects its subcontractors based on the most stringent product quality and production method standards.
- Lastly, the Group is introducing a strict approval process for its advertising spend (visual, types of medium, media, etc.).

Risk description	Risk management
Circulation of information prejudicial to the Group in the media or on social media.	<ul style="list-style-type: none"> <li>• LVMH conducts an ongoing media watch and monitors social media. Where appropriate, it takes legal action, and has a crisis management unit on permanent stand-by.</li> <li>• Initiatives pursued by the Group aim to promote a legal framework suited to the digital world, prescribing the responsibilities of all those involved and instilling a duty of care with regard to unlawful acts online to be shared by all actors at every link in the digital value chain.</li> </ul>
Inappropriate conduct by brand ambassadors, employees, distributors or Group suppliers, and breaches of compliance rules (Sapin II Act, GDPR, etc.).	<ul style="list-style-type: none"> <li>• Employees and the Maisons are made aware of the ethical rules in force at the Group through codes of conduct, charters and other guidelines including the LVMH Code of Conduct, the Supplier Code of Conduct and the LVMH Charter on Working Relations with Fashion Models. Additional arrangements have been put in place to provide guidance on how to interpret and apply these principles (see the <i>Management Report of the Board of Directors</i> – “Ethics and responsibility”, §2.2).</li> <li>• The Group’s distribution agreements include strict guidelines on these matters, which are also regularly monitored by the Maisons through on-site audits.</li> <li>• LVMH has also implemented a responsible supply chain management approach (see the <i>Management Report of the Board of Directors</i> – “Ethics and responsibility”, §5.2).</li> </ul>

### 1.1.2 Risks arising from the loss of strategic competencies

Risk description	Risk management
Around the world, the LVMH group is known for its brands, unrivaled expertise and production methods unique to its products. The loss of these strategic skills and expertise, especially in leather goods and watchmaking, could severely affect product quality.	<ul style="list-style-type: none"> <li>• To avoid any dissipation of this expertise, LVMH implements a range of measures to encourage training and to safeguard these professions, notably by promoting the recognition of the luxury trades as professions of excellence, with criteria specific to the luxury sector and geared to meet its demands and requirements (see the <i>Management Report of the Board of Directors</i> – “Attracting and retaining talent”, §2.3).</li> <li>• In order to safeguard and develop the Fashion and Leather Goods Maisons’ access to the high-quality raw materials and expertise they need, LVMH Métier d’Arts invests in, and provides long-term support to, its best suppliers (see the <i>Management Report of the Board of Directors</i> – “Business overview, highlights and outlook”, §2.5).</li> </ul>
The pursuit of LVMH’s strategy of growth, international expansion and digitalization relies on the Group’s ability to identify talented individuals with the skills it needs and attract and retain them in a highly competitive environment.	<ul style="list-style-type: none"> <li>• LVMH is constantly seeking to create conditions that enable its employees to realize their full potential and succeed within the business. The Group devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through ongoing training, and promoting internal mobility (see the <i>Management Report of the Board of Directors</i> – “Attracting and retaining talent”, §3.1).</li> </ul>

### 1.1.3 Risks arising from access to and pricing of raw materials

Risk description	Risk management
<p>LVMH relies heavily on certain raw materials, and the natural resources used to design products are often in short supply, valuable, hard to access and threatened by the impact of climate change on natural ecosystems and local communities. Likewise, the Group is heavily exposed to fluctuations in raw material prices (gold, grapes, leather, cotton, etc.).</p>	<ul style="list-style-type: none"> <li>• Just as for its strategic expertise, the Group has adopted a policy of sourcing a portion of its strategically important raw materials in-house (Champagne vineyards, investments made by LVMH – Métiers d’Art in Fashion and Leather Goods).</li> <li>• The Group is engaged in a process of continuous improvement with regard to its ability to trace materials back to their source, so as to gain a better understanding of supply risks. It contributes actively to the search for solutions to address environmental and social risks in its supply chains, either via industry-specific initiatives (e.g. responsible sourcing as supported by the Textile Exchange) or via purchases of materials meeting the highest certification standards. The Group has also launched an ambitious regenerative agriculture program.</li> <li>• Since 1996, industry agreements have established a qualitative reserve in order to cope with variable harvests and secure grape supplies in the Champagne region (see the <i>Management Report of the Board of Directors</i> – “Business overview, highlights and outlook”, §1.1.4).</li> <li>• The Maisons seek to build longstanding partnerships with their suppliers. The Perfumes and Cosmetics Maisons do so via the Research and Development Department, the Fashion and Leather Goods Maisons forge partnerships with farmers, and the Wines and Spirits business group enter into multi-year sourcing agreements for grapes and <i>eau-de-vie</i>.</li> <li>• LVMH has secured the precious metals component of its production costs for Watches and Jewelry, either by purchasing hedges from banks or by negotiating the forecast price of future deliveries of alloys with precious metal refiners or producers.</li> </ul>



### 1.1.4 Information system-related risks

Risk description	Risk management
<p>The LVMH group is exposed to cyber risks arising from opportunistic or targeted cyberattacks, malicious actions or indirect damage caused by third parties, and internal breaches or unintentional incidents. The occurrence of these risks may result in the loss, corruption or disclosure of sensitive data, including information relating to products, customers or financial data. Such risks may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes and business activities concerned. They may have financial, reputational, contractual or legal consequences.</p>	<ul style="list-style-type: none"> <li>• The LVMH group analyzes cyber risks and implements both governance arrangements and general security policies, but also technical, organizational and contractual security rules to manage these risks. It defines strategic orientations in the area of cybersecurity, draws up and circulates shared action plans, and sets out documented security requirements for all new projects (security “by design”).</li> <li>• The global cybersecurity programs put in place have strengthened the security of collaborative tools, networks, Active Directory installations, workstations and servers. Apart from the fact that the information systems at the Maisons are largely independent, the segmentation of their individual networks offers an added layer of protection and is among the key measures implemented to limit the impact of a worst-case scenario, particularly in relation to lateral movement attacks. Furthermore, owing to greater use of cloud services, specific attention is paid to identity management, particularly by means of identity federation and multi-factor authentication. All of these tools and procedures come into play well before any threats have been identified, in order to take preventive measures, but also in relation to the detection and investigation of incidents and the appropriate responses, with a particular focus on their ability to minimize the impact of attacks.</li> <li>• The Group has set up shared services coordinated by an internal cyber defense unit to monitor and detect compliance failures, system vulnerabilities and suspicious security events. These services also provide support to each Maison by responding to verified incidents and cyber crises.</li> <li>• The Group organizes frequent educational and training actions to improve cyber crisis management and has launched a worldwide awareness campaign.</li> </ul>
<p>LVMH may be exposed to shortcomings in the implementation of rules governing the protection of personal data.</p>	<p>See also §3.3 “Information and communication systems” regarding the role of cybersecurity teams and the CISO (Chief Information Security Officer), the completion of audit campaigns and penetration testing, and the dissemination of the “Business Continuity Plan” methodology toolkit.</p> <p>The LVMH group takes steps to comply with the regulations applicable to personal data, including the General Data Protection Regulation (GDPR), and requires adequate governance arrangements to be implemented within the Group. Accordingly, each Group Maison has appointed a Data Protection Officer. This role involves ensuring that the Maison’s operations are compliant, with the support of the legal and cybersecurity departments and close cooperation from the relevant functions (IT, digital, marketing, HR, etc.) (see the <i>Management Report of the Board of Directors</i> – “Ethics and responsibility”, §5.7).</p>

## 1.2 External risks

### 1.2.1 Counterfeit and parallel retail network-related risks

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#### Risk description

Counterfeiting or copying the brands' products or the Group's expertise or production methods can have an immediate adverse effect on revenue and profit, and over time may damage the brand image of the products concerned and erode consumer confidence.

Similarly, some Group products – leather goods, perfumes and cosmetics in particular – may be distributed through parallel retail networks, including online sales networks, without LVMH's consent.

#### Risk management

- To address the counterfeiting of products, the Group systematically trademarks its brands and main product names in France and other countries. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom LVMH also ensures are made aware of the adverse consequences of counterfeiting.
  - The Group plays a role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message.
  - LVMH and several Internet companies work together to better protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products.
  - In addition, LVMH fights the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels. In 2020, anti-counterfeiting measures generated internal and external costs for the Group of around 33 million euros.
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### 1.2.2 Risks arising from regulations adversely affecting the Group

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#### Risk description

Unfavorable changes to customs tariffs or import bans on luxury goods products (e.g. as a result of the increase in trade tariffs introduced in particular by the United States on French wines and Scotch whiskies), unfavorable changes to the tax laws applicable to the Group's activities and unfavorable changes to Competition Law liable to impede the full exercise of the selective retail distribution policy could be prejudicial to the Group.

#### Risk management

- The Group has established a regulatory monitoring system in each of the regions where it operates in order to prevent and protect itself from the risks associated with an inadvertent failure to comply with changes in regulations.
  - LVMH is an active participant in current global discussions in support of a new generation of free-trade agreements between the European Union and non-EU countries, which involves not only access to external markets, but also the signing of agreements facilitating access by tourists from non-EU countries to the European Union.
  - Commission Regulation (EC) No. 2790-1999, which authorizes selective retail distribution systems, including for online sales, provides legal protection for the LVMH group and its customers, and gives the Group additional resources to combat counterfeiting and the parallel distribution of its products, both offline and online.
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### 1.2.3 Risks arising from the public-health, political and economic environment

Risk description	Risk management
<p>Health crises that disrupt production activities, logistics, tourism and access to retail outlets by customers can have a negative impact on the Group's business activities.</p> <p>In 2020, for example, the closure of stores and production sites in most countries for several months as a result of the Covid-19 pandemic significantly affected business activities across the Group.</p>	<p>In 2020, LVMH demonstrated its resilience in an economic environment heavily disrupted by the severe public health crisis. The Group's teams showed their strong commitment in dealing with this unprecedented situation while efforts to adapt to the current environment were actively pursued to control costs and ensure a more selective investment policy. The Maisons displayed remarkable agility in their moves to step up online sales and strengthen relationships with their customers by drawing on their digital strategies.</p> <p>The Group's main advantages in facing these types of crises are the exacting quality standards applied to all its operations, combined with the incomparable dynamism and creativity of its teams. Moreover, the distribution of the Group's business activities across all geographic regions and a wide range of industry sectors acts as a buffer against the shocks and disruptions caused by this type of crisis.</p>
<p>Geopolitical and security-related instability can have a negative impact on the travel retail activities within Selective Retailing, as well as the Fashion and Leather Goods business group, whose stores are frequented by tourists.</p>	<p>The Group maintains very few operations in politically unstable regions. It is important to note that the Group's activity is spread for the most part between three geographic regions – Asia, Western Europe and the United States – favoring a geographic balance between its businesses and regions that offset one another.</p>

### 1.2.4 Climate change-related risks

Risk description	Risk management
<p>Environmental risks, and climate change chief among them, may impact ecosystems, causing depletion of the natural resources essential for the manufacture of the Group's products, pose a threat to the continued operation of its supply chains and interrupt business.</p>	<ul style="list-style-type: none"> <li>• The LIFE program structures the mitigation approach adopted for the activities of the Group and its Maisons, whose main pillars are reducing greenhouse gas emissions, developing a certification plan for raw materials with the greatest impact on the environment, lowering energy consumption by sites and stores, promoting more sustainable modes of transportation, and continuing the actions of the LVMH Carbon Fund.</li> <li>• The Group is putting an action plan in place for the various issues involved in adapting to climate change. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy, such as by altering harvest dates and developing different methods of vineyard management (widening rows, increasing the size of grapevine stocks, employing irrigation in certain countries and more generally considering the key issue of water availability).</li> <li>• LVMH's heavy dependence on natural resources prompted the Group to put in place a sustainable sourcing and raw material preservation policy a number of years ago. To promote this approach, a number of projects are underway to develop new, responsible supply chains for the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups (see the <i>Management Report of the Board of Directors</i> – "Environment and sustainability", §3).</li> </ul>

### 1.2.5 Risks arising from the occurrence of serious adverse events

Risk description	Risk management
<p>In its production and storage activities, the Group is exposed to the risk of losses from events such as fires, water damage or natural disasters.</p>	<ul style="list-style-type: none"> <li>• To identify, analyze and provide protection against industrial and environmental risks, LVMH relies on a combination of independent experts and qualified professionals from the Group (in particular safety, quality and environmental managers).</li> <li>• Protecting the LVMH group's assets is part of an industrial risk prevention policy that meets the highest safety standards (FM Global and NFPA fire safety standards).</li> <li>• Working with its insurers, LVMH has adopted HPR (Highly Protected Risk) standards, in order to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates. This approach is combined with an industrial and environmental risk-monitoring program (see the <i>Management Report of the Board of Directors</i> – “Environment and sustainability”, §5).</li> <li>• In addition, prevention and protection plans include contingency planning to ensure business continuity.</li> </ul>

## 1.3 Financial risks

### 1.3.1 Foreign exchange, interest rate and liquidity risks

The Group applies a foreign exchange and interest rate risk management strategy mainly aimed at reducing the negative impact of any foreign currency or interest rate fluctuations related to its business, financing and investments. This management is centralized for the most part, whether at the level of the parent company or the subsidiary responsible for the Group's cash pooling arrangement. The Group has implemented a stringent policy and rigorous management guidelines to measure, manage and monitor these market risks. These activities are organized

based on a segregation of duties between risk measurement, hedging (middle and front office), administration (back office), and financial control. The backbone of this organization is an integrated information system that allows transactions to be monitored very quickly.

The Group's hedging strategy is presented to the Audit Committee.

Hedging decisions are made according to a clearly established process and are covered in regular presentations to the Group's Executive Committee, along with detailed documentation.

## Foreign exchange risk

Risk description	Risk management
<ul style="list-style-type: none"> <li>Exchange rate fluctuations between the euro (the currency in which most of the Group's production expenses are denominated) and the main currencies in which the Group's sales are denominated (in particular the US dollar, pound sterling, Hong Kong dollar, Chinese renminbi and Japanese yen) can significantly impact its revenue and earnings reported in euros. See Note 23.5 to the consolidated financial statements for the analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed.</li> <li>LVMH is exposed to foreign exchange risk with respect to the Group's net assets, as it owns substantial assets denominated in currencies other than the euro. See the analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved in Note 23.5 to the consolidated financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Exposure to foreign exchange risk is actively managed in order to reduce sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. The levels of forecast cash flow hedging for 2021 relating to the main invoicing currencies are disclosed in Note 23.5 to the consolidated financial statements. These levels are 91% for the US dollar and 85% for the Japanese yen.</li> <li>This foreign exchange risk may be hedged either partially or in full using borrowings or financial futures denominated in the same currency as the underlying asset.</li> </ul>

## Liquidity risks and risks linked to fluctuations in interest rates

Risk description	Risk management
<ul style="list-style-type: none"> <li>LVMH could have difficulty accessing the liquidity it needs to meet the Group's financial obligations; see Note 23.7 to the consolidated financial statements for the breakdown of financial liabilities by contractual maturity.</li> <li>LVMH could have to pay higher borrowing costs if interest rates were to rise. See Notes 19.4 and 19.6 to the consolidated financial statements for the analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>As of December 31, 2020, the amount of short-term borrowings excluding derivatives, i.e. 10.6 billion euros, was lower than the 20.0 billion euro balance of cash and cash equivalents.</li> <li>In addition, the Group has access to undrawn confirmed credit lines totaling 15.8 billion euros.</li> <li>The Group has access to a diversified investor base (bonds and private short-term investments), long-term financing and strong banking relationships, whether evidenced or not by confirmed credit lines. Lastly, LVMH has a high level of credit quality, as reflected by its credit ratings (A1/P1 by Moody's and A+/A1 by Standard &amp; Poor's).</li> <li>Interest rate risk is managed using swaps or by purchasing options (protection against an increase in interest rates) designed to limit the adverse impact of unfavorable interest rate fluctuations. Contracts for loans and borrowings do not include any specific clauses likely to significantly modify their terms and conditions.</li> </ul>

### 1.3.2 Risks arising from tax policy

#### Risk description

Due to its worldwide operations, the Group is subject to a complex and diverse set of tax regulations. As an exporter, LVMH is exposed to the risk of a lack of consensus in the countries where it operates, in particular concerning the definition and location of value creation for the purposes of apportioning the tax base. This may lead to situations of double taxation.

The multiplicity, complexity and instability of tax regulations and their interpretation in each country, particularly within the context of international tax competition, give rise to multiple risk factors faced by the Group.

#### Risk management

LVMH's tax policy is in line with the guiding principles described in its Code of Conduct. The Group undertakes to comply with applicable laws and regulations in the countries where it operates, supported by the Tax Department at the Group level and the finance departments of Group companies, with the assistance of outside consultants when necessary.

The Group's tax policy reflects its real activities and the Group's development, while preserving its competitiveness. Through its activities, the Group plays a key role in local and regional development in the areas where it operates, in particular by means of its tax payments. Apart from corporate income tax, the Group pays and collects a number of other taxes and contributions, including taxes on revenue, customs duties, excise taxes, payroll taxes, land taxes, and other local taxes specific to each country, which are all part of the Group's economic contribution to the regions where it operates.

The Group adopts an attitude of transparency in its relations with tax authorities and undertakes to consistently provide them with relevant information enabling them to successfully carry out their duties. The Group complies with country-by-country reporting obligations and sends the required information to the tax authorities in accordance with applicable provisions.

## 2. INSURANCE POLICY

The Group has a dynamic global risk management policy based primarily on the following:

- systematic identification and documentation of risks;
- risk prevention and mitigation procedures for both human risk and industrial assets;
- implementation of international business continuity and contingency plans;
- a comprehensive risk financing program to limit the consequences of major events on the Group's financial position;
- optimization and coordination of global "master" insurance programs.

The Group's overall approach is primarily based on transferring its risks to the insurance markets at reasonable financial terms, and under conditions available in those markets both in terms of scope of coverage and limits. The extent of insurance coverage is directly related either to a quantification of the maximum possible loss, or to the constraints of the insurance market.

Compared with the Group's financial capacity, its level of self-insurance is not significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs borne by Group companies are around 0.18% of consolidated revenue.

In 2020, the considerable hardening of the global insurance market caused LVMH's premiums to rise significantly, a trend addressed by way of a sizable increase in self-insurance for property and business interruption lines.

The financial ratings of the Group's main insurance partners are reviewed on a regular basis, and if necessary one insurer may be replaced by another.

The main insurance programs coordinated by the Group are designed to cover losses due to property damage, business interruption, terrorism, political violence, cybercrime, construction, transportation, credit and third-party liability.

## 2.1 Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and resulting business interruption.

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. The coverage limit of this program is 1.2 billion euros per claim, an amount determined based on an analysis of the Group's maximum possible losses.

Coverage for "natural events" provided under the Group's international property insurance program was doubled in 2018 and now totals between 50 and 150 million euros (depending on geographic area) per claim and per year. As a result of a Japanese earthquake risk modeling study performed in 2014, as well as an update of the major risk areas in 2016 and 2018, specific coverage in the amount of 20 billion yen has been taken out for this risk. A second similar study was carried out in 2018 for earthquake risk in California, following which coverage in the amount of 75 million US dollars was taken out, representing a considerable increase from 2017. These coverage levels are in line with Group companies' exposure to such risks.

## 2.2 Transportation insurance

The Group's operating entities are covered by an international cargo and transportation (goods in transit) insurance contract. The coverage limit of this program is 50 million euros, which

corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

## 2.3 Third-party liability

The LVMH group has established a third-party liability insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for the Group's risks, given the insurance capacity and coverage available internationally. Coverage levels are in line with those of companies with comparable business operations.

Accidental and gradual environmental damage (Directive 2004/35/EC) is covered under this program.

Specific insurance policies have been implemented for countries where work-related accidents are not covered by social security systems, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states. Subject to certain conditions and limitations, the Group covers its senior executives and employees either directly or via an insurance policy for any individually or jointly incurred personal liability to third parties in the event of professional misconduct committed in the course of their duties.

## 2.4 Coverage for special risks

Insurance coverage for political risks, company officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism and political violence, loss or corruption of computer data and, more broadly, all cyber risks, real estate construction project risks and

environmental risks is obtained through specific worldwide or local policies.

## 3. ASSESSMENT AND CONTROL PROCEDURES IN PLACE

### 3.1 Organization

#### 3.1.1 Organization of the risk management and internal control system

LVMH comprises five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. “Other activities” mainly consists of the media business unit, luxury yacht building and marketing, hotel and real estate activities, and holding companies. These business groups consist of entities of various sizes that own prestigious brands, established on every continent. The autonomy of the brands, decentralization, and the responsibilities of senior executives are among the fundamental principles underlying the Group’s organization.

The risk management and internal control policies applied across the Group are based on the following organizational principles:

- Group companies – including the parent company, LVMH SE – are responsible for their own risk management and internal control systems. LVMH SE also helps lead and coordinate the entire Group in this area by providing guidelines, methods and a risk assessment and internal control application platform. In addition, initiatives to raise awareness of internal control-related matters are held throughout the year;
- each Maison’s President is responsible for risk management and internal control at all subsidiaries that contribute to brand development worldwide; each subsidiary’s President is similarly responsible for that subsidiary’s own operations.

#### 3.1.2 System stakeholders

Stakeholders are presented according to the three lines of defense model explained below, whereby the control and supervision of systems is provided by governing bodies.

##### Group governing bodies

The **Performance Audit Committee** ensures in particular that the Group’s accounting policies comply with the standards in force, reviews the parent company and consolidated financial statements, and monitors effective implementation of the Group’s internal control and risk management procedures.

The **Board of Directors** contributes to the general control environment through its members’ expertise and oversight, its help in clarifying issues and its transparent decision-making process. The Board is kept informed on a regular basis of the maturity of the internal control system, and oversees the effective management of major risks, which are disclosed in its Management Report.

The Board and its Performance Audit Committee are regularly informed of the results of the operation of these systems, any shortcomings and the action plans drawn up to address them.

The **Ethics & Sustainable Development Committee** monitors observance of the individual and collective values on which the Group’s actions are based, with the aim of helping to define rules of conduct to inspire the behavior of senior executives and employees in terms of ethics, social and environmental responsibility, ensuring observance of these rules, and reviewing the Group’s strategy in these areas and the contents of related reports.

The **Executive Committee**, which consists of the Group’s operational and functional executives, lays down strategic objectives within the framework of the direction set by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, defines senior executives’ responsibilities and delegated authority, and ensures that the latter are properly applied.

##### First line of defense

**All Group employees** help enhance and maintain the internal control system.

**Operational management:** a key aspect of the internal control system applied to business processes is ownership of internal control within each entity by operational managers, who implement appropriate controls on a day-to-day basis for those processes for which they are responsible and pass on appropriate information to the second line of defense.

The **Management Committees of the Maisons and subsidiaries** are responsible for implementing and ensuring the smooth running of internal control systems across all operations within their scope. The Management Committees of the Maisons are also in charge of the system for managing major risks; they review the risk mapping each year and assess the level of control as well as the progress of risk coverage strategies and the associated action plans.

##### Second line of defense

The **Ethics & Compliance Department** reports to Executive Management. The department draws up professional standards and makes available various tools designed to help the Group’s different Maisons implement applicable regulations related to business ethics and the protection of personal data. It takes part in the updating of the internal control framework for ethics and compliance issues, to make sure that its requirements are met by all entities. It also administers the Group’s centralized whistleblowing system and contributes to the identification and assessment of the main risks. The department is assisted by representatives from the Group’s various departments, and by the network of Ethics & Compliance Officers appointed at each of the Maisons, and reports on its actions to the Ethics & Sustainable Development Committee.



The **Group Legal Department** helps with the legal aspects of the Group's activities and development. It conducts negotiations relating to acquisitions, disposals and partnerships. It determines the Group's legal strategy for major disputes involving the Maisons. It helps to define and implement multi-disciplinary projects concerning the Group as a whole. Through its Intellectual Property team, it helps protect trademarks and patents, which are among the Group's key assets. It handles stock market law and corporate law-related matters. It promotes Group-wide compliance with the laws and regulations applicable to its activities.

Lastly, the Group Legal Department prepares tools for the Maisons that aim to allow them to comply with (i) various regulations, in particular those relating to combating money laundering, limits on cash payments in force in the main markets in which the Group operates, embargoes and economic sanctions imposed by certain countries; and (ii) the European Union's General Data Protection Regulation (GDPR).

The role of the **Corporate Affairs Department** is to protect and promote the business model of the Group and its Maisons. With teams based in Paris and Brussels, the department keeps a watchful eye on developments and, where applicable, plays an active role in discussions on any topics that may have an impact on the Group's business priorities and its reputation. To this end, the department analyzes relevant policies and laws, considers the strategic issues at stake, coordinates actions in support of the Group's external positioning, and participates, in conjunction with the Maisons and LVMH's regional divisions, in the decision-making processes of authorities in Europe, the Americas and Asia, directly and/or in collaboration with representative associations. Key fields for its businesses include intellectual property, the digital economy, distribution and competition, corporate governance, issues relating to supply chains (raw materials, production, etc.), as well as the promotion and protection of high-end cultural and creative industries.

The **Environment Department** works to ensure that the Group and all its Maisons deliver outstanding environmental performance, in line with the Charter signed by the Group's Chairman, covering the nine strategic priorities of the LVMH Initiatives for the Environment (LIFE) program and the four LIFE 2020 targets. The department's structure and actions, and how these are reflected within the Maisons, can be found in the *Management Report of the Board of Directors: the Group* – "Environment and sustainability" section.

The **Group Risk Management and Insurance Department**, alongside operational managers responsible for risks inherent in their businesses, is particularly involved at Group level in cataloguing risks, preventing losses, and determining the risk coverage and financing strategy.

**The other functional departments**, presented in the "Financial and accounting information: Organization and parties involved" section below, help manage risks related specifically to financial and accounting information.

The **Internal Control Department**, which reports to the Audit & Internal Control Director, coordinates the implementation of internal control and risk management systems. It monitors and anticipates regulatory changes in order to adapt mechanisms. It coordinates a network of internal controllers responsible, within the Maisons and under the responsibility of their Management Committees, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their businesses. They also spearhead various projects related to the internal control and risk management systems and promote the dissemination and application of guidelines. The Group's Internal Control Department set up the LVMH Internal Control Academy, the aim of which is to coordinate and develop the entire international network of controllers and internal auditors. This center developed online training courses during the year on specific topics and the fundamentals of internal control.

The **Protection of Assets and Persons Department** determines and implements anti-counterfeiting and anti-gray-market policy on behalf of 28 of the Group's Maisons for both offline and online markets. Its worldwide efforts aim to dismantle criminal networks that breach intellectual property rights and damage the reputation of our brands. It is also in charge of coordinating security measures applicable within the Maisons and for employees traveling on business or expat employees.

The **Employee Safety Committee** meets regularly to analyze the effectiveness of systems designed to ensure the safety of travelers and employees of the Group working abroad, and make any decisions required in exceptional situations.

**Equivalent departments at brand or business group level:** The organizational structure described above at Group level is mirrored at the main business groups and brands.

### Third line of defense

The **Audit & Internal Control Department** covers the entire Group and operates according to an audit plan, which is revised annually. The audit plan is used to monitor and reinforce the understanding and correct application of expected control activities. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical location, quality of local management, etc.) and on the basis of meetings held with the operational managers concerned; it can be modified during the year in response to changes in the political and economic environment or internal strategy.

The audit teams conduct internal control assessments covering various operational and financial processes. They also undertake accounting audits as well as audits of cross-functional issues within a given business segment. Regular follow-ups are run on the internal control recommendations resulting from past audits at subsidiaries with the most significant internal control issues.

Internal Audit reports on its findings to the management of the entity concerned and to Executive Management of the Group by way of an audit report explaining its assessment, presenting its recommendations and setting out managers' commitments to apply them within a reasonable period of time. Internal Audit sends copies of the reports it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues. The main features of the audit plan, the primary conclusions of the current year, and the follow-up of the principal recommendations of previous assignments are presented to the Performance Audit Committee.

### External stakeholders

The external auditors and the various certifying bodies (RJC, ISO 14001, etc.) help to reinforce the current system through their work and recommendations.

### Financial and accounting information: Organization and parties involved

Risk management and internal controls of accounting and financial information are the responsibility of the following departments, which are all part of the Group's Finance Department: Accounting & Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax, and Financial Communication.

**Accounting & Consolidation** is responsible for preparing and producing the individual company accounts of LVMH SE and the holding companies that control the Group's equity holdings, the consolidated financial statements, and interim and annual results publications, in particular the Interim Financial Report and the Universal Registration Document. To this end, the Accounting Standards & Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any necessary training. The Consolidation Department also coordinates the Group's Statutory Auditors.

**Management Control** is responsible for coordinating the budget process, updating budget estimates during the year and the five-year strategic plan, as well as impairment testing of fixed assets. Management Control produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators. By virtue of its responsibilities and the structure of the reports it produces, Management Control plays a key role in internal control and financial risk management.

The **Information Systems Department** designs and implements information systems needed by the Group's central functions. It disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies between businesses, while respecting brand independence. It develops, operates and maintains global telecommunications networks and systems, IT hosting platforms, and cross-functional applications shared by all entities in the Group. In cooperation with the subsidiaries, it supervises the creation of three-year plans for all information systems by

business group and by entity. It defines strategic orientations in the area of cybersecurity, draws up and circulates internal security policies and shared action plans, sets out documented security requirements for all new projects (security "by design"), coordinates awareness campaigns, operates shared cyber defense services by means of security platforms as well as trace processing and security alert detection systems, incident response and crisis management procedures, and audit operations (audits to assess compliance with security policies and penetration testing, for example).

**Corporate Finance & Treasury** is responsible for implementing the Group's financial policy, which includes balance sheet optimization, financing strategy, management of finance costs, investment of cash surpluses, and the management of liquidity risk, market risk (interest rate and foreign exchange risk) and counterparty risk (see §3 "Financial policy" in the "Business and financial review" section and §1.3.1 "Foreign exchange, interest rate and liquidity risks" above).

In particular, this department coordinates the pooling of the Group's surplus cash and meets subsidiaries' short- and medium-term liquidity and financing requirements.

It is also responsible for applying a centralized foreign exchange risk management strategy.

A specific organization and procedures have been put in place to measure, manage, consolidate and monitor these market risks. Accordingly, the separation of front office, back office and middle office activities, combined with an independent control team reporting to the Deputy CFO, help ensure proper segregation of duties. The backbone of this organization is an integrated information system that allows hedging transactions to be monitored efficiently. The Group's hedging strategy is presented regularly to the Executive Committee and the Performance Audit Committee.

The **Tax Department** ensures compliance with applicable laws and regulations, advises the various business groups and companies, and proposes tax solutions appropriate to the Group's operational requirements. It organizes relevant training to adapt to major changes in tax law and ensures uniform reporting of tax data.

The **Financial Communications Department** is responsible for coordinating and disseminating the Group's financial information. In particular, it maintains the Group's relationships with the financial community (financial and ESG analysts, institutional and individual investors), with the aim of providing it with a clear, transparent and accurate understanding of the Group's performance and outlook. It works closely with Executive Management and the business groups to define key messages, and harmonizes and coordinates the dissemination of those messages through various channels (publications such as the annual and interim reports, financial presentations, meetings with shareholders and analysts, the website, Shareholders' Club, etc.). It also provides Executive Management with the perspectives of the financial community on the Group's strategy and its positioning within its competitive environment.

Each of these departments is responsible for ensuring the quality of internal control in its own area of activity via the **finance departments of business groups, companies and subsidiaries**, which are in turn responsible for similar functions within their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (Controller, Head of Accounting, Consolidation Manager, Treasurer, etc.). The finance departments of the main

companies of the Group and the departments of the parent company, LVMH, described above, periodically hold joint finance committee meetings. Run and coordinated by the central departments, these committee meetings deal in particular with applicable standards and procedures, financial performance and any corrective action needed, together with internal control relating to accounting and management data.

### 3.2 Internal standards and procedures

**LVMH's Ethics & Compliance Intranet** is available to all staff and enables the Group to share the codes, charters and principles intended to guide all Group employees. These primarily include the LVMH group's Code of Conduct, the LVMH group's internal guidelines, the Supplier Code of Conduct and various charters (Board of Directors' Charter, Charter on Working Relations with Fashion Models and their Well-Being, Competition Law Compliance Charter, Environmental Charter, IT Systems Security Charter, Privacy Charter, etc.).

All rules and procedures concerning accounting and financial information, applicable to all subsidiaries, can be accessed on a dedicated financial reporting intranet: notably procedures applying to accounting policies and standards, consolidation, taxation, investments, reporting (budgets and strategic plans), cash management and financing (cash pooling, foreign exchange and interest rate hedging, etc.); these procedures also specify the format, content and frequency of financial reporting.

**Internal control principles and best practices** are also shared via an intranet site:

- The LVMH internal control framework, which covers the general control environment as well as 11 key business processes shared by all of the Group's activities (Sales, Retail Sales, Purchases, Travel, Inventory, Cash Management, Fixed Assets, Human Resources, Information Systems and Accounting Period-End Procedures, Cybersecurity and Personal Data Protection) as well as business-specific processes (Insurance,

Licenses, Production, Product End of Life, Environment and Concessions).

- The minimum basis for internal control, known as IC Base, made up of 68 key controls taken from LVMH guidelines, supporting annual self-assessment; IC Base is reviewed and updated annually to include new standards and new regulatory requirements. Along these lines, it should be noted that 10 controls were made mandatory in 2020 and defined as critical within the internal control systems of the Group and all its subsidiaries.
- Business line guidelines developed to reflect the specific characteristics of the Group's activities (Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing).

The "**Major Risks**" section of the **Finance Intranet** brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. This material is available to everyone involved in risk management.

Lastly, the **Group Legal Department** prepares tools for the Maisons that aim to allow them to comply with (i) various regulations, in particular those relating to combating money laundering, limits on cash payments in force in the main markets in which the Group operates, embargoes and economic sanctions imposed by certain countries, and (ii) the European Union's new General Data Protection Regulation (GDPR).

### 3.3 Information and communication systems

Strategic plans for developing the Group's information and communication systems are coordinated by the Information Systems Department, which ensures that solutions are implemented consistently across the Group and do not disrupt operations. Aspects of internal control (segregation of duties, access rights, etc.) are integrated when implementing new information systems and then regularly reviewed.

Information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are covered by special procedures: a "Business Continuity Plan" methodology toolkit has been disseminated within the Group to define, for each significant entity, the broad outline of a Business Continuity Plan as well as a Disaster Recovery Plan. A Business Continuity Plan and a Disaster Recovery Plan have been developed and tested at the level of the French holding companies.

Each major entity has a cybersecurity team in place, led by a Chief Information Security Officer (CISO). The Group CISO supervises the policy, monitors projects and shared services, and coordinates the network of CISOs at entities across the Group. The Group CISO also provides cybersecurity support to smaller entities that lack their own cybersecurity teams. CISOs across the Group are responsible for the management of cyber risks. They put procedures in place to provide protection against these risks,

### 3.4 Internal and external accounting control procedures

#### 3.4.1 Accounting and management policies

Subsidiaries adopt the accounting and management policies communicated by the Group for the purposes of the published consolidated financial statements and internal reporting; they all use the same framework (the LVMH chart of accounts and manual of accounting policies) and the accounting and management reporting system administered by the Group, thus ensuring consistency between internal and published data.

#### 3.4.2 Consolidation process

The account consolidation process is covered by regular detailed instructions; a specially adapted data submission system facilitates consistent, comprehensive and reliable data processing within the appropriate timeframes. The Chairman and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group – including off-balance sheet items – in a signed letter of representation which gives added weight to the quality of their financial information.

Sub-consolidations are carried out at the level of each Maison and business group, which act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are organized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

### 3.5 Formalization and monitoring of risk management and internal control systems

#### 3.5.1 The Enterprise Risk and Internal Control Assessment (ERICA) approach

In line with EU directives, the Group has implemented an approach known as ERICA (Enterprise Risk and Internal Control Assessment), a comprehensive process for improving and integrating systems for managing major risks and internal control related to its day-to-day activities.

This approach has been rolled out across all of the Group's brands. It includes annual mapping of the major risks for each

based on various approaches to prevention, detection, response and reconstruction, depending on the type of risk, its likelihood and its potential impact.

Audit campaigns, penetration testing and vulnerability audits are performed by entities and by the Group's Information Systems Department. LVMH also set up an operations center to monitor and assess information systems security for all of the Group's Maisons.

The quality of financial information, and its compliance with standards, are also guaranteed through ongoing exchanges with the Statutory Auditors whenever circumstances are complex and open to interpretation.

#### 3.4.3 Management reporting

Each year, all of the Group's consolidated entities produce a strategic plan, a full budget and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between subsidiaries and the Group – an essential feature of the financial internal control mechanism.

A team of controllers at Group level, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions, as well as appropriate controls.

Specific meetings to close out the interim and annual financial statements are attended by the Finance Department teams concerned; during those meetings the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of the different companies of the Group.

brand and self-assessment of the 68 key controls taken from the internal control framework by all Group entities.

An internal control self-assessment for all Group entities generating over 20 million euros in revenue was completed for the period to June 30, 2020 (during the 2019-2020 campaign). Given the particular circumstances in 2020, the methodology applied was adapted with respect to the area of risk management.

Recently acquired entities are allowed two years to implement this approach once the integration process has been completed.

The Maisons and business groups acknowledge their responsibility in relation to this process each year by signing two letters of representation:

- an ERICA letter of representation concerning risk management and internal control systems, signed on June 30. By signing this letter, the President, CFO and/or members of the Management Committee at each entity confirm their responsibility for these systems, and give their assessment of them, identifying major weaknesses and the corresponding remediation plans. These letters are analyzed, followed up on and “consolidated” at each higher level of the Group’s organizational structure (region, Maison and business group); they are forwarded to the Group’s Finance Department and to its Audit & Internal Control Department. They are also made available to the Statutory Auditors;
- the annual letter of representation on financial reporting, which includes a paragraph devoted to internal control.

Depending on the circumstances, Presidents of Maisons are required to present the Performance Audit Committee with an update on achievements, action plans in progress, and the outlook for their area of responsibility in terms of internal control and risk management.

### 3.5.2 Monitoring of major risks and internal control

**Major risks** relating to the Group’s brands and businesses are managed at the level of each business group and Maison. As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are identified and evaluated, and formalized in specific chapters.

## 3.6 Fraud prevention and detection

Over the past few years, fraud risk has dramatically transformed, with an upsurge in fraud through identity theft and an increase in attacks using social engineering to gain access and steal data. The Group and its Maisons have stepped up their vigilance, adapting internal procedures, awareness campaigns and training programs to the changing scenarios encountered or that might reasonably be predicted.

Given the large number of controls intended to prevent and detect this risk, the internal control framework is the backbone of the Group’s fraud prevention mechanism.

Another essential component of this system is the obligation for each entity to report any instances of actual or attempted fraud to LVMH’s Audit & Internal Control Director: as well as supervising actions and decisions in response to each reported case, the Director endeavors to draw lessons from incidents so as to relay them, once anonymized, to the chief financial officers of all the Maisons.

Once an acceptable risk level has been determined and validated, risks are handled via preventive and protective measures; the latter include business continuity plans (BCP) and crisis management plans in order to organize the best response to risks once they have occurred. Lastly, depending on the types of risk to which a particular brand or entity is exposed and the amount of residual risk, the entity may decide, in collaboration with the Group, to use the insurance market to transfer part or all of the residual risk and/or assume this risk.

**Ongoing monitoring of the internal control system** and periodic reviews of its functioning take place on a number of levels:

- managers and operational staff at the Maisons, with support from internal control staff, are given responsibility for assessing the level of internal control on the basis of key controls, identifying weaknesses, and taking corrective action. Exception reports allow for the enhancement of detective controls in addition to preventive measures;
- a formal annual self-assessment process, based on a list of key controls taken from the internal control framework, integrated into the ERICA system;
- the Statutory Auditors are kept informed of this approach, as is the Performance Audit Committee, by means of regular briefings;
- reviews are carried out by Group Internal Audit and the Statutory Auditors, the findings and recommendations of which are passed on to entities’ management and Group Executive Management;
- a review of the ERICA system and the quality of self-assessment is an integral part of the work of the Internal Audit team at all audited entities.

The Audit & Internal Control Department has therefore introduced a program to raise awareness of the risk of fraud through periodic newsletters identifying scenarios of actual and attempted fraud within the Group. A prevention plan is presented for each scenario. The Maisons and subsidiaries are responsible for verifying whether or not these scenarios apply to their operations. These communiqués are widely circulated within the Group to ensure heightened awareness among staff most exposed to this risk.

Campaigns to raise awareness in the Group’s internal control community about the risk of fraud were conducted throughout 2020, focusing on the specific internal control issues raised by the public health situation (expanded use of remote working, store closures, etc.) and on preventive measures for the purchasing and payment processes.

In addition, the LVMH Internal Control Academy training course entitled “The Fundamentals” includes a specific module on fraud.



# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Parent company:  
LVMH Moët Hennessy Louis Vuitton

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## 1. KEY EVENTS DURING THE FISCAL YEAR

On December 30, 2020, Tiffany's Shareholders' Meeting approved the acquisition of the internationally renowned high jewelry company Tiffany & Co. by the LVMH group for 16.1 billion US dollars.

## 2. COMMENTS ON THE FINANCIAL STATEMENTS

The balance sheet, income statement and notes to the financial statements of LVMH Moët Hennessy Louis Vuitton SE (hereinafter "LVMH" or "the Company") for the fiscal year ended December 31, 2020 have been prepared in accordance with current French legal requirements.

### 2.1 Comments on the balance sheet

#### 2.1.1 Change in the equity investment portfolio

The gross value of the equity investment portfolio was 42.8 billion euros, 14.7 billion euros higher than in 2019.

This change reflects the subscription by LVMH Moët Hennessy Louis Vuitton to the 14.7 billion euro in capital increases by its subsidiary Sofidiv SAS, providing indirect financing for the Tiffany acquisition. LVMH's ownership interest in Sofidiv's share capital remains unchanged following this transaction at 100%.

On December 31, 2020, Grandville SA, wholly owned by LVMH Moët Hennessy Louis Vuitton SE, was merged with and into Christian Dior Couture SA, which is itself wholly owned by Grandville SA. As of December 31, 2020, the value of Christian Dior Couture SA shares, now wholly owned by LVMH Moët Hennessy Louis Vuitton SE, amounted to 6 billion euros.

#### 2.1.2 Financial structure

In February and April 2020, LVMH completed eight bond issues totaling 10.7 billion euros, in particular to finance the acquisition of Tiffany planned for the first quarter of 2021.

During the fiscal year, LVMH repaid the 1,250 million euro bond issued in 2017 and the 600 million euro bond issued in 2013. During the same period, conversion requests were filed for virtually all of the cash-settled convertible bonds issued in 2016, with a face value of 750 million US dollars. As of December 31, 2020, payments made in line with these requests related to convertible bonds with a total face value of 594 million US dollars. The remaining payments are expected to be made in 2021, after noting the average prices of the LVMH share serving as the reference for the calculation of the amounts due to the holders.

#### 2.1.3 Hedging transactions

LVMH SE regularly uses financial instruments. This practice meets the foreign currency and interest rate hedging needs for financial assets and liabilities, including dividends receivable from foreign investments; each instrument used is allocated to the financial balances or hedged transactions.

Given the role of LVMH within the Group, financial instruments designed to hedge net assets denominated in foreign currency may be used in the consolidated financial statements but not matched in the parent company financial statements; as such, they constitute isolated open positions.

Counterparties for hedging contracts are selected on the basis of their credit rating as well as for reasons of diversification.

#### 2.1.4 Share capital

As of December 31, 2020, the share capital comprised 504,757,339 fully paid-up shares totaling 151.4 million euros.

During the fiscal year, 673,946 shares were retired.

#### 2.1.5 Information on payment terms for suppliers and customers

Pursuant to Articles L. 441-14 and D. 441-4 of the French Commercial Code, we hereby inform you that as of December 31, 2020:

- trade accounts payable not yet due;
- trade accounts receivable past due at the fiscal year-end date, based on the legal deadline for payment, amounted to 1.8 million euros, corresponding to 0.5% of services provided and other income for the 2020 fiscal year.



## 2.2 Parent company results and outlook

The Company reported net financial income of 3,265.2 million euros for the fiscal year, compared with 3,995.7 million euros in 2019.

Management income from subsidiaries and other investments totaled 3,290 million euros in 2020, compared with 4,083.6 million euros in 2019. This change was mainly the result of a decrease in financial income from subsidiaries and other investments (3,569.7 million euros in 2020, compared with 4,252.7 million euros in 2019).

Financial income from subsidiaries and other investments consists of dividends and similar income.

Net financial income in 2020 also included the cost of net financial debt and related interest rate derivatives totaling 29.2 million euros, as well as gains on foreign exchange transactions and derivatives totaling 24.8 million euros.

Net operating loss reflected operating expenses not recharged to subsidiaries and other investments, which equated to a net expense of 241 million euros in 2020, compared with 304.6 million euros in 2019.

Net exceptional expense mainly corresponded to donations made by LVMH SE in connection with the public health crisis resulting from Covid-19, i.e. 20 million euros for the Fondation des Hôpitaux de Paris – Hôpitaux de France, as well as 5 million euros for the Institut Pasteur, and 7 million euros in donations of health equipment in France.

Taking into account the 221.1 million euro positive impact of corporate income tax, including the effect of tax consolidation, net profit came to 3,212.7 million euros, down from 3,711.5 million euros in fiscal year 2019.

Taking into account the 2020 results of subsidiaries and shareholdings held by LVMH SE, dividend payouts are expected to hold up at a satisfactory level in 2021.

Lastly, with regard to the preparation of the Company's income tax return, no expenses were considered as having to be re-integrated into taxable profit or non-deductible within the meaning of Articles 39-4, 39-5, 54 quater and 223 quinquies of the French General Tax Code.

## 3. APPROPRIATION OF NET PROFIT

The following appropriation of the amount available for distribution in respect of the fiscal year is proposed:

(EUR)	
Net profit for the fiscal year ended December 31, 2020	3,212,681,523.72
Portion of the legal reserve available for distribution <sup>(a)</sup>	20,218.38
Retained earnings	12,425,369,604.63
<b>Amount available for distribution</b>	<b>15,638,071,346.73</b>
Proposed appropriation:	
Total dividend to be paid out for the fiscal year ended December 31, 2020	3,028,544,034.00
- of which: Dividend payable under the Bylaws of 5% or EUR 0.015 per share	7,571,360.09
- of which: Additional dividend of EUR 5.985 per share	3,020,972,673.91
Retained earnings	12,609,527,312.73
	<b>15,638,071,346.73</b>

(a) Portion of the legal reserve exceeding 10% of the share capital as of December 31, 2020.

For information, as of December 31, 2020, the Company held 861,456 of its own shares, corresponding to an amount not available for distribution of 260 million euros, equivalent to the acquisition cost of these shares.

Subject to approval at the Shareholders' Meeting of April 15, 2021, the total dividend in respect of the fiscal year ended December 31, 2020 will be 6.00 euros per share. As an interim dividend of 2.00 euros per share was paid on December 3, 2020, the final dividend per share will be 4.00 euros. The ex-dividend date will be April 20, 2021 and the final dividend will be paid on April 22, 2021.

Based on the tax legislation applicable to securities income as it stands since January 1, 2019, these dividends carry an entitlement for French tax residents who have opted for their income on all eligible securities income to be taxed at a progressive rate to a tax deduction of 40%.

The dividend is paid as a priority from distributable income from dividends received from subsidiaries eligible for the parent company plan within the meaning of Directive 2011/96/EU ("Eligible Subsidiaries") in the following order of priority: (i) firstly from dividends received from Eligible Subsidiaries whose registered office is in an EU member state other than France; (ii) then from dividends received from Eligible Subsidiaries whose registered office is in France; and (iii) lastly from dividends received from Eligible Subsidiaries whose registered office is in a non-EU country.

Lastly, should the Company hold, at the time of payment of this final dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends will be allocated to retained earnings.

As required by law, we remind you that the gross dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year	Type	Payment date	Gross dividend (EUR)
2019	Interim	December 10, 2019	2.20
	Final	July 9, 2020	2.60
	<b>Total</b>		<b>4.80</b>
2018	Interim	December 6, 2018	2.00
	Final	April 29, 2019	4.00
	<b>Total</b>		<b>6.00</b>
2017	Interim	December 7, 2017	1.60
	Final	April 19, 2018	3.40
	<b>Total</b>		<b>5.00</b>

## 4. SHAREHOLDERS – STOCK OPTION AND BONUS SHARE PLANS

### 4.1 Main shareholders

Information on the Company's main shareholders as of December 31, 2020 is provided in the "Other information" section under §3.1 "Share ownership of the Company" on pages 318 and 319 of this Universal Registration Document.

### 4.2 Shares held by members of the management and supervisory bodies

Information on the shares held by members of the management and supervisory bodies as of December 31, 2020 is provided in the "Other information" section under §3.1 "Share ownership of the Company" on pages 318 and 319 of this Universal Registration Document.

### 4.3 Employee share ownership

Information on the employee share ownership as of December 31, 2020 is provided in the "Other information" section under §3.1 "Share ownership of the Company" on pages 318 and 319 of this Universal Registration Document.

### 4.4 Share subscription and purchase option plans

Option plan recipients are selected according to the following criteria: performance, development potential and contribution to a key position.

No share purchase or subscription option plans were in effect as of December 31, 2020.

No option plan has been set up by the Company since the May 14, 2009 share subscription option plan, which carried performance conditions and expired on May 13, 2019.

For the plans set up since 2007, the Chairman and Chief Executive Officer and the Group Managing Director must retain possession, in registered form and until the end of their respective terms of office, of a number of shares resulting from the exercise of their options representing a sliding percentage of between 50% and 30% (according to the date at which the options were exercised) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date. This obligation shall expire when the value of shares held exceeds twice the gross amount of their most recently disclosed fixed and variable compensation as of the date the options are exercised.

## 4.5 Awards of bonus shares and performance shares

Bonus share recipients are selected from among the employees and senior executives of the Group's companies on the basis of their level of responsibility and their individual performance.

For the plans set up starting in 2016 – except where otherwise stated below – bonus shares and (if performance conditions are met) bonus performance shares vest to all recipients after a three-year period and are freely transferable once they have vested.

- Subject to certain exceptions, the vesting of bonus shares is subject to a condition under which recipients must still be with the Group on the date the shares are allocated.

The plans set up on October 25, 2018, October 24, 2019, and October 22, 2020 provide solely for the allocation of bonus shares subject to a condition related to the performance of the LVMH group.

The plan set up on July 26, 2017 includes conditions specifically related to the performance of a subsidiary.

The plan set up on October 25, 2017 primarily allocates bonus shares subject to a condition related to the performance of the LVMH group, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary, as well as a certain number of shares not subject to any performance conditions.

The plan set up on January 25, 2018 allocates a certain number of bonus shares that are not subject to any performance conditions, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary.

The plan set up on April 12, 2018 primarily allocates bonus shares subject to a condition related to the performance of the LVMH group, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary.

- For the plan set up on July 26, 2017, half of the bonus shares vest on June 30, 2020 and the other half on June 30, 2021 (or, under certain conditions, all bonus shares vest on June 30, 2021), each time provided that the performance condition regarding revenue and profit from recurring operations for the subsidiary concerned has been met. Since the performance conditions to be met for the award of shares were satisfied, 21,700 shares from the first tranche were awarded definitively on June 30, 2020, and 21,700 shares from the second tranche will be awarded definitively on June 30, 2021.

For bonus shares allocated under the plan set up on October 25, 2017 and subject to a condition relating to the performance of the LVMH group, shares only vest if LVMH's

consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change, relative to the fiscal year in which the plan was set up (fiscal year "Y"), in one or more of the following Indicators: the Group's profit from recurring operations, operating free cash flow (formerly known as net cash from operating activities and operating investments), or current operating margin (hereinafter referred to as the "Indicators"). This condition was met in 2018 and 2019, and so the shares were awarded definitively on October 25, 2020.

Bonus shares awarded under the plan set up on October 25, 2017 – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2024 provided that (i) quantitative targets regarding its revenue and profit from recurring operations for fiscal year 2023 and (ii) qualitative targets have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For the plan set up on January 25, 2018, bonus shares subject to conditions specifically related to the performance of a subsidiary will vest on June 30, 2024 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations for fiscal year 2023 have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For bonus shares allocated under the plans set up on April 12, 2018 and October 25, 2018 subject to a condition relating to LVMH group's performance, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year "Y"). This condition was met in 2019 and 2020.

The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

Bonus shares allocated under the April 12, 2018 plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2023 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations are met in respect of fiscal year 2022. If the performance conditions are not met in respect of fiscal year 2022, vesting will be deferred until June 30, 2024, and will concern fewer shares, subject to and dependent on meeting (i) quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations in respect of fiscal year 2023 and (ii) qualitative targets.

Parent company: LVMH Moët Hennessy Louis Vuitton

For bonus shares allocated under the plans set up on October 24, 2019 and October 22, 2020 subject to a condition relating to the Group's performance, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year "Y").

The performance condition for the plan set up on October 24, 2019 was not met in 2020. Given the exceptional circumstances related to the Covid-19 pandemic that resulted in the performance condition not being met, the Board of Directors

decided at its meeting on October 22, 2020, in accordance with the principle of a safeguard mechanism laid down in the regulations of award plans, and where the relevant condition is not satisfied, to amend the plan's regulations such that 50% of their provisional allocation vests with grantees provided that the consolidated profit from recurring operations stated in the 2021 budget adopted by the Board of Directors is achieved, and that these amendments to the arrangements for senior executive officers are approved by the Shareholders' Meeting of April 15, 2021 in its 11th resolution.

#### 4.5.1 Bonus share and bonus performance share allocation plans

Date of Shareholders' Meeting	04/14/2016	04/14/2016	04/14/2016	04/14/2016
Date of Board of Directors' meeting	07/26/2017	10/25/2017	10/25/2017	01/25/2018
	Performance shares	Bonus shares	Performance shares	Bonus shares
<b>Total number of shares provisionally allocated at plan inception</b>	<b>43,400</b>	<b>18,502</b>	<b>346,490</b>	<b>72,804</b>
<i>Of which: Company officers<sup>(a)(b)</sup></i>	-	-	43,549	-
<i>Of which: Top ten employee recipients<sup>(c)</sup></i>	43,400	18,502	120,378	72,804
Number of recipients	1	2	851	4
Vesting date	06/30/2020 <sup>(d)</sup>	10/25/2020	10/25/2020 <sup>(e)</sup>	01/25/2021
Date as of which the shares may be sold	06/30/2020 <sup>(d)</sup>	10/25/2020	10/25/2020 <sup>(e)</sup>	01/25/2021
Unit value as of the initial grant date (EUR)	205.06 <sup>(d)</sup>	227.01	227.01 <sup>(e)</sup>	224.80
<b>Performance condition</b>	<b>Met</b>	-	<b>Met<sup>(h)</sup></b>	-
Number of shares vested in 2020	21,700	18,502	248,280	-
Number of allocations expired in 2020	-	-	8,204	-
Total number of share allocations vested as of 12/31/2020	21,700	18,502	248,280	-
Total number of share allocations expired as of 12/31/2020	-	-	22,045	-
<b>Remaining allocations as of fiscal year-end</b>	<b>21,700</b>	-	<b>76,165</b>	<b>72,804</b>

(a) Performance shares allocated to company officers serving as of the provisional allocation date.

(b) A breakdown of the shares granted to company officers in service as of December 31, 2020 is provided in §2.2.8 of the Board of Directors' report on corporate governance.

(c) Bonus shares and performance shares allocated to employees - other than LVMH company officers - in service as of the provisional allocation date.

(d) Shares vest and become available in two tranches of 21,700 shares, with shares from the second tranche vesting on June 30, 2021; the unit value of the shares from the second tranche is 199.83 euros.

(e) For shares subject to a condition specifically related to the performance of a subsidiary, shares vest and become available on June 30, 2024 if targets are met in respect of the fiscal year ending December 31, 2023 (or, where applicable, on June 30, 2023 if targets are met in respect of the fiscal year ending December 31, 2022); the unit value of these shares is 210.29 euros if they vest on June 30, 2023.

(f) Shares vest and become available on June 30, 2023 if targets are met in respect of the fiscal year ending December 31, 2022; the unit value of these shares is 207.12 euros if they vest on June 30, 2023.

The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

- For plans set up since 2010, if their shares vest, the Chairman and Chief Executive Officer and the Group Managing Director must retain possession, in registered form until the conclusion

of their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans set up before 2013, and on the basis of the closing share price on the day before the vesting date for plans set up since 2013.

- Vesting of such shares does not lead to any dilution for shareholders, since they are allocations of existing shares.

04/14/2016	04/14/2016	04/12/2018	04/12/2018	06/30/2020	
01/25/2018	04/12/2018	10/25/2018	10/24/2019	10/22/2020	
Performance shares	Performance shares	Performance shares	Performance shares	Performance shares	Total
47,884	332,116	9,477	200,077	177,034	1,247,784
-	37,759	-	27,956	24,215	133,479
47,884	134,814	7,492	33,103	28,837	507,214
1	859	33	1039	1031	
06/30/2024 <sup>(f)</sup>	04/12/2021 <sup>(g)</sup>	10/25/2021	10/24/2022	10/22/2023	
06/30/2024 <sup>(f)</sup>	04/12/2021 <sup>(g)</sup>	10/26/2021	10/25/2022	10/23/2023	
207.12 <sup>(f)</sup>	261.84 <sup>(g)</sup>	240.32	353.68	408.37	
<b>Not applicable in 2020</b>	<b>Met in 2019 and 2020<sup>(h)</sup></b>	<b>Met in 2019 and 2020</b>	<b>Not met in 2020<sup>(i)</sup></b>	<b>Not applicable in 2020</b>	
-	-	-	-	-	288,482
-	6,456	189	3,300	-	18,149
-	-	-	-	-	288,482
-	10,522	314	3,300	-	36,181
<b>47,884</b>	<b>321,594</b>	<b>9,163</b>	<b>196,777</b>	<b>177,034</b>	<b>923,121</b>

(g) For shares subject to a condition specifically related to the performance of a subsidiary, all shares vest and become available on June 30, 2023 provided that targets are met in respect of fiscal year 2022; or, where applicable, 71,681 of these shares vest and become available on June 30, 2024 if performance conditions were not met in respect of fiscal year 2022 but are met for fiscal year 2023; the unit value of these shares is 244.22 euros if they vest on June 30, 2023.

(h) Condition related to the performance of the LVMH group.

(i) Since the performance condition set when the October 24, 2019 plan was established was not met in 2020, given the exceptional circumstances related to the Covid-19 pandemic, in accordance with the Board of Directors' decision at its meeting on October 22, 2020, to amend the plan's regulations, a definitive award equal to 50% of provisional allocation will vest with grantees provided that the consolidated profit from recurring operations stated in the 2021 budget adopted by the Board of Directors is achieved, and that these amendments to the arrangements for senior executive officers are approved by the Shareholders' Meeting of April 15, 2021 in its 11th resolution.

Parent company: LVMH Moët Hennessy Louis Vuitton

#### 4.5.2 Bonus shares and bonus performance shares allocated during the fiscal year to the Group's top ten employee recipients, other than company officers, having received the largest number of shares

Shares provisionally allocated during the fiscal year to the Group's top ten employee recipients, other than company officers

See §4.5.1. above.

Shares vested during the fiscal year to the Group's top ten employee recipients, other than company officers<sup>(a)</sup>

Company granting the shares	Plan date	Number of bonus shares	Number of performance shares
LVMH Moët Hennessy Louis Vuitton	07/26/2017	-	21,700
"	10/25/2017	18,502	41,217

(a) Employees in service as of the vesting date.

Information on non-senior-executive company officers can be found in §2.2.1.3 and in §2.2.2.6 (for senior executive officers) of the *Board of Directors' report on corporate governance*.

## 5. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE 2020 FISCAL YEAR BY COMPANY OFFICERS AND CLOSELY RELATED PERSONS (SET FORTH IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE)

A summary of transactions in the 2020 fiscal year in the shares, debt securities and financial instruments of the Company carried out by company officers and closely related persons as stated in

Article L. 621-18-2 of the French Monetary and Financial Code of which the Company is aware, is provided in section 3 of the Board of Directors' report on corporate governance.

## 6. SHARE REPURCHASE PROGRAMS

### 6.1 Information on share repurchase programs

The purpose of this subsection is to inform the shareholders of purchases of treasury shares made by the Company between January 1, 2020 and December 31, 2020 as part of the share repurchase programs authorized at the Combined Shareholders' Meetings held on April 18, 2019 and June 30, 2020.

Under the liquidity contract entered into by the Company with Oddo BHF SCA, in 2020 the Company acquired 534,933 LVMH shares at an average price per share of 377.07 euros and sold 537,933 LVMH shares at an average price per share of 381.67 euros.

These transactions generated expenses of 0.3 million euros.

The table below provides a summary by purpose of transactions carried out, by value date, during the period from January 1, 2020 to December 31, 2020:

<i>(number of shares unless otherwise stated)</i>	Liquidity contract	Coverage of plans	Coverage of securities giving access to Company shares	Exchange or payment in connection with acquisitions	Share pending retirement	Total
<b>Balance as of December 31, 2019</b>	<b>38,000</b>	<b>1,470,911</b>	-	-	<b>270,000</b>	<b>1,778,911</b>
Purchases	290,272	47,973	-	-	-	338,245
Average price (EUR)	346.36	327.85	-	-	-	343.74
Sales	(292,772)	-	-	-	-	(292,772)
Average price (EUR)	353.54	-	-	-	-	353.54
Bonus share awards	-	(21,700)	-	-	-	(21,700)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(403,946)	-	-	-	(403,946)
<b>Balance as of June 30, 2020</b>	<b>35,500</b>	<b>1,093,238</b>	-	-	<b>270,000</b>	<b>1,398,738</b>
Purchases	244,661	-	-	-	-	244,661
Average price (EUR)	413.51	-	-	-	-	413.51
Sales	(245,161)	-	-	-	-	(245,161)
Average price (EUR)	415.26	-	-	-	-	415.26
Bonus share awards	-	(266,782)	-	-	-	(266,782)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	-	-	-	(270,000)	(270,000)
<b>Balance as of December 31, 2020</b>	<b>35,000</b>	<b>826,456</b>	-	-	-	<b>861,456</b>

Between January 1 and December 31, 2020, the Company retired 673,946 shares that had been purchased for cancellation or to cover share subscription option plans.

## 6.2 Description of the main characteristics of the share repurchase program presented for approval at the Combined Shareholders' Meeting of April 15, 2021

- Securities concerned: shares issued by LVMH Moët Hennessy Louis Vuitton SE.
- Maximum proportion of capital that may be purchased by the Company: 10%.
- Maximum number of its own shares that may be acquired by the Company, based on the number of shares making up the share capital as of December 31, 2020: 50,475,734; however, taking into account the 861,456 shares held in treasury, only 49,614,278 treasury shares are available to be acquired.
- Maximum price per share: 700 euros.
- Objectives:
  - Shares may be acquired to meet any objective compatible with provisions in force at the time, and in particular to:
    - provide market liquidity or share liquidity services (purchases/sales) under a liquidity contract set up by the Company in compliance with the AMF-approved AMAFI ethics charter;
    - cover stock option plans, awards of bonus shares or of any other shares, or share-based payment plans for employees or company officers of the Company or of any related undertaking under the conditions provided by the French Commercial Code, in particular its Articles L. 225-180 and L. 225-197-2;
  - cover debt securities that may be exchanged for Company shares, and more generally securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;
  - be retired subject to the approval of the nineteenth resolution;
  - be held and later presented for consideration as an exchange or payment in connection with external growth operations, up to a maximum of 5% of the share capital;
  - more generally, carry out any transactions that are either currently authorized or become authorized in the future under regulations in force at that time, involving market practices that are either already accepted or become accepted by the AMF.
- Program duration: 18 months as of the Combined Shareholders' Meeting of April 15, 2021.

### 6.3 Summary table disclosing transactions undertaken by the issuer in its own shares from January 1 to December 31, 2020

The table below, prepared in accordance with the provisions of AMF Instruction 2005-06 of February 22, 2005, issued pursuant to Article 241-2 of the AMF's General Regulation, summarizes transactions undertaken by the Company in its own shares from January 1 to December 31, 2020.

#### As of December 31, 2020

Percentage of own share capital held directly or indirectly	0.17%
Number of shares retired in the last 24 months	676,102
Number of shares held in the portfolio	861,456
Carrying amount of the portfolio	259,657,140.80
Market value of the portfolio	440,117,870

	Cumulative gross transactions		Open positions as of December 31, 2020			
	Purchases	Sales/ Transfers	Open "buy" positions		Open "sell" positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	582,906	1,500,361	-	-	-	-
of which:						
- <i>Liquidity contract</i>	534,933	537,933	-	-	-	-
- <i>Purchases to cover plans</i>	47,973	-	-	-	-	-
- <i>Bonus share awards</i>	-	288,482	-	-	-	-
- <i>Purchases of shares to be retired</i>	-	-	-	-	-	-
- <i>Shares retired</i>	-	673,946	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average trading price (EUR)	373.02	381.67 <sup>(a)</sup>	-	-	-	-
Amount (EUR)	217,437,421	205,312,359 <sup>(a)</sup>	-	-	-	-

(a) Excluding bonus share awards and share retirements.



# BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

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This report, which was drawn up in accordance with the provisions of Article L. 225-37 *et seq.* of the French Commercial Code, was approved by the Board of Directors at its meeting of January 26, 2021, and will be submitted for shareholder approval at the Shareholders' Meeting of April 15, 2021.

## 1. CORPORATE GOVERNANCE

### 1.1 Board of Directors

LVMH's Board of Directors is the strategic body of the Company that is primarily responsible for enhancing the Company's value and protecting its corporate interests, taking into account the social and environmental issues facing its business and, where applicable, the Company's *raison d'être* (purpose), as laid down pursuant to Article 1835 of the French Civil Code.

The Board of Directors also endeavors to promote the Company's long-term value creation, in particular by taking into account the social and environmental issues facing its businesses.

Its main missions involve adopting the overall strategic orientations of the Company and the Group and ensuring these are implemented; verifying the reliability and fair presentation of information concerning the Company and the Group, and protecting the Company's assets; and verifying that the major risks to which the Company is exposed with regard to its structure and targets – whether financial, legal, operational, social or environmental – are taken into account in the Company's management.

The Board of Directors also sees to it that procedures to prevent corruption and influence-peddling are implemented. It ensures that a policy of non-discrimination and diversity is in place, notably in respect of gender equality within the Group's governing bodies and, on the recommendation of Executive Management, sets diversity objectives for these bodies.

The Company's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

A Charter has been adopted by the Board of Directors which outlines rules governing its membership, duties, procedures, and responsibilities.

Three committees have been established by the Board of Directors: the Performance Audit Committee, the Nominations & Compensation Committee, and the Ethics & Sustainable Development Committee. Each has rules of procedure setting forth its composition, role and responsibilities.

The Charter of the Board of Directors and the rules of procedure governing the committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in full on the website, [www.lvmh.com](http://www.lvmh.com). They are regularly revised to take into account changes in laws and regulations and good governance practices.

Pursuant to the provisions of the Board of Directors' Charter, all Directors must bring to the attention of the Chairman of the Board any instance, even potential, of a conflict of interest that may exist between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities, and should in such a situation abstain from taking part in the debate and voting on the corresponding deliberation. They must also provide the Chairman with details of any formal judicial inquiry, fraud conviction, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court and any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated to the Company with respect to this obligation during the fiscal year.

The Company's Bylaws require each Director to hold, directly and personally, at least 500 of the Company's shares, with the exception of Directors representing the employees, who are not required to hold shares in the Company for the duration of their term of office.

## 1.2 Code of corporate governance - implementation of recommendations

The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies for guidance. This document may be viewed on the AFEP/MEDEF website: [www.afep.com](http://www.afep.com).

The following table contains the Company's explanations concerning points of the AFEP/MEDEF Code with which it has not strictly complied.

Recommendations of the AFEP/MEDEF Code	Explanations
<p><b>Article 9 of the Code:</b> Independent Directors</p> <p>§9.5.6: Not to have been a Director of the Company for more than 12 years.</p>	<p>The Board of Directors set aside this criterion considering that length of service is not likely to cloud the critical faculties or color the judgment of the relevant Directors, given both their personality and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making.</p>
<p><b>Article 25 of the Code:</b> Compensation of senior executive officers</p> <p>§25.3.3: Provision specific to stock options and performance shares: Resolution authorizing the plan put to a vote at the Shareholders' Meeting must state a sub-ceiling for awards to senior executive officers.</p>	<p>In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a sub-ceiling on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations &amp; Compensation Committee - which consists entirely of Independent Directors, in light of the criteria applied by the Company, and is tasked with making proposals on the granting of options or bonus performance shares to senior executives - ensures an adequate degree of control over allocation policy.</p>

## 1.3 Membership and operating procedures of the Board of Directors

### 1.3.1 Membership as of December 31, 2020

The Board of Directors has seventeen members who are appointed for three-year terms, as stipulated in the Bylaws.

Personal information				Experience	
Name	Nationality	Age as of 12/31/2020	Number of shares held in a personal capacity	Number of directorships at non-Group listed companies	Office held
Bernard ARNAULT	French	71	897,402	-	Chairman and Chief Executive Officer
Antoine ARNAULT	French	43	330,463	-	Director
Delphine ARNAULT	French	45	489,403	1	Director
Dominique AUMONT	French	63	N/A	-	Director representing the employees
Nicolas BAZIRE	French	63	104,474	2	Director
Antonio BELLONI	Italian	66	375,609	-	Director Group Managing Director
Marie-Véronique BELLOEIL-MELKIN	French	61	N/A	-	Director representing the employees
Sophie CHASSAT	French	42	500	1	Director
Charles de CROISSET	French	77	1,000	-	Lead Director
Diego DELLA VALLE	Italian	67	500	2	Director
Clara GAYMARD	French	60	500	3	Director
Iris KNOBLOCH	German	57	500	2	Director
Marie-Josée KRAVIS	American	71	500	1	Director
Marie-Laure SAUTY de CHALON	French	58	500	2	Director
Yves-Thibault de SILGUY	French	72	500	2	Director
Natacha VALLA	French	44	500	1	Director
Hubert VÉDRINE	French	73	874	-	Director

(a) See §1.2 above for details of how the Company applies the independence criteria laid down in the AFEP/MEDEF Code.

(b) According to the independence criteria applied by the Company.

Position on the Board				Attendance at Board committee meetings		
Date of first appointment	Independence <sup>(a)</sup>	End of term	Board Committees			
			Performance Audit Committee	Nominations & Compensation Committee	Ethics & Sustainable Development Committee	
09/26/1988	No	2022				
05/11/2006	No	2021				
09/10/2003	No	2023			Member	
10/14/2020	N/A	2023				
05/12/1999	No	2021				
05/15/2002	No	2023				
09/12/2001	-	2022				
11/10/2020	N/A	2023				
10/25/2018	Yes	2022				
05/15/2008	Yes <sup>(b)</sup>	2021	Member	Chairman		
05/15/2002	Yes <sup>(b)</sup>	2023				
04/14/2016	Yes	2022	Member			
04/18/2019	Yes	2022				
03/31/2011	Yes	2023		Member		
04/10/2014	Yes	2023			Member	
05/14/2009	Yes <sup>(b)</sup>	2021	Chairman	Member	Chairman	
06/30/2020	Yes	2023				
05/13/2004	Yes <sup>(b)</sup>	2022			Member	

### 1.3.2 Changes in membership of the Board of Directors and its Committees

#### Changes during 2020

The following table summarizes the changes in membership of the Board of Directors and its Committees during fiscal year 2020.

	Departures	Appointments	Renewal of term of office/ Reappointment
Board of Directors	<ul style="list-style-type: none"> <li>– Lord POWELL of BAYSWATER (Resigned from position as Director with effect as of 06/30/2020)</li> </ul>	<ul style="list-style-type: none"> <li>– Natacha VALLA (Appointed Director on 06/30/2020)</li> <li>– Dominique AUMONT (Appointed Director representing the employees on 10/14/2020 by the LVMH Group Works Council and started his term of office on the Board of Directors on 10/22/2020)</li> <li>– Marie-Véronique BELLOEIL-MELKIN (Appointed Director representing the employees on 11/10/2020 by the SE Works Council and started her term of office on the Board of Directors on 01/26/2021)</li> </ul>	<ul style="list-style-type: none"> <li>– Delphine ARNAULT (06/30/2020)</li> <li>– Antonio BELLONI (Term of office as Director renewed on 06/30/2020)</li> <li>– Diego DELLA VALLE (06/30/2020)</li> <li>– Marie-Josée KRAVIS (06/30/2020)</li> <li>– Marie-Laure SAUTY de CHALON (06/30/2020)</li> </ul>
Performance Audit Committee	<ul style="list-style-type: none"> <li>– Antoine ARNAULT (Resigned with effect as of 06/30/2020)</li> </ul>	<ul style="list-style-type: none"> <li>– Clara GAYMARD (Appointed with effect as of 06/30/2020)</li> </ul>	
Nominations & Compensation Committee			<ul style="list-style-type: none"> <li>– Marie-Josée KRAVIS (06/30/2020)</li> </ul>
Ethics & Sustainable Development Committee			<ul style="list-style-type: none"> <li>– Delphine ARNAULT (06/30/2020)</li> <li>– Marie-Laure SAUTY de CHALON (06/30/2020)</li> </ul>

To make the renewal of Directors' appointments as balanced over time as possible, and in any event to make them complete for each three-year period, the Board of Directors set up a system of rolling renewals that has been in place since 2010.

At its meeting of January 26, 2021, the Board of Directors considered the Directorships of Antoine Arnault, Nicolas Bazire, Charles de Croisset and Yves-Thibault de Silguy as Directors, all due to expire at the close of the Shareholders' Meeting of April 15, 2021, and decided, on the recommendation of the Nominations & Compensation Committee, to submit a resolution at said Shareholders' Meeting to renew their terms of office as Directors for a three-year term that will end at the close of the Shareholders' Meeting convened in 2024 to approve the financial statements for the fiscal year ended December 31, 2023.

At its meeting of October 22, 2020, the Board of Directors welcomed Dominique Aumont, appointed by the LVMH Group Works Council on October 14, 2020, as Director representing the employees. Marie-Véronique Belloeil-Melkin, appointed by the SE Works Council on November 10, 2020, joined the Board at its meeting of January 26, 2021.

Subject to decisions made at the Shareholders' Meeting of April 15, 2021, the Board of Directors will thus consist of 17 members: Delphine Arnault, Marie-Véronique Belloeil-Melkin, Sophie Chassat, Clara Gaymard, Iris Knobloch, Marie-Josée Kravis, Marie-Laure Sauty de Chalon, Natacha Valla, Bernard Arnault, Antoine Arnault, Dominique Aumont, Nicolas Bazire, Antonio Belloni, Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy and Hubert Védrine.

Since each gender is represented by at least 40% of Board members, with the Directors representing the employees not being included for gender equality rules, the composition of the Board will continue to comply with the provisions of the French Commercial Code relating to gender equality on boards of directors.

Bernard Arnault (Chairman and Chief Executive Officer) and Antonio Belloni (Group Managing Director) do not hold directorships at non-Group listed companies, including foreign companies.

### 1.3.3 Independence

During its meeting of January 26, 2021, the Board of Directors reviewed the status of each Director currently in office, in particular with respect to the independence criteria defined in Articles 9.5 to 9.7 of the AFEP/MEDEF Code and set out below:

**Criterion 1:** Not to be and not to have been during the course of the previous five years an employee or executive officer of the Company, or an employee, senior executive officer or a Director of a company that it consolidates, or of its parent company or a company consolidated by this parent.

**Criterion 2:** Not to be a senior executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office during the last five years) is a Director.

**Criterion 3:** Not to be a customer, supplier, commercial banker, investment banker or advisor who is material to the Company or its group, or for a significant part of whose business the Company or its group accounts.

**Criterion 4:** Not to be related by close family ties to a company officer.

**Criterion 5:** Not to have been an auditor of the Company within the previous five years.

**Criterion 6:** Not to have been a Director of the Company for more than 12 years.

**Criterion 7:** Not to receive variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or Group.

**Criterion 8:** Not to represent shareholders with a controlling interest in the Company.

At the end of this review, the Board of Directors concluded that:

- (i) Sophie Chassat, Clara Gaymard, Iris Knobloch, Marie-Josée Kravis, Marie-Laure Sauty de Chalon and Natacha Valla meet all of these criteria;
- (ii) Charles de Croisset, Diego Della Valle and Hubert Védrine, who have served on the Board of Directors for over 12 years, as well as Yves-Thibault de Silguy, who will have served on the Board of Directors for over 12 years in May 2021, should be considered independent. In the matter of these two individuals, the Board has set aside the criterion set out in the AFEP/MEDEF Code with respect to their length of service as Board members, considering that this is not likely to cloud their critical faculties or color their judgment, given both their experience and status and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making. Charles de Croisset, who acts as Regional Advisor to Goldman Sachs, should also be considered independent, since the business relationship between these two groups does not make LVMH dependent on Goldman Sachs in any way.

At the close of the Shareholders' Meeting of April 15, 2021, and subject to the terms of office of Antoine Arnault, Nicolas Bazire, Charles de Croisset and Yves-Thibault de Silguy as Director being renewed, ten of the fifteen members of the Board of Directors – with the two directors representing the employees not taken into account to make up the percentage – will be considered independent and hold no interests in the Company. They shall represent 67% of the Board's membership.

With respect to the independence criteria set out in the AFEP/MEDEF Code, as of the date of this report, 40% of the members of the Board of Directors are Independent Directors, thus exceeding the Code's recommendation for controlled companies that one-third of Board members be independent.

### Table summarizing Directors' independent status<sup>(a)</sup> following the Board of Directors' review of January 26, 2021 of the criteria for independence

In this table, "✓" represents an independence criterion that is met, while "-" represents an independence criterion that is not met.

Name	AFEP/MEDEF criteria <sup>(b)</sup>								Independent Director
	1	2	3	4	5	6	7	8	
Bernard ARNAULT	-	✓	✓	-	✓	-	-	-	No
Antoine ARNAULT	-	✓	✓	-	✓	-	-	-	No
Delphine ARNAULT	-	✓	✓	-	✓	-	-	-	No
Nicolas BAZIRE	-	✓	✓	✓	✓	-	-	-	No
Antonio BELLONI	-	✓	✓	✓	✓	-	-	✓	No
Sophie CHASSAT	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Iris KNOBLOCH	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Charles de CROISSET	✓	✓	✓	✓	✓	-	✓	✓	Yes <sup>(c)</sup>
Diego DELLA VALLE	✓	✓	✓	✓	✓	-	✓	✓	Yes <sup>(c)</sup>
Clara GAYMARD	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Marie-Josée KRAVIS	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Marie-Laure SAUTY de CHALON	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Yves-Thibault de SILGUY	✓	✓	✓	✓	✓	-	✓	✓	Yes <sup>(c)</sup>
Natacha VALLA	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Hubert VÉDRINE	✓	✓	✓	✓	✓	-	✓	✓	Yes <sup>(c)</sup>

(a) Apart from Dominique Aumont and Marie-Véronique Belloeil-Melkin, Directors representing the employees, who are not taken into account in accordance with the rule defined by the AFEP/MEDEF Code.

(b) See §1.2 above for details of how the Company applies the independence criteria laid down in the AFEP/MEDEF Code.

(c) According to the criteria applied by the Company.

#### 1.3.4 Operating procedures

Over the course of the 2020 fiscal year, the Board of Directors met eight times as convened by its Chairman. Directors' overall attendance rate at these meetings was 95.21%.

The Board of Directors approved the annual and interim parent company and consolidated financial statements, voted to distribute an interim dividend, monitored quarterly business activity, and gave its opinion on the Group's key strategic directions and decisions as well as its budget. It determined the compensation of senior executive officers based on the recommendations of the Nominations & Compensation Committee and taking into account their individual performance and the achievement of the quantifiable and qualitative targets that had been set. The Board also set up a bonus performance share plan, made use of the authorization to repurchase shares granted to the Board of Directors at the Shareholders' Meeting and renewed the authorizations to give guarantees to third parties and to issue bonds. It also authorized the extension of

the implementation of the programs for financing and granting of guarantees within the framework of financing the acquisition of Tiffany & Co. and approved the signing of a settlement agreement ending all legal action and thereby allowing for the acquisition to be finalized. The Board of Directors reduced the Company's share capital by canceling all treasury shares.

It also reviewed the rules for allocating compensation to company officers and, in order to take into account various provisions of the PACTE law, which entered into force in France on May 22, 2019, (i) approved the Company's Charter on control procedures for related-party agreements and the assessment of agreements relating to current operations concluded under normal conditions and (ii) amended the Charter of the Board of Directors as well as the rules of procedure of the Nominations & Compensation Committee, the Performance Audit Committee and the Ethics & Sustainable Development Committee.

The Board appointed Clara Gaymard as a Performance Audit Committee member to replace Antoine Arnault effective at the close of the Shareholders' Meeting of June 30, 2020.



It reviewed related-party agreements that remained in effect during the fiscal year. In addition, it reviewed measures adopted by the Company to ensure the safety of the Chairman and his family. The Board of Directors also conducted an evaluation of its capacity to meet the expectations of shareholders, reviewing the membership, organization and procedures of the Board of Directors and its three Committees.

It assigned an exceptional task to Sophie Chassat concerning the study into the *raison d'être* (purpose) that could be adopted by the Company.

The Board was also informed of the measures the Group has adopted as regards gender equality and equal pay.

Against the backdrop of the public health crisis relating to the Covid-19 pandemic, the Board decided (i) to postpone the Shareholders' Meeting to June 30, 2020, and hold it behind closed doors, and (ii) to reduce by 30% the overall amount of the ordinary dividend initially proposed to the Shareholders' Meeting. It also decided (i) on the proposal of Bernard Arnault, as Chairman and Chief Executive Officer, and each of the other Directors holding executive positions within the Group, not to pay their fixed compensation for April and May 2020 and not to allocate any variable compensation to them in respect of 2020 and (ii) to reduce by 30% the gross amount of compensation payable to the Company's Directors and Advisory Board members in respect of their office for fiscal year 2020. Lastly, it decided to modify the rules of the bonus share plan set up on October 24, 2019.

In accordance with the wishes of Dominique Aumont, the Board of Directors decided not to allocate compensation to him in respect of his office as Director representing the employees and recommended that an amount equivalent to the compensation that would have been allocated to Dominique Aumont be paid by the Company to one or more philanthropic organizations.

At its meeting of January 26, 2021, the Board of Directors welcomed Marie-Véronique Belloeil-Melkin as second Director representing the employees, appointed on November 10, 2020, by the SE Works Council.

The Board of Directors reviewed its composition, organization and *modus operandi*. The Board concluded that its composition is balanced with regard to the proportion of External Directors, given the ownership of the Company's share capital, and with regard to the diversity (professional experience and qualifications, male/female balance, nationalities, age) and complementarity of its members' expertise and experience.

The Board noted that:

- the frequency of Board meetings and the quality of information provided to Directors on such topics as strategic direction, current business activity, financial statements, the budget and the three-year plan are satisfactory;
- the individual attendance rate of Directors at proceedings was higher than in 2019;
- the areas of expertise, qualifications and professional experience of the Directors, as well as the presence of non-French nationals, ensure a complementary range of approaches and views, as is essential to a global group;

- the Board is fulfilling its role with respect to its missions and objectives of increasing the Company's value and protecting its interests;
- the Directors had no particular comments to make concerning the rules for allocating compensation to company officers amended in 2020 and the number of shares that must be held by each Director; the same applies concerning the membership of the three existing Committees, the quality of their work and the way in which they are reported to.

In addition, the Board of Directors reviewed the Group's policy to protect against the impact of future economic and financial developments.

The Board also expressed its opinion on the fixed compensation of senior executive officers for 2021, reiterating that in accordance with the decision made by the Board of Directors at its meeting of April 15, 2020, they will not be paid any variable compensation in respect of fiscal year 2020.

The Board of Directors familiarized itself with the conclusions of the report prepared by LVMH's Legal Department on the routine agreements entered into during the past fiscal year or during prior fiscal years that remained in effect during the past fiscal year. In accordance with Article L. 22-10-12 of the French Commercial Code, it also examined the implementation of the classification and assessment procedure for routine agreements and decided that there was no need to make any amendments to make them more effective.

The Board of Directors also amended the Charter of the Board of Directors to lay down the principle of a selection procedure for future Independent Directors as well as the Rules of Procedure of the Nominations & Compensation Committee so as to (i) describe the procedure and (ii) specify that the Committee expresses opinions on the compensation policy for company officers and senior executive officers and, if applicable, after consulting an independent consulting firm on any derogation from the application of this policy. It also amended the Charter of the Board of Directors to (i) reflect the obligation placed upon members of the Board of Directors and closely related persons to inform the Company and the Autorité des Marchés Financiers of any transactions they carry out in the shares, debt securities or other financial instruments of the Company in accordance with applicable legislation and (ii) amend the provisions related to blackout periods applicable to such transactions carried out by Directors.

The Board of Directors heard the report on the study presented by Sophie Chassat on the *raison d'être* (purpose) that could be adopted by the Company.

Lastly, the Board of Directors, having noted the resignation of Philippe Castagnac as Alternate Statutory Auditor due to his retirement on October 30, 2020, decided – after consulting the Performance Audit Committee – to propose at the next Shareholders' Meeting the appointment of Olivier Lenel as replacement.

**Individual attendance rates for serving Directors at Board meetings as of December 31, 2020**

In this table, “✓” means present, “A” absent and “N/A” not applicable.

Board meeting dates	01/28/2020	03/25/2020	04/15/2020	06/02/2020	07/27/2020	09/04/2020	10/22/2020	10/27/2020	Attendance rate
Currently serving Directors	15	15	15	15	15	15	16	16	-
Bernard ARNAULT	✓	✓	✓	✓	✓	✓	✓	✓	100%
Antoine ARNAULT	✓	✓	✓	✓	✓	✓	✓	✓	100%
Delphine ARNAULT	✓	✓	✓	✓	✓	✓	✓	✓	100%
Dominique AUMONT (as of 10/22/2020)	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	100%
Nicolas BAZIRE	✓	✓	✓	✓	✓	✓	✓	✓	100%
Antonio BELLONI	✓	✓	✓	✓	✓	✓	✓	✓	100%
Sophie CHASSAT	✓	✓	✓	✓	✓	✓	✓	✓	100%
Charles de CROISSET	✓	✓	✓	✓	✓	✓	✓	✓	100%
Diego DELLA VALLE	✓	✓	✓	A	✓	A	✓	A	62.5%
Clara GAYMARD	✓	✓	✓	✓	✓	✓	✓	✓	100%
Iris KNOBLOCH	✓	✓	✓	✓	✓	✓	✓	✓	100%
Marie-Josée KRAVIS	✓	✓	✓	✓	✓	✓	✓	A	87.5%
Marie-Laure SAUTY de CHALON	✓	✓	✓	✓	✓	✓	✓	✓	100%
Yves-Thibault de SILGUY	✓	✓	✓	✓	✓	✓	✓	✓	100%
Natacha VALLA (as of 06/30/2020)	N/A	N/A	N/A	N/A	✓	✓	✓	A	75%
Hubert VÉDRINE	✓	✓	✓	✓	✓	✓	✓	A	87.5%

**1.3.5 Diversity policy**

In accordance with the diversity policy reaffirmed by the Charter of the Board of Directors, the composition of the Board is balanced with regard to the proportion of External Directors, given the ownership of the Company's share capital, and with regard to the diversity and complementarity of its members' expertise and experience.

The areas of expertise, qualifications and professional experience of the Directors, as well as the presence of non-French nationals ensure a wide range of approaches and views, as is essential to a global group.

Each gender is represented by at least 40% of Board members.

Regarding the diversity policy in the Group's governing bodies, 64% of the Group's managers are women, and as of end-July 2020, 42% of key positions in the Group were held by women (compared with 23% in 2007) and 15 Maisons were led by women.

With its EllesVMH initiative, the Group is aiming to achieve parity in key positions by 2025, working in close collaboration with its Maisons. Details of the Group's diversity policy are provided in the “Attracting and retaining talent” section in §2.4 of the “*Management Report of the Board of Directors: the Group*” section of this Universal Registration Document.

## 1.4 Terms of office of the management and supervisory bodies

### 1.4.1 List of positions and offices held by members of the Board of Directors

#### 1.4.1.1 Currently serving Directors

##### Bernard ARNAULT, Chairman and Chief Executive Officer

Date of birth: March 5, 1949.

Business address: LVMH – 22 avenue Montaigne – 75008 Paris (France).

After graduating from École Polytechnique, Bernard Arnault decided to pursue a career in engineering, and worked in this role at Ferret-Savinel, where he became Senior Vice-President for construction in 1974, Chief Executive Officer in 1977 and finally Chairman and Chief Executive Officer in 1978.

He remained with the Company until 1984, when he became Chairman and Chief Executive Officer of Financière Agache and of Christian Dior. Shortly thereafter, he spearheaded a reorganization of Financière Agache following a development strategy focusing on luxury brands. Christian Dior was to become the cornerstone of this new structure.

In 1989, he became the leading shareholder of LVMH Moët Hennessy Louis Vuitton, and thus created the world's leading luxury products group. He assumed the position of Chairman in January 1989.

#### Current positions and offices

##### LVMH group

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup> Château Cheval Blanc SC Christian Dior Couture SA Louis Vuitton, Fondation d'Entreprise	Chairman and Chief Executive Officer Director Director Chairman of the Board of Directors
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##### Agache group

France	Agache SEDCS Christian Dior SE <sup>(1)</sup>	Chairman of the Executive Board Chairman of the Board of Directors
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#### Positions and offices that have ended since January 1, 2016

France	Carrefour SA <sup>(1)</sup> Financière Jean Goujon SAS	Director Member of the Supervisory Committee
International	LVMH Moët Hennessy Louis Vuitton Inc. (United States) LVMH Moët Hennessy Louis Vuitton Japan KK (Japan) LVMH Services Limited (United Kingdom)	Director Director Director

(1) Listed company.

**Delphine ARNAULT**

Date of birth: April 4, 1975.

Business address: Louis Vuitton Malletier – 2, rue du Pont-Neuf – 75001 Paris (France).

Delphine Arnault began her career at international strategy consultancy firm McKinsey, where she worked as a consultant for two years. In 2000, she moved to designer John Galliano's company, which she helped develop, acquiring hands-on

experience in the fashion industry. In 2001, she joined the Executive Committee of Christian Dior Couture, where she served as Deputy Managing Director until August 2013. Since September 2013, she has been Executive Vice-President of Louis Vuitton, in charge of supervising all of Louis Vuitton's product-related activities. In January 2019, Delphine Arnault became a member of the Executive Committee of the LVMH group.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director and Member of the Ethics & Sustainable Development Committee
	Celine SA	Director
	Château Cheval Blanc SC	Director
	Christian Dior Couture SA	Director
International	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Loewe SA (Spain)	Director

**Agache group**

France	Christian Dior SE <sup>(1)</sup>	Director
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**Other**

International	Ferrari SpA (Italy) <sup>(1)</sup>	Director
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**Positions and offices that have ended since January 1, 2016**

France	Havas SA <sup>(1)</sup>	Director
	Les Echos SAS	Member of the Supervisory Board
	Métropole Télévision "M6" SA <sup>(1)</sup>	Member of the Supervisory Board
International	21st Century Fox Corporation (United States) <sup>(1)</sup>	Director
	Actar International SA (Luxembourg)	Permanent representative of Ufipar, Director

**Dominique AUMONT**

Date of birth: June 22, 1957.

Business address: Jas Hennessy & Co – Rue de la Richonne – CS 20020 – 16101 Cognac Cedex (France).

Dominique Aumont began his career at Hennessy in 1978 as a cellar worker. From 1995 to 2015, he was successively Team Leader and the Environment and Food Safety Coordinator for winegrowing. Since 2015, Dominique Aumont has been head of the Hennessy Social Institute.

In 1981, Dominique Aumont became a member of the Works Council and then Deputy Secretary and Treasurer in 1993, and lastly Secretary in 2011, when he was also appointed Union Delegate. From 1992 to 2020, he was elected to LVMH's Group Works Council, becoming Secretary in 2004. In 2014, he became Secretary of the Christian Dior and LVMH SE Works Council. On October 14, 2020, Dominique Aumont was appointed by the LVMH Group Works Council as Director representing the employees of LVMH SE.

(1) Listed company.

## Current positions and offices

### LVMH group

France LVMH Moët Hennessy Louis Vuitton SE<sup>(1)</sup> Director representing the employees

### Other

France Association Service Social Inter Entreprise de Cognac SERSO 16 Director

## Positions and offices that have ended since January 1, 2016

None

### Marie-Véronique BELLOEIL-MELKIN

Date of birth: August 7, 1959.

Business address: Parfums Christian Dior Oy – Aleksanterinkatu 48 B – 00100 Helsinki (Finland).

A graduate of ESSEC, Marie-Véronique Belloeil-Melkin joined Parfums Christian Dior in 1987 to work for the Travel Retail Europe department and was involved in the Company's development over a period of more than 30 years in a field sales position in the European markets.

Marie-Véronique Belloeil-Melkin has held the role of Retail Manager for Parfums Christian Dior since 1996 and is based in Helsinki, Finland.

An elected member of the SE Works Council of Agache (formerly Groupe Arnault SEDCS), Christian Dior and LVMH from 2014 to 2020, Marie-Véronique Belloeil-Melkin was appointed Director representing the employees of LVMH SE by the SE Works Council on November 10, 2020.

## Current positions and offices

### LVMH group

France LVMH Moët Hennessy Louis Vuitton SE<sup>(1)</sup> Director representing the employees

## Positions and offices that have ended since January 1, 2016

None

### Antonio BELLONI, Group Managing Director

Date of birth: June 22, 1954.

Business address: LVMH Italia – Largo Augusto 8 – 20141 Milan (Italy).

Antonio Belloni joined the LVMH group in June 2001, following 22 years with Procter & Gamble. He was appointed head of

Procter & Gamble's European division in 1999, having previously served as Chairman and Chief Executive Officer for the Group's Italian operations. He began his career at Procter & Gamble in Italy in 1978 and subsequently held a number of positions in Switzerland, Greece, Belgium and the United States. He has been Group Managing Director of LVMH since September 2001.

(1) Listed company.

## Current positions and offices

### LVMH group

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Group Managing Director and Director
	Berluti SA	Vice-Chairman and Member of the Supervisory Board
	Cha Ling SCA	Chairman of the Supervisory Board
	Chaumet International SA	Chairman of the Board of Directors
	Fendi International SAS	Chairman
	Givenchy SA	Permanent Representative of LVMH Miscellanées, Director
	Le Bon Marché, Maison Aristide Boucicaut SA	Permanent Representative of LVMH, Director
	Louis Vuitton, Fondation d'Entreprise	Director
International	Benefit Cosmetics LLC (United States)	Managing Director
	Breakfast Holdings Acquisition Corp. (United States)	Director
	Bulgari SpA (Italy)	Director
	Cova Montenapoleone Srl (Italy)	Director
	Cruise Line Holdings Co. (United States)	Director
	DFS Group Limited (Bermuda)	Director
	DFS Group Limited (Hong Kong)	Director
	DFS Holdings Limited (Bermuda)	Director
	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Fendi Srl (Italy)	Director
	Fresh Inc. (United States)	Director
	Loro Piana SpA (Italy)	Director
	LVMH Moët Hennessy Louis Vuitton Inc. (United States)	Vice-Chairman and Director
	LVMH Italia SpA (Italy)	Vice-Chairman and Director
	LVMH (Shanghai) Management & Consultancy Co. Ltd (China)	Chairman of the Board of Directors
	Naxara SA (Luxembourg)	Director
	Pasticceria Confetteria Cova Srl (Italy)	Director
	RVL Holding BV (Netherlands)	Member of the Supervisory Board
	Ufip (Ireland)	Director
	Vicuna Holding SpA (Italy)	Chairman of the Board of Directors

### Other

International	Anin Star (United Kingdom)	Director
	Barilla G. e R. Fratelli SpA (Italy)	Director

### Positions and offices that have ended since January 1, 2016

France	Fred Paris SA	Permanent Representative of LV Group, Director
	LVMH Fragrance Brands SA	Permanent Representative of LV Group, Director
	Moët Hennessy Management SARL	Managing Director
	Sephora SA	Permanent Representative of Ufipar, Director
International	Breakfast Acquisition Corp. (United States)	Director
	De Beers Diamond Jewellers Limited (United Kingdom)	Director
	De Beers Diamond Jewellers Trademark Ltd (United Kingdom)	Director
	Edun Americas Inc. (United States)	Director
	Edun Apparel Limited (United Kingdom)	Director
	Fendi Adele Srl (Italy)	Director
	Fendi Italia Srl (Italy)	Director
	Fendi SA (Luxembourg)	Director
	Nude Brands Limited (United Kingdom)	Director
	Thomas Pink Holdings Limited (United Kingdom)	Director
	Ufilug SA (Luxembourg)	Director

(1) Listed company.

**Sophie CHASSAT**

Date of birth: October 24, 1978.

Mailing address: 45 rue de Sèvres – 75006 Paris (France).

An alumna of the École Normale Supérieure-Rue d'Ulm and a professor of philosophy, Sophie Chassat has taught for seven years (including four years at the university level) and has published several works. Having created and headed the Verbal Identity

Department at communications agency Angie for three years, she was President of Intikka – a consulting firm specializing in brand philosophy – from June 2017 until July 2019. Since July 2019, she has been a partner of the Wemean leadership consulting firm specializing in the strategic issues of *raison d'être* (purpose) and *mission* (official mission statements).

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director
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**Other**

France	Le Coq Sportif SA <sup>(1)</sup> Wemean SAS	Director Partner
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**Positions and offices that have ended since January 1, 2016**

France	Intikka SAS	Chairman
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**Diego DELLA VALLE**

Date of birth: December 30, 1953.

Business address: Tod's SpA – Corso Venisia, 30 – 20121 Milan (Italy).

Diego Della Valle joined the family business in 1975. He played a fundamental role in the definition of the Company's

development strategy and the creation of the brands that have shaped its image. He developed an innovative marketing plan, which has since served as a model to other companies around the world in the luxury goods industry. Since October 2000, he has been Chairman and Director delegate of Tod's SpA, which today is a world leader in the luxury accessories sector.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director
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**Tod's SpA group**

International	DI.VI. Finanziaria Srl (Italy)	Sole Director
	DI.VI. Immobiliare Holding Srl (Italy)	Sole Director
	Diego Della Valle & C. Srl (Italy)	Sole Director
	Tod's SpA (Italy) <sup>(1)</sup>	Chairman of the Board of Directors and Director delegate
	Fondazione Della Valle Onlus (Italy)	Chairman of the Board of Directors

**Other**

International	RCS Mediagroup SpA (Italy) <sup>(1)</sup>	Director
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**Positions and offices that have ended since January 1, 2016**

International	ACF Fiorentina SpA (Italy)	Honorary Chairman
	Compagnia Immobiliare Azionaria (Italy) <sup>(1)</sup>	Director
	DDV Partecipazioni Srl (Italy)	Sole Director
	Nuovo Trasporto Viaggiatori (Italy)	Director

(1) Listed company.

**Clara GAYMARD**

Date of birth: January 27, 1960.

Business address: Raise – 138 bis, rue de Grenelle – 75007 Paris (France).

Clara Gaymard has held various positions within the French administration, in particular the External Economic Relations

Directorate (DREE) within the French Ministry for the Economy and Finance (1986-2003), before directing the Invest in France Agency (2003-2006), and then joining General Electric (GE), where she served as Chairman and CEO of GE France until 2016. Clara Gaymard is the co-founder of venture capital firm Raise.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director and Member of the Performance Audit Committee
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**Other**

France	Bouygues SA <sup>(1)</sup>	Director
	Danone SA <sup>(1)</sup>	Director
	Pabafajamet SAS	Chairman
	Raise Conseil SAS	Chief Executive Officer
	Raise LAB SAS	Chairman
	Raisesherpas	Chairman
	Sages	Director
	Veolia Environnement SA <sup>(1)</sup>	Director

**Positions and offices that have ended since January 1, 2016**

France	WEFCOS (Women's Forum for the Economy and Society) SAS	Chairman
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**Iris KNOBLOCH**

Date of birth: February 13, 1963.

Business address: Warner Bros. Entertainment France – 115/123 avenue Charles de Gaulle – 92525 Neuilly-sur-Seine Cedex (France).

Iris Knobloch holds a doctorate in law and began her career as an attorney in Germany and the United States before joining Warner in 1996, where she successively held roles in Los Angeles,

London and then Paris. Previously Senior Vice-President of Time Warner in charge of international relations and Europe strategy, Iris Knobloch is currently President of WarnerMedia France, Germany, Benelux, Austria and Switzerland. As part of her duties, she is responsible for developing and executing WarnerMedia's strategy, as well as coordinating all the Group's sales and marketing activities in the region.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director
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**Other**

France	Warner Bros. Entertainment France SAS	Chairman
	AccorHotels SA <sup>(1)</sup>	Vice-Chairman of the Board of Directors
	American Hospital of Paris	Governor
International	Lazard Ltd (Bermuda) <sup>(1)</sup>	Member of the Board of Directors

**Positions and offices that have ended since January 1, 2016**

International	Axel Springer SE (Germany) <sup>(1)</sup>	Member of the Board of Directors
	CME (Central European Media Enterprises) (Bermuda)	Member of the Board of Directors

(1) Listed company.



**Marie-Josée KRAVIS**

Date of birth: September 11, 1949.

Mailing address: 625 Park Avenue – New York, NY 10065 (United States).

Marie-Josée Kravis is an economist specializing in the fields of public policy and strategic planning. She started her career as a financial analyst with the Power Corporation of Canada and

went on to work with the General Solicitor of Canada and the Canadian minister for Supply and Services. She is Vice-Chairman of the Board of Trustees and a senior fellow of the Hudson Institute. From 2005 she served as President of the Museum of Modern Art (MoMA) of New York, and has been its President Emeritus since 2019.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director and Member of the Nominations & Compensation Committee
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**Other**

France	Publicis Groupe SA <sup>(1)</sup>	Member of the Supervisory Board and Chairman of the Risk and Strategy Committee
International	Federal Reserve Bank of New York (United States)	Member of the International Advisory Board
	Hudson Institute (United States)	Vice-Chairman of the Board of Trustees and senior fellow
	Memorial Sloan Kettering Cancer Center (United States)	Vice-Chairman of the Board of Trustees and member of the Executive Committee
	Sloan Kettering Institute (United States)	Chairman of the Board
	The Economic Club of New York (United States)	President Emeritus
	The Museum of Modern Art of New York (United States)	President Emeritus

**Positions and offices that have ended since January 1, 2016**

International	Qatar Museum Authority (Qatar)	Director
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**Marie-Laure SAUTY de CHALON**

Date of birth: September 17, 1962.

Mailing address: 14 rue Rambuteau – 75003 Paris (France).

After building her career at a number of press and television advertising companies, Marie-Laure Sauty de Chalon became Chairman and Chief Executive Officer of Consodata North

America in 2001. She then took over as head of the Aegis Media group in France and Southern Europe in 2004, and then from 2010 to 2018 was Chairman and Chief Executive Officer of Aufeminin. She founded Factor K, in which the NRJ group acquired a minority interest in July 2018, and is a professor at the *Institut d'Études Politiques de Paris*.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director and Member of the Ethics & Sustainable Development Committee
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**Other**

France	Autorité de la Concurrence	Member of the College
	Carrefour SA <sup>(1)</sup>	Director and Member of the CSR Committee
	Coorpacademy SAS	Director
	Factor K SAS	Chairman
	JCDecaux SA <sup>(1)</sup>	Member of the Supervisory Board

(1) Listed company.

## Positions and offices that have ended since January 1, 2016

France	Aegis Media France SAS	Chairman
	Aufeminin SA <sup>(1)</sup>	Chairman and Chief Executive Officer
	Aufeminin.com Productions SARL	Managing Director
	Carat France SAS	Chairman
	Etoilecasting.com SAS	Chairman
	Les rencontres aufeminin.com SAS	Chairman
	Marmiton SAS	Chairman
	My Little Paris SAS	Member of the Supervisory Board
	Navya SA <sup>(1)</sup>	Director
	Fondation Nestlé France, Fondation d'Entreprise	Director
	Fondation PlaNet Finance	Director
	Mediamétrie SA	Director
	SmartAdServer SAS	Chairman
	International	Aegis Media Southern Europe
	GoFeminin.de GmbH (Germany)	Joint Managing Director
	SoFeminine.co.uk Ltd (United Kingdom)	Director

## Natacha VALLA

Date of birth: January 1, 1976.

Business address: 11 rue Michelet – 75006 Paris (France).

Natacha Valla is an economist and a dean of the School of Management and Innovation at Sciences Po, and teaches at New York University. She began her career with the European Central Bank (2001-2005), before moving to the Banque de France (2005-2008) and then joining Goldman Sachs as Executive Director (2008-2013). From 2014 to 2016, she served as Deputy

Director of CEPII, an international economics think tank serving the French prime minister, before joining the European Investment Bank (2016-2018) as Head of the Policy and Economic Strategy division, then the European Central Bank as Deputy Director General in charge of Monetary Policy (2018-2020). She has served as a member of the Conseil Économique de la Nation, the scientific committee of the ACPR (the French Banking Regulatory Body) and the Conseil d'Analyse Économique.

## Current positions and offices

## LVMH group

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director
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## Other

France	SCOR <sup>(1)</sup>	Director
	Société des Autoroutes du Sud de la France SA and Cofiroute SA	Director

## Positions and offices that have ended since January 1, 2016

France	Accor SA <sup>(1)</sup>	Director
	Société des Autoroutes du Sud de la France SA	Director
	Cofiroute SA	Director
	Tikehau Capital SCA <sup>(1)</sup>	Member of the Supervisory Board

## Hubert VÉDRINE

Date of birth: July 31, 1947.

Business address: Hubert Védrine (HV) Conseil – 15 rue de Laborde – 75008 Paris (France).

Hubert Védrine has held a number of French government and administrative posts, notably as Diplomatic Advisor to the

Presidency from 1981 to 1986, Spokesperson for the Presidency from 1988 to 1991, General Secretary for the Presidency from 1991 to 1995 and Minister for Foreign Affairs from 1997 to 2002. In early 2003, he founded a geopolitical management consulting firm: Hubert Védrine (HV) Conseil.

(1) Listed company.

## Current positions and offices

### LVMH group

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director and Member of the Ethics & Sustainable Development Committee
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### Other

France	Hubert Védrine (HV) Conseil SARL	Managing Partner
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## Positions and offices that have ended since January 1, 2016

None

### 1.4.1.2 Directors whose terms of office expire at the Shareholders' Meeting

#### Antoine ARNAULT

Date of birth: June 4, 1977.

Business address: Berluti – 120, rue du Faubourg Saint-Honoré – 75008 Paris (France).

Antoine Arnault graduated from HEC Montreal and INSEAD. In 2000 he created an Internet company, specialized in the registration of domain names.

He subsequently sold his stake in this company and quickly joined the family group, working at Louis Vuitton, where he was named Director of Communications.

Since 2011, Antoine Arnault has been Chief Executive Officer of Berluti, the LVMH group's only menswear house. That same year, he launched the Journées Particulières open-house event, which over a three-day period gave large numbers of people a glimpse behind the scenes at close to 80 exceptional sites.

Since the end of 2013, he has also served as Chairman of Loro Piana, the Italian maker of fine cashmere products and fabrics.

In addition to his current duties, Antoine Arnault is responsible for the communication, image and environment of the LVMH group, and he has been a member of its Board of Directors since 2006.

## Current positions and offices

### LVMH group

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup> Berluti SA Les Echos SAS LV Group SA Association du Musée Louis Vuitton	Director Chairman of the Executive Board Member of the Supervisory Board Chairman and Chief Executive Officer Permanent Representative of LV Group, Director
International	Berluti LLC (United States) Berluti Hong Kong Company Limited (Hong Kong) Berluti Monaco SA (Principality of Monaco) Berluti (Shanghai) Company Limited (China) Fendi Srl (Italy) Loro Piana SpA (Italy) Manifattura Berluti Srl (Italy)	Managing Director Director Permanent Representative of LV Group, Director Director Director Chairman of the Board of Directors Director

### Agache group

France	Agache SEDCS	Member of the Executive Board
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### Other

France	Comité Colbert Marbeuf Capital SC	Director Managing Director
International	Eniotna LLP (United Kingdom) INNOVA E2 (Luxembourg)	Partner Director

(1) Listed company.

**Positions and offices that have ended since January 1, 2016**

France	AA Conseil SAS	Chairman
	FG SAS	Chairman
	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Member of the Performance Audit Committee
	Madrigall SA	Director
	Vandelay Industrie SC	Managing Director
International	Fendi Adele Srl (Italy)	Director

**Nicolas BAZIRE, Senior Vice-President for Development and Acquisitions**

Date of birth: July 13, 1957.

Business address: LVMH – 22 avenue Montaigne – 75008 Paris (France).

Nicolas Bazire became Chief of Staff of Prime Minister Edouard Balladur in 1993. He was Managing Partner at Rothschild & Cie Banque between 1995 and 1999 and has served as Managing Director of Agache SE since 1999.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director
	Groupe Les Echos SA	Director
	Jean Patou SAS	Member of the Advisory Committee
	Les Echos SAS	Vice-Chairman of the Supervisory Board, Chairman of the Compensation Committee and Member of the Appointments Committee
	Louis Vuitton Malletier SAS	Permanent Representative of Ufipar, Member of the Steering Committee
	LV Group SA	Director and Member of the Nominations & Compensation Committee
	Louis Vuitton, Fondation d'Entreprise	Director

**Agache group**

France	Agache SEDCS	Member of the Executive Board and Chief Executive Officer
	Agache Développement SA	Director
	Christian Dior SE <sup>(1)</sup>	Director, Member of the Performance Audit Committee and Member of the Nominations & Compensation Committee
	Europatweb SA	Director
	Financière Agache SA	Group Managing Director and Permanent Representative of Agache SEDCS, Director

**Other**

France	Carrefour SA <sup>(1)</sup>	Director, Member of the Audit Committee, the Compensation Committee and the Strategy Committee
	Madrigall SA	Director
International	Société des Bains de Mer de Monaco SA <sup>(1)</sup> (Principality of Monaco)	Permanent Representative of Ufipar, Director and Rapporteur to the Finance and Audit Directors' Commission

**Positions and offices that have ended since January 1, 2016**

France	Atos SE <sup>(1)</sup>	Director and Chairman of the Nominations & Compensation Committee
	GA Placements SA	Permanent Representative of Montaigne Finance, Director
	Montaigne Finance SAS	Member of the Supervisory Committee
	Semyrhamis SA	Non-Director Managing Director and Permanent Representative of Agache SEDCS, Director
	Suez SA <sup>(1)</sup>	Director, Member of the Audit and Accounts Committee, the Nominations, Compensation and Governance Committee

(1) Listed company.

**Charles de CROISSET**

Date of birth: September 28, 1943.

Business address: Goldman Sachs International – Plumtree Court, 25 Shoe Lane – EC4A 4AU London (United Kingdom).

Charles de Croisset entered the *Inspection des Finances* in 1968. After a career in the administration, he joined Crédit Commercial de France (CCF) in 1980 as Corporate Secretary before being

appointed Deputy Chief Executive and then Chief Executive. In 1993, he was named Chairman and Chief Executive Officer of CCF, then, in 2000, Executive Director of HSBC Holdings plc. In March 2004, he joined Goldman Sachs Europe as its Vice-Chairman and was named as International Advisor to Goldman Sachs International from 2006 until 2019. Charles de Croisset is now Regional Advisor at Goldman Sachs International.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Lead Director, Chairman of the Nominations & Compensation Committee and Member of the Performance Audit Committee
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**Other**

International	Goldman Sachs International (United Kingdom)	Regional Advisor
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**Positions and offices that have ended since January 1, 2016**

France	Fondation du Patrimoine Renault SA <sup>(1)</sup> Renault SAS	Chairman Director Director
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**Yves-Thibault de SILGUY**

Date of birth: July 22, 1948.

Business address: YTSeuropaconsultants – 13 bis, avenue de la Motte-Picquet – 75007 Paris (France).

Yves-Thibault de Silguy has held various positions within the French administration, as well as within the European Community as European Commissioner for Economic and Monetary Affairs (1995-1999). In 1988, he joined Usinor-Sacilor, where he was the

Director of International Affairs until 1993. From 2000 to 2006, he successively became a member of the Executive Board, Chief Executive Officer and then Group Managing Director of Suez. In June 2006, he was appointed as Chairman of the Board of Directors of Vinci and in May 2010 he became Vice-Chairman and Lead Director, and, as of November 2018, Vice-Chairman of the Board of Directors. Since May 2010, he has been Managing Director of YTSeuropaconsultants.

**Current positions and offices****LVMH group**

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Director, Chairman of the Performance Audit Committee and the Ethics & Sustainable Development Committee and Member of the Nominations & Compensation Committee
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**Vinci group**

France	Société des Autoroutes du Sud de la France SA Vinci SA <sup>(1)</sup>	Director Vice-Chairman of the Board of Directors
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**Other**

France	Sofisport SA YTSeuropaconsultants SARL	Chairman of the Supervisory Board Managing Director
International	VTB Bank (Russia) <sup>(1)</sup>	Member of the Supervisory Board, Chairman of the Audit Committee and Member of the Compensation Committee

**Positions and offices that have ended since January 1, 2016**

France	VTB Bank (France) SA Ysilop Consulting SARL	Member of the Supervisory Board Managing Director
International	Solvay (Belgium) <sup>(1)</sup>	Director

(1) Listed company.

## 1.4.2 Statutory Auditors

### 1.4.2.1 Currently serving Statutory Auditors

#### Principal Statutory Auditors

	Start date of first term	Date appointed	Current term
			End of term
ERNST & YOUNG Audit 1/2 place des Saisons - 92400 Courbevoie - Paris la Défense 1 (France) Represented by Gilles Cohen and Patrick Vincent-Genod	April 14, 2016 <sup>(a)</sup>	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year
MAZARS Tour Exaltis - 61 rue Henri Regnault - 92400 Courbevoie (France) Represented by Isabelle Sapet and Loïc Wallaert	April 14, 2016	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

(a) The Ernst & Young network has been a Statutory Auditor of LVMH since 1988.

#### Alternate Statutory Auditors

	Start date of first term	Date appointed	Current term
			End of term
Auditex 1/2 place des Saisons - 92400 Courbevoie - Paris la Défense 1 (France)	April 15, 2010	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year
Philippe Castagnac <sup>(a)</sup> Tour Exaltis - 61 rue Henri Regnault - 92400 Courbevoie (France)	April 14, 2016	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

(a) Resignation as Alternate Statutory Auditor on October 30, 2020, due to his retirement.

### 1.4.2.2 Statutory Auditor proposed to the Shareholders' Meeting for appointment

#### Alternate Statutory Auditors

	Date appointed <sup>(a)</sup>	End of term
Olivier Lenel 61 rue Henri Regnault - 92400 Courbevoie (France)	April 15, 2021	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

(a) Subject to the 9th resolution being adopted by the Shareholders' Meeting of April 15, 2021.

## 1.5 Executive Management

Bernard Arnault has been Chairman and Chief Executive Officer of the Company since 1989. The Board of Directors has not limited the powers vested in the Chief Executive Officer.

The Board of Directors came to the conclusion that the combined role of Chairman and Chief Executive Officer was suited to the Company's specific shareholding structure, and furthermore enabled more rapid decision-making. Consequently, it decided not to dissociate the roles of Chairman and Chief Executive Officer. In September 2001, in response to the proposal of the Chairman and Chief Executive Officer, the Board appointed Antonio Belloni as Group Managing Director. The Group

Managing Director has the same powers as the Chief Executive Officer.

The balance of powers within the Board of Directors is ensured by the provisions of the Charter of the Board of Directors and the rules governing the three committees formed by it, which specify the duties of each of those Committees. According to the requirements of the Nominations & Compensation Committee's rules of procedure, the Committee ensures that, whenever a Group Managing Director is appointed or reappointed, there are candidates of both genders present up until the final decision is made in designating said Group Managing Director.

The Charter of the Board of Directors states that the main duties of the Board of Directors are to ensure that the Company's interests are protected, taking into account the social and environmental issues facing its businesses and, where applicable, the Company's *raison d'être* (purpose), defined pursuant to Article 1835 of the French Civil Code, and protect its assets, define the overall strategic direction of the Company and the Group and monitor its implementation, approve any significant transactions falling outside the scope of the strategic direction set by the Board of Directors, carry out the annual review of agreements relating to routine operations and entered into under normal conditions to check that these agreements still qualify as routine agreements, verify the reliability and fair presentation of information concerning the Company and the Group, and the protection of the Company's assets, monitor developments in markets, the competitive environment and the Company's key strategic priorities, including those related to Environmental and Corporate Social Responsibility, and ensure that the major risks to which the Company is exposed with regard to its structure and targets – whether financial, legal, operational, social or environmental – are taken into account in the Company's management.

## 1.6 Performance Audit Committee

The main responsibilities of the Performance Audit Committee are to:

- monitor the process of preparing financial and non-financial information, in particular the parent company and consolidated financial statements and, where applicable, make recommendations to ensure their integrity;
- monitor the work of the Statutory Auditors, taking into account, where applicable, the observations and findings of the *Haut Conseil du Commissariat aux Comptes* (the supervisory body for the French audit industry) on checks carried out by it pursuant to Articles L. 821-9 *et seq.* of the French Commercial Code;
- ensure the existence, pertinence, application and effectiveness of internal control, risk management including risks of a social and environmental nature, and internal audit procedures; monitor the ongoing effectiveness of those procedures; and make recommendations to Executive Management on the priorities and general direction of the work of the Internal Audit function; analyze the Company's and the Group's exposure to risks, and in particular to those risks identified by internal control and risk management systems, including those of a social and environmental nature, as well as material off-balance sheet commitments of the Company and the Group;
- examine risks to the Statutory Auditors' independence and, where applicable, safeguards put in place to minimize the

The Board of Directors also sees to it that procedures to prevent corruption and influence-peddling are implemented, and that a policy of non-discrimination and diversity is in place, notably in respect of gender equality within the Group's governing bodies.

The Board of Directors may also establish one or more ad hoc committees for specific or important matters. Lastly, Independent Directors may meet separately from the other members of the Board of Directors, with the Lead Director serving as chair.

The balance of powers is maintained by the membership of the Board of Directors and of its various committees. According to the criteria laid down in the AFEP/MEDEF Code, 40% of the Directors on the Board are Independent Directors. In addition, on the basis of the criteria applied by the Company, the Nominations & Compensation Committee and the Performance Audit Committee consist entirely of Independent Directors, and the Ethics & Sustainable Development Committee comprises three Independent Directors out of four members.

potential of risks to compromise their independence; issue an opinion on fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and companies it controls or by which it is controlled, in relation to either their statutory audit duties or ancillary services; oversee the procedure for selecting the Company's Statutory Auditors; and make recommendations on appointments to be proposed at Shareholders' Meetings pursuant to the outcome of such consultation;

- approve services, other than certifying the financial statements, provided by the Statutory Auditors or members of the network to which they belong to the Company, or to persons or entities that control or are controlled by the Company within the meaning of the first and second paragraphs of Article L. 233-3 of the French Commercial Code, after analyzing risks to the Statutory Auditors' independence and safeguards adopted by them;
- review key agreements entered into by Group companies and agreements entered into by any Group company with a third-party company in which a Director of the LVMH parent company is also a senior executive or principal shareholder. Significant transactions falling within the scope of the provisions of Article L. 225-38 of the French Commercial Code require an opinion issued by an independent expert appointed at the proposal of the Performance Audit Committee;

- review the conclusions of the Legal Department's report on the annual review of all agreements entered into in the normal course of LVMH SE's business and at arm's length, either during the fiscal year under review or previously and still in effect during the fiscal year under review;
- assess any conflicts of interest that may affect a Director and recommend appropriate measures to prevent or correct them.

The Committee consists of three members appointed by the Board of Directors: Yves-Thibault de Silguy (Chairman), who has notably served as European Commissioner for Economic and Monetary Affairs, a trustee of the IFRS Foundation and CEO of Suez; Clara Gaymard, who joined the Committee on June 30, 2020 and was a magistrate at the Cour des Comptes and possesses lengthy experience as a senior executive; and Charles de Croisset, who has successively held senior management positions at CCF, HSBC Holdings plc and Goldman Sachs International. By virtue of their professional experience (see also §1.4.1 above: "List of positions and offices held by members of the Board of Directors") and their familiarity with financial and accounting procedures applicable to corporate groups, Clara Gaymard, Yves-Thibault de Silguy and Charles de Croisset have the expertise necessary to fulfill their responsibilities.

The Performance Audit Committee is comprised solely of Independent Directors on the basis of the criteria applied by the Company.

The Performance Audit Committee met five times in fiscal year 2020, with all of its members in attendance. All of these meetings were held without any members of the Company's Executive Management in attendance. Two meetings were devoted to the review of the financial statements in advance of their examination by the Board of Directors.

These meetings were also attended by the Statutory Auditors, Chief Financial Officer, Deputy Chief Financial Officer, Internal Audit Director, Tax Director, the Financing and Treasury Director, Director of Legal Affairs and, depending on the issues discussed, the Financial Communications Director and the Insurance Director.

Besides reviewing the annual and interim parent company and consolidated financial statements, in conjunction with a detailed analysis of changes in the Group's activities and scope of consolidation, the Committee's work mainly focused on the following points: internal audit, internal control procedures within the Group, the Group's tax position, the impact of the Covid-19 pandemic on the Group's results, the Group's finances and liquidity, the Group's insurance cover, the financial market's view of the Group, the tender held by the Group in connection with the expiration in 2022 of the Statutory Auditors' appointment and the fact that Ernst & Young Audit may not be reappointed given the length of its appointment. Following completion of this tender process, the Committee recommended that a proposal be brought to the 2022 Shareholders' Meeting to reappoint Mazars and to appoint Deloitte as a replacement for Ernst & Young Audit. Presentations on these points were made by the Group's Chief Financial Officer.

As part of the review of the 2019 parent company and consolidated financial statements, the Statutory Auditors gave a presentation to the Committee, covering in particular internal control, the method used to value fixed assets, provisions for contingencies and losses, inventory valuations, the impact of first-time adoption of IFRS 16 on the financial statements, and the key audit matters identified as well as the scope of their work, reflecting the exceptional nature of the public health crisis caused by the Covid-19 pandemic.

The Committee was given the Statutory Auditors' independence declaration as well as the amount of the fees paid to the Statutory Auditors' network by companies controlled by the Company or the entity that controls it, in respect of services not directly related to the Statutory Auditors' engagement, and was informed of the services provided in respect of work directly related to the Statutory Auditors' engagement.

Prior to the January 26, 2021 meeting of the Board of Directors, the Committee was informed that Philippe Castagnac had taken up his right to retire on October 30, 2020 and that he had thus resigned as Alternate Statutory Auditor. The Committee decided to submit a resolution to the Shareholders' Meeting on April 15, 2021 to appoint Olivier Lenel as Alternate Statutory Auditor for the remaining term of his predecessor's office, that is until the Shareholders' Meeting to be convened in 2022 to approve the financial statements for the fiscal year ending December 31, 2021.



**Individual attendance rates for serving Directors at meetings of the Performance Audit Committee as of December 31, 2020**

In this table, “✓” means present, “A” absent and “N/A” not applicable.

Members	Meeting dates					Attendance rate
	01/27/2020	04/22/2020	07/07/2020	07/23/2020	10/20/2020	
Yves-Thibault de SILGUY (Chairman)	✓	✓	✓	✓	✓	100%
Antoine ARNAULT <sup>(a)</sup>	✓	✓	N/A	N/A	N/A	100%
Charles de CROISSET	✓	✓	✓	✓	✓	100%
Clara GAYMARD <sup>(a)</sup>	N/A	N/A	✓	✓	✓	100%

(a) Appointment of Clara Gaymard as a Committee member to replace Antoine Arnault effective June 30, 2020.

## 1.7 Nominations & Compensation Committee

The Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisory Board member, making sure that the Company's Board of Directors includes prominent independent persons from outside the Company.

In particular, it discusses whether Board members may be deemed Independent Directors with regard to applicable criteria. The Committee also ensures that, whenever a Group Managing Director is appointed or reappointed, there are candidates of both genders present up until the final decision is made in designating said Group Managing Director. It also makes proposals on the appointment or reappointment of the Chairman of the Performance Audit Committee.

As part of the preparation of the Board of Directors' report on corporate governance, the Committee gives its opinion on the diversity policy applicable to members of the Board of Directors, the description of the goals of that policy, the terms of its implementation and the results obtained over the fiscal year covered by the aforementioned report.

The Committee's opinion may also be sought by the Chairman of the Board of Directors, or by any Director serving as Chief Executive Officer or Group Managing Director, on potential appointments to the Group's Executive Committee and candidates for Executive Management positions at the Group's main subsidiaries. It is the consultative body responsible for defining the measures to be taken in the event that such an office falls prematurely vacant.

After review, the Committee makes proposals on the apportionment of the maximum overall annual amount set at the Shareholders' Meeting to be allocated to Directors (and Advisory Board members, where applicable) as compensation for their work, and prepares a summary table of the payments made by the Company to each Director and Advisory Board member.

It makes proposals to the Board on the fixed, variable, exceptional, immediate and deferred compensation and benefits in kind to be awarded to (i) the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director(s) and (ii) Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract; where applicable, it also issues an opinion on any consulting agreements entered into, either directly or indirectly, with these same individuals. The Committee issues recommendations regarding the qualitative and quantifiable criteria on the basis of which the variable portion of compensation for senior executive officers is to be determined as well as the performance conditions applicable to the exercise of options and the vesting of bonus shares.

The Committee expresses its opinion on the general policy for the allocation of options and bonus shares within the Group, also making proposals on the granting of options and bonus shares to senior executive officers and to Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract.

It adopts positions on any supplementary pension plans set up by the Company for its senior executives, and issues recommendations on any retirement bonuses that may be paid to a senior executive officer upon leaving the Company.

The Committee issues an opinion relating to the fixed and variable portions of compensation, whether immediate or deferred, and benefits in kind to be received by members of the Group's Executive Committee and by other senior executive officers of the Group's main subsidiaries, and on the allocation of options and bonus shares to these same individuals. To this end, the Committee may request copies of any agreements concluded with these individuals and of any accounting information relating to payments made.

The Committee is also entitled to receive information on procedures relating to the payment of external contractors' fees and the reimbursement of their expenses, issuing any recommendations deemed necessary on this subject.

The Committee shall prepare a draft report every year for the Shareholders' Meeting, which it shall submit to the Board of Directors, on the compensation of company officers, any bonus shares awarded to them during the fiscal year as well as any options granted to them or exercised by them in the same period. The report shall also list the ten employees of the Company who received and exercised the most options.

The Committee consists of three members appointed by the Board of Directors: Charles de Croisset (Chairman), Marie-Josée Kravis and Yves-Thibault de Silguy.

All its members are independent according to the criteria applied by the Company. The Committee met twice in fiscal year 2020, with all of its members in attendance.

In particular, the Committee (i) issued proposals on the fixed and variable components of compensation as well as benefits in kind paid to the Chairman and Chief Executive Officer and the Group Managing Director, on the performance criteria associated with their variable compensation and the respective weighting of each one, the granting of performance shares to those two individuals and the requirement to retain possession of a portion of any vested shares; (ii) reviewed the performance of the Chairman and Chief Executive Officer and the Group Managing Director with respect to each of their quantifiable and qualitative targets; (iii) gave its opinion on compensation, performance shares and benefits in kind granted to certain Directors by the Company and its subsidiaries; (iv) approved the increased compensation of a senior executive of a subsidiary; (v) proposed the implementation of a medium-term incentive plan for a senior executive of a subsidiary; (vi) reviewed the statement of compensation paid to Directors and Advisory Board members during fiscal year 2019 and proposed revising the rules for allocating compensation to Directors in respect of their service and Advisory Board members; (vii) recommended, pursuant to the principle of a safeguard mechanism, to amend the requirement of the 2019 plan regarding how to proceed should the performance condition set during the implementation of this plan not be met in 2020 and (viii) reviewed the Board of Directors' draft report on the compensation policy submitted for shareholder approval.

The Committee issued an opinion on the status of all Directors with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code. It reviewed the directorships of members of the Board of Directors expiring at the close of the Shareholders' Meeting of June 30, 2020 and, having reviewed the

position of each of the Directors, expressed a favorable opinion on the reappointment as Directors of Delphine Arnault, Marie-Josée Kravis, Marie-Laure Sauty de Chalon, Antonio Belloni and Diego Della Valle. It duly noted the decision by Lord Powell of Bayswater to resign from his directorship and proposed his appointment as an Advisory Board member at the Shareholders' Meeting of June 30, 2020. It accepted the candidacy of Natacha Valla as a new Director and noted Paolo Bulgari's decision not to seek reappointment as an Advisory Board member. It examined measures adopted by the Company to ensure the safety of the Chairman and his family. In addition, it reviewed succession planning for senior executive officers.

Lastly, it was informed of the plan to appoint Clara Gaymard as a member of the Performance Audit Committee to replace Antoine Arnault and decided to amend its rules of procedure to reflect the statutory requirements arising from the Pacte law, under the terms of which the selection process for Group Managing Directors must ensure that there is at least one person of each gender among candidates.

Prior to the Board of Directors' meeting of January 26, 2021, the Committee reviewed and made proposals related, in particular, to the Company's compensation policy for company officers and senior executive officers; in addition, it read through the draft Board of Directors' report on corporate governance and the Board of Directors' report on the resolutions, including compensation-related developments.

It also reviewed the fixed compensation for 2021 of the senior executive officers and found that there were no grounds for any changes. The Committee also expressed its opinion on the criteria that may be used to determine variable compensation for 2021. Lastly, it issued a recommendation on the fixed compensation for 2021 of Directors receiving compensation, other than that received in respect of their term of office as Directors.

The Committee also reviewed all the Directors' terms of office expiring in 2021 and issued a favorable opinion on the reappointment of the terms of office of Antoine Arnault, Nicolas Bazire, Charles de Croisset and Yves-Thibault de Silguy by the Shareholders' Meeting of April 15, 2021.

The Committee introduced a selection process for Independent Directors to achieve a balanced composition of the Board of Directors in terms of the skills, expertise and diversity of its members, as laid down in the Rules of Procedure of the Nominations & Compensation Committee.

The Committee will report on how the selection procedure for Directors is applied in practice in the Company's Board of Directors' report on corporate governance.

### Individual attendance rates for serving Directors at meetings of the Nominations & Compensation Committee as of December 31, 2020

In this table, “✓” means present, “A” absent and “N/A” not applicable.

Members	Meeting dates		Attendance rate
	01/28/2020	10/21/2020	
Charles de CROISSET (Chairman)	✓	✓	100%
Marie-Josée KRAVIS	✓	✓	100%
Yves-Thibault de SILGUY	✓	✓	100%

### 1.8 Ethics & Sustainable Development Committee

At its meeting of April 14, 2016, the Board of Directors decided to establish an Ethics & Sustainable Development Committee, whose main duties are to:

- ensure compliance with the rules and values defined by the LVMH Code of Conduct as well as the other codes and charters resulting from this Code;
- help define rules of conduct and principles for action regarding ethics and environmental, workforce-related and social responsibility, which must be followed by the Group's senior executives and employees;
- review the ethical, environmental, workforce-related and social responsibility issues faced by the Group;
- review the environmental, workforce-related and social information contained in the *Management Report of the Board of Directors* and submit its opinion on this information to the Board;

- monitor the functioning of whistleblowing systems put in place within the Group.

It consists of four members appointed by the Board of Directors: Yves-Thibault de Silguy (Chairman), Hubert Védrine, Delphine Arnault and Marie-Laure Sauty de Chalon.

Three of its members qualify as independent based on the criteria adopted by the Company.

The Committee met twice in fiscal year 2020, with all of its members in attendance. During these meetings, the Ethics & Compliance Director reviewed (i) the Group's compliance situation at year-end 2019, paying special attention to personal data issues, (ii) modern slavery issues, and (iii) the Ethics & Compliance Department's objectives for 2021. The Group's environmental program was also presented to the Committee.

### Individual attendance rates for serving Directors at meetings of the Ethics & Sustainable Development Committee as of December 31, 2020

In this table, “✓” means present, “A” absent and “N/A” not applicable.

Members	Meeting dates		Attendance rate
	07/21/2020	11/19/2020	
Yves-Thibault de SILGUY (Chairman)	✓	✓	100%
Delphine ARNAULT	✓	✓	100%
Marie-Laure SAUTY de CHALON	✓	✓	100%
Hubert VÉDRINE	✓	✓	100%

## 1.9 Vice-Chairman of the Board of Directors

The Vice-Chairman is responsible for chairing the meetings of the Board of Directors or the Shareholders' Meeting in the absence of the Chairman of the Board of Directors. The Company has not appointed a Vice-Chairman.

### 1.10 Advisory Board

#### 1.10.1 Membership and operating procedures

Advisory Board members are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from among the shareholders on the basis of their competence. Under the Bylaws, they are appointed for three-year terms.

They are invited to meetings of the Board of Directors and are consulted for decision-making purposes, but do not have a vote. They may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development.

The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise. Their absence does not affect the validity of the Board of Directors' proceedings.

The Company currently has two Advisory Board members, namely Lord Powell of Bayswater, who in this role has continued to shed light for the Board of Directors on developments in international economic relations, and Yann Arthus-Bertrand, who provides invaluable input for the Board's consideration of environmental issues facing the Group's businesses.

#### Advisory Board members

Name	Nationality	Date of first appointment	Renewal of the term of office
Yann ARTHUS-BERTRAND	French	04/18/2019	2022
Lord POWELL of BAYSWATER	British	06/30/2020 <sup>(a)</sup>	2023

(a) Date of first appointment as a Director: May 29, 1997.

#### 1.10.2 List of positions and offices held by the Advisory Board members

##### Yann ARTHUS-BERTRAND

Date of birth: March 13, 1946.

Business address: GoodPlanet Foundation – Carrefour de Longchamp – 75116 Paris (France).

Yann Arthus-Bertrand began his career as a photographer and film Director, and very early on became involved in protecting the environment through his creative work. In 2005, he created

the GoodPlanet Foundation, a recognized public-interest organization, which he still chairs today, and which aims to make environmentalism and humanism a central issue. In addition to its work to raise public awareness, especially among young people, the Foundation supports a wide range of programs, particularly those aimed at combating global warming and deforestation, and protecting the oceans.

#### Current positions and offices

##### LVMH group

France LVMH Moët Hennessy Louis Vuitton SE<sup>(1)</sup> Advisory Board member

##### Other

France	GoodPlanet Foundation	Chairman
	Fondation Groupe France Télévisions	Member of the Board of Directors
	Académie des Beaux-Arts	Member
	Les Canaux	Chairman of the Board of Directors
	United Nations Environment Programme (UNEP)	Goodwill Ambassador

## Lord POWELL of BAYSWATER

Date of birth: July 6, 1941.

Business address: LVMH House – 15 St George Street – W1S 1FH London (United Kingdom).

Lord Powell was Private Secretary and Advisor on Foreign Affairs and Defense to Prime Ministers Margaret Thatcher and John Major from 1983 to 1991. He sits as a cross-bench member of the House of Lords, the British Parliament's upper chamber.

## Current positions and offices

## LVMH group

France	LVMH Moët Hennessy Louis Vuitton SE <sup>(1)</sup>	Advisory Board member
International	LVMH Services Limited (United Kingdom)	Chairman of the Board of Directors

## Agache group

France	Financière Agache SA	Director
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## Other

International	Hong Kong Land Holdings (Bermuda) <sup>(1)</sup>	Director
	Jardine Strategic Holdings (Bermuda) <sup>(1)</sup>	Director
	Matheson & Co. Ltd (United Kingdom)	Director
	Northern Trust Corporation (United States) <sup>(1)</sup>	Director

## 1.11 Participation in Shareholders' Meetings

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular conditions for the allocation of double voting rights to the holders of registered

shares, are set out in the "Other information" section (§1.3 "Additional information") of this 2020 Universal Registration Document.

## 1.12 Summary of existing delegations and financial authorizations and use made of them

Share repurchase program (Articles L. 22-10-62 et seq. of the French Commercial Code)<sup>(a)</sup>

Type	Authorization date	Expiry/Duration	Amount authorized	Use as of December 31, 2020
Share repurchase program Maximum purchase price: 550 euros	SM June 30, 2020 (18th resolution)	December 29, 2021 (18 months)	10% of the share capital <sup>(b)</sup>	Movements during the fiscal year <sup>(c)</sup> – Purchases: 582,906 shares – Disposals: 537,933 shares – 861,456 shares held at 12/31/2020
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM June 30, 2020 (19th resolution)	December 29, 2021 (18 months)	10% of the share capital per 24-month period <sup>(b)</sup>	– Shares retired between January 1 and June 30, 2020: 403,946 shares <sup>(d)</sup> – Shares retired between June 30 and December 31, 2020: 270,000 shares <sup>(e)</sup>

(a) A resolution renewing these authorizations will be presented at the Shareholders' Meeting of April 15, 2021. See §1.13 below.

(b) As a guide, this equates to 50,475,734 shares on the basis of the share capital under the Bylaws as of December 31, 2020.

(c) Movements between June 30, 2020 and December 31, 2020 mentioned in §6 of the *Management Report of the Board of Directors* - "Parent company: LVMH Moët Hennessy Louis Vuitton".

(d) Retirement of shares pursuant to the 17th resolution approved at the Shareholders' Meeting of April 18, 2019.

(e) Retirement of shares pursuant to the 19th resolution approved at the Shareholders' Meeting of June 30, 2020.

**Increase in the share capital (Articles L. 225-129, L. 225-129-2, L. 228-92 and L. 22-10-49 to L. 22-10-54 of the French Commercial Code)<sup>(a)</sup>**

Type	Authorization date	Expiry/Duration	Amount authorized	Issue price determination method	Use as of December 31, 2020
Through the capitalization of profit, reserves, additional paid-in capital or other items (L. 225-129-2, L. 225-130 and L. 22-10-50)	SM April 18, 2019 (18th resolution)	June 17, 2021 (26 months)	50 million euros <sup>(b)</sup>	Not applicable	None
With preferential subscription rights: Ordinary shares and securities giving access to the share capital	SM April 18, 2019 (19th resolution)	June 17, 2021 (26 months)	50 million euros <sup>(b)(c)</sup>	Free	None
Without preferential subscription rights: Ordinary shares and securities giving access to the share capital					
– by means of public offering (L. 225-135 <i>et seq.</i> )	SM April 18, 2019 (20th resolution)	June 17, 2021 (26 months)	50 million euros <sup>(b)(c)</sup>	At least equal to the minimum price required by regulations <sup>(d)</sup>	None
– for qualified investors or a restricted group of investors (L. 225-135 <i>et seq.</i> )	SM April 18, 2019 (21st resolution)	June 17, 2021 (26 months)	50 million euros <sup>(b)(c)</sup> Issue of shares capped at 20% of the share capital per year, determined as of the issue date	At least equal to the minimum price required by regulations <sup>(d)</sup>	None
Increase in the number of shares to be issued in the event that the issue is oversubscribed in connection with capital increases, with or without preferential subscription rights, carried out pursuant to the 19th, 20th and 21st resolutions of the Shareholders' Meeting of April 18, 2019	SM April 18, 2019 (23rd resolution)	June 17, 2021 (26 months)	Up to a maximum of 15% of the initial issue and up to 50 million euros <sup>(b)</sup>	Same price as the initial issue	None
In connection with a public exchange offer (L. 225-148)	SM April 18, 2019 (24th resolution)	June 17, 2021 (26 months)	50 million euros <sup>(b)</sup>	Free	None
In connection with in-kind contributions (L. 225-147)	SM April 18, 2019 (25th resolution)	June 17, 2021 (26 months)	10% of the share capital at the issue date <sup>(b)(e)</sup>	Free	None

(a) A resolution renewing these authorizations on an identical basis, except for the overall limit to be set at 20 million euros, will be presented at the Shareholders' Meeting of April 15, 2021. See §1.13 below.

(b) Maximum nominal amount (i.e. 166,666,666 shares based on a nominal value of 0.30 euros per share). This is an overall cap set at the Shareholders' Meeting of April 18, 2019 for any issues decided upon pursuant to the 18th, 19th, 20th, 21st, 23rd, 24th, 25th, 26th or 27th resolutions.

(c) Up to the overall maximum of 50 million euros referred to in (b), this amount may be increased to a maximum of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of April 18, 2019, 23rd resolution).

(d) Up to a maximum of 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is equal to at least 90% of the weighted average share price over the three trading days preceding the date on which it is determined (Shareholders' Meeting of April 18, 2019, 22nd resolution).

(e) As a guide, this equates to 50,475,734 shares on the basis of the share capital under the Bylaws as of December 31, 2020.

## Employee share ownership

Type	Authorization date	Expiry/Duration	Amount authorized	Issue price determination method	Use as of December 31, 2020
Share subscription or purchase options <sup>(a)</sup> (L. 225-177 et seq. and L. 22-10-56)	SM April 18, 2019 (26th resolution)	June 17, 2021 (26 months)	1% of the share capital <sup>(b)(c)</sup>	Average share price over the 20 trading days preceding the grant date <sup>(d)</sup> , with no discount	– Granted: None – Available to be granted: 5,050,273 shares
Bonus share awards (L. 225-197-1 et seq., L. 22-10-59 and L. 22-10-60)	SM June 30, 2020 (20th resolution)	August 29, 2022 (26 months)	1% of the share capital <sup>(b)(e)</sup>	Not applicable	– Granted: 177,034 shares – Available to be granted: 4,873,239 shares
Capital increase reserved for employees who are members of a company savings plan <sup>(a)</sup> (L. 225-129-6)	SM April 18, 2019 (27th resolution)	June 17, 2021 (26 months)	1% of the share capital <sup>(b)(c)</sup>	Average share price over the 20 trading days preceding the grant date, with a maximum discount of 20%	None

(a) A resolution to renew these authorizations on an identical basis, except for the overall limit to be set at 20 million euros, will be presented at the Shareholders' Meeting of April 15, 2021. See §1.13 below.

(b) Up to the overall maximum of 50 million euros set at the Shareholders' Meeting of April 18, 2019, against which this amount is offset.

(c) As a guide, this equated to 5,050,273 shares on the basis of the share capital under the Bylaws as of April 18, 2019.

(d) For purchase options, the price may not be less than the average purchase price of the shares.

(e) As a guide, this equates to 5,050,273 shares on the basis of the share capital under the Bylaws as of June 30, 2020.

### 1.13 Authorizations proposed at the Shareholders' Meeting of April 15, 2021

#### Share repurchase program (Articles L. 22-10-62 et seq. of the French Commercial Code)

Type	Resolution	Expiry/Duration	Amount authorized
Share repurchase program Maximum purchase price: 700 euros	SM April 15, 2021 (18th resolution)	October 14, 2022 (18 months)	10% of the share capital <sup>(a)</sup>
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM April 15, 2021 (19th resolution)	October 14, 2022 (18 months)	10% of the share capital per 24-month period <sup>(a)</sup>

(a) As a guide, this equates to 50,475,734 shares on the basis of the share capital under the Bylaws as of December 31, 2020.

### Increase in the share capital (Articles L. 225-129, L. 225-129-2, L. 228-92 and L. 22-10-49 to L. 22-10-54 of the French Commercial Code)<sup>(a)</sup>

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method
Through the capitalization of profit, reserves, additional paid-in capital or other items	SM April 15, 2021 (20th resolution)	June 14, 2023 (26 months)	20 million euros <sup>(a)</sup>	Not applicable
With preferential subscription rights: Ordinary shares and securities giving access to the share capital	SM April 15, 2021 (21st resolution)	June 14, 2023 (26 months)	20 million euros <sup>(a)(b)</sup>	Free
Without preferential subscription rights: Ordinary shares and securities giving access to the share capital				
– by means of public offering	SM April 15, 2021 (22nd resolution)	June 14, 2023 (26 months)	20 million euros <sup>(a)(b)</sup>	At least equal to the minimum price required by regulations <sup>(c)</sup>
– for qualified investors or a restricted group of investors	SM April 15, 2021 (23rd resolution)	June 14, 2023 (26 months)	20 million euros <sup>(a)(b)</sup> Issue of shares capped at 20% of the share capital per year, determined as of the issue date	At least equal to the minimum price required by regulations <sup>(c)</sup>
Increase in the number of shares to be issued in the event that the issue is oversubscribed in connection with capital increases, with or without preferential subscription rights, carried out pursuant to the 21st, 22nd and 23rd resolutions of this Shareholders' Meeting	SM April 15, 2021 (24th resolution)	June 14, 2023 (26 months)	Up to a maximum of 15% of the initial issue and up to 20 million euros <sup>(a)</sup>	Same price as the initial issue
In connection with a public exchange offer	SM April 15, 2021 (25th resolution)	June 14, 2023 (26 months)	20 million euros <sup>(a)</sup>	Free
In connection with in-kind contributions	SM April 15, 2021 (26th resolution)	June 14, 2023 (26 months)	10% of the share capital at the issue date <sup>(a)(d)</sup>	Free

(a) Maximum nominal amount (i.e. 66,666,666 shares based on a nominal value of 0.30 euros per share). This is an overall cap set by the Shareholders' Meeting of April 15, 2021 (29th resolution) for any issues decided upon pursuant to the 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th and 28th resolutions.

(b) The amount of the capital increase decided by the Board of Directors may be increased up to a maximum of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of April 15, 2021, 24th resolution) up to the overall cap of 20 million euros stated in (a) above.

(c) Up to a maximum of 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is equal to at least 90% of the weighted average share price over the three trading days preceding the date on which the subscription price is determined (Shareholders' Meeting of April 15, 2021, 22nd and 23rd resolutions).

(d) As a guide, this equates to 50,475,734 shares on the basis of the share capital under the Bylaws as of December 31, 2020.

### Employee share ownership (Articles L. 225-177, L. 225-129-6 (1), L. 225-197-1 et seq., and L. 22-10-56 to L. 22-10-60 of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method
Share subscription or purchase options	SM April 15, 2021 (27th resolution)	June 14, 2023 (26 months)	1% of the share capital <sup>(a)(b)</sup>	Average share price over the 20 trading days preceding the grant date <sup>(c)</sup> , with no discount
Capital increase reserved for employees who are members of a company savings plan	SM April 15, 2021 (28th resolution)	June 14, 2023 (26 months)	1% of the share capital <sup>(a)(b)</sup>	Average share price over the 20 trading days preceding the grant date, with a maximum discount of 30%

(a) Up to the overall maximum of 20 million euros proposed at the Shareholders' Meeting of April 15, 2021 (29th resolution), against which this amount is offset.

(b) As a guide, this equates to 5,047,573 shares on the basis of the share capital under the Bylaws as of December 31, 2020.

(c) For purchase options, the price may not be less than the average purchase price of the shares.



### 1.14 Information on the related-party agreements covered by Article L. 225-37-4 2° of the French Commercial Code

To the best of the Company's knowledge, no agreements falling within the purview of Article L. 225-37-4 2° were entered into during the 2020 fiscal year.

### 1.15 Information that could have a bearing on a takeover bid or exchange offer

Pursuant to the provisions of Article L. 22-10-11 of the French Commercial Code, information that could have a bearing on a takeover bid or exchange offer is presented below:

- capital structure of the Company: the Company is controlled by the Arnault Family Group, which controlled 47.48% of the share capital and 63.46% of the voting rights exercisable at Shareholders' Meetings as of December 31, 2020;
- share issues and repurchases under various resolutions:
  - the shareholders have delegated to the Board of Directors the power to:
    - acquire Company shares within the limit of 10% of the share capital,
    - increase the share capital, with or without preferential subscription rights and via public offering or for qualified investors or a restricted group of investors, up to a total nominal amount not exceeding 20 million

euros, i.e. 13.20% of the Company's current share capital, subject to the approval of the 29th resolution by the Shareholders' Meeting of April 15, 2021,

- increase the share capital in connection with a public exchange offer or in-kind contributions.

These delegations of authority are suspended during takeover bids or exchange offers.

- the shareholders have also delegated to the Board of Directors the power to:

- allocate share subscription options or bonus shares to be issued within the limit of 1% of the share capital,
- increase the share capital through an issue for employees within the limit of 1% of the share capital.

These delegations of authority are not suspended during takeover bids or exchange offers.

### 1.16 Presentation of the policy for assessing agreements concluded within the normal course of the Company's operations and at arm's length by the Board of Directors and its implementation

At its meeting on January 28, 2020, the Board of Directors approved the Charter on control procedures for related-party agreements and the assessment of agreements relating to current operations, the main provisions of which are as follows:

Once a year ahead of the meeting of the Board of Directors at which the parent company financial statements are approved, the Company's Legal Department conducts a review of such agreements concluded within the normal course of business in a prior period or previously where they remained in force in the previous fiscal year. It confirms that said agreements still qualify as having been concluded in the normal course of business as laid down in the Charter, based on the information provided by the relevant operational divisions. A report is then drafted on the basis of this review and submitted to the Performance Audit Committee, which, in turn, after reviewing it, presents

the findings of said report to the Board of Directors, which, where appropriate, may recharacterize agreements. The Legal Department conducted a review of all routine agreements entered into by the Company during the past fiscal year or previously that remained in effect during the past fiscal year and concluded that they still satisfy the conditions to be classified as routine agreements on the basis of the information submitted to it by the relevant operational departments. At its January 26, 2021 meeting, the Board of Directors, having heard the conclusions of the Audit Committee on the Legal Department's report, found that (i) none of the agreements are liable to be characterized or recharacterized as a related-party agreement, and (ii) having conducted the annual review of how the procedure for determining and assessing the routine agreements was conducted, found that there were no grounds for making amendments to increase its efficacy.

## 2. COMPENSATION OF COMPANY OFFICERS

The compensation policy for company officers and senior executive officers is set by the Board of Directors after consulting the Nominations & Compensation Committee, whose responsibilities include (i) making proposals on the fixed, variable and exceptional compensation, benefits in kind and breakdown of compensation allocated to the members of the Board of Directors and the Advisory Board members in respect of their terms of office; (ii) giving an opinion on the granting of options or bonus performance shares to the Chairman and Chief Executive Officer and the Group Managing Director, and on the requirement to retain possession of a portion of any such shares; (iii) formulating a position on supplementary pension plans set up by the Company for its company officers; and (iv) making proposals on any retirement bonuses that may be paid to a senior executive upon leaving the Company.

Every year, the Board of Directors determines the fixed, variable and exceptional compensation of the Chairman and Chief Executive Officer, the Group Managing Director and the Directors holding executive positions within the Group, as well as any awards of bonus shares to such company officers, after considering the recommendations made by the Nominations & Compensation Committee. It also takes into account their duties and the scope of their responsibilities, their individual performance and that of the Group during the previous fiscal year, the size of the

Group and its international standing, the compensation paid for performing equivalent duties in comparable businesses, and the employment situation and level of compensation within the Group.

The Board of Directors is responsible for resolving any conflicts of interests brought to its attention.

No compensation of any type whatsoever may be calculated, awarded or paid by the Company unless it complies with the compensation policy approved at the Shareholders' Meeting.

In accordance with the second paragraph of III of Article L. 22-10-8 of the French Commercial Code, the Board of Directors may in exceptional circumstances, after soliciting the opinion of the Nominations & Compensation Committee, and, where appropriate, an independent consulting firm, depart from the compensation policy, provided that such derogation is only temporary, in the corporate interest and necessary to safeguard the sustainability and viability of the Company.

The Board of Directors' option of departing from the compensation policy applies to any and all items of compensation, it being agreed that amendments may, depending on the situation, lead to either an increase or a decrease in the relevant items of compensation.

### 2.1 Compensation policy

#### 2.1.1 Non-senior-executive company officers

##### 2.1.1.1 Compensation for serving as a company officer

The Shareholders' Meeting sets maximum aggregate amount that may be awarded to Directors to compensate them for their duties.

Compensation awarded to each Director is set in accordance with the rules indicated below, which were determined by the Board of Directors, based on the proposal submitted by the Nominations & Compensation Committee, which considers the Advisory Board members as equivalent to Directors in this regard.

The compensation is stated as a number of units, with the amount of each unit corresponding to the sum allotted by the Shareholders' Meeting divided by the number of units to be paid out, subject to a cap of 22,500 euros.

- (i) For each Director or Advisory Board member of the LVMH group with employee or senior executive officer status: One unit;
- (ii) for each Director or Advisory Board member of the LVMH group without employee or senior executive officer status: Two units;

- (iii) for serving as a Committee member: One additional unit;
- (iv) for serving as a Committee Chairman: One additional unit;
- (v) for serving as the Company's Lead Director: One additional unit;
- (vi) for serving as Chairman or Vice-Chairman of the Company's Board of Directors: Two additional units.

The settlement of a portion of the compensation allocated to Directors and Advisory Board members is contingent upon their attendance at meetings of the Board of Directors and any Committees on which they serve. A reduction in the amount to be paid is applied to two-thirds of the compensation described under (i) and (ii) above, proportional to the number of Board meetings the Director or Advisory Board member in question does not attend.

In addition, for Committee members, a reduction in the amount to be paid is applied to the additional compensation described under (iii) and (iv) above, proportional to the number of Committee meetings the Director in question does not attend.

The Nominations & Compensation Committee is kept informed of the amount of compensation for serving as a Director paid to senior executive officers of the Company by Group subsidiaries in respect of their term(s) of office as a Director at these subsidiaries.

#### 2.1.1.2 Exceptional compensation

Exceptional compensation may be awarded by the Board of Directors to certain Directors, with respect to any specific mission with which they have been entrusted. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

No fixed or variable compensation other than that stated hereinabove may be paid by the Company to non-senior-executive company officers in respect of their appointment.

#### 2.1.1.3 Employment contracts or service agreements entered into with the Company

No employment contract or service agreement may be entered into by the Company with non-senior-executive company officers. Compensation for those among them holding duties within controlled companies is paid by the relevant companies.

#### 2.1.1.4 Severance benefits

Under his employment contract with a controlled company, Nicolas Bazire is covered by a non-compete clause entitling him to receive monthly compensation over a period of 12 months equal to his monthly compensation as of the date his employment contract ends, plus one-twelfth of the last bonus he received.

#### 2.1.1.5 Obligations under company pension and provident insurance plans

In return for their duties at controlled companies, non-senior-executive company officers qualify for the mandatory company provident insurance plan and statutory basic and supplementary pension plans applicable to the controlled companies' employees.

#### 2.1.1.6 Supplementary pension plan

Around 20 years ago, the Company set up a supplementary pension plan for members of the Group's Executive Committee. The plan's potential recipients included certain non-senior-executive company officers by virtue of their status as members of the Executive Committee. This plan provided for the payment of a supplementary pension to its members who were employees or senior executive officers of French companies, and who had been members of the Committee for at least six years, provided that they liquidated any pensions acquired under external pension plans immediately upon terminating their duties with the Group; this was not required, however, if they left the Group at its request after the age of 55, as long as they did not take up any other professional activity until their external pension plans had been liquidated.

This supplementary pension benefit was determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,439,760 euros as of December 31, 2020). The annual supplementary pension benefit was equal to the difference between 60% of the aforementioned reference compensation amount, which was capped where applicable, and all pension payments made in France and abroad (under France's general social security plan and the supplementary ARRCO and AGIRC plans, as well as any additional employer-funded pension plans). As of December 31, 2020, the total amount of pensions and the supplementary pension could not exceed 863,856 euros per year.

Pursuant to the Order of July 3, 2019, this supplementary pension plan has been closed, and the rights frozen as of December 31, 2019.

### 2.1.2 Senior executive officers

Compensation and benefits awarded to senior executive officers mainly reflect the degree of responsibility attached to their roles, their individual performance and the Group's results, and the achievement of targets. They also take into account compensation paid by companies of a similar size, industry sector and international presence.

Compensation payable to senior executive officers is determined with reference to the principles laid down in the AFEP/MEDEF Code.

This compensation is broken down as follows:

#### 2.1.2.1 Fixed compensation

Compensation payable to the Chairman and Chief Executive Officer and the Group Managing Director includes a fixed component, which it has been decided to keep stable.

#### 2.1.2.2 Variable and exceptional compensation

Compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director also includes a variable annual component based on the achievement of quantifiable and qualitative targets. For the Chairman and Chief Executive Officer, these quantifiable and qualitative targets are weighted at 60% and 40%, respectively, for the purposes of determining variable compensation; for the Group Managing Director, they are weighted two-thirds and one-third, respectively. The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. Specific qualitative criteria – which can be strategic, managerial, organizational or operational and related to corporate social responsibility and sustainable development in particular – have been set, but their details are not made public for confidentiality reasons. The method used for assessing performance is reviewed by the Nominations & Compensation Committee. Given the choice

made to keep fixed compensation amounts steady, the variable portion is capped at 250% of the fixed portion for the Chairman and Chief Executive Officer and at 150% of the fixed portion for the Group Managing Director.

In certain cases, exceptional compensation may also be awarded to the Chairman and Chief Executive Officer and to the Group Managing Director.

Payment to the Chairman and Chief Executive Officer and Group Managing Director of the variable and exceptional components of their compensation is subject to prior approval of the amount at an Ordinary Shareholders' Meeting.

### 2.1.2.3 Award of share options and bonus shares

The granting of options to purchase or subscribe for shares as well as the granting of bonus share awards are means to reward and retain the Group's employees and senior executive officers who contribute most directly to the results of its operations by allowing them to share in the Group's future performance.

The Chairman and Chief Executive Officer and the Group Managing Director are eligible for stock option plans set up by the Company for the Group's employees and senior executives.

No option plan has been set up by the Company since the May 14, 2009 plan, which carried performance conditions and expired on May 13, 2019.

If any new stock option plans were to be set up by the Board of Directors, both the Chairman and Chief Executive Officer and the Group Managing Director would be eligible for these plans, the vesting of options would be subject to continued service and performance conditions, and a specific holding requirement would apply to the Chairman and Chief Executive Officer and to the Group Managing Director, under which they would be required to retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares resulting from the exercise of their options that corresponds to a sliding percentage of between 50% and 30% (depending on the date the options were exercised) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date. This holding requirement would cease to apply when the value of shares held exceeded twice the gross amount of their most recently disclosed fixed and variable compensation as of the exercise date for the options.

The Chairman and Chief Executive Officer and the Group Managing Director are eligible for the bonus share allotment plans set up by the Board of Directors for the Group's managers and senior executives.

However, they may only be granted bonus share awards that vest subject to continued service and performance conditions as determined by the Board of Directors based on a proposal submitted by the Nominations & Compensation Committee. In the event of the vesting of their shares, they are subject to a specific holding requirement. They must retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares representing half of the

notional capital gain, net of tax, other duties, and social security contributions, determined on the basis of the closing share price on the day before the vesting date. In addition, the Board of Directors, adopting the recommendation put forward by the Nominations & Compensation Committee, capped the financial value of shares that may be awarded to the Chairman and Chief Executive Officer and the Group Managing Director at 60% and 40%, respectively, of their total annual compensation.

In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a specific cap on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations & Compensation Committee – which consists entirely of Independent Directors according to the criteria applied by the Company and is tasked with making proposals on the granting of options or bonus performance shares to senior executives – ensures an adequate degree of control over allocation policy.

The Charter of the Board of Directors forbids senior executive officers from using hedging transactions on their share purchase or subscription options or their performance shares until the end of the holding period set by the Board.

### 2.1.2.4 Benefits in kind

Like the other members of the Group's Executive Committee, the Chairman and Chief Executive Officer and the Group Managing Director each have a company car. The value of this benefit is measured in accordance with the applicable tax provisions.

### 2.1.2.5 Compensation for serving as a senior executive officer

Like the other members of the Board of Directors, the Chairman and Chief Executive Officer and the Group Managing Director may receive compensation for serving as a Director in accordance with the rules for the allocation of this compensation presented in §2.1.1.1 "Compensation for serving as a company officer".

### 2.1.2.6 Employment contracts or service agreements entered into with the Company

This information is disclosed in §2.2.2.4 below.

### 2.1.2.7 Severance benefits

Pursuant to the provisions of Article L. 225-42-1 (repealed in 2019) of the French Commercial Code, at its meeting on February 4, 2010, the Board of Directors approved the non-compete clause included in Antonio Belloni's employment contract (a permanent contract suspended for the duration of his term as Group Managing Director); this non-compete commitment for a period of 12 months provides for the monthly payment of compensation equal to his monthly compensation as of the date his term of office ends, plus one-twelfth of the last bonus received. Article 22 of the AFEP/MEDEF Code recommending that an employee's employment contract be terminated when that employee is appointed a senior executive officer, does not apply to the Group Managing Director, a role in which Antonio Belloni has served since September 26, 2001.

Notwithstanding this clause, neither the Chairman and Chief Executive Officer nor the Group Managing Director benefit from provisions granting them specific compensation upon leaving the Company or exemption from rules governing the exercise of options or the vesting of bonus performance shares.

#### 2.1.2.8 Obligations under company pension and provident insurance plans

Senior executive officers qualify by virtue of their appointment for the mandatory company insurance plan and statutory basic and supplementary pension plans applicable to the Company's employees.

#### 2.1.2.9 Supplementary pension plan

Around 20 years ago, the Company set up a supplementary pension plan for members of the Group's Executive Committee. The plan's potential beneficiaries include the Chairman and Chief Executive Officer and the Group Managing Director because they are members of the Executive Committee. This plan provided for the payment of a supplementary pension to its members who were employees or senior executive officers of French companies, and who had been members of the Committee for at least six years, provided that they liquidated any pensions acquired under external pension plans immediately upon terminating their duties with the Group; this was not required, however, if they left the Group at its request after the age of 55, as long as they did not take up any other professional activity until their external pension plans had been liquidated.

This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,439,760 euros as of December 31, 2020). The annual supplementary pension benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France and abroad (under France's general social security plan and the supplementary ARRCO and AGIRC plans, as well as any additional employer-funded pension plans). As of December 31, 2020, the total amount of pensions and the supplementary pension could not exceed 863,856 euros per year.

Pursuant to the Order of July 3, 2019, this supplementary pension plan has been closed, and the rights frozen as of December 31, 2019.

Given the characteristics of the pension plan presented above and Bernard Arnault's and Antonio Belloni's personal circumstances, their potential supplementary pension no longer entitled them in 2019 to the annual vesting of any additional rights, such that the Order of July 3, 2019 had no impact on their potential supplementary pension. It remains subject to the arrangements presented above that the Company had put in place.

On the basis of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director in 2020, their supplementary pension under the aforementioned system would not exceed 45% of the amount of their last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code.

## 2.2 Compensation paid during fiscal year 2020 and compensation awarded in respect of fiscal year 2020

The Shareholders' Meeting of June 30, 2020 approved, pursuant to the provisions of Article L. 22-10-8 (formerly L. 225-37-2) of the French Commercial Code, the compensation policy applicable to senior executive officers.

The information provided hereinafter meets the requirements of the provisions of Article L. 22-10-9 of the French Commercial Code.

At its meeting on April 15, 2020, the Board of Directors, on the recommendation of the Chairman and Chief Executive Officer, with the agreement of those affected, decided that Bernard Arnault, Antonio Belloni, Antoine Arnault, Nicolas Bazire and Delphine Arnault, would not receive (i) any fixed compensation in respect of their executive duties within the LVMH group during April and May 2020, nor (ii) any variable compensation in respect of these duties during the 2020 fiscal year. The Board of Directors also decided to apply a 30% reduction to the gross amount of compensation payable to the Directors and Advisory Board members in respect of their duties in the 2020 fiscal year.

At its October 22, 2020 meeting, the Board of Directors decided, on the recommendation of the Nominations & Compensation Committee, and in accordance with the principle of a safeguard mechanism laid down in the rules of the bonus share plans, should the performance conditions set when the plan was established in October 2019 not be met in 2020, to amend this plan's rules as follows:

Should the performance condition not be met in 2020, given the exceptional circumstances causing the condition not to be met for reasons unrelated to the Group and the quality of its management, and provided that the consolidated profit from recurring operations stated in the 2021 budget adopted by the Board of Directors is achieved, a definitive award equal to 50% of the provisional allocation will vest with grantees, subject to the arrangements for these senior executive officers being approved under the 11th resolution at the Shareholders' Meeting on April 15, 2021.

## 2.2.1 Compensation paid during fiscal year 2020 and compensation awarded in respect of fiscal year 2020 to non-senior-executive company officers

### 2.2.1.1 Summary of compensation allocated for service on the Board of Directors, other compensation and benefits in kind paid, and commitments given to non-senior-executive company officers

#### a) Compensation for serving as a Director

Directors (EUR)	Gross compensation awarded in respect of fiscal year 2020 and paid during fiscal year 2020				Gross compensation awarded in respect of fiscal year 2019 and paid during fiscal year 2019			
	Awarded		Paid		Awarded		Paid	
	By LVMH SE <sup>(a)</sup>	By controlled companies	By LVMH SE <sup>(a)</sup>	By controlled companies	By LVMH SE	By controlled companies	By LVMH SE	By controlled companies
Antoine Arnault	23,625	10,000	23,625	10,000	67,500	10,000	67,500	10,000
Delphine Arnault	31,500	12,346	31,500	12,346	67,500	12,346	67,500	12,346
Dominique Aumont <sup>(b)</sup>	-	-	-	-	-	-	-	-
Nicolas Bazire	15,750	10,000	15,750	10,000	45,000	10,000	45,000	10,000
Sophie Chassat	31,500	-	31,500	-	45,000	-	45,000	-
Charles de Croisset	94,500	-	94,500	-	121,875	-	121,875	-
Diego Della Valle	23,625	-	23,625	-	35,000	-	35,000	-
Clara Gaymard	39,375	-	39,375	-	40,000	-	40,000	-
Iris Knobloch	31,500	-	31,500	-	26,000	-	26,000	-
Marie-Josée Kravis	44,625	-	44,625	-	67,500	-	67,500	-
Marie-Laure Sauty de Chalon	47,250	-	47,250	-	67,500	-	67,500	-
Yves-Thibault de Silguy	110,250	-	110,250	-	157,500	-	157,500	-
Natacha Valla <sup>(c)</sup>	13,125	-	13,125	-	-	-	-	-
Hubert Védrine	44,625	-	44,625	-	67,500	-	67,500	-

(a) After the 30% reduction decided on by the Board of Directors at its meeting on April 15, 2020.

(b) Decision by the Board of Directors not to award compensation for serving as a Director to the Director representing the employees on the Company's Board of Directors, on said Director's recommendation.

(c) Appointment effective June 30, 2020.

In addition, gross compensation paid in 2020 by the Company to the Advisory Board members<sup>(a)</sup> in respect of their service was as follows:

	(EUR)
Yann Arthus-Bertrand	28,875
Paolo Bulgari <sup>(b)</sup>	7,875
Lord Powell of Bayswater <sup>(c)</sup>	15,750

(a) After the 30% reduction decided on by the Board of Directors at its meeting on April 15, 2020.

(b) Term of office ended at the Shareholders' Meeting of June 30, 2020.

(c) Resignation as a Director effective from the close of the Shareholders' Meeting of June 30, 2020 and appointment as an Advisory Board member at said Shareholders' Meeting.

In respect of fiscal year 2020, LVMH paid a total gross amount of 666,750 euros to the members of its Board of Directors and Advisory Board members.

## b) Compensation, benefits in kind and commitments given to non-senior-executive company officers

Antoine Arnault - Compensation, benefits in kind and commitments given<sup>(a)</sup>

Compensation (EUR)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	666,667 <sup>(b)</sup>	666,667 <sup>(b)</sup>	780,000	780,000
<b>Variable compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	0 <sup>(b)</sup>	260,000 <sup>(c)</sup>	260,000	250,000 <sup>(c)</sup>
<b>Exceptional compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	-	100,000	100,000	100,000
<b>Benefits in kind<sup>(d)</sup></b>				
– LVMH	-	-	-	-
– Controlled companies	21,956	21,956	22,290	22,290
<b>Total</b>	<b>688,623</b>	<b>1,048,623</b>	<b>1,162,290</b>	<b>1,152,290</b>

(a) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.1.2 below.

(b) No variable compensation and no fixed compensation for April and May 2020.

(c) Amounts paid in respect of the prior fiscal year.

(d) Benefits in kind: company car.

Delphine Arnault - Compensation, benefits in kind and commitments given<sup>(a)</sup>

Compensation (EUR)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	783,333 <sup>(b)</sup>	783,333 <sup>(b)</sup>	915,000	915,000
<b>Variable compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	0 <sup>(b)</sup>	780,000 <sup>(c)</sup>	780,000	755,000 <sup>(c)</sup>
<b>Exceptional compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	-	1,500,000 <sup>(d)</sup>	-	1,500,000 <sup>(d)</sup>
<b>Benefits in kind<sup>(e)</sup></b>				
– LVMH	-	-	-	-
– Controlled companies	10,685	10,685	9,667	9,667
<b>Total</b>	<b>794,018</b>	<b>3,074,018</b>	<b>1,704,667</b>	<b>3,179,667</b>

(a) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.1.2 below.

(b) No variable compensation and no fixed compensation for April and May 2020.

(c) Amounts paid in respect of the prior fiscal year.

(d) 2016-2018 medium-term incentive plan: The financial component of 1,500,000 euros was paid out in 2019, and the qualitative component of 1,500,000 euros was paid out in 2020.

(e) Benefits in kind: company car.

## Compensation of company officers

**Nicolas Bazire – Compensation, benefits in kind and commitments given<sup>(a)</sup>**

Compensation (EUR)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	1,029,167 <sup>(b)</sup>	1,029,167 <sup>(b)</sup>	1,235,000	1,235,000
<b>Variable compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	0 <sup>(b)</sup>	2,700,000 <sup>(c)</sup>	2,700,000	2,700,000 <sup>(c)</sup>
<b>Exceptional compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	-	-	-	-
<b>Benefits in kind<sup>(d)(e)</sup></b>				
– LVMH	-	-	-	-
– Controlled companies	12,741	12,741	12,741	12,741
<b>Total</b>	<b>1,041,908</b>	<b>3,741,908</b>	<b>3,947,741</b>	<b>3,947,741</b>

(a) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.1.2 below.

(b) No variable compensation and no fixed compensation for April and May 2020.

(c) Amounts paid in respect of the prior fiscal year.

(d) Benefits in kind: company car.

(e) Other benefits: supplementary pension, as described in §2.1.1.

**Lord Powell of Bayswater<sup>(a)</sup> – Compensation, benefits in kind and commitments given**

Compensation (in pounds sterling)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	115,000	115,000	205,000	205,000
<b>Variable compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	-	-	-	-
<b>Exceptional compensation</b>				
– LVMH	-	-	-	-
– Controlled companies	-	-	-	-
<b>Benefits in kind</b>				
– LVMH	-	-	-	-
– Controlled companies	-	-	-	-
<b>Total</b>	<b>115,000</b>	<b>115,000</b>	<b>205,000</b>	<b>205,000</b>

(a) Resignation as a Director at the close of the Shareholders' Meeting on June 30, 2020.



**Sophie Chassat - Compensation, benefits in kind and commitments given**

Compensation (EUR)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation</b>	-	-	-	-
– LVMH				
– Controlled companies				
<b>Variable compensation</b>	-	-	-	-
– LVMH				
– Controlled companies				
<b>Exceptional compensation<sup>(a)</sup></b>				
– LVMH	25,000	25,000	-	-
– Controlled companies	-	-	-	-
<b>Benefits in kind</b>	-	-	-	-
– LVMH				
– Controlled companies				
<b>Total</b>	<b>25,000</b>	<b>25,000</b>		

(a) In consideration for the one-off task entrusted by the Board of Directors to consider statements of *raison d'être* (purpose) that the Company could potentially adopt.

The other non-senior-executive company officers do not receive any compensation other than that awarded to them for serving as a Director and presented in the table shown under a) in §2.2.1.1.

**2.2.1.2 Options granted to and options exercised by non-senior-executive company officers of the Company**

No new option plans were set up in 2020, and no option plans were in force in 2020.

**2.2.1.3 Performance shares allocated to non-senior-executive company officers of the Company during the fiscal year****Shares provisionally allocated to non-senior-executive company officers of the Company during the fiscal year**

Recipients	Company granting the shares	Plan date	Number of performance shares
Antoine Arnault	LVMH	10/22/2020	737
Delphine Arnault	LVMH	10/22/2020	2,599
Nicolas Bazire	LVMH	10/22/2020	4,951

**Shares vested to non-senior-executive company officers of the Company during the fiscal year**

Recipients	Company granting the shares	Plan date	Number of performance shares
Antoine Arnault	LVMH	10/25/2017	1,323
Delphine Arnault	LVMH	10/25/2017	4,673
Nicolas Bazire	LVMH	10/25/2017	8,904

## 2.2.2 Compensation paid during fiscal year 2020 and compensation awarded in respect of fiscal year 2020 to senior executive officers

### 2.2.2.1 Summary of compensation, options and performance shares granted to senior executive officers

#### Bernard Arnault - Chairman and Chief Executive Officer

(EUR)	2020	2019
Compensation awarded in respect of the fiscal year (cf. §2.2.2.2)	1,035,528	3,470,001
Valuation of options awarded during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year <sup>(a)</sup>	4,482,677	4,482,540

#### Antonio Belloni - Group Managing Director

(EUR)	2020	2019
Compensation awarded in respect of the fiscal year (cf. §2.2.2.2)	2,823,108	5,650,476
Valuation of options awarded during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year <sup>(a)</sup>	2,021,840	2,021,635

(a) A breakdown of any equity securities or securities giving access to equity allocated to senior executive officers during the fiscal year is set out in §2.2.2.6 below, and the performance conditions that must be met for shares to vest are set out in §4.5 in the *Management Report of the Board of Directors* - "Parent company: LVMH Moët Hennessy Louis Vuitton".

### 2.2.2.2 Summary of compensation of senior executive officers

#### Bernard Arnault - Chairman and Chief Executive Officer

Compensation (EUR)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation</b>			<b>1,138,307</b>	<b>1,138,307</b>
- LVMH	948,589 <sup>(a)</sup>	948,589 <sup>(a)</sup>	894,154	894,154
- Controlled companies	-	-	244,153	244,153
<b>Variable compensation</b>				
- LVMH	0 <sup>(a)</sup>	2,200,000 <sup>(b)</sup>	2,200,000 <sup>(b)</sup>	2,200,000 <sup>(b)</sup>
- Controlled companies	-	-	-	-
<b>Exceptional compensation</b>				
- LVMH	-	-	-	-
- Controlled companies	-	-	-	-
<b>Compensation for serving as a Director<sup>(c)</sup></b>				
- LVMH	47,250 <sup>(d)</sup>	47,250 <sup>(d)</sup>	90,000	90,000
- Controlled companies	-	-	-	-
<b>Benefits in kind<sup>(e)</sup></b>				
- LVMH	39,689	39,689	41,694	41,694
- Controlled companies	-	-	-	-
<b>Total</b>	<b>1,035,528</b>	<b>3,235,528</b>	<b>3,470,001</b>	<b>3,470,001</b>

(a) No variable compensation and no fixed compensation for April and May 2020.

(b) Amounts approved at the Shareholders' Meeting of April 18, 2019 (12th resolution) and June 30, 2020 (13th resolution) and paid in respect of the previous fiscal year.

(c) The rules for awarding compensation for serving as a Director at the Company are presented in §2.1.1 above.

(d) After the 30% reduction decided on by the Board of Directors at its meeting on April 15, 2020.

(e) Benefit in kind: company car.

**Antonio Belloni - Group Managing Director**

Compensation (EUR)	2020		2019	
	Amounts awarded	Amounts paid	Amounts awarded	Amounts paid
<b>Fixed compensation<sup>(a)</sup></b>	<b>2,760,032<sup>(b)</sup></b>	<b>2,760,032<sup>(b)</sup></b>	<b>3,242,438</b>	<b>3,242,438</b>
– LVMH	1,915,722	1,915,722	2,235,559	2,235,559
– Controlled companies	844,310	844,310	1,006,879	1,006,879
<b>Variable compensation</b>	<b>0<sup>(b)</sup></b>	<b>2,315,250<sup>(c)</sup></b>	<b>2,315,250<sup>(c)</sup></b>	<b>2,315,250<sup>(c)</sup></b>
– LVMH	-	1,134,472	1,134,472	1,389,150
– Controlled companies	-	1,180,778	1,180,778	926,100
<b>Exceptional compensation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
– LVMH	-	-	-	-
– Controlled companies	-	-	-	-
<b>Compensation for serving as a Director<sup>(d)</sup></b>	<b>57,995</b>	<b>57,995</b>	<b>87,245</b>	<b>87,245</b>
– LVMH	15,750 <sup>(e)</sup>	15,750 <sup>(e)</sup>	45,000	45,000
– Controlled companies	42,245	42,245	42,245	42,245
<b>Benefits in kind<sup>(f)</sup></b>	<b>5,081</b>	<b>5,081</b>	<b>5,543</b>	<b>5,543</b>
– LVMH	5,081	5,081	5,543	5,543
– Controlled companies	-	-	-	-
<b>Total</b>	<b>2,823,108</b>	<b>5,138,358</b>	<b>5,650,476</b>	<b>5,650,476</b>

(a) Including housing allowance.

(b) No variable compensation and no fixed compensation for April and May 2020.

(c) Amounts approved at the Shareholders' Meeting of April 18, 2019 (13th resolution) and June 30, 2020 (14th resolution) and paid in respect of the previous fiscal year.

(d) The rules for awarding compensation for serving as a Director at the Company are presented in §2.1.1 above.

(e) After the 30% reduction decided on by the Board of Directors at its meeting on April 15, 2020.

(f) Benefit in kind: company car.

### 2.2.2.3 Fairness ratios, change in compensation for senior executive officers, the Company's performance and average employee compensation over the past five fiscal years

Article L. 22-10-9 of the French Commercial Code on executive compensation provides for companies with shares admitted to trading on a regulated market to disclose the information presented in the table below in the *Board of Directors' report on corporate governance*, it being specified that:

- fairness ratios have been determined according to the methodology recommended by AFEP in its guidelines on pay multiples published on December 19, 2019;
- pursuant to these guidelines, the scope used to calculate these ratios takes into account employees continuously present from January 1 to December 31 at:
  - the Group's holding company in France,
  - LVMH SE;
- the compensation figures used are made up of the gross compensation paid in 2020 (fixed and variable including benefits in kind), as well as any profit-sharing and incentives paid and the value of the performance shares awarded in 2020 at their date of grant;
- the performance indicator used is the Group's consolidated profit from recurring operations.

## Compensation of company officers

**LVMH Holding**

Annual change	2016	2017	2018	2019	2020
Compensation of the Chairman and Chief Executive Officer (EUR thousands)	5,540	7,951 43.51%	7,933 -0.21%	7,953 0.24%	7,718 -2.95%
Compensation of the Group Managing Director (EUR thousands)	7,665	7,676 0.14%	7,586 -1.16%	7,672 1.13%	7,160 -6.67%
Company's performance (EUR thousands)	7,026,056	8,293,119 18.03%	10,003,261 20.62%	11,504,124 15.01%	8,305,001 -27.81%
Chairman and Chief Executive Officer compensation/"Average compensation" fairness ratio	18.91	26.75 41.46%	29.94 11.93%	25.96 -13.29%	26.05 0.35%
Chairman and Chief Executive Officer compensation/"Median compensation" fairness ratio	61.14	84.12 37.59%	78.43 -6.76%	74.39 -5.15%	72.51 -2.53%
Group Managing Director compensation/"Average compensation" fairness ratio	26.17	25.82 -1.34%	28.63 10.88%	25.04 -12.54%	24.17 -3.47%
Group Managing Director compensation/"Median compensation" fairness ratio	84.60	81.22 -4.00%	75.00 -7.66%	71.77 -4.31%	67.27 -6.27%

**LVMH SE**

Annual change	2016	2017	2018	2019	2020
Compensation of the Chairman and Chief Executive Officer (EUR thousands)	5,540	7,951 43.51%	7,933 -0.21%	7,953 0.24%	7,718 -2.95%
Compensation of the Group Managing Director (EUR thousands)	7,665	7,676 0.14%	7,586 -1.16%	7,672 1.13%	7,160 -6.67%
Company's performance (EUR thousands)	7,026,056	8,293,119 18.03%	10,003,261 20.62%	11,504,124 15.01%	8,305,001 -27.81%
Chairman and Chief Executive Officer compensation/"Average compensation" fairness ratio	2.01	2.60 29.35%	2.93 12.69%	2.23 -23.89%	2.48 11.21%
Chairman and Chief Executive Officer compensation/"Median compensation" fairness ratio	2.72	4.13 51.84%	3.63 -12.11%	2.44 -32.78%	3.54 45.08
Group Managing Director compensation/"Average compensation" fairness ratio	2.78	2.51 -9.71%	2.80 11.55%	2.15 -23.21%	2.30 6.98%
Group Managing Director compensation/"Median compensation" fairness ratio	3.76	3.99 6.12%	3.48 -12.78%	2.35 -32.47%	3.28 39.57%

**2.2.2.4 Employment contracts, specific pensions, severance benefits and non-compete clauses for senior executive officers**

Senior executive officers	Work contract		Supplementary pension plan		Bonuses or benefits due or likely to become due upon ceasing or changing duties		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Bernard Arnault Chairman and Chief Executive Officer		✓	✓			✓		✓
Antonio Belloni Group Managing Director	✓ <sup>(a)</sup>		✓			✓	✓ <sup>(a)</sup>	

(a) Employment contract suspended for the duration of his term as Group Managing Director; non-compete clause, for a period of 12 months, included in the employment contract providing for the monthly payment during its application of compensation equal to his monthly compensation as of the date his term of office ends, plus one-twelfth of the last bonus received.

The Company has set up a defined-benefit pension plan, in accordance with the provisions of Article L. 137-11 of the French Social Security Code, for senior executives, the characteristics of which are described in §2.1.2.

The impact of the plan in fiscal year 2020 is included in the amount shown for post-employment benefits under Note 33.4 to the consolidated financial statements.

### 2.2.2.5 Options granted to and options exercised by senior executive officers

No new option plans were introduced in 2020, and no options plans were in force in 2020.

See also §4.4 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy Louis Vuitton” for the holding arrangements.

### 2.2.2.6 Performance shares allocated to senior executive officers during the fiscal year

See also §4.5 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy Louis Vuitton” for the allocation and holding arrangements.

#### Shares provisionally allocated during the fiscal year to senior executive officers of the Company

Recipients	Company granting the shares	Date of Shareholders' Meeting	Plan date	Number of performance shares	% of share capital	Valuation of shares (EUR)
Bernard Arnault	LVMH	06/30/2020	10/22/2020	10,977	0.002	4,482,677
Antonio Belloni	LVMH	06/30/2020	10/22/2020	4,951	0.0009	2,021,840

Bonus performance shares allocated to senior executive officers under the October 22, 2020 plan represent 9% of total allocations under this plan concerning bonus shares subject to conditions related to the performance of the LVMH group.

#### Shares vested during the fiscal year to senior executive officers of the Company

Recipients	Company granting the shares	Plan date	Number of performance shares
Bernard Arnault	LVMH	10/25/2017	19,745
Antonio Belloni	LVMH	10/25/2017	8,904

### 2.2.2.7 Stock option plans set up in previous years for which the Company officers are eligible

#### 2.2.2.7.1 Share purchase option plans

No share purchase option plans were in effect in 2020.

#### 2.2.2.7.2 Share subscription option plans

No share subscription option plans were in effect in 2020. No option plan has been set up by the Company since the May 14, 2009 plan, which carried performance conditions and expired on May 13, 2019.

For the plans set up since 2007, the Chairman and Chief Executive Officer and the Group Managing Director must retain possession, in registered form and until the end of their respective terms of office, of a number of shares resulting from the exercise of their options representing a sliding percentage of between 50% and 30% (according to the date at which the options were exercised) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date. This obligation shall expire when the value of shares held exceeds twice the gross amount of their most recently disclosed fixed and variable compensation as of the date the options are exercised.

## Compensation of company officers

**2.2.2.8 Performance share plans set up in previous years for which company officers are eligible**

The terms and conditions of allocation and performance conditions related to the vesting of shares are presented in §4.5 of the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy Louis Vuitton”.

For plans set up since 2010, if their shares vest, the Chairman and Chief Executive Officer and the Group Managing Director must

retain possession, in registered form until the conclusion of their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans set up before 2013, and on the basis of the closing share price on the day before the vesting date for plans set up since 2013.

Date of Shareholders' Meeting	04/14/2016	04/14/2016	04/12/2018	06/30/2020	
Date of Board of Directors' meeting	10/25/2017 <sup>(a)</sup>	04/12/2018	10/24/2019	10/22/2020	
	Performance shares	Performance shares	Performance shares	Performance shares	Total
<b>Total number of bonus performance shares provisionally allocated at plan inception</b>	<b>346,490</b>	<b>332,116</b>	<b>200,077</b>	<b>177,034</b>	<b>1,055,717</b>
<i>Of which: Company officers<sup>(b)</sup></i>	43,549	37,759	27,956	24,215	133,479
<i>Bernard Arnault<sup>(c)</sup></i>	19,745	17,119	12,674	10,977	60,515
<i>Antoine Arnault<sup>(c)</sup></i>	1,323	1,148	850	737	4,058
<i>Delphine Arnault<sup>(c)</sup></i>	4,673	4,052	3,000	2,599	14,324
<i>Nicolas Bazire<sup>(c)</sup></i>	8,904	7,720	5,716	4,951	27,291
<i>Antonio Belloni<sup>(c)</sup></i>	8,904	7,720	5,716	4,951	27,291
<i>Of which: Top ten employee recipients<sup>(d)</sup></i>	120,378	134,814	33,103	28,837	317,132
Number of recipients	851	859	1,039	1,031	
Vesting date	10/25/2020 <sup>(e)</sup>	04/12/2021 <sup>(f)</sup>	10/24/2022	10/22/2023	
Date as of which the shares may be sold	10/25/2020 <sup>(e)</sup>	04/12/2021 <sup>(f)</sup>	10/25/2022	10/23/2023	
<b>Performance condition</b>	<b>Met<sup>(g)</sup></b>	<b>Met in 2019 and 2020<sup>(g)</sup></b>	<b>Not met in 2020<sup>(h)</sup></b>	<b>Not applicable in 2020</b>	

(a) The total number of bonus shares and performance shares in the plan set up on October 25, 2017 stands at 364,992 shares (see §4.5.1 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy Louis Vuitton”). No bonus shares were awarded to company officers.

(b) Total number of performance shares allocated to company officers in service as of the provisional allocation date.

(c) Company officers in service as of December 31, 2020.

(d) Performance shares allocated to the top ten employee recipients – other than LVMH company officers – in service as of the provisional allocation date.

(e) For shares subject to a condition specifically related to the performance of a subsidiary, shares vest and become available on June 30, 2024 if targets are met in respect of the fiscal year ending December 31, 2023 (or, where applicable, on June 30, 2023 if targets are met in respect of the fiscal year ending December 31, 2022).

(f) For shares subject to a condition specifically related to the performance of a subsidiary, all shares vest and become available on June 30, 2023 provided that targets are met in respect of fiscal year 2022; or, where applicable, 71,681 of these shares vest and become available on June 30, 2024 if performance conditions were not met in respect of fiscal year 2022 but are met for fiscal year 2023.

(g) Condition related to the performance of LVMH SE.

(h) Since the performance condition for the October 24, 2019 plan was not met in 2020 given the exceptional circumstances caused by the Covid-19 pandemic, in accordance with the Board of Directors' decision at its meeting on October 22, 2020 to amend the plan's rules, a definitive award equal to 50% of the provisional allocation will vest with grantees provided that the consolidated profit from recurring operations stated in the 2021 budget adopted by the Board of Directors is achieved, and that these amendments to the arrangements for senior executive officers are approved under the 11th resolution at the Shareholders' Meeting of April 15, 2021.

## 2.3 Presentation of the draft resolutions concerning the compensation of company officers

### 2.3.1 Vote on the adjustments made to the compensation policy in respect of 2020

Pursuant to Article L. 22-10-8 II of the French Commercial Code, a proposal will be made at the Shareholders' Meeting of April 15, 2021 to approve the adjustments made, given the exceptional circumstances of the public health crisis, to the compensation policy in respect of 2020 applicable to Directors (**10th resolution**), as well as to that applicable to the two senior executive officers (**11th resolution**).

The adjustments submitted for shareholder approval, provided in §2.2 above, relate to (i) the decision to forgo Bernard Arnault's and Antonio Belloni's fixed compensation in respect of their executive duties within the LVMH group in April and May 2020, and their variable compensation in respect of the same duties in fiscal year 2020; (ii) the 30% reduction applied to the gross amount of compensation payable in respect of the 2020 fiscal year to the Directors and Advisory Board members for performing their duties; and (iii) in accordance with the principle of a safeguard mechanism laid down in the rules for the performance share plans set up since 2014, when performance conditions cannot be met, particularly for reasons unrelated to the Group, the amendment of the rules for the bonus share plan set up on October 24, 2019 as described in §2.2 above. For the two senior executive officers, performance shares granted under plans whose rules are subject to an amendment will only vest if the 11th resolution is passed at the Combined Shareholders' Meeting on April 15, 2021.

### 2.3.2 Compensation paid during fiscal year 2020 and compensation awarded in respect of fiscal year 2020

#### 2.3.2.1 Company officers

Pursuant to Article L. 22-10-34 I of the French Commercial Code, a proposal will be made at the Shareholders' Meeting of April 15, 2021 to approve the disclosures required by Article L. 22-10-9 I of the French Commercial Code, as presented in §2.2 above (**12th resolution**).

#### 2.3.2.2 Senior executive officers

Pursuant to Articles L. 22-10-34 I and L. 22-10-34 II of the French Commercial Code, at the Shareholders' Meeting of April 15, 2021, the shareholders will be asked to approve the disclosures required under Article L. 22-10-9 I of said Code as well as the fixed, variable and exceptional components of the total compensation and any benefits in kind paid during the fiscal year ended December 31, 2020 or awarded in respect of said fiscal year to Bernard Arnault and Antonio Belloni (**13th and 14th resolutions**).

## Summary of compensation paid to each senior executive officer

Bernard Arnault<sup>(a)</sup>

Gross compensation (EUR)	Amounts awarded in respect of the 2020 fiscal year	Amounts paid during the 2020 fiscal year	Description
<b>Fixed compensation</b>	948,589	948,589	<p>Compensation payable to the Chairman and Chief Executive Officer includes a fixed component, which it has been decided to keep stable.</p> <p>Even so, in view of the exceptional circumstances caused by the public health crisis, the Board of Directors decided not to pay this compensation in respect of April and May 2020.</p>
<b>Variable compensation</b>	0	2,200,000	<p>The compensation of the Chairman and Chief Executive Officer includes an annual variable component based on meeting quantitative and qualitative objectives, respectively weighted at 60% and 40% for the determination of variable compensation. The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. Specific qualitative criteria - which can be strategic, managerial, organizational or operational in nature, and related to corporate social responsibility and sustainable development in particular - have been set but are not made public for reasons of confidentiality. The variable component represents just under twice the fixed component, putting it below the 250% limit laid down in the compensation policy in force.</p> <p>The method used to assess performance in respect of 2019 was reviewed in 2020 by the Nominations &amp; Compensation Committee, and the amount payable in 2020 in respect of 2019 was approved by the Shareholders' Meeting of June 30, 2020 ahead of its payment.</p> <p>In view of the exceptional circumstances caused by the public health crisis, no variable compensation was paid to the Chairman and Chief Executive Officer in respect of 2020.</p>
<b>Multi-year variable compensation</b>	-	-	
<b>Exceptional compensation</b>	-	-	
<b>Bonus performance shares</b>	4,482,677	-	<p>October 22, 2020 plan - Number of bonus performance shares granted: 10,977. Bonus performance shares only vest if LVMH's consolidated financial statements for fiscal years 2021 and 2022 showed a positive change compared to fiscal year 2020 in relation to one or more of the following indicators: the Group's profit from recurring operations, operating free cash flow (formerly net cash from operating activities and operating investments), and current operating margin.</p>



Gross compensation (EUR)	Amounts awarded in respect of the 2020 fiscal year	Amounts paid during the 2020 fiscal year	Description
Compensation for serving as a Director	47,250	47,250	Given the circumstances arising from the public health crisis, a one-off 30% reduction was applied to the compensation for serving as a Director in 2020.
Benefits in kind	39,689	39,689	Company car.
Severance pay	-	-	
Non-compete payment	-	-	
Supplementary pension plan	-	-	<p>The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group; this is not required, however, if they leave the Group at its request after the age of 55 and resume no other professional activity until their external pension plans are liquidated.</p> <p>This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,439,760 euros as of December 31, 2020). The annual supplementary pension benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France (under the general social security plan and the supplementary ARRCO and AGIRC plans) and abroad. As of December 31, 2020, the total amount of pensions and the supplementary pension may not exceed 863,856 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Bernard Arnault in 2020, the supplementary pension payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.</p> <p>Given the characteristics of the plan put in place by the Company and his personal circumstances, the supplementary pension for which Bernard Arnault may qualify no longer gives rise to the annual vesting of additional benefits, or, consequently, to a correlative increase in the Company's financial commitment.</p>

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it.

## Compensation of company officers

Antonio Belloni<sup>(a)</sup>

Gross compensation (EUR)	Amounts awarded in respect of the 2020 fiscal year	Amounts paid during the 2020 fiscal year	Description
<b>Fixed compensation<sup>(b)</sup></b>	2,760,032	2,760,032	<p>Compensation payable to the Group Managing Director includes a fixed component, which it has been decided to keep stable.</p> <p>Even so, in view of the exceptional circumstances caused by the public health crisis, the Board of Directors decided not to pay this compensation in respect of April and May 2020.</p>
<b>Variable compensation</b>	0	2,315,250	<p>Compensation paid to the Group Managing Director includes a variable annual component based on the achievement of quantifiable targets (weighted two-thirds) and qualitative targets (weighted one-third). The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. Specific qualitative criteria - which can be strategic, managerial, organizational or operational in nature, and related to corporate social responsibility and sustainable development in particular - have been set but are not made public for reasons of confidentiality. The amount awarded for variable compensation must be less than 75% of the amount of fixed compensation and is therefore lower than half the upper limit set by the compensation policy in force. The method used to assess performance in 2019 was reviewed in 2020 by the Nominations &amp; Compensation Committee, and the amount payable in 2020 in respect of 2019 was approved by the Shareholders' Meeting of June 30, 2020 ahead of its payment.</p> <p>In view of the exceptional circumstances caused by the public health crisis, no variable compensation was paid to the Group Managing Director in respect of 2020.</p>
<b>Multi-year variable compensation</b>	-	-	
<b>Exceptional compensation</b>	-	-	
<b>Bonus performance shares</b>	2,021,840	-	<p>October 22, 2020 plan - Number of bonus performance shares granted: 4,951. Bonus performance shares only vest if LVMH's consolidated financial statements for fiscal years 2021 and 2022 showed a positive change compared to fiscal year 2020 in relation to one or more of the following indicators: the Group's profit from recurring operations, operating free cash flow (formerly net cash from operating activities and operating investments), and current operating margin.</p>
<b>Compensation for serving as a Director</b>	57,995	57,995	<p>Given the circumstances arising from the public health crisis, a one-off 30% reduction was applied to the compensation for serving as a Director in 2020.</p>
<b>Benefits in kind</b>	5,081	5,081	Company car.
<b>Severance pay</b>	-	-	

Gross compensation (EUR)	Amounts awarded in respect of the 2020 fiscal year	Amounts paid during the 2020 fiscal year	Description
Non-compete payment	-	-	Employment contract suspended for the duration of his term as Group Managing Director; non-compete clause, for a period of 12 months, included in the employment contract providing for the monthly payment during its application of compensation equal to his monthly compensation as of the date his term of office ends, plus one-twelfth of the last bonus received.
Supplementary pension plan	-	-	<p>The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group; this is not required, however, if they leave the Group at its request after the age of 55 and resume no other professional activity until their external pension plans are liquidated.</p> <p>This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,439,760 euros as of December 31, 2020). The annual supplementary pension benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France (under the general social security plan and the supplementary ARRCO and AGIRC plans) and abroad. As of December 31, 2020, the total amount of pensions and the supplementary pension may not exceed 863,856 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Antonio Belloni in 2020, the supplementary pension payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.</p> <p>Given the characteristics of the plan put in place by the Company and his personal circumstances, the supplementary pension for which Antonio Belloni may qualify no longer gives rise to the annual vesting of additional benefits, or, consequently, to a correlative increase in the Company's financial commitment.</p>

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it.

(b) Including housing allowance.

### 2.3.3 Vote on the compensation policy

In accordance with Article L. 22-10-8 II of the French Commercial Code, a proposal will be made at the Shareholders' Meeting of April 15, 2021 to approve the compensation policy for Directors (**15th resolution**), as well as that for senior executive officers (**16th and 17th resolutions**).

In accordance with the second paragraph of Article L. 22-10-8-III of the French Commercial Code, the Board of Directors may in exceptional circumstances depart from the compensation policy under the conditions described in §2 above.

These compensation policies approved by the Board of Directors at its meeting on January 26, 2021, on the recommendation of the Nominations & Compensation Committee, are set out in §2.1 above of the *Board of Directors' report on corporate governance*. No compensation of any type whatsoever may be calculated, awarded or paid unless it complies with the compensation policy approved or, where there is no such policy, with the compensation or practices set forth in Article L. 22-10-8 II of the French Commercial Code.

Summary of transactions in LVMH securities during the 2020 fiscal year by company officers and closely related persons

### 3. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE 2020 FISCAL YEAR BY COMPANY OFFICERS AND CLOSELY RELATED PERSONS (SET FORTH IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE)

The transactions in the 2020 fiscal year in the shares, debt securities and financial instruments of the Company effected by company officers and closely related persons as stated in Article L. 621-18-2 of the French Monetary and Financial Code of which the Company is aware, are listed below:

Directors concerned	Type of transaction	Number of shares/ securities	Average price (EUR)
Bernard Arnault	Acquisition of shares	2,884	299.9422
	Allocation of shares	19,745	-
Company(ies) related to Bernard Arnault	Acquisition of shares	297,115	316.4048
	Reduction in financing	376,790	-
Antoine Arnault	Release of a share pledge	4,202	-
	Allocation of shares	1,323	-
Delphine Arnault	Allocation of shares	4,673	-
Nicolas Bazire	Sale of shares	26,000	364.6422
	Allocation of shares	8,904	-
Antonio Belloni	Allocation of shares	8,904	-
	Sale of shares	20,000	475.5025

# FINANCIAL STATEMENTS

## Consolidated financial statements

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*As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component figures.*

## CONSOLIDATED INCOME STATEMENT

<i>(EUR millions, except for earnings per share)</i>	Notes	2020	2019	2018 <sup>(a)</sup>
<b>Revenue</b>	24-25	<b>44,651</b>	<b>53,670</b>	<b>46,826</b>
Cost of sales		(15,871)	(18,123)	(15,625)
<b>Gross margin</b>		<b>28,780</b>	<b>35,547</b>	<b>31,201</b>
Marketing and selling expenses		(16,792)	(20,207)	(17,755)
General and administrative expenses		(3,641)	(3,864)	(3,466)
Income/(loss) from joint ventures and associates	8	(42)	28	23
<b>Profit from recurring operations</b>	24-25	<b>8,305</b>	<b>11,504</b>	<b>10,003</b>
Other operating income and expenses	26	(333)	(231)	(126)
<b>Operating profit</b>		<b>7,972</b>	<b>11,273</b>	<b>9,877</b>
Cost of net financial debt		(35)	(107)	(117)
Interest on lease liabilities		(281)	(290)	-
Other financial income and expenses		(292)	(162)	(271)
<b>Net financial income/(expense)</b>	27	<b>(608)</b>	<b>(559)</b>	<b>(388)</b>
Income taxes	28	(2,409)	(2,932)	(2,499)
<b>Net profit before minority interests</b>		<b>4,955</b>	<b>7,782</b>	<b>6,990</b>
Minority interests	18	(253)	(611)	(636)
<b>Net profit, Group share</b>		<b>4,702</b>	<b>7,171</b>	<b>6,354</b>
<b>Basic Group share of net earnings per share (EUR)</b>	29	<b>9.33</b>	<b>14.25</b>	<b>12.64</b>
Number of shares on which the calculation is based		503,679,272	503,218,851	502,825,461
<b>Diluted Group share of net earnings per share (EUR)</b>	29	<b>9.32</b>	<b>14.23</b>	<b>12.61</b>
Number of shares on which the calculation is based		504,210,133	503,839,542	503,918,140

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

<i>(EUR millions)</i>	Notes	2020	2019	2018
<b>Net profit before minority interests</b>		<b>4,955</b>	<b>7,782</b>	<b>6,990</b>
Translation adjustments		(1,650)	299	274
Amounts transferred to income statement		(11)	1	(1)
Tax impact		(10)	11	15
	16.5, 18	<b>(1,671)</b>	<b>311</b>	<b>288</b>
Change in value of hedges of future foreign currency cash flows		73	(16)	3
Amounts transferred to income statement		(123)	25	(279)
Tax impact		(112)	(3)	79
		<b>(162)</b>	<b>6</b>	<b>(197)</b>
Change in value of the ineffective portion of hedging instruments		(209)	(211)	(271)
Amounts transferred to income statement		232	241	148
Tax impact		(9)	(7)	31
		<b>14</b>	<b>23</b>	<b>(92)</b>
<b>Gains and losses recognized in equity, transferable to income statement</b>		<b>(1,819)</b>	<b>340</b>	<b>(1)</b>
Change in value of vineyard land	6	(3)	42	8
Amounts transferred to consolidated reserves		-	-	-
Tax impact		3	(11)	(2)
		<b>-</b>	<b>31</b>	<b>6</b>
Employee benefit obligations: change in value resulting from actuarial gains and losses		(20)	(167)	28
Tax impact		6	39	(5)
		<b>(14)</b>	<b>(128)</b>	<b>23</b>
<b>Gains and losses recognized in equity, not transferable to income statement</b>		<b>(14)</b>	<b>(97)</b>	<b>29</b>
<b>Comprehensive income</b>		<b>3,122</b>	<b>8,025</b>	<b>7,018</b>
Minority interests		(162)	(628)	(681)
<b>Comprehensive income, Group share</b>		<b>2,960</b>	<b>7,397</b>	<b>6,337</b>

## CONSOLIDATED BALANCE SHEET

<b>Assets (EUR millions)</b>	Notes	<b>2020</b>	<b>2019</b>	<b>2018<sup>(a)</sup></b>
Brands and other intangible assets	3	17,012	17,212	17,254
Goodwill	4	16,042	16,034	13,727
Property, plant and equipment	6	18,224	18,533	15,112
Right-of-use assets	7	12,521	12,409	-
Investments in joint ventures and associates	8	990	1,074	638
Non-current available for sale financial assets	9	739	915	1,100
Other non-current assets	10	845	1,546	986
Deferred tax	28	2,325	2,274	1,932
<b>Non-current assets</b>		<b>68,698</b>	<b>69,997</b>	<b>50,749</b>
Inventories and work in progress	11	13,016	13,717	12,485
Trade accounts receivable	12	2,756	3,450	3,222
Income taxes		392	406	366
Other current assets	13	3,846	3,264	2,868
Cash and cash equivalents	15	19,963	5,673	4,610
<b>Current assets</b>		<b>39,973</b>	<b>26,510</b>	<b>23,551</b>
<b>Total assets</b>		<b>108,671</b>	<b>96,507</b>	<b>74,300</b>
<b>Liabilities and equity (EUR millions)</b>	Notes	<b>2020</b>	<b>2019</b>	<b>2018<sup>(a)</sup></b>
Equity, Group share	16.1	37,412	36,586	32,293
Minority interests	18	1,417	1,779	1,664
<b>Equity</b>		<b>38,829</b>	<b>38,365</b>	<b>33,957</b>
Long-term borrowings	19	14,065	5,101	6,005
Non-current lease liabilities	7	10,665	10,373	-
Non-current provisions and other liabilities	20	3,322	3,812	3,188
Deferred tax	28	5,481	5,498	5,036
Purchase commitments for minority interests' shares	21	10,991	10,735	9,281
<b>Non-current liabilities</b>		<b>44,524</b>	<b>35,519</b>	<b>23,510</b>
Short-term borrowings	19	10,638	7,610	5,027
Current lease liabilities	7	2,163	2,172	-
Trade accounts payable	22.1	5,098	5,814	5,314
Income taxes		721	722	538
Current provisions and other liabilities	22.2	6,698	6,305	5,954
<b>Current liabilities</b>		<b>25,318</b>	<b>22,623</b>	<b>16,833</b>
<b>Total liabilities and equity</b>		<b>108,671</b>	<b>96,507</b>	<b>74,300</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments		Group share	Minority interests	Total
Notes		16.2	16.2	16.3	16.5								18
<b>As of Dec. 31, 2017</b>	<b>507,042,596</b>	<b>152</b>	<b>2,614</b>	<b>(530)</b>	<b>354</b>	<b>-</b>	<b>130</b>	<b>1,114</b>	<b>(133)</b>	<b>25,268</b>	<b>28,969</b>	<b>1,408</b>	<b>30,377</b>
Gains and losses recognized in equity					219	-	(259)	3	20		(17)	45	28
Net profit										6,354	6,354	636	6,990
<b>Comprehensive income</b>		-	-	-	<b>219</b>	-	<b>(259)</b>	<b>3</b>	<b>20</b>	<b>6,354</b>	<b>6,337</b>	<b>681</b>	<b>7,018</b>
Bonus share plan-related expenses										78	78	4	82
(Acquisition)/disposal of treasury shares				(256)						(26)	(282)	-	(282)
Exercise of LVMH share subscription options	762,851		49								49	-	49
Retirement of LVMH shares	(2,775,952)		(365)	365							-	-	-
Capital increase in subsidiaries											-	50	50
Interim and final dividends paid										(2,715)	(2,715)	(345)	(3,060)
Changes in control of consolidated entities										(9)	(9)	41	32
Acquisition and disposal of minority interests' shares										(22)	(22)	(19)	(41)
Purchase commitments for minority interests' shares										(112)	(112)	(156)	(268)
<b>As of Dec. 31, 2018</b>	<b>505,029,495</b>	<b>152</b>	<b>2,298</b>	<b>(421)</b>	<b>573</b>	<b>-</b>	<b>(129)</b>	<b>1,117</b>	<b>(113)</b>	<b>28,816</b>	<b>32,293</b>	<b>1,664</b>	<b>33,957</b>
Impact of changes in accounting standards <sup>(a)</sup>										(29)	(29)	-	(29)
<b>As of Jan. 1, 2019</b>	<b>505,029,495</b>	<b>152</b>	<b>2,298</b>	<b>(421)</b>	<b>573</b>	<b>-</b>	<b>(129)</b>	<b>1,117</b>	<b>(113)</b>	<b>28,787</b>	<b>32,264</b>	<b>1,664</b>	<b>33,928</b>
Gains and losses recognized in equity					289	-	22	22	(107)		226	17	242
Net profit										7,171	7,171	611	7,783
<b>Comprehensive income</b>		-	-	-	<b>289</b>	-	<b>22</b>	<b>22</b>	<b>(107)</b>	<b>7,171</b>	<b>7,397</b>	<b>628</b>	<b>8,025</b>
Bonus share plan-related expenses										69	69	3	72
(Acquisition)/disposal of treasury shares				18						(44)	(26)	-	(26)
Exercise of LVMH share subscription options	403,946		21								21	-	21
Retirement of LVMH shares	(2,156)										-	-	-
Capital increase in subsidiaries											-	95	95
Interim and final dividends paid										(3,119)	(3,119)	(433)	(3,552)
Changes in control of consolidated entities										2	2	25	27
Acquisition and disposal of minority interests' shares										(17)	(17)	-	(17)
Purchase commitments for minority interests' shares										(5)	(5)	(203)	(208)
<b>As of Dec. 31, 2019</b>	<b>505,431,285</b>	<b>152</b>	<b>2,319</b>	<b>(403)</b>	<b>862</b>	<b>-</b>	<b>(107)</b>	<b>1,139</b>	<b>(220)</b>	<b>32,844</b>	<b>36,586</b>	<b>1,779</b>	<b>38,365</b>
Gains and losses recognized in equity					(1,554)	-	(176)	-	(11)		(1,742)	(91)	(1,833)
Net profit										4,702	4,702	253	4,955
<b>Comprehensive income</b>		-	-	-	<b>(1,554)</b>	-	<b>(176)</b>	<b>-</b>	<b>(11)</b>	<b>4,702</b>	<b>2,960</b>	<b>162</b>	<b>3,122</b>
Bonus share plan-related expenses										60	60	3	63
(Acquisition)/disposal of treasury shares				49						(42)	7	-	7
Exercise of LVMH share subscription options											-	-	-
Retirement of LVMH shares	(673,946)		(94)	94							-	-	-
Capital increase in subsidiaries											-	54	54
Interim and final dividends paid										(2,317)	(2,317)	(376)	(2,693)
Changes in control of consolidated entities										(30)	(30)	7	(23)
Acquisition and disposal of minority interests' shares										(49)	(49)	8	(41)
Purchase commitments for minority interests' shares										193	193	(220)	(27)
<b>As of Dec. 31, 2020</b>	<b>504,757,339</b>	<b>152</b>	<b>2,225</b>	<b>(260)</b>	<b>(692)</b>	<b>-</b>	<b>(283)</b>	<b>1,139</b>	<b>(231)</b>	<b>35,363</b>	<b>37,412</b>	<b>1,417</b>	<b>38,829</b>

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 to the 2019 consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2020	2019	2018 <sup>(a)</sup>
<b>I. OPERATING ACTIVITIES</b>				
Operating profit		7,972	11,273	9,877
(Income)/loss and dividends received from joint ventures and associates	8	64	(10)	5
Net increase in depreciation, amortization and provisions		3,478	2,700	2,302
Depreciation of right-of-use assets	7.1	2,572	2,408	-
Other adjustments and computed expenses		(89)	(266)	(219)
<b>Cash from operations before changes in working capital</b>		<b>13,997</b>	<b>16,105</b>	<b>11,965</b>
Cost of net financial debt: interest paid		(58)	(124)	(113)
Lease liabilities: interest paid		(290)	(239)	-
Tax paid		(2,385)	(2,940)	(2,275)
Change in working capital	15.2	(367)	(1,154)	(1,087)
<b>Net cash from operating activities</b>		<b>10,897</b>	<b>11,648</b>	<b>8,490</b>
<b>II. INVESTING ACTIVITIES</b>				
Operating investments	15.3	(2,478)	(3,294)	(3,038)
Purchase and proceeds from sale of consolidated investments	2.4	(536)	(2,478)	(17)
Dividends received		12	8	18
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(1)	(2)
Purchase and proceeds from sale of non-current available for sale financial assets	9	63	(104)	(400)
<b>Net cash from/(used in) investing activities</b>		<b>(2,939)</b>	<b>(5,869)</b>	<b>(3,439)</b>
<b>III. FINANCING ACTIVITIES</b>				
Interim and final dividends paid	15.4	(2,799)	(3,678)	(3,090)
Purchase and proceeds from sale of minority interests	2.4	(67)	(21)	(236)
Other equity-related transactions	15.4	27	54	(205)
Proceeds from borrowings	19	17,499	2,837	1,529
Repayment of borrowings	19	(5,024)	(1,810)	(2,174)
Repayment of lease liabilities	7.2	(2,302)	(2,187)	-
Purchase and proceeds from sale of current available for sale financial assets	14	69	71	(147)
<b>Net cash from/(used in) financing activities</b>		<b>7,403</b>	<b>(4,734)</b>	<b>(4,323)</b>
<b>IV. EFFECT OF EXCHANGE RATE CHANGES</b>				
		<b>(1,052)</b>	<b>39</b>	<b>67</b>
<b>Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>14,309</b>	<b>1,084</b>	<b>795</b>
<b>Cash and cash equivalents at beginning of period</b>	15.1	<b>5,497</b>	<b>4,413</b>	<b>3,618</b>
<b>Cash and cash equivalents at end of period</b>	15.1	<b>19,806</b>	<b>5,497</b>	<b>4,413</b>
<b>Total tax paid</b>		<b>(2,501)</b>	<b>(3,070)</b>	<b>(2,314)</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

**Alternative performance measure**

The following table presents the reconciliation between “Net cash from operating activities” and “Operating free cash flow” for the fiscal years presented:

(EUR millions)	2020	2019	2018
Net cash from operating activities	10,897	11,648	8,490
Operating investments	(2,478)	(3,294)	(3,038)
Repayment of lease liabilities	(2,302)	(2,187)	-
<b>Operating free cash flow<sup>(a)</sup></b>	<b>6,117</b>	<b>6,167</b>	<b>5,452</b>

(a) Under IFRS 16, fixed lease payments are treated partly as interest payments and partly as principal repayments. For its own operational management purposes, the Group treats all lease payments as components of its “Operating free cash flow”, whether the lease payments made are fixed or variable. In addition, for its own operational management purposes, the Group treats operating investments as components of its “Operating free cash flow”.

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## 1. ACCOUNTING POLICIES

### 1.1 General framework and environment

The consolidated financial statements for fiscal year 2020 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2020. These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2020 were approved by the Board of Directors on January 26, 2021.

### 1.2 Changes in the accounting framework applicable to LVMH

The amendment to IFRS 16 on the recognition of rent concessions granted by lessors in connection with the Covid-19 pandemic, issued by the IASB in May 2020 and adopted by the European Union in October 2020, has been applied by the Group as from January 1, 2020. This amendment makes it easier for lessees to account for these concessions and allows them, under certain conditions, to recognize the resulting benefit directly in the income statement as a negative variable lease payment (see Note 7).

The application of other standards, amendments and interpretations that came into effect on January 1, 2020 did not have any significant impact on the Group's financial statements.

LVMH will apply the amendments to IFRS 9 and IFRS 7 relating to the second phase of interest rate benchmark reform beginning in 2021, in line with the effective date established by the IASB. These amendments relate to the accounting impact of the replacement of interest rate benchmarks, which is expected to take place beginning in 2021.

### 1.3 Impact of the Covid-19 pandemic on the consolidated financial statements

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted LVMH's operations during the fiscal year and significantly affected the annual financial statements. The closure of stores and production facilities in most countries for a number of months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability across all the business groups. The impact of the crisis on the Group's results is discussed in detail in the "Business review and comments on the consolidated financial statements" section.

The assumptions and estimates used as a basis for measuring certain balance sheet and income statement items were updated in light of the crisis. This concerned the following topics:

- valuation of intangible assets: impairment tests were run (see Note 5);

- all of the Maisons took steps to renegotiate their leases in order to optimize their lease expenses. The lease reductions thus obtained during the fiscal year were recognized as a deduction to "Marketing and selling expenses" (see Note 7);
- valuation of purchase commitments for minority interests' shares: this valuation takes into account the latest market data and EBITDA forecasts. The change in these metrics led to a slight increase in the associated liability (see Note 21);
- costs arising from lower activity levels were excluded from the valuation of inventories as of December 31, 2020;
- provisions for inventory impairment were updated to reflect slower inventory turnover and more limited sales prospects for seasonal products (see Note 11);
- where applicable, provisions for impairment of trade accounts receivable included the impact of adjustments for the probability of default and the extent of losses anticipated following changes to coverage levels by credit insurance in particular, as well as the stimulus measures taken by different governments, from which the Group's clients benefited (see Note 12). In particular, the bankruptcy proceedings initiated by certain distribution groups in the United States were taken into account;
- payments received or receivable from social security systems or government agencies in respect of measures to safeguard the economy: such payments were deducted from the expenses in respect of which the payments were obtained, in compliance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. If these measures took the form of an income tax reduction, the amounts were deducted from the tax expense, in compliance with IAS 12. These measures were mainly aimed at protecting jobs and essentially concerned certain Group subsidiaries in Europe, North America and Asia;
- the portfolio of derivatives used to hedge commercial transactions and the hedging policy were adjusted to take into account the most recent budget forecasts (see Note 23). The impact of these adjustments was not significant as of December 31, 2020;
- deferred tax assets on tax losses were reassessed taking into account earnings forecasts for the entities concerned. No significant impairment expense was recognized in respect of losses recorded in fiscal year 2020 or prior periods.

The Group's access to liquidity was preserved through its euro- and US dollar-denominated commercial paper programs; its EMTN program, through which a number of bond issues were carried out during the fiscal year; and a significant reserve of undrawn confirmed credit lines. See also Note 19.5.

## 1.4 First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions include the following:

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of that date;
- foreign currency translation of the financial statements of subsidiaries outside the eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against “Other reserves”.

## 1.5 Presentation of the financial statements

### Definitions of “Profit from recurring operations” and “Other operating income and expenses”

The Group’s main business is the management and development of its brands and trade names. “Profit from recurring operations” is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

“Other operating income and expenses” comprises income statement items, which – due to their nature, amount or frequency – may not be considered inherent to the Group’s recurring operations or its profit from recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation, the impairment of goodwill, and the impairment and amortization of brands and trade names, as well as any significant amount relating to the impact of certain unusual transactions, such as gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

### Cash flow statement

Net cash from operating activities is determined on the basis of operating profit, adjusted for non-cash transactions. In addition:

- dividends received are presented according to the nature of the underlying investments, thus in “Net cash from operating activities” for dividends from joint ventures and associates and in “Net cash from financial investments” for dividends from other unconsolidated entities;
- tax paid is presented according to the nature of the transaction from which it arises, thus in “Net cash from operating activities”

for the portion attributable to operating transactions; in “Net cash from financial investments” for the portion attributable to transactions in available for sale financial assets, notably tax paid on gains from their sale; and in “Net cash from transactions relating to equity” for the portion attributable to transactions in equity, notably distribution taxes arising on the payment of dividends.

## 1.6 Use of estimates

For the purpose of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 5); the measurement of leases (see Note 7) and purchase commitments for minority interests’ shares (see Notes 1.13 and 21); the determination of the amount of provisions for contingencies and losses, and uncertain tax positions (see Note 20) or for impairment of inventories (see Notes 1.18 and 11); and, if applicable, deferred tax assets (see Note 28). Such hypotheses, estimates or other forms of judgment made on the basis of the information available or the situation prevailing at the date at which the financial statements are prepared may subsequently prove different from actual events.

## 1.7 Methods of consolidation

The subsidiaries in which the Group holds a direct or indirect *de facto* or *de jure* controlling interest are fully consolidated.

Jointly controlled companies and companies where the Group has significant influence but no controlling interest are accounted for using the equity method. Although jointly controlled, those entities are fully integrated within the Group’s operating activities. LVMH discloses their net profit, as well as that of entities using the equity method (see Note 8), on a separate line, which forms part of profit from recurring operations.

When an investment in a joint venture or associate accounted for using the equity method involves a payment tied to meeting specific performance targets, known as an earn-out payment, the estimated amount of this payment is included in the initial purchase price recorded in the balance sheet, with an offsetting entry under financial liabilities. Any difference between the initial estimate and the actual payment made is recorded as part of the value of investments in joint ventures and associates, without any impact on the income statement.

The assets, liabilities, income and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the LVMH group’s share of operations (see Note 1.27).

The consolidation on an individual or collective basis of companies that are not consolidated (see “Companies not included in the scope of consolidation”) would not have a significant impact on the Group’s main aggregates.

## 1.8 Foreign currency translation of the financial statements of entities outside the eurozone

The consolidated financial statements are presented in euros; the financial statements of entities presented in a different functional currency are translated into euros:

- at the period-end exchange rates for balance sheet items;
- at the average rates for the period for income statement items.

Translation adjustments arising from the application of these rates are recorded in equity under “Cumulative translation adjustment”.

## 1.9 Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities’ functional currencies are translated at the applicable exchange rates at the fiscal year-end. Gains and losses resulting from this translation are recognized:

- within “Cost of sales” for commercial transactions;
- within “Net financial income/(expense)” for financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of intra-Group transactions or receivables and payables denominated in currencies other than the entity’s functional currency are recorded in the income statement unless they relate to long-term intra-Group financing transactions, which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under “Cumulative translation adjustment”.

Derivatives used to hedge commercial, financial or investment transactions are recognized in the balance sheet at their market value (see Note 1.10) at the balance sheet date. Changes in the value of the effective portions of these derivatives are recognized as follows:

- for hedges that are commercial in nature:
  - within “Cost of sales” for hedges of receivables and payables recognized in the balance sheet at the end of the period,
  - within equity under “Revaluation reserves” for hedges of future cash flows; this amount is transferred to cost of sales upon recognition of the hedged trade receivables and payables;
- for hedges relating to the acquisition of fixed assets: within equity under “Revaluation reserves” for hedges of future cash flows; this amount is transferred to the asset side of the balance sheet, as part of the initial cost of the hedged item when accounting for the latter, and then to the income statement in the event of the disposal or impairment of the hedged item;
- for hedges that are tied to the Group’s investment portfolio (hedging the net worth of subsidiaries whose functional currency is not the euro): within equity under “Cumulative translation adjustment” ; this amount is transferred to the income statement upon the sale or liquidation (whether partial or total) of the subsidiary whose net worth is hedged;
- for hedges that are financial in nature: within “Net financial income/(expense)”, under “Other financial income and expenses”.

Changes in the value of these derivatives related to forward points associated with forward contracts, as well as in the time value component of options, are recognized as follows:

- for hedges that are commercial in nature: within equity under “Revaluation reserves”. The cost of the forward contracts (forward points) and of the options (premiums) is transferred to “Other financial income and expenses” upon realization of the hedged transaction;
- for hedges that are tied to the Group’s investment portfolio or financial in nature: expenses and income arising from discounts or premiums are recognized in “Borrowing costs” on a pro rata basis over the term of the hedging instruments. The difference between the amounts recognized in “Net financial income/(expense)” and the change in the value of forward points is recognized in equity under “Revaluation reserves”.

Market value changes of derivatives not designated as hedges are recorded within “Net financial income/(expense)”.

See also Note 1.22 for the definition of the concepts of effective and ineffective portions.

### 1.10 Fair value measurement

Fair value (or market value) is the price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

The assets and liabilities measured at fair value in the balance sheet are as follows:

	Approaches to determining fair value	Amounts recorded at balance sheet date
Vineyard land	Based on recent transactions in similar assets. See Note 1.14.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.18.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.23.	Note 23
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.22.	Note 19
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally based on the market multiples of comparable companies. See Note 1.13.	Note 21
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.17.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.20.	Note 15

No other assets or liabilities have been remeasured at market value at the balance sheet date.

### 1.11 Brands and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets based on their market values at their dates of acquisition.

Brands and trade names are chiefly valued using the forecast discounted cash flow method, or based on comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands) or stock market multiples observed for related businesses. Other complementary methods may also be employed: the relief from royalty method, involving equating a brand's value with the present value of the royalties required to be paid for its use; the margin differential method, applicable when a measurable difference can be identified in the amount of revenue generated by a branded product in comparison with a similar unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising and promotion expenses required to generate a similar brand.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of finite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence and reputation;
- its expected long-term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names with finite useful lives range from 5 to 20 years, depending on their anticipated period of use.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.16.

Research expenditure is not capitalized. New product development expenditure is not capitalized unless the final decision has been made to launch the product.

Intangible assets other than brands and trade names are amortized over the following periods:

- rights attached to sponsorship agreements and media partnerships are amortized over the life of the agreements, depending on how the rights are used;
- development expenditure is amortized over 3 years at most;
- software and websites are amortized over 1 to 5 years.

### 1.12 Changes in ownership interests in consolidated entities

When the Group takes *de jure* or *de facto* control of a business, its assets, liabilities and contingent liabilities are estimated at their market value as of the date when control is obtained; the difference between the cost of taking control and the Group's share of the market value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash, excluding acquisition costs, which are disclosed under "Other operating income and expenses".

The difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

Goodwill is accounted for in the functional currency of the acquired entity.

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.16. Any impairment expense recognized is included within "Other operating income and expenses".

### 1.13 Purchase commitments for minority interests' shares

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- the value of the commitment at the balance sheet date appears in "Purchase commitments for minority interests' shares", as a liability on its balance sheet;
- the corresponding minority interests are canceled;
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and canceled minority interests is maintained as an asset on the balance sheet under goodwill, as are subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference

between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

This recognition method has no effect on the presentation of minority interests within the income statement.

### 1.14 Property, plant and equipment

With the exception of vineyard land, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If the market value falls below the acquisition cost, the resulting impairment is charged to the income statement.

Buildings mostly occupied by third parties are reported as investment property, at acquisition cost. Investment property is thus not remeasured at market value.

The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. For leased assets, the depreciation period cannot be longer than that used for the calculation of the lease liability.

The estimated useful lives are as follows:

- buildings including investment property 20 to 100 years;
- machinery and equipment 3 to 25 years;
- leasehold improvements 3 to 10 years;
- producing vineyards 18 to 25 years.

Expenses for maintenance and repairs are charged to the income statement as incurred.

### 1.15 Leases

The Group has applied IFRS 16 Leases since January 1, 2019. The initial application was carried out using the "modified retrospective" approach to transition. See Note 1.2 to the 2019 consolidated financial statements for details of this initial application procedure for IFRS 16 and the impact of its initial application on the 2019 financial statements.

When entering into a lease, a liability is recognized in the balance sheet, measured at the discounted present value of future payments of the fixed portion of lease payments and offset against a right-of-use asset depreciated over the lease term. The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate. The Group's extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts.



The lease term generally used to calculate the liability is the term of the initially negotiated lease, not taking into account any early termination options, except in special circumstances. When leases contain extension options, the term used for the calculation of the liability may include these periods, mainly when the anticipated period of use of the fixed assets, whether under a new or existing lease, is greater than the initial contractual lease term.

The lease term to be used in accounting for lease liabilities when the underlying assets are capitalized even though the obligation to make lease payments covers a period of less than 12 months is consistent with the anticipated period of use of the invested assets. Most often, this involves leases for retail locations that are automatically renewable on an annual basis.

The standard requires that the discount rate be determined for each lease using the incremental borrowing rate of the subsidiary entering into the lease. In practice, given the structure of the Group's financing – virtually all of which is held or guaranteed by LVMH SE – this incremental borrowing rate is generally the total of the risk-free rate for the currency of the lease, with reference to its term, and the Group's credit risk for this same currency and over the same term.

Leasehold rights and property, plant and equipment related to restoration obligations for leased facilities are presented within "Right-of-use assets" and subject to depreciation under the same principles as those described above.

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard.

Since the application of IFRS 16 had a significant impact on the cash flow statement given the importance of fixed lease payments to the Group's activities, specific indicators are used for internal performance monitoring requirements and financial communication purposes in order to present consistent performance indicators, independently of the fixed or variable nature of lease payments. One such alternative performance measure is "Operating free cash flow", which is calculated by deducting capitalized fixed lease payments in their entirety from cash flow. The reconciliation between "Net cash from operating activities" and "Operating free cash flow" is presented in the cash flow statement.

### 1.16 Impairment testing of fixed assets

Property, plant and equipment, intangible assets, and all leased fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired (particularly following major changes in the asset's operating conditions), and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite

useful lives is greater than the higher of their value in use or market value, the resulting impairment loss is recognized within "Other operating income and expenses", allocated on a priority basis to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Market value is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts for the purposes of a disposal transaction.

Cash flows are forecast at Group level for each business segment, defined as one or several brands or trade names under the responsibility of a dedicated management team. Smaller-scale cash-generating units, such as a group of stores, may be distinguished within a particular business segment.

The forecast data required for the discounted cash flow method is based on annual budgets and multi-year business plans prepared by the management of the business segments concerned. Detailed forecasts cover a five-year period, which may be extended for brands undergoing strategic repositioning or whose production cycle exceeds five years. An estimated terminal value is added to the value resulting from discounted forecast cash flows, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. Discount rates are set for each business group with reference to companies engaged in comparable businesses. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and an assessment of the risk premium associated with that business. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed.

### 1.17 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their type.

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets (presented in "Other current assets" ; see Note 13) include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.20).

Available for sale financial assets are measured at their listed value at the fiscal year-end date in the case of quoted investments, and in the case of unquoted investments at their estimated net realizable value, assessed either according to formulas based on market data or based on private quotations at the fiscal year-end date.

Positive or negative changes in value are recognized under “Net financial income/(expense)” (within “Other financial income and expenses”) for all shares held in the portfolio during the reported periods.

### 1.18 Inventories and work in progress

Inventories other than wine produced by the Group are recorded at the lower of cost (excluding interest expense) and net realizable value; cost comprises manufacturing cost (finished goods) or purchase price, plus incidental costs (raw materials, merchandise).

Wine produced by the Group, including champagne, is measured on the basis of the applicable harvest market value, which is determined by reference to the average purchase price of equivalent grapes, as if the grapes harvested had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated on a pro rata basis, in line with the estimated yield and market value.

Inventories are valued using either the weighted average cost or the FIFO method, depending on the type of business.

Due to the length of the aging process required for champagne and spirits (cognac, whisky), the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are classified as current assets.

Provisions for impairment of inventories are chiefly recognized for businesses other than Wines and Spirits. They are generally required because of product obsolescence (end of season or collection, expiration date approaching, etc.) or lack of sales prospects.

### 1.19 Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at amortized cost, which corresponds to their face value. Impairment is recognized for the portion of loans and receivables not covered by credit insurance when such receivables are recorded, in the amount of the losses expected upon maturity. This reflects the probability of counterparty default and the expected loss rate, measured using historical statistical data, information provided by credit bureaus, or ratings by credit rating agencies, depending on the specific case.

The amount of long-term loans and receivables (i.e. those falling due in more than one year) is subject to discounting, the effects of which are recognized under “Net financial income/(expense)”, using the effective interest method.

### 1.20 Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid money-market investments subject to an insignificant risk of changes in value over time.

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing at the fiscal year-end date, with any changes in value recognized as part of “Net financial income/(expense)”.

### 1.21 Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated. See also Notes 1.25 and 20.

If the date at which this obligation is to be discharged is in more than one year, the provision amount is discounted, the effects of which are recognized in “Net financial income/(expense)” using the effective interest method.

### 1.22 Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of premium and issue expenses, which are charged progressively to net financial income/(expense) using the effective interest method.

In the case of hedging against fluctuations in the value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/(expense), under “Fair value adjustment of borrowings and interest rate hedges”. See Note 1.10 regarding the measurement of hedged borrowings at market value. Interest income and expenses related to hedging instruments are recognized within net financial income/(expense), under “Borrowing costs”.

In the case of hedging against fluctuations in future interest payments, the related borrowings remain measured at their amortized cost while any changes in value of the effective hedge portions are taken to equity as part of “Revaluation reserves”.

Changes in value of non-hedging derivatives, and of the ineffective portions of hedges, are recognized within net financial income/(expense).

Net financial debt comprises short- and long-term borrowings, the market value at the balance sheet date of interest rate derivatives, less the amount at the balance sheet date of non-current available for sale financial assets used to hedge financial debt, current available for sale financial assets, cash and cash equivalents, in addition to the market value at that date of foreign exchange derivatives related to any of the aforementioned items.

### 1.23 Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange, interest rate and gold price risks.

To hedge against commercial, financial and investment foreign exchange risk, the Group uses options, forward contracts, foreign exchange swaps and cross-currency swaps. The time value of options, the forward point component of forward contracts and foreign exchange swaps, as well as the foreign currency basis spread component of cross-currency swaps are systematically excluded from the hedge relation. Consequently, only the intrinsic value of the instruments is considered a hedging instrument. Regarding hedged items (future foreign currency cash flows, commercial or financial liabilities and accounts receivable in foreign currencies, subsidiaries' equity denominated in a functional currency other than the euro), only their change in value in respect of foreign exchange risk is considered a hedged item. As such, aligning the hedging instruments' main features (nominal values, currencies, maturities) with those of the hedged items makes it possible to perfectly offset changes in value.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.9 in the case of foreign exchange hedges and as described in Note 1.22 in the case of interest rate hedges.

Market value is based on market data and commonly used valuation models.

Derivatives with maturities in excess of 12 months are disclosed as non-current assets and liabilities.

### 1.24 Treasury shares

LVMH shares held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

In the event of disposal, the cost of the shares disposed of is determined by allocation category (see Note 16.3) using the FIFO method, with the exception of shares held under stock option plans, for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

### 1.25 Pensions, contribution to medical costs and other employee benefit commitments

When plans related to retirement bonuses, pensions, contributions to medical costs, or other employee benefit commitments entail the payment by the Group of contributions to third-party organizations that assume sole responsibility for subsequently paying such retirement bonuses, pensions or contributions to medical costs, these contributions are expensed in the fiscal year in which they fall due, with no liability recorded on the balance sheet.

When the payment of retirement bonuses, pensions, contributions to medical costs, or other employee benefit commitments is to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment. Changes in this provision are recognized as follows:

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity.

If this commitment is partially or fully funded by payments made by the Group to external financial organizations, these dedicated funds are deducted from the actuarial commitment recorded in the balance sheet.

The actuarial commitment is calculated based on assessments that are specifically designed for the country and the Group company concerned. In particular, these assessments include assumptions regarding discount rates, salary increases, inflation, life expectancy and staff turnover.

### 1.26 Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences as well as the change in uncertain tax positions.

Deferred tax is recognized in respect of temporary differences arising between the value of assets and liabilities for purposes of consolidation and the value resulting from the application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the balance sheet date; the effect of changes in rates is recognized during the periods in which changes are enacted.

Future tax savings from tax losses carried forward are recorded as deferred tax assets on the balance sheet, which are impaired if they are deemed not recoverable; only amounts for which future use is deemed probable are recognized.

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries give rise to provisions if distribution is deemed probable.

## 1.27 Revenue recognition

### Definition of revenue

Revenue mainly comprises retail sales within the Group's store network (including e-commerce websites) and wholesale sales through agents and distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are mostly made through retail stores in Fashion and Leather Goods and Selective Retailing, as well as certain Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

Wholesale sales mainly concern the Wines and Spirits businesses, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third-party customers.

Revenue includes shipment and transportation costs re-billed to customers only when these costs are included in products' selling prices as a lump sum.

Sales of services, mainly involved in the Group's "Other activities" segment, are recognized as the services are provided.

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from related revenue.

### Provisions for product returns

Perfumes and Cosmetics companies and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue is reduced by the estimated amount of such returns, and a provision is recognized within "Other current liabilities" (see Note 22.2), along with a corresponding entry made to inventories. The estimated rate of returns is based on historical statistical data.

### Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo, generally taking the form of shared entities which sell and deliver both groups' products to customers; the income statement and balance sheet of these entities is apportioned between LVMH and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income, and expenses of such entities are consolidated only in proportion to the Group's share of operations.

## 1.28 Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples, publishing catalogs and, in general, the cost of all activities designed to promote the Group's brands and products.

Advertising and promotion expenses are recorded within marketing and selling expenses upon receipt or production of goods or upon completion of services rendered.

## 1.29 Bonus share and similar plans

Share purchase and subscription option plans give rise to the recognition of an expense based on the amortization of the expected gain for the recipients calculated according to the Black & Scholes method on the basis of the closing share price on the day before the Board of Directors' meeting at which the plan is instituted.

For bonus share plans, the expected gain is calculated on the basis of the closing share price on the day before the Board of Directors' meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period. A discount may be applied to the value of the bonus shares thus calculated to account for a period of non-transferability, where applicable.

For all plans, the amortization expense is apportioned on a straight-line basis in the income statement over the vesting period, with a corresponding impact on reserves in the balance sheet.

For cash-settled compensation plans index-linked to the change in the LVMH share price, the gain over the vesting period is estimated at each balance sheet date based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Between that date and the settlement date, the change in the expected gain resulting from the change in the LVMH share price is recorded in the income statement.

## 1.30 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the fiscal year, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, plus the amount not yet expensed for stock option and similar plans (see Note 1.29), would be employed to repurchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

## 2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

### 2.1 Fiscal year 2020

There were no significant changes in ownership interests in consolidated entities during the fiscal year.

See Note 31 “Off-balance sheet commitments” and Note 34 “Subsequent events” regarding the acquisition of Tiffany & Co., which was completed in 2021.

### 2.2 Fiscal year 2019

#### Belmond

On April 17, 2019, pursuant to the transaction agreement announced on December 14, 2018 and approved by Belmond’s shareholders on February 14, 2019, LVMH acquired, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.2 billion US dollars. After taking into account the shares acquired on the market in December 2018,

the carrying amount of Belmond shares held came to 2.3 billion euros. Following this acquisition, Belmond’s Class A shares were no longer listed on the New York Stock Exchange.

Belmond, which has locations in 24 countries, owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world’s most desirable, prestigious destinations.

The following table details the allocation of the purchase price paid by LVMH on April 17, 2019, the date of acquisition of the controlling interest:

<i>(EUR millions)</i>	Provisional allocation as of December 31, 2019	Change	Final allocation as of June 30, 2020
Brand and other intangible assets	147	-	147
Property, plant and equipment	2,312	-	2,312
Other current and non-current assets	311	27	338
Net financial debt	(604)	-	(604)
Deferred tax	(434)	4	(430)
Current and non-current liabilities	(366)	(43)	(409)
Minority interests	(1)	-	(1)
<b>Net assets acquired</b>	<b>1,365</b>	<b>(12)</b>	<b>1,353</b>
Goodwill	888	12	900
<b>Carrying amount of shares held as of April 17, 2019</b>	<b>2,253</b>	<b>-</b>	<b>2,253</b>

The amounts presented in the table above are taken from Belmond’s unaudited financial statements at the date of acquisition of the controlling interest. The main revaluations concern real estate assets, for 1,193 million euros, and the Belmond brand, for 140 million euros.

The carrying amount of shares held as of the date of acquisition of the controlling interest includes shares acquired in 2018 for 274 million euros.

#### Stella McCartney

Under the agreement announced in July 2019 to speed up the Stella McCartney brand’s expansion plans, LVMH acquired a 49% stake in this fashion house in November 2019, which is accounted for using the equity method (see Note 8).

#### Château du Galoupet

In June 2019, the Group acquired the entire share capital of Château du Galoupet, a Côtes de Provence estate awarded Cru Classé status in 1955. This property, located in La Londe-les-Maures (France), extends over 68 contiguous hectares and mainly produces rosé wines.

#### Château d’Esclans

In late November 2019, the Group acquired 55% of the share capital of Château d’Esclans. This property is located in La Motte (France) and mainly produces world-renowned rosé wines, in particular the *Garrus* and *Whispering Angel* cuvées.

## 2.3 Fiscal year 2018

In 2018, LVMH acquired the 20% stake in the share capital of Fresh that it did not own; the price paid generated the recognition of a final goodwill, previously recorded under “Goodwill arising on purchase commitments for minority interests’ shares”.

## 2.4 Impact on net cash and cash equivalents of changes in ownership interests in consolidated entities

<i>(EUR millions)</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Purchase price of consolidated investments and of minority interests’ shares	(585)	(2,604)	(258)
Positive cash balance/(net overdraft) of companies acquired	-	107	5
Proceeds from sale of consolidated investments	-	-	-
(Positive cash balance)/net overdraft of companies sold	(18)	(2)	-
<b>Impact of changes in ownership interests in consolidated entities on net cash and cash equivalents</b>	<b>(603)</b>	<b>(2,499)</b>	<b>(253)</b>
<i>Of which: Purchase and proceeds from sale of consolidated investments</i>	<i>(536)</i>	<i>(2,478)</i>	<i>(17)</i>
<i>Purchase and proceeds from sale of minority interests</i>	<i>(67)</i>	<i>(21)</i>	<i>(236)</i>

In 2020, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from foreign exchange hedges implemented in anticipation of the acquisition of Tiffany & Co.

In 2019, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose

from the acquisition of Belmond and of a 49% stake in Stella McCartney and a 55% stake in Château d’Esclans.

In 2018, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of minority interests in Fresh and in various distribution subsidiaries, particularly in the Middle East.

## 3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

<i>(EUR millions)</i>	<b>2020</b>			<b>2019</b>	<b>2018<sup>(a)</sup></b>
	<b>Gross</b>	<b>Amortization and impairment</b>	<b>Net</b>	<b>Net</b>	<b>Net</b>
Brands	14,513	(777)	13,737	13,736	13,596
Trade names	3,614	(1,484)	2,130	2,303	2,265
License rights	139	(84)	55	45	13
Software, websites	2,388	(1,722)	665	650	544
Other	982	(556)	425	479	836
<b>Total</b>	<b>21,636</b>	<b>(4,623)</b>	<b>17,012</b>	<b>17,212</b>	<b>17,254</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

### 3.1 Changes during the fiscal year

The net amounts of brands, trade names and other intangible assets changed as follows during the fiscal year:

<b>Gross value</b> <i>(EUR millions)</i>	<b>Brands</b>	<b>Trade names</b>	<b>Software, websites</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>As of December 31, 2019</b>	<b>14,511</b>	<b>3,920</b>	<b>2,258</b>	<b>1,177</b>	<b>21,865</b>
Acquisitions	-	-	194	286	480
Disposals and retirements	-	-	(170)	(90)	(261)
Changes in the scope of consolidation	(22)	-	1	2	(19)
Translation adjustment	(43)	(306)	(65)	(18)	(433)
Reclassifications	68	-	170	(235)	3
<b>As of December 31, 2020</b>	<b>14,513</b>	<b>3,614</b>	<b>2,388</b>	<b>1,121</b>	<b>21,636</b>

<b>Amortization and impairment</b> <i>(EUR millions)</i>	<b>Brands</b>	<b>Trade names</b>	<b>Software, websites</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>As of December 31, 2019</b>	<b>(775)</b>	<b>(1,617)</b>	<b>(1,608)</b>	<b>(653)</b>	<b>(4,653)</b>
Amortization expense	(24)	(1)	(329)	(131)	(485)
Impairment expense	(32)	-	-	(1)	(33)
Disposals and retirements	-	-	172	87	260
Changes in the scope of consolidation	36	-	(1)	(1)	35
Translation adjustment	18	134	44	9	205
Reclassifications	-	-	(1)	49	48
<b>As of December 31, 2020</b>	<b>(777)</b>	<b>(1,484)</b>	<b>(1,722)</b>	<b>(641)</b>	<b>(4,623)</b>
<b>Carrying amount as of December 31, 2020</b>	<b>13,737</b>	<b>2,130</b>	<b>665</b>	<b>481</b>	<b>17,012</b>

### 3.2 Changes during prior fiscal years

Carrying amount (EUR millions)	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
<b>As of December 31, 2017</b>	<b>13,515</b>	<b>2,176</b>	<b>459</b>	<b>398</b>	<b>409</b>	<b>16,957</b>
Acquisitions	-	-	177	88	272	537
Disposals and retirements	-	-	(2)	-	-	(2)
Changes in the scope of consolidation	40	-	-	1	-	41
Amortization expense	(18)	(1)	(221)	(60)	(148)	(448)
Impairment expense	-	-	-	(2)	(7)	(9)
Translation adjustment	59	90	8	2	8	167
Reclassifications	-	-	123	16	(128)	11
<b>As of December 31, 2018</b>	<b>13,596</b>	<b>2,265</b>	<b>544</b>	<b>443</b>	<b>406</b>	<b>17,254</b>
Impact of changes in accounting standards <sup>(a)</sup>	-	-	-	(443)	64	(379)
<b>As of January 1, 2019, after restatement</b>	<b>13,596</b>	<b>2,265</b>	<b>544</b>	<b>-</b>	<b>470</b>	<b>16,875</b>
Acquisitions	-	-	225	-	303	528
Disposals and retirements	-	-	(2)	-	-	(2)
Changes in the scope of consolidation	140	-	-	-	44	184
Amortization expense	(17)	(1)	(267)	-	(138)	(422)
Impairment expense	(54)	-	-	-	4	(50)
Translation adjustment	70	39	5	-	6	119
Reclassifications	-	-	144	-	(165)	(21)
<b>As of December 31, 2019</b>	<b>13,736</b>	<b>2,303</b>	<b>650</b>	<b>-</b>	<b>524</b>	<b>17,212</b>

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 to the 2019 consolidated financial statements.

### 3.3 Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)			2020	2019	2018
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	905	(131)	774	732	717
Fashion and Leather Goods	8,807	(361)	8,445	8,474	8,480
Perfumes and Cosmetics	688	(69)	619	622	629
Watches and Jewelry	3,698	(92)	3,606	3,599	3,560
Selective Retailing	3,566	(1,437)	2,130	2,303	2,265
Other activities	462	(171)	292	308	210
<b>Total</b>	<b>18,127</b>	<b>(2,260)</b>	<b>15,866</b>	<b>16,038</b>	<b>15,861</b>

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2020, the principal acquired brands and trade names were:

- Wines and Spirits: Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyards, Bodega Numanthia and Château d'Esclans;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Celine, Loewe, Givenchy, Kenzo, Berluti, Pucci, Loro Piana, Rimowa and Christian Dior Couture;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up For Ever, Benefit Cosmetics, Fresh, Acqua di Parma, KVD Vegan Beauty, Fenty, Ole Henriksen and Maison Francis Kurkdjian;
- Watches and Jewelry: Bvlgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché and Ile de Beauté;



- Other activities: the publications of the media group Les Échos-Investir, the daily newspaper Le Parisien-Aujourd'hui en France, the Royal Van Lent-Feadship brand, La Samaritaine, the hotel group Belmond and the Cova pastry shop brand.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use

or their market value as of the closing date for the Group's consolidated financial statements. This is notably the case for the brands Louis Vuitton, Veuve Clicquot and Parfums Christian Dior, and the trade name Sephora, with the understanding that this list must not be considered exhaustive.

See also Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

## 4. GOODWILL

(EUR millions)	2020			2019	2018
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	11,259	(1,814)	9,445	9,722	8,654
Goodwill arising on purchase commitments for minority interests' shares	6,597	-	6,597	6,312	5,073
<b>Total</b>	<b>17,856</b>	<b>(1,814)</b>	<b>16,042</b>	<b>16,034</b>	<b>13,727</b>

Changes in net goodwill during the fiscal years presented break down as follows:

(EUR millions)	2020			2019	2018
	Gross	Impairment	Net	Net	Net
<b>As of January 1</b>	<b>17,807</b>	<b>(1,773)</b>	<b>16,034</b>	<b>13,727</b>	<b>13,837</b>
Changes in the scope of consolidation	(72)	46	(27)	1,033	45
Changes in purchase commitments for minority interests' shares	278	-	278	1,247	(126)
Changes in impairment	-	(178)	(178)	(22)	(100)
Translation adjustment	(157)	90	(67)	50	71
<b>As of December 31</b>	<b>17,856</b>	<b>(1,814)</b>	<b>16,042</b>	<b>16,034</b>	<b>13,727</b>

See Note 21 for goodwill arising on purchase commitments for minority interests' shares.

Changes in the scope of consolidation during fiscal year 2019 mainly resulted from the acquisition of Belmond. See Note 2.

## 5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Covid-19 pandemic severely disrupted production and commercial operations, leading to a substantial decrease in the Group's revenue and profit from recurring operations in 2020. Nevertheless, although the effects of the decrease in levels of business travel and tourism will still be felt for some time, the Group believes that its activities will not be significantly affected over the long term.

For the purposes of preparing the financial statements for the fiscal year ended December 31, 2020, the business segments that are most sensitive to negative changes in the market environment

have been identified. For these segments, multi-year plans drawn up previously have been adjusted to take into account the reduced business activity observed in 2020, as well as a scenario in which business activity returns to its 2019 level between 2022 and 2024, depending on the type of activity. For the other business segments, as the results of the impairment tests performed in 2019 were not called into question by the developments noted over the course of 2020, they were therefore reapplied, taking into account in particular the significant differences between recoverable and carrying amounts for intangible assets with indefinite useful lives.

As described in Note 1.16, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up each fiscal

year. The main assumptions used to determine these forecast cash flows are as follows:

(as %)	2020				2019			2018		
	Discount rate		Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Discount rate post-tax	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Discount rate post-tax	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan
	Post-tax	Pre-tax								
Wines and Spirits	6.0 to 10.8	8.1 to 14.6	5.8	2.0	6.0 to 10.8	5.8	2.0	6.5 to 11.0	5.7	2.0
Fashion and Leather Goods	7.1 to 9.6	9.6 to 13.0	10.5	2.0	7.1 to 9.6	10.4	2.0	8.0 to 10.5	9.7	2.0
Perfumes and Cosmetics	6.5 to 9.2	8.8 to 12.4	9.1	2.0	6.5 to 9.2	9.1	2.0	7.4 to 10.1	8.9	2.0
Watches and Jewelry	7.5 to 8.9	10.1 to 12.0	9.4	2.0	7.5 to 8.9	9.2	2.0	9.0 to 10.4	8.3	2.0
Selective Retailing	7.0 to 8.9	9.5 to 12.0	8.0	2.0	7.0 to 8.8	8.2	2.0	7.3 to 9.4	9.8	2.0
Other	6.0 to 9.0	8.1 to 12.1	6.6	2.0	6.0 to 7.5	2.3	2.0	6.5 to 9.3	4.5	2.0

Plans generally cover a five-year period, but may be prolonged up to ten years in the case of brands for which the production cycle exceeds five years or brands undergoing strategic repositioning.

Annual growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

As of December 31, 2020, the intangible assets with indefinite useful lives that are the most significant in terms of their carrying amounts and the criteria used for impairment testing are as follows:

(EUR millions)	Brands and trade names	Goodwill	Total	Post-tax discount rate (as %)	Growth rate for the period after the plan (as %)	Period covered by the forecast cash flows	
	Christian Dior	3,500	2,179	5,679	8.4	2.0	5 years
	Louis Vuitton	2,059	473	2,532	7.1	2.0	5 years
	Loro Piana <sup>(a)</sup>	1,300	1,048	2,348	N/A	N/A	N/A
	Fendi	713	405	1,117	8.4	2.0	5 years
	Bvlgari	2,100	1,547	3,647	7.5	2.0	5 years
	TAG Heuer	1,148	218	1,366	7.5	2.0	5 years
	DFS	1,865	-	1,865	8.8	2.0	5 years
	Belmond	126	900	1,026	9.0	2.0	10 years

(a) For impairment testing purposes, the fair value of Loro Piana was determined by applying the share price multiples of comparable companies to Loro Piana's consolidated operating results. The change in multiples resulting from a 10% decrease in the market capitalization of comparable companies or the operating profit of Loro Piana would not generate an impairment risk for Loro Piana's intangible assets.

N/A: Not applicable.

As of December 31, 2020, three business segments disclosed intangible assets with a carrying amount close to their recoverable amount (including two for which the net carrying amounts of intangible assets with indefinite useful lives are significant). Impairment tests relating to intangible assets with indefinite useful lives in these business segments have been carried out based on value in use. The amount of these intangible assets as

of December 31, 2020 and the impairment loss that would result from a 1.0-point change in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a 4-point decrease in the compound annual growth rate for revenue compared to rates used as of December 31, 2020, break down as follows:

(EUR millions)	Amount of intangible assets concerned as of 12/31/2020	Amount of impairment if:		
		Post-tax discount rate increases by 1.0 point	Annual growth rate for revenue decreases by 4 points	Growth rate for the period after the plan decreases by 1.0 point
Watches and Jewelry	1,366	(171)	(179)	(130)
Other activities	1,225	(41)	(143)	-
<b>Total</b>	<b>2,591</b>	<b>(212)</b>	<b>(322)</b>	<b>(130)</b>

The Group considers that changes in excess of the limits mentioned above would entail assumptions at a level not deemed relevant in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned.

As of December 31, 2020, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or

impairment charges in 2020 were 1,831 million euros and 1,328 million euros, respectively (325 million and 37 million euros as of December 31, 2019).

Impairment expenses recognized during fiscal year 2020 came to 235 million euros. See Note 26.

## 6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2020			2019	2018 <sup>(a)</sup>
	Gross	Depreciation and impairment	Net	Net	Net
Land	4,499	(19)	4,480	4,411	2,838
Vineyard land and producing vineyards <sup>(b)</sup>	2,668	(117)	2,551	2,537	2,473
Buildings	5,737	(2,234)	3,503	3,218	2,292
Investment property	350	(34)	316	319	602
Leasehold improvements, machinery and equipment	14,431	(9,972)	4,459	4,717	4,078
Assets in progress	1,181	(5)	1,176	1,650	1,237
Other property, plant and equipment	2,295	(555)	1,740	1,682	1,592
<b>Total</b>	<b>31,161</b>	<b>(12,937)</b>	<b>18,224</b>	<b>18,533</b>	<b>15,112</b>
<i>Of which: Historical cost of vineyard land</i>	<i>601</i>	<i>-</i>	<i>601</i>	<i>587</i>	<i>576</i>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

Changes in property, plant and equipment during the fiscal year broke down as follows:

Gross value (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
<b>As of December 31, 2019</b>	<b>2,655</b>	<b>9,775</b>	<b>357</b>	<b>9,801</b>	<b>2,964</b>	<b>1,478</b>	<b>1,652</b>	<b>2,205</b>	<b>30,887</b>
Acquisitions	19	295	1	464	135	91	911	67	1,984
Change in the market value of vineyard land	(3)	-	-	-	-	-	-	-	(3)
Disposals and retirements	(11)	(79)	(4)	(400)	(63)	(86)	(5)	(27)	(676)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	(14)	(320)	(7)	(503)	(35)	(55)	(31)	(32)	(997)
Other movements, including transfers	23	566	2	404	97	138	(1,345)	82	(32)
<b>As of December 31, 2020</b>	<b>2,668</b>	<b>10,236</b>	<b>350</b>	<b>9,767</b>	<b>3,098</b>	<b>1,566</b>	<b>1,181</b>	<b>2,295</b>	<b>31,161</b>

Depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
<b>As of December 31, 2019</b>	<b>(118)</b>	<b>(2,146)</b>	<b>(37)</b>	<b>(6,586)</b>	<b>(1,949)</b>	<b>(991)</b>	<b>(2)</b>	<b>(524)</b>	<b>(12,354)</b>
Depreciation expense	(6)	(238)	(2)	(1,024)	(211)	(149)	-	(75)	(1,706)
Impairment expense	(2)	(10)	-	(3)	(2)	-	(5)	(3)	(26)
Disposals and retirements	9	67	-	395	55	84	-	29	639
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	1	75	-	347	18	42	-	18	502
Other movements, including transfers	(1)	(1)	6	62	2	(62)	1	1	8
<b>As of December 31, 2020</b>	<b>(117)</b>	<b>(2,253)</b>	<b>(34)</b>	<b>(6,810)</b>	<b>(2,087)</b>	<b>(1,076)</b>	<b>(5)</b>	<b>(555)</b>	<b>(12,937)</b>
<b>Carrying amount as of December 31, 2020</b>	<b>2,551</b>	<b>7,983</b>	<b>316</b>	<b>2,957</b>	<b>1,012</b>	<b>490</b>	<b>1,176</b>	<b>1,740</b>	<b>18,224</b>

“Other property, plant and equipment” includes in particular the works of art owned by the Group.

Purchases of property, plant and equipment mainly include investments by the Group’s brands – notably Louis Vuitton, Sephora and Christian Dior – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production equipment.

The impact of marking vineyard land to market was 1,824 million euros as of December 31, 2020 (1,836 million euros as of December 31, 2019; 1,793 million euros as of December 31, 2018). See Notes 1.10 and 1.14 on the measurement method for vineyard land.

The market value of investment property, according to appraisals by independent third parties, was at least 0.5 billion euros as of December 31, 2020. The valuation methods used are based on market data.

Changes in property, plant and equipment during prior fiscal years broke down as follows:

Carrying amount (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores	Production, logistics	Other			
<b>As of December 31, 2017</b>	<b>2,432</b>	<b>4,427</b>	<b>763</b>	<b>2,682</b>	<b>883</b>	<b>406</b>	<b>784</b>	<b>1,485</b>	<b>13,862</b>
Acquisitions	25	473	70	604	162	82	1,074	114	2,604
Disposals and retirements	-	-	-	(3)	(3)	(1)	(1)	3	(5)
Depreciation expense	(6)	(192)	(2)	(946)	(172)	(127)	-	(67)	(1,512)
Impairment expense	-	(2)	-	2	(1)	-	-	(2)	(3)
Changes in market value	8	-	-	-	-	-	-	-	8
Changes in the scope of consolidation	-	-	-	2	1	3	-	-	6
Translation adjustment	(1)	67	14	45	1	5	5	2	137
Other	15	357	(243)	339	75	39	(624)	57	15
<b>As of December 31, 2018</b>	<b>2,473</b>	<b>5,130</b>	<b>602</b>	<b>2,725</b>	<b>946</b>	<b>407</b>	<b>1,237</b>	<b>1,592</b>	<b>15,112</b>
Impact of changes in accounting standards <sup>(a)</sup>	-	(260)	-	(61)	(22)	(9)	(4)	1	(355)
<b>As of January 1, 2019, after restatement</b>	<b>2,473</b>	<b>4,870</b>	<b>602</b>	<b>2,664</b>	<b>924</b>	<b>398</b>	<b>1,233</b>	<b>1,593</b>	<b>14,757</b>
Acquisitions	11	225	12	806	165	143	1,375	124	2,860
Disposals and retirements	-	(8)	(23)	(1)	(1)	(2)	(8)	8	(35)
Depreciation expense	(6)	(213)	(4)	(1,030)	(189)	(144)	-	(68)	(1,655)
Impairment expense	-	62	(1)	(5)	(2)	-	(16)	-	38
Changes in market value	42	-	-	-	-	-	-	-	42
Changes in the scope of consolidation	15	2,117	-	218	8	-	22	8	2,388
Translation adjustment	2	69	8	53	5	4	8	4	151
Other	1	506	(274)	512	106	87	(964)	13	(13)
<b>As of December 31, 2019</b>	<b>2,537</b>	<b>7,628</b>	<b>319</b>	<b>3,216</b>	<b>1,015</b>	<b>486</b>	<b>1,650</b>	<b>1,682</b>	<b>18,533</b>

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 to the 2019 consolidated financial statements.

Purchases of property, plant and equipment in fiscal years 2019 and 2018 mainly included investments by the Group's brands in their retail networks and investments by the champagne houses, Hennessy, Louis Vuitton and Parfums Christian Dior in their

production equipment. They also included investments related to the La Samaritaine project as well as, in 2018, investments related to the Jardin d'Acclimatation, along with various real estate investments.

## 7. LEASES

### 7.1 Right-of-use assets

Right-of-use assets break down as follows, by type of underlying asset:

(EUR millions)	2020			2019	January 1, 2019
	Gross	Depreciation and impairment	Net	Net	Net
Stores	13,577	(3,523)	10,054	9,861	9,472
Offices	1,931	(498)	1,433	1,436	1,332
Other	922	(200)	722	749	718
<b>Capitalized fixed lease payments</b>	<b>16,429</b>	<b>(4,222)</b>	<b>12,207</b>	<b>12,047</b>	<b>11,522</b>
Leasehold rights	783	(470)	313	362	345
<b>Total</b>	<b>17,213</b>	<b>(4,691)</b>	<b>12,522</b>	<b>12,409</b>	<b>11,867</b>

The net amounts of right-of-use assets changed as follows during the fiscal year:

Gross value (EUR millions)	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
<b>As of December 31, 2019</b>	<b>11,817</b>	<b>1,724</b>	<b>860</b>	<b>14,402</b>	<b>738</b>	<b>15,140</b>
New leases entered into	2,112	417	115	2,643	7	2,650
Changes in assumptions	931	(84)	11	858	-	858
Leases ended or canceled	(475)	(76)	(39)	(590)	(8)	(598)
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(795)	(58)	(44)	(897)	(11)	(908)
Other movements, including transfers	(13)	8	19	14	57	71
<b>As of December 31, 2020</b>	<b>13,577</b>	<b>1,931</b>	<b>922</b>	<b>16,429</b>	<b>783</b>	<b>17,213</b>

Depreciation and impairment (EUR millions)	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
<b>As of December 31, 2019</b>	<b>(1,956)</b>	<b>(288)</b>	<b>(111)</b>	<b>(2,355)</b>	<b>(376)</b>	<b>(2,731)</b>
Depreciation expense	(2,111)	(286)	(117)	(2,514)	(54)	(2,568)
Impairment expense	1	(2)	-	(1)	(3)	(4)
Leases ended or canceled	344	64	22	430	7	437
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	195	17	7	219	5	224
Other movements, including transfers	2	(3)	-	(1)	(49)	(50)
<b>As of December 31, 2020</b>	<b>(3,523)</b>	<b>(498)</b>	<b>(200)</b>	<b>(4,222)</b>	<b>(470)</b>	<b>(4,691)</b>
<b>Carrying amount as of December 31, 2020</b>	<b>10,054</b>	<b>1,433</b>	<b>722</b>	<b>12,207</b>	<b>313</b>	<b>12,522</b>

“New leases entered into” mainly involved store leases, in particular for Louis Vuitton, Sephora, Christian Dior Couture, Fendi and Loro Piana. They also included leases of office space, mainly for Wines and Spirits and Benefit Cosmetics. Changes

in assumptions mainly related to the exercise of options to extend existing leases, in particular for DFS and Christian Dior. These two types of changes led to corresponding increases in right-of-use assets and lease liabilities.

## 7.2 Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	2020	2019	January 1, 2019
Non-current lease liabilities	10,665	10,373	9,679
Current lease liabilities	2,163	2,172	2,149
<b>Total</b>	<b>12,829</b>	<b>12,545</b>	<b>11,828</b>

The change in lease liabilities during the fiscal year breaks down as follows:

<i>(EUR millions)</i>	Stores	Offices	Other	Total
<b>As of December 31, 2019</b>	<b>10,264</b>	<b>1,532</b>	<b>749</b>	<b>12,545</b>
New leases entered into	2,082	405	112	2,600
Principal repayments	(1,911)	(250)	(113)	(2,275)
Change in accrued interest	(12)	2	2	(8)
Leases ended or canceled	(138)	(10)	(9)	(158)
Changes in assumptions	911	(84)	11	837
Changes in the scope of consolidation	-	-	-	-
Translation adjustment	(629)	(46)	(33)	(708)
Other movements, including transfers	(13)	7	1	(5)
<b>As of December 31, 2020</b>	<b>10,556</b>	<b>1,555</b>	<b>718</b>	<b>12,829</b>

The following table presents the contractual schedule of disbursements for lease liabilities as of December 31, 2020:

<i>(EUR millions)</i>	As of December 31, 2020 Total minimum future payments
Maturity: 2021	2,388
2022	2,065
2023	1,791
2024	1,552
2025	1,318
Between 2026 and 2030	3,560
Between 2031 and 2035	778
Thereafter	1,009
<b>Total minimum future payments</b>	<b>14,461</b>
Impact of discounting	(1,632)
<b>Total lease liability</b>	<b>12,829</b>

### 7.3 Breakdown of lease expense

The lease expense for the fiscal year breaks down as follows:

<i>(EUR millions)</i>	2020	2019
Depreciation and impairment of right-of-use assets	2,572	2,407
Interest on lease liabilities	281	290
<b>Capitalized fixed lease expense</b>	<b>2,853</b>	<b>2,697</b>
Variable lease payments	755	1,595
Short-term leases and/or low-value leases	320	376
<b>Other lease expenses</b>	<b>1,075</b>	<b>1,971</b>
<b>Total</b>	<b>3,928</b>	<b>4,668</b>

In certain countries, leases for stores entail the payment of both minimum amounts and variable amounts, especially for stores with lease payments indexed to revenue. As required by IFRS 16, only the minimum fixed lease payments are capitalized. "Other lease expenses" mainly relate to variable lease payments.

In 2020, apart from the consequences of the decline in activity levels in connection with the Covid-19 pandemic, the expense for variable lease payments reflects the 548 million euro impact of rent concessions from lessors, in accordance with the provisions set out in the amendment to IFRS 16 adopted in 2020 (see Note 1.2).

For leases not required to be capitalized, there is little difference between the expense recognized and the payments made.

## 7.4 Changes during prior fiscal year

The change in right-of-use assets during the previous fiscal year breaks down as follows, by type of underlying asset:

Carrying amount (EUR millions)	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
<b>As of January 1, 2019</b>	<b>9,471</b>	<b>1,331</b>	<b>718</b>	<b>11,520</b>	<b>344</b>	<b>11,864</b>
New leases entered into	1,862	386	94	2,342	64	2,406
Changes in assumptions	411	13	2	426	-	426
Leases ended or canceled	(138)	(6)	(9)	(153)	(12)	(165)
Depreciation expense	(1,970)	(274)	(108)	(2,352)	(53)	(2,405)
Impairment expense	-	(7)	-	(7)	5	(2)
Changes in the scope of consolidation	22	5	36	64	(4)	61
Translation adjustment	194	16	12	222	4	226
Other movements, including transfers	9	(27)	3	(15)	13	(2)
<b>As of December 31, 2019</b>	<b>9,861</b>	<b>1,436</b>	<b>749</b>	<b>12,047</b>	<b>362</b>	<b>12,409</b>

The change in lease liabilities during the previous fiscal year breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
<b>As of January 1, 2019</b>	<b>9,692</b>	<b>1,420</b>	<b>716</b>	<b>11,828</b>
New leases entered into	1,834	373	94	2,302
Principal repayments	(1,828)	(238)	(101)	(2,166)
Change in accrued interest	40	5	5	50
Leases ended or canceled	(138)	(6)	(8)	(152)
Changes in assumptions	403	11	2	415
Changes in the scope of consolidation	26	-	30	56
Translation adjustment	198	17	12	228
Other movements, including transfers	36	(50)	-	(13)
<b>As of December 31, 2019</b>	<b>10,264</b>	<b>1,532</b>	<b>749</b>	<b>12,545</b>

## 7.5 Off-balance sheet commitments

Off-balance sheet commitments relating to leases with fixed lease payments break down as follows:

(EUR millions)	2020	2019
Contracts commencing after the balance sheet date	1,324	1,592
Low-value leases and short-term leases	180	195
<b>Total undiscounted future payments</b>	<b>1,504</b>	<b>1,787</b>

As part of the active management of its retail network, the Group negotiates and enters into leases with commencement dates after the balance sheet date. Obligations to make payments under these leases are reported as off-balance sheet commitments rather than being recognized as lease liabilities.

In addition, the Group may enter into leases or concession contracts that have variable guaranteed amounts, which are not reflected in the commitments above.



## 7.6 Discount rates

The average discount rate for lease liabilities breaks down as follows for leases in effect as of December 31, 2020:

(as %)	Average rate for leases in effect as of December 31, 2020	Average rate for leases entered into in 2020
Euro	0.6	0.3
US dollar	3.1	2.0
Japanese yen	0.6	0.2
Hong Kong dollar	2.6	1.9
Other currencies	2.4	2.2
<b>Average rate for the Group</b>	<b>2.0</b>	<b>1.1</b>

## 7.7 Termination and renewal options

The term used to calculate the lease liability is generally the contractual term of the lease. Special cases may exist where an early termination option or a renewal option is reasonably certain to be exercised, and as such the lease term used to calculate the lease liability is reduced or extended, respectively.

The table below presents the impact of these assumptions on lease liabilities recognized as of December 31, 2020:

(EUR millions)	As of December 31, 2020				
	Lease liabilities	Of which:		Impact of options not taken into account <sup>(a)</sup>	
		Impact of early termination options	Impact of renewal options	Renewal options	Early termination options
Lease liabilities related to contracts:					
– with options	5,858	(51)	1,767	1,581	(938)
– without options	6,971				
<b>Total</b>	<b>12,829</b>	<b>(51)</b>	<b>1,767</b>	<b>1,581</b>	<b>(938)</b>

(a) The impact of options not taken into account presented in the table above was calculated by discounting future lease payments on the basis of the last known contractual term.

## 8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	2020				2019		2018	
	Gross	Impairment	Net	Of which: Joint arrangements	Net	Of which: Joint arrangements	Net	Of which: Joint arrangements
<b>Share of net assets of joint ventures and associates as of January 1</b>	<b>1,074</b>	<b>-</b>	<b>1,074</b>	<b>448</b>	<b>638</b>	<b>278</b>	<b>639</b>	<b>273</b>
Share of net profit/(loss) for the period	(42)	-	(42)	(13)	28	11	23	12
Dividends paid	(24)	-	(24)	(12)	(20)	(9)	(28)	(9)
Changes in the scope of consolidation	-	-	-	-	415	163	(10)	2
Capital increases subscribed	10	-	10	7	5	2	3	1
Translation adjustment	(34)	-	(34)	(14)	5	-	7	-
Other, including transfers	5	-	5	9	3	3	4	(1)
<b>Share of net assets of joint ventures and associates as of December 31</b>	<b>990</b>	<b>-</b>	<b>990</b>	<b>426</b>	<b>1,074</b>	<b>448</b>	<b>638</b>	<b>278</b>

As of December 31, 2020, investments in joint ventures and associates consisted primarily of the following:

- For joint arrangements:
  - a 50% stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
  - a 50% stake in hotel and rail transport activities operated by Belmond in Peru.
- For other companies:
  - a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris (France) that serves as the headquarters of LVMH Moët Hennessy Louis Vuitton;
  - a 45% stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports;

- a 46% stake in JW Anderson, a London-based ready-to-wear brand;
- a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton;
- a 49% stake in Stella McCartney, a London-based ready-to-wear brand.

Changes in the scope of consolidation in fiscal year 2019 mainly resulted from the acquisition of a stake in Stella McCartney and the acquisition of Belmond. See Note 2.

Repossi – an Italian jewelry brand in which the Group had taken a 41.7% stake, which was acquired in November 2015 and accounted for using the equity method until December 31, 2017 – has been fully consolidated since 2018, following the acquisition of an additional stake in the company, raising the Group's ownership interest from 41.7% to 68.9%.

## 9. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

<i>(EUR millions)</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>As of January 1</b>	<b>915</b>	<b>1,100</b>	<b>789</b>
Acquisitions	159	146	450
Disposals at net realized value	(213)	(45)	(45)
Changes in market value <sup>(a)</sup>	24	(16)	(101)
Changes in the scope of consolidation	-	-	-
Translation adjustment	(13)	7	16
Reclassifications <sup>(b)</sup>	(133)	(276)	(9)
<b>As of December 31</b>	<b>739</b>	<b>915</b>	<b>1,100</b>

(a) Recognized within "Net financial income/(expense)".

(b) See Note 14.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.10; see also Note 23.2 for the breakdown of these assets according to the measurement methods used.

Reclassifications mainly related to non-current available for sale financial assets used to hedge financial debt maturing in less than one year.

Acquisitions in fiscal years 2020 and 2019 included, for 90 and 110 million euros, respectively, the impact of subscription of securities in investment funds.

Acquisitions in fiscal year 2018 included in particular, for 274 million euros, the impact of the acquisition of Belmond shares, as well as, for 87 million euros, the impact of subscription of securities in investment funds and acquisitions of minority interests.

## 10. OTHER NON-CURRENT ASSETS

<i>(EUR millions)</i>	2020	2019	2018 <sup>(a)</sup>
Warranty deposits	409	429	379
Derivatives <sup>(b)</sup>	110	782	257
Loans and receivables	280	291	303
Other	46	45	47
<b>Total</b>	<b>845</b>	<b>1,546</b>	<b>986</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) See Note 23.

## 11. INVENTORIES AND WORK IN PROGRESS

<i>(EUR millions)</i>	2020			2019	2018
	Gross	Impairment	Net	Net	Net
Wines and <i>eaux-de-vie</i> in the process of aging	5,337	(24)	5,313	5,017	4,784
Other raw materials and work in progress	2,284	(551)	1,732	1,900	1,700
	<b>7,621</b>	<b>(575)</b>	<b>7,046</b>	<b>6,917</b>	<b>6,484</b>
Goods purchased for resale	1,940	(234)	1,706	2,189	2,091
Finished products	5,597	(1,333)	4,264	4,611	3,910
	<b>7,537</b>	<b>(1,567)</b>	<b>5,970</b>	<b>6,800</b>	<b>6,001</b>
<b>Total</b>	<b>15,158</b>	<b>(2,142)</b>	<b>13,016</b>	<b>13,717</b>	<b>12,485</b>

See Note 1.18.

The change in net inventories for the fiscal years presented breaks down as follows:

<i>(EUR millions)</i>	2020			2019	2018
	Gross	Impairment	Net	Net	Net
<b>As of January 1</b>	<b>15,537</b>	<b>(1,820)</b>	<b>13,717</b>	<b>12,485</b>	<b>10,888</b>
Change in gross inventories	562	-	562	1,604	1,722
Impact of provision for returns <sup>(a)</sup>	12	-	12	2	7
Impact of marking harvests to market	(27)	-	(27)	(6)	16
Changes in provision for impairment	-	(797)	(797)	(559)	(285)
Changes in the scope of consolidation	(2)	2	-	36	25
Translation adjustment	(537)	80	(457)	153	109
Other, including reclassifications	(386)	393	7	-	3
<b>As of December 31</b>	<b>15,158</b>	<b>(2,142)</b>	<b>13,016</b>	<b>13,717</b>	<b>12,485</b>

(a) See Note 1.27.

In fiscal year 2020, due to the Covid-19 pandemic, more limited sales prospects for inventories led to the recognition of a non-recurring impairment charge of around 190 million euros.

The impact of marking harvests to market on Wines and Spirits' cost of sales and value of inventory is as follows:

<i>(EUR millions)</i>	2020	2019	2018
Impact of marking the period's harvest to market	(7)	14	41
Impact of inventory sold during the period	(20)	(20)	(25)
<b>Net impact on cost of sales for the period</b>	<b>(27)</b>	<b>(6)</b>	<b>16</b>
<b>Net impact on the value of inventory as of December 31</b>	<b>93</b>	<b>120</b>	<b>126</b>

See Notes 1.10 and 1.18 on the method of marking harvests to market.

## 12. TRADE ACCOUNTS RECEIVABLE

<i>(EUR millions)</i>	2020	2019	2018
Trade accounts receivable, nominal amount	2,880	3,539	3,302
Provision for impairment	(124)	(89)	(78)
Provision for product returns <sup>(a)</sup>	-	-	(2)
<b>Net amount</b>	<b>2,756</b>	<b>3,450</b>	<b>3 222</b>

(a) See Note 1.27.

The change in trade accounts receivable for the fiscal years presented breaks down as follows:

<i>(EUR millions)</i>	2020			2019		2018
	Gross	Impairment	Net	Net	Net	
<b>As of January 1</b>	<b>3,539</b>	<b>(89)</b>	<b>3,450</b>	<b>3,222</b>	<b>2,736</b>	
Changes in gross receivables	(528)	-	(528)	121	179	
Changes in provision for impairment	-	(41)	(41)	(10)	(1)	
Changes in provision for product returns <sup>(a)</sup>	-	-	-	-	7	
Changes in the scope of consolidation	1	-	1	50	5	
Translation adjustment	(151)	3	(148)	72	24	
Reclassifications	19	3	22	(5)	272	
<b>As of December 31</b>	<b>2,880</b>	<b>(124)</b>	<b>2,756</b>	<b>3,450</b>	<b>3 222</b>	

(a) See Note 1.27.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains long-term relationships.

As of December 31, 2020, the breakdown of the nominal amount of trade accounts receivable and of provisions for impairment by age was as follows:

<i>(EUR millions)</i>		Nominal amount of receivables	Impairment	Net amount of receivables
Not due:	– less than 3 months	2,462	(24)	2,439
	– more than 3 months	81	(11)	70
		<b>2,544</b>	<b>(35)</b>	<b>2,509</b>
Overdue:	– less than 3 months	214	(10)	204
	– more than 3 months	123	(79)	43
		<b>336</b>	<b>(89)</b>	<b>247</b>
<b>Total</b>		<b>2,880</b>	<b>(124)</b>	<b>2,756</b>

For each of the fiscal years presented, no single customer accounted for more than 5% of the Group's consolidated revenue.

The present value of trade accounts receivable is identical to their carrying amount.

### 13. OTHER CURRENT ASSETS

<i>(EUR millions)</i>	2020	2019	2018 <sup>(a)</sup>
Current available for sale financial assets <sup>(b)</sup>	752	733	666
Derivatives <sup>(c)</sup>	968	180	123
Tax accounts receivable, excluding income taxes	956	1,055	895
Advances and payments on account to vendors	209	254	216
Prepaid expenses	387	454	430
Other receivables	574	589	538
<b>Total</b>	<b>3,846</b>	<b>3,264</b>	<b>2,868</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) See Note 14.

(c) See Note 23.

### 14. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

The net value of current available for sale financial assets changed as follows during the fiscal years presented:

<i>(EUR millions)</i>	2020	2019	2018
<b>As of January 1</b>	<b>733</b>	<b>666</b>	<b>515</b>
Acquisitions	576	50	311
Disposals at net realized value	(653)	(121)	(164)
Changes in market value <sup>(a)</sup>	(34)	138	3
Changes in the scope of consolidation	-	-	-
Translation adjustment	-	-	1
Reclassifications	130	-	-
<b>As of December 31</b>	<b>752</b>	<b>733</b>	<b>666</b>
<i>Of which: Historical cost of current available for sale financial assets</i>	<i>719</i>	<i>538</i>	<i>576</i>

(a) Recognized within "Net financial income/(expense)".

Reclassifications mainly related to non-current available for sale financial assets used to hedge financial debt maturing in less than one year (see Note 9). These financial instruments, entered into in 2016 to hedge cash-settled convertible bonds, were partially repaid as of December 31, 2020, following the conversion of the hedged bonds. See also Note 19.

The market value of current available for sale financial assets is determined using the methods described in Note 1.10. See Note 23.2 for the breakdown of current available for sale financial assets according to the measurement methods used.

## 15. CASH AND CHANGE IN CASH

### 15.1 Cash and cash equivalents

<i>(EUR millions)</i>	2020	2019	2018
Term deposits (less than 3 months)	13,546	879	654
SICAV and FCP funds	1,943	147	192
Ordinary bank accounts	4,474	4,647	3,764
<b>Cash and cash equivalents per balance sheet</b>	<b>19,963</b>	<b>5,673</b>	<b>4,610</b>

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

<i>(EUR millions)</i>	2020	2019	2018
Cash and cash equivalents	19,963	5,673	4,610
Bank overdrafts	(156)	(176)	(197)
<b>Net cash and cash equivalents per cash flow statement</b>	<b>19,806</b>	<b>5,497</b>	<b>4,413</b>

### 15.2 Change in working capital

The change in working capital breaks down as follows for the fiscal years presented:

<i>(EUR millions)</i>	Notes	2020	2019	2018
Change in inventories and work in progress	11	(562)	(1,604)	(1,722)
Change in trade accounts receivable	12	528	(121)	(179)
Change in balance of amounts owed to customers	22	(10)	9	8
Change in trade accounts payable	22	(559)	463	715
Change in other receivables and payables		237	98	91
<b>Change in working capital<sup>(a)</sup></b>		<b>(367)</b>	<b>(1,154)</b>	<b>(1,087)</b>

(a) Increase/(Decrease) in cash and cash equivalents.

## 15.3 Operating investments

Operating investments comprise the following elements for the fiscal years presented:

<i>(EUR millions)</i>	Notes	2020	2019	2018 <sup>(a)</sup>
Purchase of intangible assets	3	(481)	(528)	(537)
Purchase of property, plant and equipment	6	(1,984)	(2,860)	(2,590)
Change in accounts payable related to fixed asset purchases		(55)	163	137
Initial direct costs	7	(7)	(62)	-
<b>Net cash used in purchases of fixed assets</b>		<b>(2,526)</b>	<b>(3,287)</b>	<b>(2,990)</b>
Net cash from fixed asset disposals		51	29	10
Guarantee deposits paid and other cash flows related to operating investments		(3)	(36)	(58)
<b>Operating investments<sup>(b)</sup></b>		<b>(2,478)</b>	<b>(3,294)</b>	<b>(3,038)</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) Increase/(Decrease) in cash and cash equivalents.

## 15.4 Interim and final dividends paid and other equity-related transactions

Interim and final dividends paid comprise the following elements for the fiscal years presented:

<i>(EUR millions)</i>		2020	2019	2018
Interim and final dividends paid by LVMH SE		(2,317)	(3,119)	(2,715)
Interim and final dividends paid to minority interests in consolidated subsidiaries		(365)	(429)	(339)
Tax paid related to interim and final dividends paid		(117)	(130)	(36)
<b>Interim and final dividends paid</b>		<b>(2,799)</b>	<b>(3,678)</b>	<b>(3,090)</b>

Other equity-related transactions comprise the following elements for the fiscal years presented:

<i>(EUR millions)</i>	Notes	2020	2019	2018
Capital increases of LVMH SE	16	-	21	49
Capital increases of subsidiaries subscribed by minority interests		39	82	41
Acquisition and disposal of LVMH treasury shares	16	(12)	(49)	(295)
<b>Other equity-related transactions</b>		<b>27</b>	<b>54</b>	<b>(205)</b>

# 16. EQUITY

## 16.1 Equity

<i>(EUR millions)</i>	Notes	2020	2019	2018 <sup>(a)</sup>
Share capital	16.2	152	152	152
Share premium account	16.2	2,225	2,319	2,298
LVMH shares	16.3	(260)	(403)	(421)
Cumulative translation adjustment	16.5	(692)	862	573
Revaluation reserves		625	813	875
Other reserves		30,661	25,672	22,462
Net profit, Group share		4,702	7,171	6,354
<b>Equity, Group share</b>		<b>37,412</b>	<b>36,586</b>	<b>32,293</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

## 16.2 Share capital and share premium account

As of December 31, 2020, the share capital consisted of 504,757,339 fully paid-up shares (505,431,285 as of December 31, 2019 and 505,029,495 as of December 31, 2018), with a par value of 0.30 euros per share, including 232,538,911 shares with double

voting rights (232,293,143 as of December 31, 2019 and 231,834,011 as of December 31, 2018). Double voting rights are attached to registered shares held for more than three years.

Changes in the share capital and share premium account, in value and in terms of number of shares, break down as follows:

(EUR millions)	2020		2019	2018		
	Number	Amount	Amount	Amount		
		Share capital	Share premium account	Total		
<b>As of January 1</b>	<b>505,431,285</b>	<b>152</b>	<b>2,319</b>	<b>2,470</b>	<b>2,450</b>	<b>2,766</b>
Exercise of share subscription options	-	-	-	-	21	49
Retirement of LVMH shares	(673,946)	-	(94)	(94)	-	(365)
<b>As of period-end</b>	<b>504,757,339</b>	<b>152</b>	<b>2,225</b>	<b>2,376</b>	<b>2,470</b>	<b>2,450</b>

## 16.3 LVMH shares

The portfolio of LVMH shares is allocated as follows:

(EUR millions)	2020		2019	2018
	Number	Amount	Amount	Amount
Share subscription option plans	-	-	20	20
Bonus share plans	826,456	242	294	302
<b>Shares held for stock option and similar plans<sup>(a)</sup></b>	<b>826,456</b>	<b>242</b>	<b>314</b>	<b>322</b>
Liquidity contract	35,000	17	15	25
Shares pending retirement	-	-	74	74
<b>LVMH treasury shares</b>	<b>861,456</b>	<b>260</b>	<b>403</b>	<b>421</b>

(a) See Note 17 regarding stock option and similar plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2020 amounted to 18 million euros.

The portfolio movements of LVMH shares during the fiscal year were as follows:

(number of shares or EUR millions)	Number	Amount	Impact on cash
<b>As of December 31, 2019</b>	<b>1,778,911</b>	<b>403</b>	
Share purchases <sup>(a)</sup>	582,906	217	(217)
Vested bonus shares	(288,482)	(67)	-
Retirement of LVMH shares	(673,946)	(94)	-
Disposals at net realized value <sup>(a)</sup>	(537,933)	(205)	205
Gain/(loss) on disposal	-	6	-
<b>As of December 31, 2020</b>	<b>861,456</b>	<b>260</b>	<b>(12)</b>

(a) Purchases and sales of LVMH shares mainly related to the management of the liquidity contract.



## 16.4 Dividends paid by the parent company LVMH SE

In accordance with French regulations, dividends are taken from the profit for the fiscal year and the distributable reserves of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares.

As of December 31, 2020, the distributable amount was 16,872 million euros; after taking into account the proposed dividend distribution in respect of the 2020 fiscal year, it was 14,853 million euros.

<i>(EUR millions)</i>	2020	2019	2018
Interim dividend for the current fiscal year (2020: 2.00 euros; 2019: 2.20 euros; 2018: 2.00 euros)	1,010	1,112	1,010
Impact of treasury shares	(2)	(4)	(4)
<b>Gross amount disbursed for the fiscal year</b>	<b>1,008</b>	<b>1,108</b>	<b>1,006</b>
Final dividend for the previous fiscal year (2019: 2.60 euros; 2018: 4.00 euros; 2017: 3.40 euros)	1,314	2,020	1,717
Impact of treasury shares	(5)	(8)	(8)
<b>Gross amount disbursed for the previous fiscal year</b>	<b>1,309</b>	<b>2,012</b>	<b>1,709</b>
<b>Total gross amount disbursed during the period<sup>(a)</sup></b>	<b>2,317</b>	<b>3,119</b>	<b>2,715</b>

(a) Excluding the impact of tax regulations applicable to the recipient.

The final dividend for fiscal year 2020, as proposed at the Shareholders' Meeting of April 15, 2021, is 4.00 euros per share, representing a total of 2,019 million euros before deduction of

the amount attributable to treasury shares held at the ex-dividend date.

## 16.5 Cumulative translation adjustment

The change in "Cumulative translation adjustment" recognized within "Equity, Group share", net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

<i>(EUR millions)</i>	2020	Change	2019	2018
US dollar	(832)	(1,196)	364	293
Swiss franc	778	17	761	632
Japanese yen	97	(28)	125	109
Hong Kong dollar	285	(103)	388	354
Pound sterling	(113)	(38)	(75)	(115)
Other currencies	(458)	(228)	(230)	(250)
Foreign currency net investment hedges <sup>(a)</sup>	(449)	22	(471)	(450)
<b>Total, Group share</b>	<b>(692)</b>	<b>(1,554)</b>	<b>862</b>	<b>573</b>

(a) Including: -125 million euros with respect to the US dollar (-146 million euros as of December 31, 2019 and -141 million euros as of December 31, 2018), -117 million euros with respect to the Hong Kong dollar (-117 million euros as of December 31, 2019 and 2018) and -210 million euros with respect to the Swiss franc (-208 million euros as of December 31, 2019 and -193 million euros as of December 31, 2018). These amounts include the tax impact.

## 16.6 Strategy relating to the Group's financial structure

The Group believes that the management of its financial structure, together with the development of the companies it owns and the management of its brand portfolio, helps create value for its shareholders. Maintaining a suitable-quality credit rating is a core objective for the Group, ensuring good access to markets under favorable conditions, allowing it to seize opportunities and procure the resources it needs to develop its business.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 19) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operating activities;
- operating free cash flow (see the consolidated cash flow statement);

- long-term resources to fixed assets;
- proportion of long-term debt in net financial debt.

Long-term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through frequent recourse to several negotiable debt markets (both short- and long-term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts of undrawn confirmed credit lines, intended to largely exceed the outstanding portion of its commercial paper program, while continuing to represent a reasonable cost for the Group.

## 17. BONUS SHARE AND SIMILAR PLANS

### 17.1 General characteristics of plans

#### 17.1.1 Share purchase and subscription option plans

At the Shareholders' Meeting of April 18, 2019, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2021, to grant share subscription or purchase options to Group company employees or senior executives, on one or more occasions, in an amount not to exceed 1% of the Company's share capital.

As of December 31, 2020, this authorization had not been used by the Board of Directors.

No share subscription option or purchase plans have been set up since 2010.

No share subscription option plans were in effect as of December 31, 2020.

#### 17.1.2 Bonus share plans

At the Shareholders' Meeting of June 30, 2020, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in August 2022, to grant

existing or newly issued shares as bonus shares to Group company employees or senior executives, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

For the plans set up in 2015, bonus shares and (if performance conditions are met) bonus performance shares (i) vest to recipients who are French residents for tax purposes after a three-year period, which is followed by a two-year holding period during which recipients may not sell their shares and (ii) vest to recipients who are not French residents for tax purposes and become freely transferable after a period of four years.

For the plans set up since 2016, bonus shares and (if performance conditions are met) bonus performance shares vest to all recipients after a three-year period and are freely transferable once they have vested. However, as an exception, the vesting period applicable to shares granted on April 13, 2017 is one year (which is followed by a two-year holding period during which recipients may not sell their shares) and those applicable to certain performance shares granted on July 26, 2017; October 25, 2017; January 25, 2018; and April 12, 2018 are between three and seven years.

### 17.1.3 Performance conditions

In addition to the condition under which recipients must still be with the Group, the vesting of bonus shares under certain plans is subject to conditions related to LVMH's financial performance, which must be met in order for recipients to be entitled to them. Shares only vest if LVMH's consolidated financial statements for one or more fiscal years (specified for each plan) show a positive change compared to a reference fiscal year (set for each plan) with

respect to one or more of the following indicators: the Group's profit from recurring operations, operating free cash flow (ex-net cash from operating activities and operating investments), and current operating margin. The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

This concerns the following plans and fiscal years:

Plan commencement date	Type of plan	Shares awarded if there is a positive change in one of the indicators between fiscal years:
October 25, 2017	Bonus shares	2017 and 2018; 2017 and 2019
April 12, 2018	"	2018 and 2019; 2018 and 2020
October 25, 2018	"	2018 and 2019; 2018 and 2020
October 24, 2019 <sup>(a)</sup>	"	2019 and 2020; 2019 and 2021
October 22, 2020	"	2020 and 2021; 2020 and 2022

(a) See Note 17.4.

The bonus shares granted on July 26, 2017, as well as certain bonus shares granted on October 25, 2017; January 25, 2018; and April 12, 2018 are subject to conditions specifically related to the performance of a subsidiary, which are based partly on

the subsidiary's consolidated revenue and consolidated profit from recurring operations, and partly (for some subsidiaries) on qualitative criteria.

## 17.2 Share subscription option plans

No share subscription option plans were in effect as of December 31, 2020.

The number of unexercised share subscription options and the weighted average exercise price changed as follows during the fiscal years presented:

	2020		2019		2018	
	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)
Share subscription options outstanding as of January 1	-	-	411,088	50.86	1,180,692	59.56
Options expired	-	-	(7,142)	50.86	(6,753)	63.98
Options exercised	-	-	(403,946)	50.86	(762,851)	64.21
Share subscription options outstanding as of period-end	-	-	-	-	411,088	50.86

### 17.3 Bonus share plans

The following table presents the main characteristics of the bonus share plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of shares awarded initially <sup>(e)</sup>	Of which: Performance shares <sup>(a)</sup>	Conditions satisfied?	Vesting period of rights	Shares expired in 2020	Shares vested in 2020	Provisional allocations as of 12/31/2020
July 26, 2017	21,700	21,700	yes	3 years	-	(21,700)	-
July 26, 2017	21,700	21,700	yes	4 years	-	-	21,700
October 25, 2017	288,827	270,325	yes	3 years	(8,204)	(266,782)	-
October 25, 2017	76,165	76,165	yes	7 years <sup>(c)</sup>	-	-	76,165
January 25, 2018	72,804	72,804	-	3 years	-	-	72,804
January 25, 2018	47,884	47,884	yes	6 years <sup>(c)</sup>	-	-	47,884
April 12, 2018	238,695	238,695	yes	3 years	(6,456)	-	228,173
April 12, 2018	93,421	93,421	yes	5 years <sup>(d)</sup>	-	-	93,421
October 25, 2018	9,477	9,477	yes	3 years	(189)	-	9,163
October 24, 2019	200,077	200,077	<sup>(e)</sup>	3 years	(101,688)	-	98,389
October 22, 2020	177,034	177,034	<sup>(b)</sup>	3 years	-	-	177,034
<b>Total</b>	<b>1,247,784</b>	<b>1,229,282</b>			<b>(116,537)</b>	<b>(288,482)</b>	<b>824,733</b>

(a) See Note 17.1 "General characteristics of plans".

(b) The performance conditions were considered to have been met for the purpose of determining the expense for fiscal year 2020, on the basis of budget data.

(c) Shares vest on June 30, 2024; early vesting on June 30, 2023 under certain conditions.

(d) Shares vest on June 30, 2023; vesting postponed to June 30, 2024 under certain conditions for a reduced number of shares.

(e) See Note 17.4.

The number of provisional allocations of shares awarded changed as follows during the fiscal years presented:

(number of shares)	2020	2019	2018
<b>Provisional allocations as of January 1</b>	<b>1,052,718</b>	<b>1,351,978</b>	<b>1,395,351</b>
Provisional allocations for the period	177,034	200,077	462,281
Shares vested during the period	(288,482)	(477,837)	(459,741)
Shares expired during the period	(116,537)	(21,500)	(45,913)
<b>Provisional allocations as of period-end</b>	<b>824,733</b>	<b>1,052,718</b>	<b>1,351,978</b>

### 17.4 Expense for the fiscal year

(EUR millions)	2020	2019	2018
Expense for the period for share subscription option and bonus share plans	63	72	82

The LVMH closing share price the day before the grant date of the plan was 427.80 euros for the plan dated October 22, 2020. The average unit value of provisionally allocated bonus shares during the 2020 fiscal year was 408.37 euros.

The performance condition for 2020 under the October 24, 2019 bonus share plan was not met. However, given the exceptional circumstances related to the Covid-19 pandemic, the Board of

Directors, at its meeting on October 22, 2020, voted to modify this plan's vesting rules: vesting may only concern 50% of the number of shares initially granted, and will be subject to consolidated profit from recurring operations for fiscal year 2021 being at least equal to the level recorded in the budget approved by the Board of Directors.

## 18. MINORITY INTERESTS

<i>(EUR millions)</i>	2020	2019	2018
<b>As of January 1</b>	<b>1,779</b>	<b>1,664</b>	<b>1,408</b>
Minority interests' share of net profit	253	611	636
Dividends paid to minority interests	(376)	(433)	(345)
Impact of changes in control of consolidated entities	7	25	41
Impact of acquisition and disposal of minority interests' shares	8	-	(19)
Capital increases subscribed by minority interests	54	95	50
Minority interests' share in gains and losses recognized in equity	(91)	17	45
Minority interests' share in stock option plan expenses	3	3	4
Impact of changes in minority interests with purchase commitments	(220)	(203)	(156)
<b>As of December 31</b>	<b>1,417</b>	<b>1,779</b>	<b>1,664</b>

The change in minority interests' share in gains and losses recognized in equity breaks down as follows:

<i>(EUR millions)</i>	Cumulative translation adjustment	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments	Minority interests' share in cumulative translation adjustment and revaluation reserves
<b>As of December 31, 2017</b>	<b>46</b>	<b>16</b>	<b>257</b>	<b>(36)</b>	<b>283</b>
Changes during the fiscal year	69	(30)	3	3	45
<b>As of December 31, 2018</b>	<b>115</b>	<b>(14)</b>	<b>260</b>	<b>(33)</b>	<b>328</b>
Changes during the fiscal year	23	4	6	(17)	17
<b>As of December 31, 2019</b>	<b>138</b>	<b>(10)</b>	<b>266</b>	<b>(50)</b>	<b>345</b>
Changes during the fiscal year	(116)	28	1	(3)	(91)
<b>As of December 31, 2020</b>	<b>22</b>	<b>18</b>	<b>267</b>	<b>(53)</b>	<b>254</b>

Minority interests are composed primarily of Diageo's 34% stake in Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") and the 39% stake held by Mari-Cha Group Ltd in DFS. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified

at the period-end within "Purchase commitments for minority interests' shares" under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the period-end. See Notes 1.13 and 21.

Dividends paid to Diageo during fiscal year 2020 amounted to 90 million euros, supplemented by an exceptional payment of 90 million euros in January 2021. Net profit attributable to Diageo for fiscal year 2020 was 289 million euros, and its share in accumulated minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,588 million euros as of December 31, 2020. As of that date, the condensed consolidated balance sheet of Moët Hennessy is as follows:

<i>(EUR billions)</i>	2020
Property, plant and equipment and intangible assets	4.8
Other non-current assets	0.4
<b>Non-current assets</b>	<b>5.1</b>
Inventories and work in progress	6.0
Other current assets	1.2
Cash and cash equivalents	2.6
<b>Current assets</b>	<b>9.8</b>
<b>Total assets</b>	<b>14.9</b>

<i>(EUR billions)</i>	2020
Equity	10.5
Non-current liabilities	1.5
<b>Equity and non-current liabilities</b>	<b>12.0</b>
Short-term borrowings	1.3
Other current liabilities	1.6
<b>Current liabilities</b>	<b>2.9</b>
<b>Total liabilities and equity</b>	<b>14.9</b>

No dividends were paid to DFS's shareholders during fiscal year 2020. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2020 was a loss of 89 million euros, and its share in accumulated minority interests as of December 31, 2020 came to 1,273 million euros.

## 19. BORROWINGS

### 19.1 Net financial debt

<i>(EUR millions)</i>	<b>2020</b>	<b>2019</b>	<b>2018<sup>(a)</sup></b>
Bonds and Euro Medium-Term Notes (EMTNs)	13,866	4,791	5,593
Finance leases	-	-	315
Bank borrowings	199	310	97
<b>Long-term borrowings</b>	<b>14,065</b>	<b>5,101</b>	<b>6,005</b>
Bonds and Euro Medium-Term Notes (EMTNs)	1,094	1,854	996
Current bank borrowings	346	262	220
Commercial paper	8,575	4,868	3,174
Other borrowings and credit facilities	418	430	421
Bank overdrafts	156	176	197
Accrued interest	49	21	19
<b>Short-term borrowings</b>	<b>10,638</b>	<b>7,610</b>	<b>5,027</b>
<b>Gross borrowings</b>	<b>24,703</b>	<b>12,711</b>	<b>11,032</b>
Interest rate risk derivatives	(68)	(16)	(16)
Foreign exchange risk derivatives	321	47	146
<b>Gross borrowings after derivatives</b>	<b>24,956</b>	<b>12,742</b>	<b>11,162</b>
Current available for sale financial assets <sup>(b)</sup>	(752)	(733)	(666)
Non-current available for sale financial assets used to hedge financial debt <sup>(c)</sup>	-	(130)	(125)
Cash and cash equivalents <sup>(d)</sup>	(19,963)	(5,673)	(4,610)
<b>Net financial debt</b>	<b>4,241</b>	<b>6,206</b>	<b>5,761</b>
Belmond shares (presented within "Non-current available for sale financial assets")	-	-	(274)
<b>Adjusted net financial debt, excluding the acquisition of Belmond shares</b>	<b>4,241</b>	<b>6,206</b>	<b>5,487</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) See Note 14.

(c) See Note 9.

(d) See Note 15.1.

Net financial debt does not include purchase commitments for minority interests' shares (see Note 21) or lease liabilities (see Note 7).

The change in gross borrowings after derivatives during the fiscal year breaks down as follows:

<i>(EUR millions)</i>	As of December 31, 2019	Impact on cash <sup>(a)</sup>	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassifications and Other	As of December 31, 2020
Long-term borrowings	5,101	10,729	(139)	12	-	(1,638)	14,065
Short-term borrowings	7,610	1,778	(450)	43	-	1,657	10,638
<b>Gross borrowings</b>	<b>12,711</b>	<b>12,507</b>	<b>(589)</b>	<b>55</b>	<b>-</b>	<b>19</b>	<b>24,703</b>
Derivatives	31	(26)	(1)	249	-	-	253
<b>Gross borrowings after derivatives</b>	<b>12,742</b>	<b>12,481</b>	<b>(590)</b>	<b>305</b>	<b>-</b>	<b>19</b>	<b>24,956</b>

(a) Including a positive impact of 17,499 million euros in respect of proceeds from borrowings and a negative impact of 5,024 million euros in respect of repayment of borrowings.

In February and April 2020, LVMH completed eight bond issues totaling 10.7 billion euros to finance in particular the acquisition

of Tiffany & Co., which was completed on January 7, 2021. The details of those bond issues are presented in the table below:

Nominal amount	Maturity	Initial effective interest rate (%)	Floating-rate swap	December 31, 2020 <i>(EUR millions)</i>
GBP 850,000,000	2027	1.125	Total	970
EUR 1,250,000,000	2024	-	-	1,251
EUR 1,250,000,000	2026	-	-	1,244
EUR 1,750,000,000	2028	0.125	-	1,734
EUR 1,500,000,000	2031	0.375	-	1,487
GBP 700,000,000	2023	1.000	Total	788
EUR 1,500,000,000	2025	0.375	-	1,494
EUR 1,750,000,000	2022	Floating	-	1,754
<b>Total bonds and EMTNs issued during the fiscal year</b>				<b>10,722</b>

At the time the sterling-denominated bonds were issued, swaps were entered into that converted them into euro-denominated borrowings.

During the fiscal year, LVMH repaid the 1,250 million euro bond issued in 2017 and the 600 million euro bond issued in 2013.

During the same period, conversion requests were filed for virtually all of the cash-settled convertible bonds issued in 2016, with a face value of 750 million US dollars. As of December 31, payments made in line with these requests related to convertible bonds with a total face value of 594 million US dollars. The remaining payments are expected to be made in 2021, after noting the average prices of the LVMH share serving as the reference for the calculation of the amounts due to the holders. In 2016, in addition to these issues of cash-settled convertible bonds, LVMH had entered into similar financial instruments enabling it to fully hedge its exposure to any positive or negative changes in the LVMH share price. These financial instruments were also converted.

The option component of convertible bonds and financial instruments entered into for hedging purposes is recorded under “Derivatives” (see Note 23). The non-option component of these bonds and financial instruments is recorded under “Short-term borrowings” and “Current available for sale financial assets”, respectively. The remaining amounts recognized in the balance sheet as of December 31, 2020 correspond to the portion of bonds that had not been converted at the balance sheet date.

In February 2019, LVMH completed two fixed-rate bond issues totaling 1.0 billion euros, comprised of 300 million euros in bonds maturing in 2021 and 700 million euros in bonds maturing in 2023.

During the 2019 fiscal year, LVMH repaid the 300 million euro bond issued in 2014, the 600 million euro bond issued in 2013 and the 150 million Australian dollar bond issued in 2014.

During the 2018 fiscal year, LVMH repaid the 500 million euro bond issued in 2011 and the 1,250 million euro bond issued in 2017.

The market value of gross borrowings, based on market data and commonly used valuation models, was 25,132 million euros as of December 31, 2020 (12,770 million euros as of December 31, 2019 and 11,076 million euros as of December 31, 2018), including 10,603 million euros in short-term borrowings (7,618 million euros as of December 31, 2019 and 5,032 million euros as of

December 31, 2018) and 14,529 million euros in long-term borrowings (5,151 million euros as of December 31, 2019 and 6,044 million euros as of December 31, 2018).

As of December 31, 2020, 2019 and 2018, no financial debt was recognized using the fair value option. See Note 1.22.

## 19.2 Bonds and EMTNs

Nominal amount (in currency)	Year issued	Maturity	Initial effective interest rate <sup>(a)</sup> (%)	2020 (EUR millions)	2019 (EUR millions)	2018 (EUR millions)
GBP 850,000,000	2020	2027	1.125	970	-	-
EUR 1,250,000,000	2020	2024	-	1,251	-	-
EUR 1,250,000,000	2020	2026	-	1,244	-	-
EUR 1,750,000,000	2020	2028	0.125	1,734	-	-
EUR 1,500,000,000	2020	2031	0.375	1,487	-	-
GBP 700,000,000	2020	2023	1.000	788	-	-
EUR 1,500,000,000	2020	2025	0.375	1,494	-	-
EUR 1,750,000,000	2020	2022	Floating	1,754	-	-
EUR 700,000,000	2019	2023	0.260	698	697	-
EUR 300,000,000	2019	2021	0.030	300	300	-
EUR 1,200,000,000	2017	2024	0.82	1,206	1,203	1,197
EUR 800,000,000	2017	2022	0.46	801	800	799
GBP 400,000,000	2017	2022	1.09	449	469	439
EUR 1,250,000,000	2017	2020	0.13	-	1,249	1,248
USD 750,000,000 <sup>(b)</sup>	2016	2021	1.92	127	659	639
EUR 650,000,000	2014	2021	1.12	656	662	664
EUR 600,000,000	2013	2020	1.89	-	605	606
AUD 150,000,000	2014	2019	3.68	-	-	94
EUR 600,000,000 <sup>(c)</sup>	2013	2019	1.25	-	-	603
EUR 300,000,000	2014	2019	Floating	-	-	300
<b>Total bonds and EMTNs</b>				<b>14,959</b>	<b>6,645</b>	<b>6,589</b>

(a) Before the impact of interest-rate hedges implemented when or after the bonds were issued.

(b) Cumulative amounts and weighted average initial effective interest rate based on a 600 million US dollar bond issued in February 2016 at an initial effective interest rate of 1.96% and a 150 million US dollar tap issue carried out in April 2016 at an effective interest rate of 1.74%. These yields were determined excluding the option component.

(c) Cumulative amounts and weighted average initial effective interest rate based on a 500 million euro bond issued in 2013 at an initial effective interest rate of 1.38% and a 100 million euro tap issue carried out in 2014 at an effective interest rate of 0.62%.

## 19.3 Breakdown of gross borrowings by payment date and type of interest rate

(EUR millions)		Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	December 31, 2021	1,669	8,969	10,638	(638)	822	183	1,031	9,791	10,822
	December 31, 2022	1,292	1,757	3,049	(630)	650	20	662	2,407	3,069
	December 31, 2023	1,533	-	1,533	(759)	801	42	774	801	1,576
	December 31, 2024	2,472	2	2,474	(301)	292	(9)	2,170	294	2,465
	December 31, 2025	1,508	-	1,508	-	-	-	1,508	-	1,508
	December 31, 2026	1,257	-	1,257	-	-	-	1,257	-	1,257
	Thereafter	4,244	-	4,244	(925)	942	17	3,319	942	4,261
<b>Total</b>		<b>13,975</b>	<b>10,728</b>	<b>24,703</b>	<b>(3,254)</b>	<b>3,507</b>	<b>253</b>	<b>10,721</b>	<b>14,235</b>	<b>24,957</b>

See Note 23.4 regarding the market value of interest rate risk derivatives.



The breakdown by quarter of gross borrowings falling due in 2021 is as follows:

<i>(EUR millions)</i>	<b>Falling due in 2021</b>
First quarter	6,876
Second quarter	1,827
Third quarter	1,602
Fourth quarter	334
<b>Total</b>	<b>10,638</b>

#### 19.4 Breakdown of gross borrowings by currency after derivatives

The purpose of foreign currency borrowings is to finance the development of the Group's activities outside the eurozone, as well as the Group's assets denominated in foreign currency.

<i>(EUR millions)</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Euro	21,281	7,849	6,445
US dollar	3,120	3,457	3,277
Swiss franc	80	-	-
Japanese yen	762	622	662
Other currencies	(287)	814	778
<b>Total</b>	<b>24,957</b>	<b>12,742</b>	<b>11,162</b>

#### 19.5 Undrawn confirmed credit lines and covenants

As of December 31, 2020, undrawn confirmed credit lines totaled 15.8 billion euros. This amount exceeded the outstanding portion of the euro- and US dollar-denominated commercial paper (ECP and USCP) programs, which totaled 8.6 billion euros

as of December 31, 2020. In connection with certain credit lines, the Group may undertake to maintain certain financial ratios. As of December 31, 2020, no significant credit lines were concerned by these provisions.

#### 19.6 Sensitivity

On the basis of debt as of December 31, 2020:

- An instantaneous 1-point increase in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 140 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 440 million euros after hedging.
- An instantaneous 1-point decrease in these same yield curves would lower the cost of net financial debt by 140 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 440 million euros after hedging.
- An instantaneous 1-point increase in these same yield curves would raise equity by around 10 million euros, as a result of the change in the market value of instruments used to hedge future interest payments.
- An instantaneous 1-point decrease in these same yield curves would reduce equity by around 10 million euros, as a result of the change in the market value of instruments used to hedge future interest payments.

#### 19.7 Guarantees and collateral

As of December 31, 2020, borrowings secured by collateral were less than 350 million euros.

## 20. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Non-current provisions and other liabilities comprise the following:

<i>(EUR millions)</i>	2020	2019	2018 <sup>(a)</sup>
Non-current provisions	1,472	1,457	1,245
Uncertain tax positions	1,180	1,172	1,185
Derivatives <sup>(b)</sup>	146	712	283
Employee profit sharing	86	96	89
Other liabilities	438	375	386
<b>Non-current provisions and other liabilities</b>	<b>3,322</b>	<b>3,812</b>	<b>3,188</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) See Note 23.

Provisions concern the following types of contingencies and losses:

<i>(EUR millions)</i>	2020	2019	2018
Provisions for pensions, medical costs and similar commitments	784	812	605
Provisions for contingencies and losses	688	646	640
<b>Non-current provisions</b>	<b>1,472</b>	<b>1,457</b>	<b>1,245</b>
Provisions for pensions, medical costs and similar commitments	9	8	7
Provisions for contingencies and losses	503	406	362
<b>Current provisions</b>	<b>512</b>	<b>414</b>	<b>369</b>
<b>Total</b>	<b>1,984</b>	<b>1,872</b>	<b>1,614</b>

Provisions changed as follows during the fiscal year:

<i>(EUR millions)</i>	As of December 31, 2019	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other <sup>(a)</sup>	As of December 31, 2020
Provisions for pensions, medical costs and similar commitments	820	101	(89)	(48)	-	9	793
Provisions for contingencies and losses	1,052	449	(208)	(87)	(2)	(12)	1,191
<b>Total</b>	<b>1,872</b>	<b>550</b>	<b>(297)</b>	<b>(136)</b>	<b>(2)</b>	<b>(4)</b>	<b>1,984</b>

(a) Including the impact of translation adjustment and change in revaluation reserves.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 32), or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Non-current liabilities related to uncertain tax positions included an estimate of the risks, disputes and actual

or probable litigation related to the income tax computation. The Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. A liability is recognized for these rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, the amount of which is regularly reviewed in accordance with the criteria of the application of IFRIC 23 Uncertainty over Income Tax Treatment.

## 21. PURCHASE COMMITMENTS FOR MINORITY INTERESTS' SHARES

As of December 31, 2020, purchase commitments for minority interests' shares mainly included the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy for 80% of the fair value of Moët Hennessy at the exercise date of the option. This option may be exercised at any time subject to a six-month notice period. The fair value of this commitment was calculated by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc, Clos des Lambrays and Colgin Cellars, and excluding certain champagne vineyards.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), and distribution subsidiaries in various countries, mainly in the Middle East.

## 22. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

### 22.1 Trade accounts payable

The change in trade accounts payable for the fiscal years presented breaks down as follows:

(EUR millions)	2020	2019	2018 <sup>(a)</sup>
<b>As of January 1</b>	<b>5,814</b>	<b>5,206</b>	<b>4,539</b>
Change in trade accounts payable	(560)	335	715
Changes in amounts owed to customers	(10)	9	8
Changes in the scope of consolidation	-	216	7
Translation adjustment	(159)	56	49
Reclassifications	14	(8)	(4)
<b>As of December 31</b>	<b>5,098</b>	<b>5,814</b>	<b>5,314</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

### 22.2 Current provisions and other liabilities

(EUR millions)	2020	2019	2018 <sup>(a)</sup>
Current provisions <sup>(b)</sup>	512	414	369
Derivatives <sup>(c)</sup>	604	138	166
Employees and social security	1,530	1,786	1,668
Employee profit sharing	116	123	105
Taxes other than income taxes	823	752	685
Advances and payments on account from customers	723	559	398
Provision for product returns <sup>(d)</sup>	463	399	356
Deferred payment for non-current assets	538	769	646
Deferred income	353	273	273
Other liabilities	1,035	1,093	1,288
<b>Total</b>	<b>6,698</b>	<b>6,305</b>	<b>5,954</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) See Note 20.

(c) See Note 23.

(d) See Note 1.27.

## 23. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

### 23.1 Organization of foreign exchange, interest rate and equity market risk management

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized.

The Group has implemented a stringent policy and rigorous management guidelines to manage, measure and monitor these market risks.

These activities are organized based on a segregation of duties between risk measurement (middle office), hedging (front office), administration (back office) and financial control.

The backbone of this organization is an integrated information system which allows hedging transactions to be monitored quickly.

The Group's hedging strategy is presented to the Audit Committee. Hedging decisions are made according to an established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

### 23.2 Financial assets and liabilities recognized at fair value by measurement method

(EUR millions)	2020			2019			2018		
	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money market funds)
Valuation based on: <sup>(a)</sup>									
Published price quotations	804	-	19,963	945	-	5,673	1,171	-	4,610
Valuation model based on market data	100	1,078	-	381	962	-	307	380	-
Private quotations	587	-	-	322	-	-	288	-	-
<b>Assets</b>	<b>1,491</b>	<b>1,078</b>	<b>19,963</b>	<b>1,648</b>	<b>962</b>	<b>5,673</b>	<b>1,766</b>	<b>380</b>	<b>4,610</b>
Valuation based on: <sup>(a)</sup>									
Published price quotations	-	-	-	-	-	-	-	-	-
Valuation model based on market data	-	751	-	-	850	-	-	449	-
Private quotations	-	-	-	-	-	-	-	-	-
<b>Liabilities</b>	<b>-</b>	<b>751</b>	<b>-</b>	<b>-</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>449</b>	<b>-</b>

(a) See Note 1.10 for information on the valuation approaches used.

Derivatives used by the Group are measured at fair value according to commonly used valuation models and based on market data. The counterparty risk associated with these derivatives (i.e. the credit valuation adjustment) is assessed on the basis of credit spreads from observable market data, as well as on the basis of the

derivatives' market value adjusted by flat-rate add-ons depending on the type of underlying and the maturity of the derivative. It was not significant as of December 31, 2020, December 31, 2019 and December 31, 2018.

The amount of financial assets valued on the basis of private quotations changed as follows in 2020:

<i>(EUR millions)</i>	<b>2020</b>
<b>As of January 1</b>	<b>322</b>
Acquisitions	304
Disposals (at net realized value)	(16)
Gains and losses recognized in the income statement	(12)
Gains and losses recognized in equity	(9)
Reclassifications	(2)
<b>As of December 31</b>	<b>587</b>

### 23.3 Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

<i>(EUR millions)</i>			Notes	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Interest rate risk</b>	Assets:	Non-current		57	20	23
		Current		33	12	12
	Liabilities:	Non-current		(10)	(3)	(7)
		Current		(12)	(14)	(12)
			23.4	<b>68</b>	<b>16</b>	<b>16</b>
<b>Foreign exchange risk</b>	Assets:	Non-current		52	68	18
		Current		670	165	108
	Liabilities:	Non-current		(136)	(15)	(60)
		Current		(330)	(124)	(154)
			23.5	<b>257</b>	<b>93</b>	<b>(88)</b>
<b>Other risks</b>	Assets:	Non-current		-	694	216
		Current		266	3	3
	Liabilities:	Non-current		-	(694)	(216)
		Current		(263)	-	-
			23.6	<b>3</b>	<b>2</b>	<b>3</b>
<b>Total</b>	Assets:	Non-current	10	110	782	257
		Current	13	968	180	123
	Liabilities:	Non-current	20	(146)	(712)	(283)
		Current	22	(604)	(138)	(166)
				<b>328</b>	<b>112</b>	<b>(69)</b>

The impact of financial instruments on the consolidated statement of comprehensive gains and losses for the fiscal year breaks down as follows:

(EUR millions)	Foreign exchange risk <sup>(a)</sup>						Interest rate risk <sup>(b)</sup>			Total <sup>(c)</sup>
	Revaluation of effective portions, of which:				Revaluation of cost of hedging	Total	Revaluation of effective portions	Ineffective portion	Total	
	Hedges of future foreign currency cash flows	Fair value hedges	Foreign currency net investment hedges	Total						
Changes in the income statement	-	(237)	-	(237)	-	(237)	39	4	43	(194)
Changes in consolidated gains and losses	439	-	33	472	20	492	(9)	3	(6)	486

(a) See Notes 1.9 and 1.23 on the principles of fair value adjustments to foreign exchange risk hedging instruments.

(b) See Notes 1.22 and 1.23 on the principles of fair value adjustments to interest rate risk derivatives.

(c) Gain/(Loss).

Since fair value adjustments to hedged items recognized in the balance sheet offset the effective portions of fair value hedging instruments (see Note 1.22), no ineffective portions of exchange rate hedges were recognized during the fiscal year.

### 23.4 Derivatives used to manage interest rate risk

The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the impact of significant changes in interest rates.

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2020 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value <sup>(a)(b)</sup>			
	Less than 1 year	From 1 to 5 years	More than 5 years	Total	Future cash flow hedges	Fair value hedges	Not allocated	Total
Interest rate swaps, floating-rate payer	650	1,724	945	3,319	-	83	-	83
Interest rate swaps, fixed-rate payer	-	750	-	750	(13)	-	(4)	(17)
Foreign currency swaps, euro-rate payer	-	1,224	945	2,169	-	-	5	5
Foreign currency swaps, euro-rate receiver	78	133	-	211	-	-	(2)	(2)
<b>Total</b>					<b>(13)</b>	<b>83</b>	<b>(1)</b>	<b>68</b>

(a) Gain/(Loss).

(b) See Note 1.10 regarding the methodology used for market value measurement.

### 23.5 Derivatives used to manage foreign exchange risk

A significant portion of Group companies' sales to customers and to their own distribution subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are intra-Group cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies

against the exporting and importing companies' functional currencies, and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

In addition, the Group is exposed to foreign exchange risk with respect to the Group's net assets, as it owns assets denominated in currencies other than the euro. This foreign exchange risk may be hedged either partially or in full through foreign currency borrowings or by hedging the net worth of subsidiaries outside the eurozone, using appropriate financial instruments with the aim of limiting the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2020 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation <sup>(a)</sup>				Market value <sup>(b)(c)</sup>				
	2020	2021	Thereafter	Total	Future cash flow hedges	Fair value hedges	Foreign currency net investment hedges	Not allocated	Total
<b>Options purchased</b>									
Call USD	-	46	-	46	2	-	-	-	2
Put JPY	-	113	-	113	5	-	-	-	5
Put GBP	-	10	-	10	-	-	-	-	-
Other	25	184	-	209	4	-	-	-	4
	<b>25</b>	<b>353</b>	<b>-</b>	<b>378</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>
<b>Collars</b>									
Written USD	102	3,887	624	4,613	389	10	-	-	399
Written JPY	12	1,100	126	1,238	66	1	-	-	67
Written GBP	6	458	25	489	18	-	-	-	18
Written HKD	-	243	-	243	26	-	-	-	26
Written CNY	-	2,256	150	2,406	64	-	-	-	64
	<b>120</b>	<b>7,944</b>	<b>925</b>	<b>8,989</b>	<b>564</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>575</b>
<b>Forward exchange contracts</b>									
USD	-	75	-	75	(27)	-	-	-	(26)
ZAR	-	21	-	21	(1)	-	-	-	(1)
MYR	-	19	-	19	-	-	-	-	-
BRL	-	11	-	11	-	(1)	-	-	(1)
Other	24	2	-	26	-	(1)	-	-	(1)
	<b>24</b>	<b>128</b>	<b>-</b>	<b>152</b>	<b>(27)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(29)</b>
<b>Foreign exchange swaps</b>									
USD	146	(5,271)	-	(5,126)	-	(170)	12	-	(158)
GBP	6	588	(2,169)	(1,574)	-	(127)	-	-	(127)
JPY	13	369	142	524	-	(6)	-	-	(5)
CNY	-	(1,212)	14	(1,198)	-	(11)	-	-	(11)
Other	10	(49)	-	(39)	-	(2)	2	-	-
	<b>174</b>	<b>(5,575)</b>	<b>(2,013)</b>	<b>(7,413)</b>	<b>-</b>	<b>(315)</b>	<b>14</b>	<b>-</b>	<b>(301)</b>
<b>Total</b>	<b>343</b>	<b>2,851</b>	<b>(1,088)</b>	<b>2,107</b>	<b>548</b>	<b>(306)</b>	<b>14</b>	<b>-</b>	<b>257</b>

(a) Sale/(Purchase).

(b) See Note 1.10 regarding the methodology used for market value measurement.

(c) Gain/(Loss).

The impact on the income statement of gains and losses on hedges of future cash flows, as well as the future cash flows hedged using these instruments, will mainly be recognized in 2021; the amount will depend on exchange rates at that date. The impact on net profit for fiscal year 2020 of a 10% change in the

value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro, including impact of foreign exchange derivatives outstanding during the period, compared with the rates applying to transactions in 2020, would have been as follows:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Impact of:								
– change in exchange rates of cash receipts in respect of foreign currency-denominated sales	194	(87)	73	(20)	-	-	13	(5)
– conversion of net profit of entities outside the eurozone	40	(40)	22	(22)	9	(9)	5	(5)
<b>Impact on net profit</b>	<b>234</b>	<b>(127)</b>	<b>95</b>	<b>(42)</b>	<b>9</b>	<b>(9)</b>	<b>18</b>	<b>(10)</b>

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2020, mainly comprising options and collars.

As of December 31, 2020, forecast cash collections for 2021 in US dollars and Japanese yen were 91% and 85% hedged, respectively. For the hedged portion, the exchange rate upon sale will be at least 1.13 USD/EUR for the US dollar and at least 121 JPY/EUR for the Japanese yen.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2020 can be assessed by measuring the impact of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro compared to the rates applying as of the same date:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Conversion of foreign currency-denominated net assets	1,671	(1,671)	66	(66)	324	(324)	112	(112)
Change in market value of net investment hedges, after tax	(261)	304	(39)	80	(47)	38	(17)	16
<b>Net impact on equity, excluding net profit</b>	<b>1,410</b>	<b>(1,367)</b>	<b>27</b>	<b>14</b>	<b>277</b>	<b>(286)</b>	<b>95</b>	<b>(96)</b>

## 23.6 Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long-term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly (as a result of its holding of subsidiaries, equity investments and current available for sale financial assets) or indirectly (as a result of its holding of funds, which are themselves partially invested in shares).

The Group may also use equity-based derivatives to synthetically create an economic exposure to certain assets, to hedge cash-settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. In connection with the convertible bonds issued in 2016 (see Note 19 above as well as Note 18 to the 2016 consolidated financial statements), LVMH had entered into financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. As of December 31, 2020, the majority of these instruments had been settled due to the exercise of the bond conversion clause at the end of the year.

As provided by applicable accounting policies, the option components of convertible bonds and financial instruments entered into for hedging purposes are recorded under "Derivatives", within current assets and liabilities. The change in market value of these options is index-linked to the change in the LVMH share price.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. As of December 31, 2020, derivatives outstanding relating to the hedging of precious metal prices had a negative market value of 0.5 million euros.



## 23.7 Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed in relation to the amount of its short-term borrowings excluding derivatives, i.e. 10.6 billion euros, significantly lower than the 20.0 billion euros balance of cash and cash equivalents, or in relation to the outstanding amount of its commercial paper program, i.e. 8.6 billion euros. Should any of these borrowing facilities not be

renewed, the Group has access to undrawn confirmed credit lines totaling 15.8 billion euros.

The Group's liquidity is based on the amount of its investments, its capacity to raise long-term borrowings, the diversity of its investor base (short-term paper and bonds), and the quality of its banking relationships, whether evidenced or not by confirmed lines of credit.

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2020, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2021	2022	2023	2024	2024	More than 5 years	Total
Bonds and EMTNs	1,144	3,059	1,534	2,495	1,524	5,497	15,253
Bank borrowings	355	47	47	18	14	65	546
Other borrowings and credit facilities	418	-	-	-	-	-	418
Commercial paper (ECP and USCP)	8,575	-	-	-	-	-	8,575
Bank overdrafts	155	-	-	-	-	-	155
<b>Gross borrowings</b>	<b>10,647</b>	<b>3,106</b>	<b>1,581</b>	<b>2,513</b>	<b>1,538</b>	<b>5,562</b>	<b>24,947</b>
Other current and non-current liabilities <sup>(a)</sup>	5,232	88	42	33	31	41	5,467
Trade accounts payable	5,098	-	-	-	-	-	5,098
<b>Other financial liabilities</b>	<b>10,330</b>	<b>88</b>	<b>42</b>	<b>33</b>	<b>31</b>	<b>41</b>	<b>10,565</b>
<b>Total financial liabilities</b>	<b>20,977</b>	<b>3,194</b>	<b>1,623</b>	<b>2,546</b>	<b>1,569</b>	<b>5,603</b>	<b>35,512</b>

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 5,229 million euros and to "Other non-current liabilities" for 237 million euros (excluding derivatives and deferred income of 353 million euros as of December 31, 2020).

See also Note 7 for the schedule of lease payments.

See Note 31.2 regarding contractual maturity dates of collateral and other guarantee commitments, Notes 19.4 and 23.5 regarding foreign exchange derivatives, and Note 23.4 regarding interest rate risk derivatives.

## 24. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches

and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. The "Other and holding companies" business group comprises brands and businesses that are not associated with any of the above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

## 24.1 Information by business group

### Fiscal year 2020

<i>(EUR millions)</i>	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated <sup>(a)</sup>	Total
Sales outside the Group	4,744	21,172	4,456	3,315	10,115	849	-	44,651
Intra-Group sales	11	35	792	41	40	19	(938)	-
<b>Total revenue</b>	<b>4,755</b>	<b>21,207</b>	<b>5,248</b>	<b>3,356</b>	<b>10,155</b>	<b>868</b>	<b>(938)</b>	<b>44,651</b>
Profit from recurring operations	1,388	7,188	80	302	(203)	(521)	71	8,305
Other operating income and expenses	(43)	(68)	(20)	(3)	(87)	(112)	-	(333)
Depreciation, amortization and impairment expenses	(254)	(2,069)	(460)	(475)	(1,549)	(313)	117	(5,003)
<i>Of which: Right-of-use assets</i>	<i>(34)</i>	<i>(1,226)</i>	<i>(145)</i>	<i>(254)</i>	<i>(941)</i>	<i>(93)</i>	<i>117</i>	<i>(2,575)</i>
<i>Other</i>	<i>(220)</i>	<i>(843)</i>	<i>(315)</i>	<i>(221)</i>	<i>(608)</i>	<i>(220)</i>	-	<i>(2,428)</i>
Intangible assets and goodwill <sup>(b)</sup>	7,860	13,059	1,340	5,752	3,153	1,890	-	33,054
Right-of-use assets	162	5,736	503	1,151	4,699	888	(618)	12,521
Property, plant and equipment	3,232	4,157	709	577	1,723	7,833	(8)	18,224
Inventories and work in progress	6,040	2,726	742	1,641	2,111	37	(281)	13,016
Other operating assets <sup>(c)</sup>	1,306	1,919	1,151	672	696	1,615	24,497	31,856
<b>Total assets</b>	<b>18,600</b>	<b>27,597</b>	<b>4,445</b>	<b>9,793</b>	<b>12,383</b>	<b>12,263</b>	<b>23,590</b>	<b>108,671</b>
Equity	-	-	-	-	-	-	38,829	38,829
Lease liabilities	170	5,766	516	1,117	4,912	959	(611)	12,828
Other liabilities <sup>(d)</sup>	1,608	4,885	2,164	1,252	2,338	1,673	43,094	57,014
<b>Total liabilities and equity</b>	<b>1,778</b>	<b>10,651</b>	<b>2,680</b>	<b>2,369</b>	<b>7,250</b>	<b>2,632</b>	<b>81,312</b>	<b>108,671</b>
Operating investments <sup>(e)</sup>	(320)	(827)	(280)	(210)	(410)	(431)	-	(2,478)

## Fiscal year 2019

<i>(EUR millions)</i>	<b>Wines and Spirits</b>	<b>Fashion and Leather Goods</b>	<b>Perfumes and Cosmetics</b>	<b>Watches and Jewelry</b>	<b>Selective Retailing</b>	<b>Other and holding companies</b>	<b>Eliminations and not allocated<sup>(a)</sup></b>	<b>Total</b>
Sales outside the Group	5,547	22,164	5,738	4,286	14,737	1,199	-	53,670
Intra-Group sales	28	73	1,097	120	54	16	(1,388)	-
<b>Total revenue</b>	<b>5,576</b>	<b>22,237</b>	<b>6,835</b>	<b>4,405</b>	<b>14,791</b>	<b>1,214</b>	<b>(1,388)</b>	<b>53,670</b>
Profit from recurring operations	1,729	7,344	683	736	1,395	(351)	(32)	11,504
Other operating income and expenses	(7)	(20)	(27)	(28)	(15)	(135)	-	(231)
Depreciation, amortization and impairment expenses	(191)	(1,856)	(431)	(477)	(1,409)	(253)	98	(4,519)
<i>Of which: Right-of-use assets</i>	<i>(31)</i>	<i>(1,146)</i>	<i>(141)</i>	<i>(230)</i>	<i>(872)</i>	<i>(85)</i>	<i>98</i>	<i>(2,408)</i>
<i>Other</i>	<i>(160)</i>	<i>(710)</i>	<i>(290)</i>	<i>(247)</i>	<i>(536)</i>	<i>(168)</i>	<i>-</i>	<i>(2,111)</i>
Intangible assets and goodwill <sup>(b)</sup>	7,582	13,120	1,401	5,723	3,470	1,950	-	33,246
Right-of-use assets	116	5,239	487	1,196	5,012	824	(465)	12,409
Property, plant and equipment	3,142	4,308	773	610	1,919	7,788	(7)	18,533
Inventories and work in progress	5,818	2,884	830	1,823	2,691	44	(375)	13,717
Other operating assets <sup>(c)</sup>	1,547	2,028	1,518	740	895	1,317	10,558	18,603
<b>Total assets</b>	<b>18,205</b>	<b>27,581</b>	<b>5,009</b>	<b>10,092</b>	<b>13,987</b>	<b>11,923</b>	<b>9,711</b>	<b>96,507</b>
Equity	-	-	-	-	-	-	38,365	38,365
Lease liabilities	118	5,191	481	1,141	5,160	888	(434)	12,545
Other liabilities <sup>(d)</sup>	1,727	4,719	2,321	1,046	2,938	1,674	31,172	45,597
<b>Total liabilities and equity</b>	<b>1,845</b>	<b>9,910</b>	<b>2,802</b>	<b>2,187</b>	<b>8,098</b>	<b>2,562</b>	<b>69,104</b>	<b>96,507</b>
Operating investments <sup>(e)</sup>	(325)	(1,199)	(378)	(296)	(659)	(436)	-	(3,294)

**Fiscal year 2018<sup>(f)</sup>**

<i>(EUR millions)</i>	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated <sup>(a)</sup>	Total
Sales outside the Group	5,115	18,389	5,015	4,012	13,599	696	-	46,826
Intra-Group sales	28	66	1,077	111	47	18	(1,347)	-
<b>Total revenue</b>	<b>5,143</b>	<b>18,455</b>	<b>6,092</b>	<b>4,123</b>	<b>13,646</b>	<b>714</b>	<b>(1,347)</b>	<b>46,826</b>
Profit from recurring operations	1,629	5,943	676	703	1,382	(270)	(60)	10,003
Other operating income and expenses	(3)	(10)	(16)	(4)	(5)	(88)	-	(126)
Depreciation, amortization and impairment expenses	(162)	(764)	(275)	(239)	(463)	(169)	-	(2,072)
<i>Of which: Right-of-use assets</i>	-	-	-	-	-	-	-	-
<i>Other</i>	(162)	(764)	(275)	(239)	(463)	(169)	-	(2,072)
Intangible assets and goodwill <sup>(b)</sup>	6,157	13,246	1,406	5,791	3,430	951	-	30,981
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,871	3,869	677	576	1,817	5,309	(7)	15,112
Inventories and work in progress	5,471	2,364	842	1,609	2,532	23	(356)	12,485
Other operating assets <sup>(c)</sup>	1,449	1,596	1,401	721	870	976	8,709	15,722
<b>Total assets</b>	<b>15,948</b>	<b>21,075</b>	<b>4,326</b>	<b>8,697</b>	<b>8,649</b>	<b>7,259</b>	<b>8,346</b>	<b>74,300</b>
Equity	-	-	-	-	-	-	33,957	33,957
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities <sup>(d)</sup>	1,580	4,262	2,115	1,075	3,005	1,249	27,057	40,343
<b>Total liabilities and equity</b>	<b>1,580</b>	<b>4,262</b>	<b>2,115</b>	<b>1,075</b>	<b>3,005</b>	<b>1,249</b>	<b>61,014</b>	<b>74,300</b>
Operating investments <sup>(e)</sup>	(298)	(827)	(330)	(303)	(537)	(743)	-	(3,038)

(a) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.

(b) Intangible assets and goodwill correspond to the carrying amounts shown in Notes 3 and 4.

(c) Assets not allocated include available for sale financial assets, other financial assets, and current and deferred tax assets.

(d) Liabilities not allocated include financial debt, current and deferred tax liabilities, and liabilities related to purchase commitments for minority interests' shares.

(e) Increase/(Decrease) in cash and cash equivalents.

(f) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

## 24.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

<i>(EUR millions)</i>	2020	2019	2018
France	3,333	4,725	4,491
Europe (excluding France)	7,337	10,203	8,731
United States	10,647	12,613	11,207
Japan	3,164	3,878	3,351
Asia (excluding Japan)	15,366	16,189	13,723
Other countries	4,804	6,062	5,323
<b>Revenue</b>	<b>44,651</b>	<b>53,670</b>	<b>46,826</b>

Operating investments by geographic region are as follows:

<i>(EUR millions)</i>	2020	2019	2018
France	1,002	1,239	1,054
Europe (excluding France)	444	687	539
United States	336	453	765
Japan	134	133	80
Asia (excluding Japan)	342	534	411
Other countries	220	248	189
<b>Operating investments</b>	<b>2,478</b>	<b>3,294</b>	<b>3,038</b>

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue

generated by these assets in each region and not in relation to the region of their legal ownership.

### 24.3 Quarterly information

Quarterly revenue by business group breaks down as follows:

<i>(EUR millions)</i>	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	1,175	4,643	1,382	792	2,626	251	(273)	10,596
Second quarter	810	3,346	922	527	2,218	153	(179)	7,797
Third quarter	1,364	5,945	1,370	947	2,332	232	(235)	11,955
Fourth quarter	1,406	7,273	1,574	1,090	2,979	232	(251)	14,303
<b>Total for 2020</b>	<b>4,755</b>	<b>21,207</b>	<b>5,248</b>	<b>3,356</b>	<b>10,155</b>	<b>868</b>	<b>(938)</b>	<b>44,651</b>
First quarter	1,349	5,111	1,687	1,046	3,510	187	(352)	12,538
Second quarter	1,137	5,314	1,549	1,089	3,588	193	(326)	12,544
Third quarter	1,433	5,448	1,676	1,126	3,457	511 <sup>(a)</sup>	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	323	(375)	15,272
<b>Total for 2019</b>	<b>5,576</b>	<b>22,237</b>	<b>6,835</b>	<b>4,405</b>	<b>14,791</b>	<b>1,214</b>	<b>(1,388)</b>	<b>53,670</b>
First quarter	1,195	4,270	1,500	959	3,104	161	(335)	10,854
Second quarter	1,076	4,324	1,377	1,019	3,221	186	(307)	10,896
Third quarter	1,294	4,458	1,533	1,043	3,219	173	(341)	11,379
Fourth quarter	1,578	5,403	1,682	1,102	4,102	194	(364)	13,697
<b>Total for 2018</b>	<b>5,143</b>	<b>18,455</b>	<b>6,092</b>	<b>4,123</b>	<b>13,646</b>	<b>714</b>	<b>(1,347)</b>	<b>46,826</b>

(a) Including the entire revenue of Belmond for the period from April to September 2019.

## 25. REVENUE AND EXPENSES BY NATURE

### 25.1 Breakdown of revenue

Revenue consists of the following:

<i>(EUR millions)</i>	2020	2019	2018
Revenue generated by brands and trade names	44,421	53,302	46,427
Royalties and license revenue	96	110	114
Income from investment property	14	20	23
Other revenue	119	238	262
<b>Total</b>	<b>44,651</b>	<b>53,670</b>	<b>46,826</b>

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 70% in 2020 (70% in 2019 and 69% in 2018), i.e. 31,461 million euros in 2020 (37,356 million euros in 2019 and 32,081 million euros in 2018).

### 25.2 Expenses by nature

Profit from recurring operations includes the following expenses:

<i>(EUR millions)</i>	2020	2019	2018
Advertising and promotion expenses	4,869	6,265	5,518
Personnel costs	8,537	9,419	8,290
Research and development expenses	139	140	130

See also Note 7 regarding the breakdown of lease expenses.

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising; they also

include the personnel costs dedicated to this function. As of December 31, 2020, a total of 5,003 stores were operated by the Group worldwide (4,915 in 2019, 4,592 in 2018), particularly by Fashion and Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

<i>(EUR millions)</i>	2020	2019	2018
Salaries and social security contributions	8,408	9,180	8,081
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans <sup>(a)</sup>	66	167	127
Expenses related to stock option and similar plans <sup>(b)</sup>	63	72	82
<b>Personnel costs</b>	<b>8,537</b>	<b>9,419</b>	<b>8,290</b>

(a) See Note 30.

(b) See Note 17.4.

In 2020, the average full-time equivalent workforce broke down as follows by professional category:

<i>(in number and as %)</i>	2020	%	2,019	%	2018	%
Executives and managers	33,297	22%	30,883	21%	27,924	21%
Technicians and supervisors	14,760	10%	14,774	10%	14,057	10%
Administrative and sales staff	76,197	51%	81,376	55%	76,772	56%
Production workers	24,089	16%	20,682	14%	17,880	13%
<b>Total</b>	<b>148,343</b>	<b>100%</b>	<b>147,715</b>	<b>100%</b>	<b>136,633</b>	<b>100%</b>

## 25.3 Statutory Auditors' fees

The amount of fees paid to the Statutory Auditors of LVMH SE and members of their networks recorded in the consolidated income statement for the 2020 fiscal year breaks down as follows:

<i>(EUR millions, excluding VAT)</i>	2020		
	ERNST & YOUNG Audit	MAZARS	Total
<b>Audit-related fees</b>	<b>9</b>	<b>8</b>	<b>17</b>
Tax services	3	NS	3
Other	3	NS	3
<b>Non-audit-related fees</b>	<b>6</b>	<b>NS</b>	<b>6</b>
<b>Total</b>	<b>15</b>	<b>8</b>	<b>23</b>

NS: Not significant.

Audit-related fees include other services related to the certification of the consolidated and parent company financial statements, for non-material amounts.

In addition to tax services – which are mainly performed outside France to ensure that the Group's subsidiaries and expatriates

meet their local tax filing obligations – non-audit-related services include various types of certifications, mainly those required by landlords concerning the revenue of certain stores, and specific checks run at the Group's request, mainly in countries where statutory audit is not required.

## 26. OTHER OPERATING INCOME AND EXPENSES

<i>(EUR millions)</i>	2020	2019	2018
Net gains/(losses) on disposals	(22)	-	(5)
Restructuring costs	(6)	(57)	1
Remeasurement of shares acquired prior to their initial consolidation	-	-	-
Transaction costs relating to the acquisition of consolidated companies	(35)	(45)	(10)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(235)	(26)	(117)
Other items, net	(35)	(104)	5
<b>Other operating income and expenses</b>	<b>(333)</b>	<b>(231)</b>	<b>(126)</b>

Impairment and amortization expenses recorded are mostly for brands and goodwill. "Other items, net" mainly comprised a 20 million euro donation to Fondation Hôpitaux de Paris

- Hôpitaux de France. In 2020 as in 2019, "Transaction costs relating to the acquisition of consolidated companies" mainly related to the acquisition of Tiffany & Co.

## 27. NET FINANCIAL INCOME/(EXPENSE)

<i>(EUR millions)</i>	2020	2019	2018 <sup>(a)</sup>
Borrowing costs	(85)	(156)	(158)
Income from cash, cash equivalents and current available for sale financial assets	46	50	44
Fair value adjustment of borrowings and interest rate hedges	4	(1)	(3)
<b>Cost of net financial debt</b>	<b>(35)</b>	<b>(107)</b>	<b>(117)</b>
<b>Interest on lease liabilities</b>	<b>(281)</b>	<b>(290)</b>	<b>-</b>
Dividends received from non-current available for sale financial assets	12	8	18
Cost of foreign exchange derivatives	(262)	(230)	(160)
Fair value adjustment of available for sale financial assets	(4)	82	(108)
Other items, net	(38)	(22)	(21)
<b>Other financial income and expenses</b>	<b>(291)</b>	<b>(162)</b>	<b>(271)</b>
<b>Net financial income/(expense)</b>	<b>(608)</b>	<b>(559)</b>	<b>(388)</b>

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

<i>(EUR millions)</i>	2020	2019	2018
Income from cash and cash equivalents	38	36	31
Income from current available for sale financial assets	8	14	13
<b>Income from cash, cash equivalents and current available for sale financial assets</b>	<b>46</b>	<b>50</b>	<b>44</b>

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

<i>(EUR millions)</i>	2020	2019	2018
Hedged financial debt	(39)	(3)	1
Hedging instruments	40	4	(1)
Unallocated derivatives	3	(1)	(3)
<b>Fair value adjustment of borrowings and interest rate hedges</b>	<b>4</b>	<b>(1)</b>	<b>(3)</b>

The cost of foreign exchange derivatives breaks down as follows:

<i>(EUR millions)</i>	2020	2019	2018
Cost of commercial foreign exchange derivatives	(234)	(230)	(156)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	(20)	5	3
Cost and other items related to other foreign exchange derivatives	(8)	(5)	(7)
<b>Cost of foreign exchange derivatives</b>	<b>(262)</b>	<b>(230)</b>	<b>(160)</b>



## 28. INCOME TAXES

### 28.1 Breakdown of the income tax expense

<i>(EUR millions)</i>	2020	2019	2018
Current income taxes for the fiscal year	(2,608)	(3,234)	(2,631)
Current income taxes relating to previous fiscal years	(13)	12	76
<b>Current income taxes</b>	<b>(2,620)</b>	<b>(3,222)</b>	<b>(2,555)</b>
Change in deferred income taxes	297	300	57
Impact of changes in tax rates on deferred income taxes	(85)	(10)	(1)
<b>Deferred income taxes</b>	<b>212</b>	<b>290</b>	<b>56</b>
<b>Total tax expense per income statement</b>	<b>(2,409)</b>	<b>(2,932)</b>	<b>(2,499)</b>
<b>Tax on items recognized in equity</b>	<b>(111)</b>	<b>28</b>	<b>118</b>

### 28.2 Breakdown of the net deferred tax asset/(liability)

The net deferred tax asset/(liability) broke down as follows:

<i>(EUR millions)</i>	2020	2019	2018
Deferred tax assets	2,325	2,274	1,932
Deferred tax liabilities	(5,481)	(5,498)	(5,036)
<b>Net deferred tax asset/(liability)</b>	<b>(3,156)</b>	<b>(3,224)</b>	<b>(3,104)</b>

### 28.3 Breakdown of the difference between statutory and effective tax rates

The effective tax rate is as follows:

<i>(EUR millions)</i>	2020	2019	2018
Profit before tax	7,364	10,714	9,489
<b>Total income tax expense</b>	<b>(2,409)</b>	<b>(2,932)</b>	<b>(2,499)</b>
<b>Effective tax rate</b>	<b>32.7%</b>	<b>27.4%</b>	<b>26.3%</b>

The statutory tax rate – which is the rate applicable by law to the Group's French companies, including the 3.3% social security contribution – may be reconciled as follows to the effective tax rate disclosed in the consolidated financial statements:

<i>(as % of income before tax)</i>	2020	2019	2018
<b>French statutory tax rate</b>	<b>32.0</b>	<b>34.4</b>	<b>34.4</b>
Changes in tax rates	1.1	(0.1)	-
Differences in tax rates for foreign companies	(6.0)	(8.7)	(8.8)
Tax losses, tax loss carryforwards and other changes in deferred tax	0.9	(0.2)	0.7
Differences between consolidated and taxable income, and income taxable at reduced rates	2.9	0.8	(1.2)
Tax on distribution <sup>(a)</sup>	1.8	1.2	1.2
<b>Effective tax rate of the Group</b>	<b>32.7</b>	<b>27.4</b>	<b>26.3</b>

(a) Tax on distribution is mainly related to intra-Group dividends.

The Group's effective tax rate was 32.7%. It diverged from the Group's normal rate given its geographic footprint as a result of recurring and non-recurring items. Recurring items that raised the tax rate mainly included the impact of tax on dividends and the impact of non-deductible expenses. The main impacts

of non-recurring items related to the impact on inventories of deferred tax of the change in certain corporate income tax rates and the impact on losses of certain Maisons which could not be offset against taxable profits, or which did not give rise to the recognition of deferred tax assets.

## 28.4 Sources of deferred tax

### In the income statement<sup>(a)</sup>

<i>(EUR millions)</i>	2020	2019	2018
Valuation of brands	(6)	32	(1)
Other revaluation adjustments	17	11	2
Gains and losses on available for sale financial assets	47	(15)	6
Gains and losses on hedges of future foreign currency cash flows	3	-	(3)
Provisions for contingencies and losses	43	99	(63)
Intra-Group margin included in inventories	(101)	118	85
Other consolidation adjustments	144	9	14
Losses carried forward	65	36	16
<b>Total</b>	<b>212</b>	<b>290</b>	<b>56</b>

(a) Income/(Expenses).

### In equity<sup>(a)</sup>

<i>(EUR millions)</i>	2020	2019	2018
Fair value adjustment of vineyard land	4	(11)	(2)
Gains and losses on available for sale financial assets	-	-	-
Gains and losses on hedges of future foreign currency cash flows	(121)	(11)	110
Gains and losses on employee benefit commitments	6	39	(5)
<b>Total</b>	<b>(111)</b>	<b>17</b>	<b>103</b>

(a) Gains/(Losses).

### In the balance sheet<sup>(a)</sup>

<i>(EUR millions)</i>	2020	2019	2018
Valuation of brands	(3,871)	(3,913)	(3,902)
Fair value adjustment of vineyard land	(580)	(585)	(574)
Other revaluation adjustments	(893)	(898)	(458)
Gains and losses on available for sale financial assets	(18)	(65)	(50)
Gains and losses on hedges of future foreign currency cash flows	(78)	40	49
Provisions for contingencies and losses	719	693	551
Intra-Group margin included in inventories	802	921	795
Other consolidation adjustments	614	506	447
Losses carried forward	148	77	38
<b>Total</b>	<b>(3,156)</b>	<b>(3,224)</b>	<b>(3,104)</b>

(a) Asset/(Liability).

## 28.5 Losses carried forward

As of December 31, 2020, unused tax loss carryforwards and tax credits for which no assets were recognized (deferred tax assets or receivables) represented potential tax savings of 440 million euros (456 million euros in 2019 and 497 million euros in 2018).

## 28.6 Tax consolidation

France's tax consolidation system allows virtually all of the Group's French companies to combine their taxable profits to calculate the overall tax expense, for which only the parent company is liable. This tax consolidation system generated a decrease in the current tax expense of 251 million euros in 2020

(decrease of 138 million euros in 2019 and 225 million euros in 2018).

The other tax consolidation systems in place, notably in the United States, generated current tax savings of 93 million euros in 2020 (61 million euros in 2019 and 2018).

## 29. EARNINGS PER SHARE

	2020	2019	2018
<b>Net profit, Group share (EUR millions)</b>	<b>4,702</b>	<b>7,171</b>	<b>6,354</b>
Average number of shares outstanding during the fiscal year	505,000,128	505,281,934	505,986,323
Average number of treasury shares owned during the fiscal year	(1,320,856)	(2,063,083)	(3,160,862)
<b>Average number of shares on which the calculation before dilution is based</b>	<b>503,679,272</b>	<b>503,218,851</b>	<b>502,825,461</b>
<b>Basic earnings per share (EUR)</b>	<b>9.33</b>	<b>14.25</b>	<b>12.64</b>
Average number of shares outstanding on which the above calculation is based	503,679,272	503,218,851	502,825,461
Dilutive effect of stock option and bonus share plans	530,861	620,691	1,092,679
Other dilutive effects	-	-	-
<b>Average number of shares on which the calculation after dilution is based</b>	<b>504,210,133</b>	<b>503,839,542</b>	<b>503,918,140</b>
<b>Diluted earnings per share (EUR)</b>	<b>9.32</b>	<b>14.23</b>	<b>12.61</b>

As of December 31, 2020, the dilutive effect concerned bonus share plans, with the exception of plans whose performance conditions are not considered to have been met (see Note 17).

No events occurred between December 31, 2020 and the date at which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

## 30. PROVISIONS FOR PENSIONS, CONTRIBUTION TO MEDICAL COSTS AND OTHER EMPLOYEE BENEFIT COMMITMENTS

### 30.1 Expense for the fiscal year

The expense recognized in the fiscal years presented for provisions for pensions, contribution to medical costs and other employee benefit commitments is as follows:

(EUR millions)	2020	2019	2018
Service cost	106	112	113
Net interest cost	8	12	12
Actuarial gains and losses	-	(2)	(1)
Changes in plans	(48)	46	3
<b>Total expense for the fiscal year for defined-benefit plans</b>	<b>66</b>	<b>167</b>	<b>127</b>

In 2020 and 2019, changes in plans concerned the impact of the lock-in of benefits in respect of supplementary pension plans covering the Group's Executive Committee members and senior

executives, following the entry into force of the French PACTE law and the Order of July 3, 2019.

## 30.2 Net recognized commitment

(EUR millions)	Notes	2020	2019	2018
Benefits covered by plan assets		1,894	1,867	1,515
Benefits not covered by plan assets		250	250	189
<b>Defined-benefit obligation</b>		<b>2,144</b>	<b>2,117</b>	<b>1,704</b>
<b>Market value of plan assets</b>		<b>(1,397)</b>	<b>(1,340)</b>	<b>(1,137)</b>
<b>Net recognized commitment</b>		<b>747</b>	<b>777</b>	<b>567</b>
<i>Of which: Non-current provisions</i>	20	784	812	605
<i>Current provisions</i>	20	9	8	7
<i>Other assets</i>		(45)	(43)	(45)
<b>Total</b>		<b>747</b>	<b>777</b>	<b>567</b>

## 30.3 Breakdown of the change in the net recognized commitment

(EUR millions)	Defined-benefit obligation	Market value of plan assets	Net recognized commitment
<b>As of December 31, 2019</b>	<b>2,117</b>	<b>(1,340)</b>	<b>777</b>
Service cost	106	-	106
Net interest cost	25	(17)	8
Payments to recipients	(89)	68	(21)
Contributions to plan assets	-	(78)	(78)
Employee contributions	9	(9)	-
Changes in scope and reclassifications	3	(3)	-
Changes in plans	(48)	-	(48)
Actuarial gains and losses	88	(67)	21
<i>Of which: Experience adjustments<sup>(a)</sup></i>	<i>(12)</i>	<i>(67)</i>	<i>(79)</i>
<i>Changes in demographic assumptions</i>	<i>1</i>	<i>-</i>	<i>1</i>
<i>Changes in financial assumptions</i>	<i>99</i>	<i>-</i>	<i>99</i>
Translation adjustment	(67)	49	(18)
<b>As of December 31, 2020</b>	<b>2,144</b>	<b>(1,397)</b>	<b>747</b>

(a) (Gain)/Loss.

Actuarial gains and losses resulting from experience adjustments related to fiscal years 2016 to 2019 were as follows:

(EUR millions)	2016	2017	2018	2019
Experience adjustments on the defined-benefit obligation	(1)	4	4	31
Experience adjustments on the market value of plan assets	(25)	(49)	(41)	(82)
<b>Actuarial gains and losses resulting from experience adjustments<sup>(a)</sup></b>	<b>(26)</b>	<b>(45)</b>	<b>(37)</b>	<b>(51)</b>

(a) (Gain)/Loss.

The actuarial assumptions applied to estimate commitments in the main countries concerned were as follows:

(as %)	2020					2019					2018				
	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland
Discount rate <sup>(a)</sup>	0.44	2.49	1.43	1.00	0.05	0.46	2.99	2.05	0.50	0.10	1.50	4.43	2.90	0.50	0.83
Future salary increase rate	2.75	4.10	N/A	2.00	1.69	2.75	4.39	N/A	1.87	1.79	2.75	4.59	N/A	1.99	1.74

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the year-end in the countries concerned. Bonds with maturities comparable to those of the commitments were used.  
N/A: Not applicable.

The assumed rate of increase of medical expenses in the United States is 5.80% for 2021, after which it is assumed to decline progressively to reach 4.50% in 2037.

A 0.5-point increase in the discount rate would result in a 148 million euro reduction in the amount of the defined-benefit obligation as of December 31, 2020; a 0.5-point decrease in the discount rate would result in a 164 million euro increase.

### 30.4 Breakdown of benefit obligations

The breakdown of the defined-benefit obligation by type of benefit plan is as follows:

(EUR millions)	2020	2019	2018
Supplementary pensions	1,627	1,597	1,300
Retirement bonuses and similar benefits	432	427	326
Medical costs of retirees	45	54	42
Long-service awards	33	32	27
Other	7	6	9
<b>Defined-benefit obligation</b>	<b>2,144</b>	<b>2,116</b>	<b>1,704</b>

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	2020	2019	2018
France	833	886	615
Europe (excluding France)	614	581	556
United States	506	454	347
Japan	137	144	136
Asia (excluding Japan)	47	44	41
Other countries	7	7	9
<b>Defined-benefit obligation</b>	<b>2,144</b>	<b>2,116</b>	<b>1,704</b>

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2020 are as follows:

- in France:
  - these commitments include the commitment to the Group's senior executives and members of the Executive Committee, who were covered by a supplementary pension plan after a certain number of years of service, the amount of which was determined on the basis of the average of their three highest amounts of annual compensation. Pursuant to the Order of July 3, 2019, this supplementary pension plan has been closed, and the rights frozen as of December 31, 2019;
  - they also include end-of-career bonuses and long-service awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service.
- in Europe (excluding France), commitments concern defined-benefit pension plans set up in the United Kingdom by certain Group companies; participation by Group companies in Switzerland in the mandatory Swiss occupational pension plan, the LPP (*Loi pour la Prévoyance Professionnelle*); and in Italy the TFR (*Trattamento di Fine Rapporto*), a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company.
- in the United States, the commitment relates to defined-benefit pension plans or retiree healthcare coverage set up by certain Group companies.

## 30.5 Breakdown of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

<i>(as % of market value of related plan assets)</i>	2020	2019	2018
Shares	22	19	23
Bonds			
– Private issues	32	35	36
– Public issues	9	8	5
Cash, investment funds, real estate and other assets	37	38	36
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

These assets do not include debt securities issued by Group companies, or any LVMH shares for significant amounts. The Group plans to increase the related plan assets in 2021 by paying in approximately 120 million euros.

## 31. OFF-BALANCE SHEET COMMITMENTS

### 31.1 Purchase commitments

<i>(EUR millions)</i>	2020	2019	2018
Grapes, wines and <i>eaux-de-vie</i>	2,725	2,840	2,040
Other purchase commitments for raw materials	250	211	215
Industrial and commercial fixed assets	428	674	721
Investments in joint venture shares and non-current available for sale financial assets	13,237	14,761	2,151

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and *eaux-de-vie*. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known fiscal year-end prices and estimated production yields.

As of December 31, 2020, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. at a unit price of 131.5 US dollars. The acquisition was completed on January 7, 2021. See also Notes 2.1 and 34.

As of December 31, 2019, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany at a unit price of 135 US dollars, for a total of 16.2 billion US dollars.

As of December 31, 2020, the maturity schedule of these commitments was as follows:

<i>(EUR millions)</i>	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Grapes, wines and <i>eaux-de-vie</i>	788	1,903	35	2,725
Other purchase commitments for raw materials	190	60	-	250
Industrial and commercial fixed assets	299	129	-	428
Investments in joint venture shares and non-current available for sale financial assets	13,237	-	-	13,237

### 31.2 Collateral and other guarantees

As of December 31, 2020, these commitments broke down as follows:

(EUR millions)	2020	2019	2018
Securities and deposits	444	371	342
Other guarantees	169	163	160
<b>Guarantees given</b>	<b>613</b>	<b>534</b>	<b>502</b>
<b>Guarantees received</b>	<b>(47)</b>	<b>(53)</b>	<b>(70)</b>

The maturity dates of these commitments are as follows:

(EUR millions)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Securities and deposits	313	121	9	444
Other guarantees	76	89	4	169
<b>Guarantees given</b>	<b>389</b>	<b>210</b>	<b>14</b>	<b>613</b>
<b>Guarantees received</b>	<b>(21)</b>	<b>(24)</b>	<b>(2)</b>	<b>(47)</b>

### 31.3 Other commitments

The Group is not aware of any significant off-balance sheet commitments other than those described above.

## 32. EXCEPTIONAL EVENTS AND LITIGATION

As part of its day-to-day management, the Group may be party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of selective retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the year-end, are sufficient to avoid its consolidated financial position being materially impacted in the event of an unfavorable outcome.

There were no significant developments in fiscal year 2020 with regard to exceptional events or litigation.

To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the twelve-month period under review, any significant impact on the Group's financial position or profitability.

## 33. RELATED-PARTY TRANSACTIONS

### 33.1 Relations of LVMH with Christian Dior and Agache

The LVMH group is consolidated in the accounts of Christian Dior SE, a public company listed on the Eurolist by Euronext Paris and controlled by Agache SE (formerly known as Groupe Arnault SE) via its subsidiary Financière Agache SA.

Agache SE, which has specialist teams, provides assistance to the LVMH group, primarily in the areas of financial engineering,

strategy, development, and corporate and real estate law. Agache SE also leases office premises to the LVMH group.

Conversely, the LVMH group provides various administrative and operational services and leases real estate and movable property assets to Agache SE and some of its subsidiaries.

Transactions between LVMH and Agache and its subsidiaries may be summarized as follows:

<i>(EUR millions)</i>	2020	2019	2018
Amounts billed by Agache, Financière Agache and Christian Dior to LVMH	(2)	(2)	(3)
Amount payable outstanding as of December 31	-	-	-
Amounts billed by LVMH to Agache, Financière Agache and Christian Dior	9	6	5
Amount receivable outstanding as of December 31	2	-	-

In 2020, LVMH sold listed securities to Financière Agache, in an arm's-length transaction, for a total of 97 million euros.

### 33.2 Relations with Diageo

Moët Hennessy SAS and Moët Hennessy International SAS (hereinafter referred to as "Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits business group, with the exception of Château d'Yquem, Château Cheval Blanc, Domaine du Clos des Lambrays, Colgin Cellars and certain champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. When that holding was acquired in 1994, an agreement was entered into between Diageo and LVMH for the

apportionment of shared holding company costs between Moët Hennessy and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy assumed 14% of shared costs in 2020 (14% in 2019 and 15% in 2018), and accordingly re-invoiced the excess costs incurred to LVMH SE. After re-invoicing, the amount of shared costs assumed by Moët Hennessy came to 22 million euros for 2020 (25 million euros in 2019 and 17 million euros in 2018).

### 33.3 Relations with the Fondation Louis Vuitton

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group finances the Fondation as part of its cultural sponsorship initiatives. Its net contributions to this project are included in "Property, plant and equipment" and are depreciated from the time the museum opened (October 2014) over the remaining

duration of the public property use agreement awarded by the City of Paris.

The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are part of LVMH's off-balance sheet commitments (see Note 31.2).

### 33.4 Executive bodies

The total compensation paid to the members of the Executive Committee and the Board of Directors in respect of their functions within the Group breaks down as follows:

<i>(EUR millions)</i>	2020	2019	2018
Gross compensation, employer social security contributions and benefits in kind	72	79	61
Post-employment benefits	(20)	59	19
Other long-term benefits	22	24	19
End-of-contract bonuses	-	-	13
Cost of stock option and similar plans	25	29	29
<b>Total</b>	<b>99</b>	<b>191</b>	<b>141</b>

The commitment recognized as of December 31, 2020 for post-employment benefits net of related financial assets was 96 million euros (115 million euros as of December 31, 2019 and 66 million euros as of December 31, 2018). See Note 30 on the

impact of the French PACTE law on the commitment recognized for post-employment benefits for members of the Group's management and supervisory bodies.



## 34. SUBSEQUENT EVENTS

On January 7, 2021, LVMH acquired 100% of the shares of Tiffany & Co. (NYSE: TIF), in accordance with the agreement signed in November 2019 and amended in October 2020. The acquisition was completed at the price of 131.50 US dollars per share, for a total of 16.1 billion US dollars, paid in cash. Tiffany & Co. will be consolidated as of January 2021, and the purchase price allocation will be carried out in 2021. The annual report of Tiffany & Co. as

of January 31, 2020 and the quarterly publications as of April 30, July 31 and October 31, 2020 are available on the SEC website ([www.sec.report](http://www.sec.report)).

No other significant subsequent events occurred between December 31, 2020 and January 26, 2021, the date at which the financial statements were approved for publication by the Board of Directors.

















Companies	Registered office	Method of consolidation	Ownership interest	Companies	Registered office	Method of consolidation	Ownership interest
Charleston Partners Inc.	South Carolina, USA	FC	100%	Media Presse	Saint-Ouen, France	FC	75%
LVMH Happening SAS	Paris, France	FC	100%	LP Management	Paris, France	FC	100%
LVMH Client Services	Paris, France	FC	100%	Wagner Capital SA SICAR	Luxembourg	FC	51%
Le Parisien Libéré	Saint-Ouen, France	FC	100%	Breakfast Holdings Acquisition	New York, USA	FC	100%
Team Diffusion	Saint-Ouen, France	FC	100%	449 North Beverly Drive	New York, USA	FC	100%
Team Media	Paris, France	FC	100%	L Catterton Management	London, United Kingdom	EM	20%
Société Nouvelle SICAVIC	Paris, France	FC	100%	LVMH Representações Ltda	São Paulo, Brazil	FC	100%
L.P.M.	Paris, France	FC	100%	LVMH Moët Hennessy Louis Vuitton	Paris, France		Parent company
Proximity	Saint-Ouen, France	FC	75%				

FC: Fully consolidated.

EM: Accounted for using the equity method.

JV: Joint venture company with Diageo: only the Moët Hennessy activity is consolidated. See also Notes 1.7 and 1.27 for the revenue recognition policy for these companies.

(a) Profit from this company is taxable in France.

(b) Profit from this company is taxable in the United Kingdom.

Companies not included in the scope of consolidation

## COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

Companies	Registered office	Ownership interest	Companies	Registered office	Ownership interest
Société d'Exploitation Hôtelière de Saint-Tropez	Paris, France	100%	Sofpar 139	Paris, France	100%
Société Nouvelle de Libraire et de l'Édition	Paris, France	100%	Sofpar 140	Paris, France	100%
Samos 1850	Paris, France	100%	Sofpar 141	Paris, France	100%
BRN Invest NV	Baarn, Netherlands	100%	Sofpar 142	Paris, France	100%
Toiltech	Paris, France	90%	Sofpar 143	Paris, France	100%
Bvlgari Austria Ltd	Vienna, Austria	100%	Sofpar 144	Paris, France	100%
Sephora Macao Limited	Macao, China	100%	Sofpar 145	Paris, France	100%
Les Beaux Monts	Paris, France	90%	Prolepis	Paris, France	100%
Sofpar 116	Paris, France	100%	Prolepis Investment Ltd	Paris, France	100%
Sofpar 125	Paris, France	100%	Innovación en Marcas de Prestigio SA	Paris, France	66%
Sofpar 127	Paris, France	100%	MS 33 Expansion	Paris, France	100%
Sofpar 131	Paris, France	100%	Shinsegae International Co. Ltd LLC	Paris, France	51%
Sofpar 132	Paris, France	100%	Crystal Pumpkin	Florence, Italy	99%
Sofpar 133	Paris, France	100%	Loewe Nederland BV	Madrid, Spain	100%
L. Courtage Réassurance SAS	Paris, France	100%	Groupement Forestier des Bois de la Celle	Cognac, France	65%
Sofpar 136	Paris, France	100%	Augesco	Paris, France	50%
Sofpar 137	Paris, France	100%	Hugo	Paris, France	100%
Sofpar 138	Paris, France	100%	Folio St. Barths	New York, USA	100%

The companies which are not included in the scope of consolidation are either entities that are inactive and/or being liquidated, or entities whose individual or collective consolidation would not have a significant impact on the Group's main aggregates.

# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy Louis Vuitton,

## 1. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of LVMH Moët Hennessy Louis Vuitton for the fiscal year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as of December 31, 2020 and of the results of its operations for the fiscal year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

## 2. Basis for our opinion

### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of our report entitled "Statutory Auditors' responsibilities for the audit of the consolidated financial statements".

### Independence

We conducted our audit engagement in compliance with the independence rules provided by the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from January 1, 2020 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) 537/2014.

## 3. Emphasis of matter

Without calling into question the opinion expressed above, we draw attention to the matter described in Note 1.2 to the consolidated financial statements relating to the consequences of the initial application of the amendment to IFRS 16 on the recognition of rent concessions granted by lessors in connection with the Covid-19 pandemic.

## 4. Justification of assessments - Key audit matters

The global crisis arising from the Covid-19 pandemic imposed particular conditions on the preparation and audit of the financial statements for this fiscal year. The crisis and the exceptional measures taken in response to the public health emergency had wide-ranging consequences on companies, especially on their business activity and financing, and heightened uncertainty regarding their outlook for the future. Some of these measures, such as travel restrictions and remote working, also had an impact on the internal organization of companies and on the conditions under which audits were run.

Within this complex, changing context, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

## Valuation of fixed assets, in particular intangible assets

### Risk identified

As of December 31, 2020, the value of the Group's fixed assets totaled 63.8 billion euros. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions; property, plant and equipment (land, vineyard land, buildings, and fixtures and fittings at stores and hotels in particular); and right-of-use assets.

We considered the valuation of these fixed assets to be a key audit matter, due to their significance in the Group's financial statements and because the determination of their recoverable amount, which is usually based on discounted forecast cash flows, requires the use of assumptions, estimates and other forms of judgment, as specified in Notes 1.3 and 1.6 to the consolidated financial statements, while the context of the Covid-19 pandemic increases the degree of uncertainty and makes it more difficult to assess the outlook.

### Our response

The Group tests these assets for impairment, as described in Notes 1.16 and 5 to the consolidated financial statements.

In this context, we assessed the methods used to perform these impairment tests and focused our work primarily on the Maisons most affected by the negative changes in the current business environment, or where the carrying amount of intangible assets represents a high multiple of profit from recurring operations.

We assessed the data and assumptions that served as the basis for the main estimates used, in particular forecast cash flows, assumptions regarding a return to 2019 business levels, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance and market outlook, and conducted impairment test sensitivity analyses. In addition, where the recoverable amount is estimated by comparison with recent similar transactions, we corroborated the analyses provided with available market data. All of these analyses were carried out with our valuation experts.

Lastly, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

## Valuation of inventories and work in progress

### Risk identified

The success of the Group's products, particularly in the Fashion and Leather Goods and the Watches and Jewelry business groups, depends among other factors on its ability to identify new trends and changes in behaviors and tastes, enabling it to offer products that meet consumers' expectations.

The Group determines the amount of impairment of inventories and work in progress on the basis of sales prospects in its various markets or due to product obsolescence, as specified in Note 1.18 to the consolidated financial statements. Amidst the Covid-19 pandemic, provisions for inventory impairment were updated to reflect slower inventory turnover and more limited sales prospects for seasonal products, as indicated in Note 1.3 to the consolidated financial statements.

We considered this to constitute a key audit matter since the aforementioned projections and any resulting impairment are intrinsically dependent on assumptions, estimates and other forms of judgment made by the Group. Due to the Covid-19 pandemic, the closure of points of sale increases the level of uncertainty regarding the sale of inventories and generates a heightened risk of product returns. Furthermore, inventories are present at a large number of subsidiaries, and determining this impairment also depends on the monitoring of internal margins, which are eliminated in the consolidated financial statements unless and until inventories are sold to non-Group clients.

### Our response

As part of our procedures, we analyzed sales prospects as estimated by the Group in light of past performance and the most recent budgets, including the impact of the Covid-19 pandemic, in order to corroborate the resulting impairment amounts. Where applicable, we assessed the assumptions made by the Group for the recognition of non-recurring impairment. The consequences of slower inventory turnover, more limited sales prospects for seasonal products and return risks were also analyzed.

We also assessed the consistency of internal margins eliminated in the consolidated financial statements, by assessing in particular the margins generated with the various distribution subsidiaries and comparing them to the elimination percentage applied.

## Provisions for contingencies, losses and uncertain tax positions

### Risk identified

The Group's activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the income tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, the Group's activities may give rise to risks, disputes or litigation, and the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations.

As indicated in Notes 1.21 and 20 to the consolidated financial statements:

- provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities;
- non-current liabilities related to uncertain tax positions include an estimate of the risks, disputes and actual or probable litigation related to the income tax computation, in accordance with IFRIC 23.

We considered this to constitute a key audit matter due to the significance of the amounts concerned and the level of judgment required to monitor ongoing regulatory changes and evaluate these provisions in the context of a constantly evolving international regulatory environment.

### Our response

In the context of our audit of the consolidated financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Group to identify and catalogue all risks, disputes, litigation and uncertain tax positions;
- obtaining an understanding of the risk analysis performed by the Group and the corresponding documentation and, where applicable, reviewing written confirmations from external advisors;
- assessing – with our experts, tax specialists in particular – the main risks identified and assessing the reasonableness of the assumptions made by Group management to estimate the amount of the provisions and of liabilities related to uncertain tax positions;
- carrying out a critical review of analyses relating to the use of provisions for contingencies and losses, and of liabilities related to uncertain tax positions, prepared by the Group;
- assessing – with our tax specialists – the evaluations drawn up by the Group's Tax Department relating to the consequences of changes in tax laws;
- assessing the appropriateness of information relating to these risks, disputes, litigation and uncertain tax positions disclosed in the notes to the financial statements.

## 5. Specific verifications

In accordance with professional standards applicable in France, we also performed the specific verifications required by laws and regulations of the information concerning the Group provided in the *Management Report of the Board of Directors*.

We have no matters to report as to this information's fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated statement of non-financial performance provided for by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's Management Report, with the proviso that, in accordance with the provisions of Article L. 823-10 of said code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this statement, which must be subject to a report by an independent third party.

## 6. Other verifications or information required by laws and regulations

### Presentation format for the consolidated financial statements to be included in the Annual Financial Report

In accordance with Article 222-3 III of the AMF's General Regulation, your Company's management has informed us of its decision to postpone the application of the European Single Electronic Format as defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 to fiscal years beginning on or after January 1, 2021.

Consequently, this report does not include a conclusion on compliance with this format in the presentation of the consolidated financial statements to be included in the Annual Financial Report mentioned in Article L. 451-1-2 I of the French Monetary and Financial Code (*Code monétaire et financier*).

### Appointment of the Statutory Auditors

Our audit firms were appointed as Statutory Auditors of LVMH Moët Hennessy Louis Vuitton by your Shareholders' Meeting held on April 14, 2016.

As of December 31, 2020, our audit firms were in the fifth consecutive year of their engagement, it being specified that ERNST & YOUNG et Autres and ERNST & YOUNG Audit, members of the international EY network, were respectively Statutory Auditors from 2010 to 2015 and from 1988 to 2009.

## 7. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing any matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

## 8. Statutory Auditors' responsibilities for the audit of the consolidated financial statements

### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance as to whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designs and performs audit procedures responsive to those risks; and obtains audit evidence considered to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;

- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of its audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse audit opinion;
- assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the scope of consolidation to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these financial statements.

### Report to the Performance Audit Committee

We submit a report to the Performance Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the fiscal year and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. We discuss any risks that may reasonably be thought to bear on our independence, and the related safeguards, with the Performance Audit Committee.

Courbevoie and Paris-La Défense, February 8, 2021

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert

Isabelle Sapet

ERNST & YOUNG Audit

Gilles Cohen

Patrick Vincent-Genod

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French. It is provided solely for the convenience of English speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.





# FINANCIAL STATEMENTS

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## INCOME STATEMENT

Income/(Expenses) (EUR millions)	Notes	2020	2019
Financial income from subsidiaries and investments		3,569.7	4,252.7
Investment portfolio: Impairment and provisions		(279.7)	(169.1)
Gains and losses on disposal		-	-
<b>Income from managing subsidiaries and investments</b>	4.1	<b>3,290.0</b>	<b>4,083.6</b>
Cost of net financial debt	4.2	(29.2)	(29.5)
Foreign exchange gains and losses	4.3	24.8	(36.4)
Other financial income and expenses	4.4	(20.4)	(22.0)
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	4	<b>3,265.2</b>	<b>3,995.7</b>
Services provided and other income	5	351.0	378.8
Personnel costs	6	(196.4)	(252.7)
Other net management charges	7	(395.6)	(430.7)
<b>OPERATING PROFIT/(LOSS)</b>		<b>(241.0)</b>	<b>(304.6)</b>
<b>RECURRING PROFIT BEFORE TAX</b>		<b>3,024.2</b>	<b>3,691.1</b>
<b>NET EXCEPTIONAL INCOME/(EXPENSE)</b>	8	<b>(32.6)</b>	<b>(110.0)</b>
Income tax income/(expense)	9	221.1	130.4
<b>NET PROFIT</b>		<b>3,212.7</b>	<b>3,711.5</b>

## BALANCE SHEET

ASSETS (EUR millions)	Notes	2020		2019	
		Gross	Depreciation, amortization and impairment	Net	Net
Intangible assets		13.0	(8.9)	4.1	3.4
Vineyard land		45.2	-	45.2	45.2
Other property, plant and equipment		48.0	(1.9)	46.1	39.2
<b>Intangible assets and property, plant and equipment</b>	10	<b>106.2</b>	<b>(10.8)</b>	<b>95.4</b>	<b>87.8</b>
Equity investments	11	42,831.7	(2,165.2)	40,666.5	26,284.7
LVMH treasury shares	12	-	-	-	94.1
Other non-current financial assets	13	26.6	-	26.6	134.6
<b>Non-current financial assets</b>		<b>42,858.3</b>	<b>(2,165.2)</b>	<b>40,693.1</b>	<b>26,513.4</b>
<b>NON-CURRENT ASSETS</b>		<b>42,964.5</b>	<b>(2,176.0)</b>	<b>40,788.5</b>	<b>26,601.2</b>
Receivables	14	566.2	(4.2)	562.0	294.9
LVMH treasury shares	12	259.6	-	259.6	308.9
Cash and cash equivalents		41.2	-	41.2	34.6
<b>CURRENT ASSETS</b>		<b>867.0</b>	<b>(4.2)</b>	<b>862.8</b>	<b>638.4</b>
Prepayments and accrued income	15	41.1	-	41.1	15.9
<b>TOTAL ASSETS</b>		<b>43,872.6</b>	<b>(2,180.2)</b>	<b>41,692.4</b>	<b>27,255.5</b>
<b>LIABILITIES AND EQUITY</b> (EUR millions)	Notes	2020		2019	
		<b>Before appropriation</b>	<b>Before appropriation</b>		
Share capital (of which, fully paid up: 151.4)	16.1	151.4	151.6		
Share premium account	16.2	2,224.9	2,318.8		
Reserves and revaluation adjustments	17	388.0	388.0		
Retained earnings		12,425.3	11,131.3		
Interim dividend		(1,007.8)	(1,108.0)		
Net profit for the fiscal year		3,212.7	3,711.5		
Regulated provisions		0.1	0.1		
<b>EQUITY</b>	16.2	<b>17,394.6</b>	<b>16,593.3</b>		
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	18	<b>756.0</b>	<b>727.4</b>		
Bonds	19	14,969.0	6,647.0		
Other financial debt	19	7,732.1	2,805.9		
Other debt	20	824.6	469.2		
<b>OTHER LIABILITIES</b>		<b>23,525.7</b>	<b>9,922.1</b>		
Accruals and deferred income	21	16.1	12.7		
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>41,692.4</b>	<b>27,255.5</b>		

## CASH FLOW STATEMENT

<i>(EUR millions)</i>	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Net profit	3,212.7	3,711.5
Depreciation, amortization and impairment of fixed assets	284.6	170.0
Change in other provisions	28.5	35.0
Gains or losses on sales of assets	61.5	81.5
<b>CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>3,587.3</b>	<b>3,998.0</b>
Change in intra-Group current accounts	(1,401.2)	41.3
Change in other receivables and payables	(295.8)	126.2
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,890.3</b>	<b>4,165.5</b>
<b>INVESTING ACTIVITIES</b>		
(Acquisition)/Disposal of intangible assets and property, plant and equipment	(8.4)	(10.5)
Acquisition of equity investments	-	-
Disposal of equity investments and similar transactions	-	-
Subscription to capital increases carried out by subsidiaries	(14,661.5)	(1,000.0)
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(14,669.9)</b>	<b>(1,010.5)</b>
<b>FINANCING ACTIVITIES</b>		
Capital increase	-	20.6
Acquisition and disposals of LVMH treasury shares	(12.1)	(48.6)
Interim and final dividends paid during the fiscal year	(2,317.2)	(3,119.9)
Proceeds from borrowings	17,389.2	1,000.0
Repayments of borrowings	(2,380.4)	(1,003.7)
(Acquisition)/Disposal of available for sale financial assets	106.0	-
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>12,785.5</b>	<b>(3,151.6)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5.9</b>	<b>3.4</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR</b>	<b>34.0</b>	<b>30.6</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR</b>	<b>39.9</b>	<b>34.0</b>

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS: LVMH MOËT HENNESSY LOUIS VUITTON

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## 1. BUSINESS ACTIVITY AND KEY EVENTS DURING THE FISCAL YEAR

### 1.1 Business activity

In addition to managing its portfolio of investments in its capacity as the Group's holding company, LVMH Moët Hennessy Louis Vuitton SE ("LVMH", "the Company") manages and coordinates the operational activities of all of its subsidiaries, and offers them various management support services, for which they are invoiced, particularly in legal, financial, tax and insurance matters.

### 1.2 Key events during the fiscal year

On December 30, 2020, Tiffany's Shareholders' Meeting approved the acquisition of the internationally renowned high jewelry company Tiffany & Co. by the LVMH group for 16.1 billion US dollars.

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted the operations of LVMH's subsidiaries during the fiscal year. The assumptions and estimates used as a basis for measuring certain balance sheet and income statement items were updated in light of the crisis.

## 2. ACCOUNTING POLICIES AND METHODS

### 2.1 General framework and changes in accounting policies

The balance sheet and income statement of LVMH have been prepared in accordance with French legal requirements, particularly Regulations 2014-03 and 2015-05 of the Autorité des Normes Comptables (the French accounting standard-setter); it should be noted that the presentation of the income statement was modified in 2011.

The presentation used for the income statement is designed to clearly distinguish between the Company's two types of activities: its asset management activities, related to its equity investments, and its activities related to managing and coordinating all the entities that make up the LVMH group, as described in Note 1.1.

The presentation of the income statement includes three main components of profit or loss: "Net financial income/(expense)", "Operating profit/(loss)" and "Net exceptional income/(expense)". The total of "Net financial income/(expense)" and "Operating profit/(loss)" corresponds to "Recurring profit before tax".

"Net financial income/(expense)" includes net income from the management of subsidiaries and other investments; the cost of net financial debt relating, in essence, to the holding of these investments; and other items resulting from the management of subsidiaries or of financial debt, particularly gains or losses on foreign exchange or hedging instruments. Net income from the management of subsidiaries and other investments includes all portfolio management items: dividends, changes in impairment, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of investments.

"Operating profit/(loss)" includes costs related to the management of the Company and to the Group's operational management

and coordination costs, personnel costs or other administrative costs, less the amount rebilled to subsidiaries, either by billing for management support services or rebilling expenses incurred on their behalf.

"Net financial income/(expense)" and "Operating profit/(loss)" include items relating to the financial management of the Company or administrative operations, irrespective of their amounts or their occurrence. "Net exceptional income/(expense)" thus comprises only those transactions that, due to their nature, may not be included in "Net financial income/(expense)" or "Operating profit/(loss)".

### 2.2 Intangible assets and property, plant and equipment

Intangible assets, property, plant and equipment are stated at acquisition cost (purchase price and incidental costs, excluding acquisition expenses) or at contribution value, with the exception of property, plant and equipment acquired prior to December 31, 1976 which was revalued in 1978 (revaluation pursuant to the French law of 1976).

Intangible assets are composed of leasehold rights amortized over the duration of the underlying leases and of IT development costs amortized over a period of 3 to 5 years.

Property, plant and equipment are depreciated, where applicable, on a straight-line basis over their estimated useful lives; the following useful lives are applied:

- vehicles: 4 years;
- fixtures, furniture and leasehold improvements: 5 to 25 years;
- buildings: 40 to 100 years.

Vineyard land is not subject to depreciation.

## 2.3 Non-current financial assets

Non-current financial assets, excluding receivables, loans and deposits, are stated at acquisition cost (excluding incidental costs) or at contribution value.

If the recoverable amount as of the fiscal year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. The recoverable amount is measured with reference to the value in use or the net selling price. Value in use is based on the entities' forecast future cash flows; the net selling price is calculated with reference to ratios or share prices of similar entities, on the basis of valuations performed by independent experts for the purposes of a disposal transaction, or by comparison with recent similar transactions.

Changes in the amount of provisions for impairment of the equity investment portfolio are classified under income from managing subsidiaries and investments.

Portfolio investments held as of December 31, 1976 were revalued in 1978 (revaluation pursuant to the French law of 1976).

## 2.4 Receivables

Receivables are recorded at their face value. Impairment for doubtful accounts is recorded if their recoverable amount, based on the probability of their collection, is lower than their carrying amount.

## 2.5 Short-term investments

Short-term investments, including money market investments on which interest is rolled up, are stated at acquisition cost (excluding transaction costs); if their market value is lower than their acquisition cost, an impairment expense is recorded in "Net financial income/(expense)" for the amount of the difference.

The market value of short-term investments is calculated, for listed securities, based on average listed share prices during the last month of the fiscal year and translated, where applicable, at year-end exchange rates. The market value of non-listed securities is calculated based on their estimated realizable value.

This calculation is performed on a line-by-line basis, without offsetting any unrecognized capital gains and losses.

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

## 2.6 Treasury shares and bonus share plans

### 2.6.1 LVMH treasury shares

Treasury shares acquired under share repurchase programs or under the terms of the liquidity contract are recorded as short-term investments. Shares held on a long-term basis, or intended to be cancelled or exchanged at a later date are recognized within "Non-current financial assets".

Treasury shares held for bonus share plans are allocated to these plans.

Treasury shares are recorded, on their date of delivery, at their acquisition cost excluding transaction costs.

In the event of disposal, the cost of the shares disposed of is determined by allocation category using the FIFO method.

### 2.6.2 Impairment of LVMH treasury shares

If the market value of LVMH shares recorded in short-term investments (calculated as described in Note 2.5 above) falls below their acquisition cost, impairment in the amount of the difference is recognized and charged to "Net financial income/(expense)", under "Other financial income and expenses".

No impairment is recognized for LVMH shares allocated to bonus share plans or shares recorded within "Non-current financial assets".

### 2.6.3 Expense relating to LVMH share-based bonus share plans

The expense relating to LVMH share-based bonus share plans is allocated on a straight-line basis over the vesting periods of the plans. It is recognized in the income statement under the heading "Personnel costs", offset by a provision for losses recorded in the balance sheet.

The expense relating to bonus share plans involving LVMH shares corresponds to the portfolio value of the shares allocated to those plans.

## 2.7 Income from equity investments

Amounts distributed by subsidiaries and other investments, in addition to the share in income from GIEs (economic interest groups) subject to statutory clauses providing for the allocation of income to partners, are recognized as of the date that they accrue to the shareholders or partners.

## 2.8 Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the dates of transactions.

Foreign currency receivables and payables are revalued at exchange rates as of December 31. Any resulting unrealized gains and losses are recorded in the cumulative translation adjustment if the receivables and payables are not hedged. Provisions for unrealized foreign exchange losses as of December 31, except for losses offset by unrealized gains in the same currency.

If the receivables and payables are hedged, the unrealized gains and losses arising on the revaluation are offset against unrealized gains and losses on the associated hedging transactions.

Fiscal year-end foreign exchange gains and losses on foreign currency cash and cash equivalents are recorded in the income statement.

## 2.9 Derivatives

Foreign exchange derivatives are accounted for based on the following principles:

- In the case of derivatives designated as hedging instruments:
  - they are remeasured at year-end exchange rates under “Other receivables” and “Other liabilities”; the unrealized gains and losses resulting from this remeasurement offset unrealized gains and losses on the assets and liabilities hedged by these instruments,
  - unrealized gains and losses are deferred if these instruments are allocated to future transactions,
  - gains and losses realized on maturity are recorded as an offset against gains and losses on the assets and liabilities hedged by these instruments.
- In the case of derivatives not designated as hedging instruments (isolated open positions):
  - any unrealized gains resulting from their remeasurement at year-end exchange rates are recognized within “Other receivables” and offset against “Accruals and deferred income”,
  - any unrealized losses give rise to a provision for losses, recognized within “Foreign exchange gains and losses”,
  - realized gains and losses are recorded under “Foreign exchange gains and losses”.

The swap points are recognized on a pro rata basis over the term of the contracts under “Cost of net financial debt”.

Interest rate derivatives designated as hedging instruments are recognized on a pro rata basis over the term of the contracts, without any impact on the face value of the debt whose rate is hedged.

Interest rate derivatives not designated as hedging instruments are remeasured at market value as of the balance sheet date. Any unrealized gains resulting from this remeasurement are deferred; any unrealized losses give rise to a provision for losses.

## 2.10 Bond issue premiums

Bond issue premiums are amortized over the life of bonds. Issue costs are expensed upon issuance.

## 2.11 Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Company, the amount of which may be reliably estimated.

## 2.12 Income tax - Tax consolidation agreement

LVMH is the parent company of a tax group comprising most of its French subsidiaries (Article 223-A *et seq.* of the French General Tax Code). In the majority of cases, the tax consolidation agreement does not alter the tax expense or the right to the benefit from the tax losses carried forward of the subsidiaries concerned: their tax position with respect to LVMH, insofar as they remain part of the tax group, remains identical to that which would have been reported had the subsidiaries been taxed individually. Any additional tax savings or tax expense – i.e. the sum of any difference between the tax recognized by each consolidated company and the tax resulting from the calculation of taxable income for the tax group – is recognized by LVMH.

## 3. SIGNIFICANT SUBSEQUENT EVENTS

On January 7, 2021, the acquisition process for US jeweler Tiffany & Co. was finalized, for the price of 16.1 billion US dollars.

See also Note 1.2.



## 4. NET FINANCIAL INCOME/(EXPENSE)

### 4.1 Income from managing subsidiaries and investments

The income from managing subsidiaries and investments breaks down as follows:

<i>(EUR millions)</i>	2020	2019
Dividends received from French companies	3,270.5	3,947.8
Dividends received from foreign companies	300.8	305.5
Share of income from GIEs (economic interest groups)	(1.6)	(0.6)
<b>Financial income from subsidiaries and investments</b>	<b>3,569.7</b>	<b>4,252.7</b>
Changes in impairment	(279.7)	(169.1)
Changes in provisions for contingencies and losses	-	-
<b>Impairment and provisions related to subsidiaries and investments</b>	<b>(279.7)</b>	<b>(169.1)</b>
<b>Gains and losses on disposal</b>	<b>-</b>	<b>-</b>
<b>Income from managing subsidiaries and investments</b>	<b>3,290.0</b>	<b>4,083.6</b>

See also Note 18 concerning the change in impairment and provisions.

### 4.2 Cost of net financial debt

The cost of net financial debt, including the impact of interest rate hedging instruments, breaks down as follows:

<i>(EUR millions)</i>	2020	2019
Interest and premiums on borrowings	(90.3)	(53.7)
Financial income and revenue	62.1	32.9
<b>Cost of non-Group net financial debt</b>	<b>(28.2)</b>	<b>(20.8)</b>
Intra-Group interest expense	(1.0)	(8.7)
Intra-Group interest income	-	-
<b>Cost of intra-Group net financial debt</b>	<b>(1.0)</b>	<b>(8.7)</b>
<b>Cost of net financial debt</b>	<b>(29.2)</b>	<b>(29.5)</b>

### 4.3 Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

<i>(EUR millions)</i>	2020	2019
Foreign exchange gains	30.9	43.4
Foreign exchange losses	(10.8)	(79.0)
Changes in provisions for unrealized foreign exchange losses	4.7	(0.8)
<b>Foreign exchange gains and losses</b>	<b>24.8</b>	<b>(36.4)</b>

See also Note 18 on changes in provisions.

Foreign exchange gains and losses mainly correspond to those arising on the outstanding borrowings denominated in foreign currency and foreign exchange derivatives entered into for the purposes described in Note 22 (foreign currency net investment hedges of subsidiaries).

#### 4.4 Other financial income and expenses

Other financial income and expenses break down as follows:

<i>(EUR millions)</i>	2020	2019
Income and expenses from LVMH shares	6.0	9.8
Other financial income	-	-
Other financial expenses	(26.4)	(31.9)
Changes in provisions	-	0.1
<b>Other financial income and expenses</b>	<b>(20.4)</b>	<b>(22.0)</b>

See also Note 18 on changes in provisions.

## 5. SERVICES PROVIDED AND OTHER INCOME

Services provided and other income break down as follows:

<i>(EUR millions)</i>	2020	2019
Services provided	167.3	188.5
Rebilled expenses	176.4	182.6
Real estate revenue	7.3	7.7
<b>Total</b>	<b>351.0</b>	<b>378.8</b>

Services provided and other income concerns related companies:

- “services provided” consist of support services (see also Note 1.1);
- “rebilled expenses” refer to compensation paid and expenses incurred by LVMH on behalf of related companies;
- “real estate revenue” is attributable to the lease of Champagne vineyards owned by LVMH.

## 6. PERSONNEL COSTS

In 2020, personnel costs included gross compensation and employer social security contributions, post-employment benefits, other long-term benefits and the cost of stock option and similar plans (see also Note 12.2.2).

### 6.1 Gross compensation

Due to the nature of the Company’s business, as described in Note 1.1, “Business activity”, a significant portion of this compensation is rebilled to Group companies as management support services.

The total gross compensation paid to company officers and members of the Company’s Executive Committee for fiscal year 2020 amounted to 61 million euros, including 0.7 million euros in directors’ fees.

### 6.2 Post-employment benefit commitments - Supplementary pensions and retirement bonuses

These commitments mainly relate to members of the Executive Committee, who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is determined on the basis of the average of their three highest amounts of annual compensation.

As of December 31, 2020, the commitment that has not been recognized, net of financial assets covering this commitment, determined according to the same principles as those used for the LVMH group’s consolidated financial statements, amounts to 69 million euros.

This commitment includes the impact of the lock-in of benefits in respect of supplementary pension plans covering the Group's Executive Committee members and senior executives, following the entry into force of the French PACTE law and the Order of July 3, 2019.

The discount rate used to estimate this commitment was 0.2%.

No payments were made to cover this commitment in 2020 (versus 24 million euros paid in 2019 and recognized under the heading "Personnel costs").

### 6.3 Average headcount

In 2020, the Company had an average headcount of 22 (2019: 20).

## 7. OTHER NET MANAGEMENT CHARGES

Management charges include fees, communication expenses, insurance premiums and rent.

Due to the nature of the Company's business, as described in Note 1.1, "Business activity", a significant portion of other management charges are rebilled to Group companies, either by billing for management support services or rebilling expenses incurred on their behalf.

Moreover, when Diageo acquired a stake in the Moët Hennessy group in 1994, Diageo and LVMH entered into an agreement for

the apportionment of shared holding company costs between Moët Hennessy SAS and the other holding companies of the LVMH group. Pursuant to this agreement, the proportion of shared costs re-invoiced by Moët Hennessy to LVMH amounted to 173 million euros.

Taxes, duties and similar levies recognized in "Other management charges" amounted to 4.1 million euros for fiscal year 2020 (3.5 million euros in 2019).

## 8. NET EXCEPTIONAL INCOME/(EXPENSE)

"Net exceptional income/(expense)" mainly corresponded to donations made by LVMH SE in connection with the Covid-19 public health crisis: 20 million euros to Fondation des Hôpitaux

de Paris – Hôpitaux de France, 5 million euros for the Institut Pasteur, and 7 million euros in donations of health equipment to the French state.

## 9. INCOME TAXES

### 9.1 Breakdown of corporate income tax

Corporate income tax breaks down as follows:

<i>(EUR millions)</i>	Profit before tax	Tax (expense)/ income	Net profit
Recurring profit before tax	3,024.2	60.0	3,084.2
Net exceptional income/(expense)	(32.6)	6.2	(26.4)
	<b>2,991.6</b>	<b>66.2</b>	<b>3,057.8</b>
Tax in respect of prior fiscal years <sup>(a)</sup>		(22.5)	(22.5)
Provisions for general contingencies		0.5	0.5
Impact of tax consolidation		176.9	176.9
	<b>2,991.6</b>	<b>221.1</b>	<b>3,212.7</b>

(a) Net of reversals of related provisions.

For information on provisions for general contingencies, see also Note 18.

## 9.2 Tax losses related to the tax consolidation agreement

As of December 31, 2020, the amount of tax losses that may be reclaimed from LVMH by its subsidiaries totaled 4,881 million euros.

## 9.3 Deferred tax

Deferred tax arising from temporary differences amounted to a net debit balance of 26.6 million euros as of December 31, 2020, including 13.1 million euros relating to temporary differences that are expected to reverse in 2021.

# 10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

<i>(EUR millions)</i>	2020
<b>Carrying amount of fixed assets as of December 31, 2019</b>	<b>87.8</b>
Additions	8.4
Disposals and retirements	-
Net change in depreciation/amortization	(0.8)
<b>Carrying amount of fixed assets as of December 31, 2020</b>	<b>95.4</b>

# 11. EQUITY INVESTMENTS

<i>(EUR millions)</i>	2020	2019
Gross amount of equity investments	42,831.7	28,170.2
Impairment	(2,165.2)	(1,885.5)
<b>Carrying amount of equity investments</b>	<b>40,666.5</b>	<b>26,284.7</b>

In 2020, LVMH Moët Hennessy Louis Vuitton completed 14.7 billion euros in capital increases by its subsidiary Sofidiv SAS, providing indirect financing for the Tiffany acquisition.

On December 31, 2020, Grandville SA, wholly owned by LVMH Moët Hennessy Louis Vuitton SE, was merged with and into Christian Dior Couture SA, which is itself wholly owned by Grandville SA. As of December 31, 2020, the value of Christian Dior Couture SA shares, now wholly owned by LVMH Moët Hennessy Louis Vuitton SE, amounted to 6 billion euros.

The investment portfolio is presented in the “Subsidiaries and investments” and “Investment portfolio” tables.

The methods used to calculate the impairment of equity investments are described in Note 2.3. In most cases, impairment is calculated with reference to the value in use of the investment in question, which is determined on the basis of forecast cash flows generated by the entity in question.

The change in impairment of the investment portfolio is analyzed in Note 18.

## 12. TREASURY SHARES AND RELATED DERIVATIVES

### 12.1 LVMH treasury shares

As of December 31, 2020, the value of the treasury shares held was allocated as follows:

<i>(EUR millions)</i>	2020			2019
	Gross	Impairment	Net	Net
Share subscription option plans	-	-	-	19.6
Pending retirement	-	-	-	74.5
<b>Long-term investments</b>	-	-	-	<b>94.1</b>
Bonus share plans	242.4	-	242.4	294.1
Liquidity contract	17.2	-	17.2	14.8
<b>Short-term investments</b>	<b>259.6</b>	-	<b>259.6</b>	<b>308.9</b>

Portfolio movements during the fiscal year were as follows:

<b>Long-term investments</b> <i>(EUR millions)</i>	Share subscription option plans		Pending retirement		Total	
	Number	Gross value	Number	Gross value	Number	Gross
<b>As of January 1, 2020</b>	<b>403,946</b>	<b>19.6</b>	<b>270,000</b>	<b>74.5</b>	<b>673,946</b>	<b>94.1</b>
Purchases	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Retirement of LVMH shares	(403,946)	(19.6)	(270,000)	(74.5)	(673,946)	(94.1)
<b>As of December 31, 2020</b>	-	-	-	-	-	-

<b>Short-term investments</b> <i>(EUR millions)</i>	Other plans		Liquidity contract		Total	
	Number	Gross value	Number	Gross value	Number	Gross
<b>As of January 1, 2020</b>	<b>1,066,965</b>	<b>294.1</b>	<b>38,000</b>	<b>14.8</b>	<b>1,104,965</b>	<b>308.9</b>
Purchases	47,973	15.7	534,933	201.7	582,906	217.4
Sales	-	-	(537,933)	(199.3)	(537,933)	(199.3)
Transfers	-	-	-	-	-	-
Vested bonus shares	(288,482)	(67.4)	-	-	(288,482)	(67.4)
<b>As of December 31, 2020</b>	<b>826,456</b>	<b>242.4</b>	<b>35,000</b>	<b>17.2</b>	<b>861,456</b>	<b>259.6</b>

The net gain recognized on disposals under the liquidity contract during the fiscal year amounted to 6 million euros. As of December 31, 2020, based on stock market quotes at that date, the value of shares held under this contract was 17.9 million euros.

## 12.2 Bonus share and similar plans

### 12.2.1 General characteristics of plans

#### Share subscription and purchase option plans

At the Shareholders' Meeting of April 18, 2019, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2021, to grant share subscription or purchase options to Group company employees or senior executives, on one or more occasions, in an amount not to exceed 1% of the Company's share capital.

As of December 31, 2020, this authorization had not been used by the Board of Directors.

No share subscription option or purchase plans have been set up since 2010.

No share subscription option plans were in effect as of December 31, 2020.

#### Bonus share plans

At the Shareholders' Meeting of June 30, 2020, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in August 2022, to grant existing or newly issued shares as bonus shares to Group company employees or senior executives, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

For the plans set up starting in 2016 – except where otherwise stated below – bonus shares and (if performance conditions are met) bonus performance shares vest to all recipients after a three-year period and are freely transferable once they have vested.

#### Performance conditions

With certain exceptions, the vesting of bonus shares is subject to a condition under which recipients must still be with the Group on the date the shares are allocated.

The vesting of bonus shares under certain plans is subject to conditions related to LVMH's financial performance, which must be met in order for recipients to be entitled to them.

The plans set up on October 25, 2018; October 24, 2019; and October 22, 2020 provide solely for the allocation of bonus shares subject to a condition related to the performance of the LVMH group.

The plan set up on July 26, 2017 includes conditions specifically related to the performance of a subsidiary.

The plan set up on October 25, 2017 primarily allocates bonus shares subject to a condition related to the performance of the

LVMH group, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary, as well as a certain number of shares not subject to any performance conditions.

The plan set up on January 25, 2018 allocates a certain number of bonus shares that are not subject to any performance conditions, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary.

The plan set up on April 12, 2018 primarily allocates bonus shares subject to a condition related to the performance of the LVMH group, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary.

For the plan set up on July 26, 2017, half of the bonus shares vest on June 30, 2020 and the other half on June 30, 2021 (or, under certain conditions, all bonus shares vest on June 30, 2021), each time provided that the performance condition regarding revenue and profit from recurring operations for the subsidiary concerned has been met. Since the performance conditions applicable to the first tranche were met in 2019, the 21,700 shares corresponding to that tranche vested on June 30, 2020; the 21,700 shares corresponding to the second tranche will vest on June 30, 2021, provided the associated condition relating to the subsidiary's performance has been met in 2020.

For bonus shares allocated under the plan set up on October 25, 2017 and subject to a condition relating to the performance of the LVMH group, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change, relative to the fiscal year in which the plan was set up (fiscal year "Y"), in one or more of the following Indicators: the Group's profit from recurring operations, operating free cash flow (formerly known as net cash from operating activities and operating investments), or current operating margin (hereinafter referred to as the "Indicators"). This condition was met in 2018 and 2019, and so the shares vested on October 25, 2020.

Bonus shares awarded under the plan set up on October 25, 2017 – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2024 provided that (i) quantitative targets regarding its revenue and profit from recurring operations for fiscal year 2023 and (ii) qualitative targets have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For the plan set up on January 25, 2018, bonus shares subject to conditions specifically related to the performance of a subsidiary will vest on June 30, 2024 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations for fiscal year 2023 have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For bonus shares allocated under the plans set up on April 12, 2018 and October 25, 2018 subject to a condition relating to the performance of the LVMH group, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year "Y"). This condition was met in 2019 and 2020.

The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

Bonus shares allocated under the April 12, 2018 plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2023 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations are met in respect of fiscal year 2022. If the performance conditions are not met in respect of fiscal year 2022, vesting will be deferred until June 30, 2024, and will concern fewer shares, subject to meeting (i) quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations in respect of fiscal year 2023 and (ii) qualitative targets.

For bonus shares allocated under the plans set up on October 24, 2019 and October 22, 2020 subject to a condition relating to the Group's performance, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year "Y").

The performance condition for 2020 under the October 24, 2019 bonus share plan was not met. However, given the exceptional circumstances related to the Covid-19 pandemic, the Board of Directors, at its meeting on October 22, 2020, voted to modify this plan's vesting rules: vesting may only concern 50% of the number of shares initially granted, and will be subject to

consolidated profit from recurring operations for fiscal year 2021 being at least equal to the level recorded in the budget approved by the Board of Directors.

The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

### 12.2.2 Movements relating to stock option and similar plans

Movements during the fiscal year relating to the various LVMH share-based plans were as follows:

<i>(number)</i>	<b>Bonus share awards</b>
<b>Rights not exercised as of January 1, 2020</b>	<b>1,052,718</b>
Provisional allocations for the period	177,034
Shares expired in 2020	(116,537)
Shares vested in 2020	(288,482)
<b>Rights not exercised as of December 31, 2020</b>	<b>824,733</b>

Previously owned shares were remitted in settlement of the bonus shares vested.

The total expense recognized under "Personnel costs" in 2020 for stock option and similar plans was 89.4 million euros (2019: expense of 101.8 million euros).

The value used as the basis for calculating the 20% social security contribution, payable when the plans vest, was, for plans with provisionally allocated shares, the LVMH closing share price on December 31, 2020, which was 510.90 euros; and, for plans for which shares vested in 2020, a share price of 389.55 euros for the July 2017 plan, and 423.10 euros for the October 2017 plan.

## 13. OTHER NON-CURRENT FINANCIAL ASSETS

As of December 31, 2020, other non-current financial assets included 25.4 million euros of non-current available for sale financial assets used to hedge cash-settled convertible bonds subscribed in 2016.

## 14. RECEIVABLES

Receivables break down as follows:

(EUR millions)	2020			2019
	Gross	Impairment	Net	Net
Receivables from related companies	394.0	-	394.0	142.5
Of which: Dividends receivable	300.0	-	300.0	-
Tax consolidation current accounts	30.3	-	30.3	60.3
Receivables from the State	140.3	-	140.3	93.3
Other receivables	31.9	(4.2)	27.7	59.1
Of which: Currency revaluation of hedging derivatives	23.6	-	23.6	51.9
<b>Total</b>	<b>566.2</b>	<b>(4.2)</b>	<b>562.0</b>	<b>294.9</b>

All these receivables mature within one year.

## 15. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income mainly consist of bond issue premiums.

## 16. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

### 16.1 Share capital

The Company's share capital comprises 504,757,339 fully paid-up shares, each with a par value of 0.30 euros.

All the shares comprising the Company's share capital have the same voting and dividend rights, except for registered shares held for at least three years which have double voting rights.

Treasury shares do not have voting or dividend rights.

During the fiscal year, 673,946 shares were retired.

As of December 31, 2020, the Company's share capital broke down as follows:

	Number	%
Shares with double voting rights	232,538,911	46.07
Shares with single voting rights	271,356,972	53.76
	503,895,883	99.83
LVMH treasury shares	861,456	0.17
<b>Total number of shares</b>	<b>504,757,339</b>	<b>100.00</b>



## 16.2 Change in equity

The change in equity during the fiscal year broke down as follows:

<i>(EUR millions)</i>	Number of shares	Share capital	Share premium account	Other reserves and regulated provisions	Retained earnings	Interim dividend	Net profit for the fiscal year	Equity
<b>As of December 31, 2019 before appropriation of net profit</b>	<b>505,431,285</b>	<b>151.6</b>	<b>2,318.8</b>	<b>388.1</b>	<b>11,131.3</b>	<b>(1,108.0)</b>	<b>3,711.5</b>	<b>16,593.3</b>
Appropriation of net profit for 2019	-	-	-	-	3,711.5	-	(3,711.5)	-
2019 dividends	-	-	-	-	(2,426.0)	1,108.0	-	(1,318.0)
Impact of treasury shares	-	-	-	-	8.5	-	-	8.5
<b>As of December 31, 2019 after appropriation of net profit</b>	<b>505,431,285</b>	<b>151.6</b>	<b>2,318.8</b>	<b>388.1</b>	<b>12,425.3</b>	<b>-</b>	<b>-</b>	<b>15,283.8</b>
Retirement of shares	(673,946)	(0.2)	(93.9)	-	-	-	-	(94.1)
2020 interim dividend	-	-	-	-	-	(1,009.5)	-	(1,009.5)
Impact of treasury shares	-	-	-	-	-	1.7	-	1.7
Net profit for fiscal year 2020	-	-	-	-	-	-	3,212.7	3,212.7
<b>As of December 31, 2020 before appropriation of net profit</b>	<b>504,757,339</b>	<b>151.4</b>	<b>2,224.9</b>	<b>388.1</b>	<b>12,425.3</b>	<b>(1,007.8)</b>	<b>3,212.7</b>	<b>17,394.6</b>

The appropriation of net profit for fiscal year 2019 resulted from the resolutions of the Combined Shareholders' Meeting of June 30, 2020.

## 17. RESERVES AND REVALUATION ADJUSTMENTS

Reserves break down as follows:

<i>(EUR millions)</i>	2020	2019
Legal reserve	15.2	15.2
Regulated reserves	331.3	331.3
Revaluation reserves	41.5	41.5
<b>Total</b>	<b>388.0</b>	<b>388.0</b>

### 17.1 Regulated reserves

Regulated reserves comprise the special reserve for long-term capital gains and restricted reserves, in the amount of 2.2 million euros, which were created as a result of the reduction of capital

performed at the same time as the conversion of the Company's share capital into euros. The special reserve for long-term capital gains may only be distributed after tax has been levied.

### 17.2 Revaluation reserves

Revaluation adjustments are the result of revaluations carried out in 1978 pursuant to the French law of 1976.

The adjustments concern the following non-amortizable fixed assets:

<i>(EUR millions)</i>	2020	2019
Vineyard land	17.9	17.9
Equity investments (Parfums Christian Dior)	23.6	23.6
<b>Total</b>	<b>41.5</b>	<b>41.5</b>

## 18. CHANGES IN IMPAIRMENT AND PROVISIONS

Changes in asset impairment and provisions break down as follows:

<i>(EUR millions)</i>	As of December 31, 2019	Increases	Amounts used	Amounts released	As of December 31, 2020
Equity investments	1,885.5	279.7	-	-	2,165.2
LVMH treasury shares	-	-	-	-	-
Other assets	-	4.2	-	-	4.2
<b>Asset impairment</b>	<b>1,885.5</b>	<b>283.9</b>	<b>-</b>	<b>-</b>	<b>2,169.4</b>
Stock option and similar plans	73.2	43.3	(31.7)	-	84.8
General contingencies	567.5	13.1	(8.7)	(4.9)	567.0
Unrealized forex losses	8.4	3.6	(8.4)	-	3.6
Other expenses	78.3	29.2	(6.1)	(0.8)	100.6
<b>Provisions for contingencies and losses</b>	<b>727.4</b>	<b>89.2</b>	<b>(54.9)</b>	<b>(5.7)</b>	<b>756.0</b>
<b>Total</b>	<b>2,612.9</b>	<b>373.1</b>	<b>(54.9)</b>	<b>(5.7)</b>	<b>2,925.4</b>
<i>Of which: Net financial income/(expense)</i>		283.3	(8.4)	-	
<i>Operating profit/(loss)</i>		76.7	(37.8)	(0.8)	
<i>of which: Personnel costs</i>		72.5	(37.8)	(0.8)	
<i>Other</i>		13.1	(8.7)	(4.9)	
		<b>373.1</b>	<b>(54.9)</b>	<b>(5.7)</b>	

Provisions for general contingencies correspond to an estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Company's activities or those of its subsidiaries; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

In particular, the Company may be subject to tax inspections and, in certain cases, to rectification claims from tax administrations.

These rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, give rise to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of Regulation 2014-03 of the Autorité des Normes Comptables (France's accounting standards authority). Changes in provisions mainly reflect the resolution of certain discussions with tax authorities, customs or other administrations, both in France and abroad.

See also Notes 4, 9 and 11.

## 19. GROSS BORROWINGS

Gross borrowings break down as follows:

<i>(EUR millions)</i>	2020	2019
Bonds	14,969.0	6,647.0
US dollar-denominated commercial paper	6,326.8	-
Bank loans and borrowings	1.3	0.6
Intra-Group financial debt	1,404.0	2,805.3
Other financial debt	7,732.1	2,805.9
<b>Gross borrowings</b>	<b>22,701.1</b>	<b>9,452.9</b>

## 19.1 Bonds

Bonds consist of the following:

	Nominal interest rate	Floating-rate swap	Issue price <sup>(a)</sup> (as % of the par value)	Maturity	Par value as of December 31, 2020 (EUR millions)	Accrued interest after swap (EUR millions)	Total (EUR millions)
GBP 850,000,000; 2020	1.125%	Total	99.071%	2027	945.5	(0.3)	945.2
EUR 1,250,000,000; 2020	-	-	100.106%	2024	1,250.0	-	1,250.0
EUR 1,250,000,000; 2020	-	-	99.423%	2026	1,250.0	-	1,250.0
EUR 1,750,000,000; 2020	0.125%	-	98.991%	2028	1,750.0	1.9	1,751.9
EUR 1,500,000,000; 2020	0.375%	-	99.038%	2031	1,500.0	5.0	1,505.0
GBP 700,000,000; 2020	1.000%	Total	99.799%	2023	778.6	(0.3)	778.3
EUR 1,500,000,000; 2020	0.750%	-	99.547%	2025	1,500.0	8.3	1,508.3
EUR 1,750,000,000; 2020	Floating	-	100.379%	2022	1,750.0	-	1,750.0
EUR 700,000,000; 2019	0.125%	-	99.470%	2023	700.0	0.7	700.7
EUR 300,000,000; 2019	-	-	99.937%	2021	300.0	-	300.0
EUR 1,200,000,000; 2017	0.750%	25.00%	99.542%	2024	1,200.0	4.7	1,204.7
EUR 800,000,000; 2017	0.380%	25.00%	99.585%	2022	800.0	1.7	801.7
GBP 400,000,000; 2017	1.000%	100.00%	99.583%	2022	444.9	0.8	445.7
USD 750,000,000; 2016	-	-	102.806%	2021	127.2	-	127.2
EUR 650,000,000; 2014	1.000%	Total	99.182%	2021	650.0	0.3	650.3
<b>Total</b>					<b>14,946.2</b>	<b>22.8</b>	<b>14,969.0</b>

(a) After fees.

Bond issues are mainly made under a Euro Medium-Term Note (EMTN) program, the maximum issuable amount of which was 30 billion euros as of December 31, 2020.

Unless otherwise indicated, bonds are redeemable at par upon maturity.

The interest rate swaps presented in the table above were entered into either on the issue date of the bonds or as part of subsequent optimization transactions. All foreign currency-denominated bonds are covered by foreign exchange hedges (see Note 22.2).

In February and April 2020, LVMH completed eight bond issues totaling 10.7 billion euros to finance in particular the acquisition of Tiffany planned for the first quarter of 2021. The main characteristics of these issues are shown in the table above.

During the fiscal year, LVMH repaid the 1,250 million euro bond issued in 2017 and the 600 million euro bond issued in 2013.

During the same period, conversion requests were filed for virtually all of the cash-settled convertible bonds issued in 2016, with a face value of 750 million US dollars. As of December 31, 2020, payments made in line with these requests related to convertible bonds with a total face value of 594 million US dollars. The remaining payments are expected to be made in 2021, after noting the average prices of the LVMH share serving as the reference for the calculation of the amounts due to the holders. In 2016, in addition to these issues of cash-settled convertible bonds, LVMH had entered into similar financial instruments enabling it to fully hedge its exposure to any positive or negative changes in the LVMH share price. These financial instruments were also converted.

## 19.2 Breakdown of gross borrowings by payment date

The breakdown of gross borrowings by type and payment date, and the related accrued expenses, are shown in the table below:

Borrowings (EUR millions)	Total	Amount			Of which: Accrued expenses	Of which: Related companies
		Less than 1 year	From 1 to 5 years	More than 5 years		
Bonds	14,969.0	1,100.0	8,423.5	5,445.5	22.8	-
US dollar-denominated commercial paper	6,326.8	6,326.8	-	-	-	-
Bank loans and borrowings	1.3	1.3	-	-	-	-
Intra-Group financial debt	1,404.0	1,404.0	-	-	-	1,404.0
Other financial debt	7,732.1	7,732.1	-	-	-	1,404.0
<b>Gross borrowings</b>	<b>22,701.1</b>	<b>8,832.1</b>	<b>8,423.5</b>	<b>5,445.5</b>	<b>22.8</b>	<b>1,404.0</b>

## 19.3 Intra-Group financial debt

Intra-Group financial debt mainly corresponds to a current account taken out with the Company that pools the Group's cash.

## 19.4 Covenants

In connection with certain credit lines, LVMH may undertake to maintain a net financial debt to equity ratio calculated based on consolidated figures. As of December 31, 2020, no drawn or undrawn credit lines were concerned by this provision.

## 19.5 Guarantees and collateral

As of December 31, 2020, financial debt was not subject to any guarantees or collateral.

## 20. OTHER DEBT

The breakdown of other debt by type and payment date and the related accrued expenses is shown in the table below:

(EUR millions)	Total	Amount			Of which: Accrued expenses	Of which: Related companies
		Less than 1 year	From 1 to 5 years	More than 5 years		
Trade accounts payable	216.8	216.8	-	-	202.5	145.8
Tax and social security liabilities	46.1	46.1	-	-	36.8	-
Other debt	561.7	494.9	66.8	-	97.8	145.2
<i>Of which: Tax consolidation current accounts</i>	143.3	143.3	-	-	-	143.3
<b>Other debt</b>	<b>824.6</b>	<b>757.8</b>	<b>66.8</b>	<b>-</b>	<b>337.1</b>	<b>291.0</b>

## 21. ACCRUALS AND DEFERRED INCOME

The balance of accruals and deferred income mainly consists of unrealized gains on derivatives that are not designated as hedging instruments (see Note 2.9).

## 22. MARKET RISK EXPOSURE

LVMH SE regularly uses financial instruments. This practice meets the foreign currency and interest rate hedging needs for financial assets and liabilities, including dividends receivable from foreign investments; each instrument used is allocated to the hedged risk.

Given the role of LVMH within the Group, financial instruments designed to hedge net assets denominated in foreign currency

may be used in the consolidated financial statements but not matched in the parent company financial statements; as such, they constitute isolated open positions.

Counterparties for hedging contracts are selected on the basis of their credit rating as well as for reasons of diversification.

### 22.1 Interest rate risk

The Company partially hedges against fluctuations in the value of fixed-rate bond debt (net of non-current available for sale financial assets used to hedge financial debt). Interest rate

instruments are generally used to hedge borrowings falling due either at the same time as or after the instruments.

As of December 31, 2020, the Company's financial positions with respect to interest rate risk broke down as follows:

<i>(EUR millions)</i>	Fixed rate	Floating rate	Total <sup>(a)</sup>
Non-current financial assets (see Note 13)	25.4	-	25.4
Bond debt (see Note 19)	(13,240.0)	(1,729.0)	(14,969.0)
US dollar-denominated commercial paper (see Note 19)	-	(6,326.8)	(6,326.8)
Total financial positions	(13,214.6)	(8,055.8)	(21,270.4)
Hedging instruments	3,319.0	(3,319.0)	-
<b>Financial positions after hedging</b>	<b>(9,895.6)</b>	<b>(11,374.8)</b>	<b>(21,270.4)</b>

(a) Asset/(Liability).

The following table presents the types of instruments outstanding as of December 31, 2020, the underlying amounts broken down by expiration period and their market value:

<i>(EUR millions)</i>	Total	Expiration period			Market value <sup>(a)</sup>
		Less than 1 year	From 1 to 5 years	Thereafter	
Interest rate swaps, floating-rate payer	3,319.0	650.0	1,723.5	945.5	82.6
Interest rate swaps, fixed-rate payer	342.8	-	342.8	-	(3.9)
Foreign currency swaps, euro-rate payer	2,169.0	-	1,223.5	945.5	4.9
Foreign currency swaps, euro-rate receiver	-	-	-	-	-

(a) Gain/(Loss), excluding accrued coupons.

## 22.2 Foreign exchange derivatives

The foreign exchange risk related to operating activities is not significant.

The Company hedges the foreign exchange risk arising from its financial positions in foreign currency by using foreign exchange swaps or cross-currency swaps.

These broke down as follows as of December 31, 2020:

<i>(EUR millions)</i>	US dollar	Pound sterling	Total <sup>(a)</sup>
Non-current financial assets (see Note 13)	25.4	-	25.4
Bond debt (see Note 19)	(127.2)	(2,169.0)	(2,296.2)
US dollar-denominated commercial paper (see Note 19)	(6,326.8)	-	(6,326.8)
Total financial positions	(6,428.6)	(2,169.0)	(8,597.6)
Derivatives used to hedge financial positions	6,155.6	2,169.0	8,324.6
<b>Net financial position</b>	<b>(273.0)</b>	<b>-</b>	<b>(273.0)</b>

(a) Asset/(Liability).

The Company also hedges the foreign exchange risk related to the Group's net assets located outside the eurozone. Under Regulation 2015-05 of the Autorité des Normes Comptables (France's accounting standards authority), these instruments constitute isolated open positions in the Company's parent company accounts. The market values of isolated open positions break down as follows:

<i>(EUR millions)</i>	2020	2019
Other receivables	14.4	7.0
Other payables	-	-
Provisions for contingencies and losses	-	(4.4)
<b>Market value of isolated open positions</b>	<b>14.4</b>	<b>2.6</b>

The nominal values of hedges outstanding as of December 31, 2020, as well as their year-end market values, are as follows:

<i>(EUR millions)</i>	Nominal amount <sup>(a)</sup>	Expiration period			Market value <sup>(b)</sup>
		Less than 1 year	From 1 to 5 years	More than 5 years	
US dollar	6,155.6	6,155.6	-	-	(187.4)
Pound sterling	2,169.0	-	1,223.5	945.5	(120.9)
<b>Hedges of financial positions</b>	<b>8,324.6</b>	<b>6,155.6</b>	<b>1,223.5</b>	<b>945.5</b>	<b>(308.3)</b>
US dollar	(366.7)	(366.7)	-	-	12.5
Swiss franc	(627.2)	(627.2)	-	-	1.7
Japanese yen	(45.1)	(45.1)	-	-	0.2
<b>Isolated open positions</b>	<b>(1,039.0)</b>	<b>(1,039.0)</b>	<b>-</b>	<b>-</b>	<b>14.4</b>

(a) Purchase/(Sale).

(b) Gain/(Loss).

## 23. OTHER INFORMATION

### 23.1 Share purchase commitments

Share purchase commitments amount to 24,267 million euros and represent the contractual commitments entered into by the Group to purchase minority interests' shares in consolidated companies, shareholdings or additional shareholdings in unconsolidated companies, or for additional payments in connection with transactions already entered into.

This amount includes the impact of the memorandum of understanding entered into on January 20, 1994 between LVMH

and Diageo, according to which LVMH agreed to repurchase Diageo's 34% interest in Moët Hennessy SAS and Moët Hennessy International SAS, with six months' notice, for an amount equal to 80% of its market value at the exercise date of the commitment.

Share purchase commitments also included LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co., for a total of 16.1 billion US dollars (see Note 1.2).

### 23.2 Other commitments given in favor of third parties

(EUR millions)

As of December 31, 2020

Guarantees and comfort letters granted to subsidiaries or other Group companies

4,624.1

The above amounts include LVMH's commitments guaranteeing LVMH Finance Belgique's commercial paper program and LVMH Moët Hennessy Louis Vuitton Inc's US commercial paper

program. These commitments are recognized for the amount outstanding on each of those programs at December 31, 2020.

### 23.3 Other commitments given in favor of LVMH

As of December 31, 2020, undrawn confirmed credit lines totaled 15.8 billion euros.

### 23.4 Related-party transactions

No new related-party agreements, within the meaning of Article R. 123-198 of the French Commercial Code, were entered into during the fiscal year in significant amounts and under conditions other than normal market conditions.

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group

finances the Fondation as part of its corporate giving initiatives. The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are included in off-balance sheet commitments (see Note 23.2).

See also Note 7 for information on the agreement between Diageo and LVMH.

### 23.5 Identity of the consolidating parent company

The financial statements of LVMH Moët Hennessy Louis Vuitton SE are fully consolidated by Christian Dior SE (30 avenue Montaigne – 75008 Paris, France).

## INVESTMENT PORTFOLIO

Equity investments (EUR millions)	% of direct ownership	Carrying amount
508,493,000 shares with a par value of EUR 45.43 each in Sofidiv SAS	100.00	24,776.3
18,195,338 shares with a par value of EUR 16 each in Christian Dior Couture SA	100.00	6,000.0
245,000 shares with a par value of EUR 100 each in Bulgari SpA (Italy)	100.00	4,268.7
110,120,000 shares with a par value of EUR 1 each in Vicuna Holding SpA (Italy)	100.00	1,533.4
103,502,647 shares with a par value of EUR 15 each in LVMH Miscellanées SA	99.99	1,141.7
35,931,661 shares with a par value of EUR 7 each in Moët Hennessy SAS	58.67	1,018.9
23,743,208 shares with a par value of EUR 1.50 each in LV Group SA	99.95	822.4
25,000 shares with a par value of EUR 1 each in Rimowa Group GmbH (Germany)	100.00	642.8
1,961,052 shares with a par value of EUR 15 each in Le Bon Marché SA	99.99	259.2
68,960 shares with a par value of EUR 38 each in Parfums Christian Dior SA	99.99	76.5
31,482,978 shares with a par value of EUR 2.82 each in Moët Hennessy International SAS	58.67	74.4
34,414,870 shares with a par value of GBP 1 each in LVMH Services Ltd (UK)	100.00	27.4
7,000 shares with a par value of EUR 1,265 each in the GIE LVMH Services	20.00	8.9
23,000 shares with a par value of JPY 50,000 each in LVMH KK (Japan)	100.00	7.6
9,660 shares with a par value of EUR 30 each in Loewe SA (Spain)	5.44	6.7
400 shares with a par value of EUR 1,750 each in P&C International SAS	100.00	1.6
<b>Total</b>		<b>40,666.5</b>

See also Note 11, "Equity investments".



## SUBSIDIARIES AND INVESTMENTS

Company (in millions of units of currency)	Registered office	Currency	Share capital <sup>(a)</sup>	Equity other than share capital <sup>(a)(b)</sup>	Percentage of share capital held	Carrying amount of shares held <sup>(c)</sup>		Loans and advances provided <sup>(c)</sup>	Deposits and sureties granted <sup>(c)</sup>	Revenue before taxes <sup>(a)(d)</sup>	Net profit/ (loss) from the prior fiscal year <sup>(a)</sup>	Dividends received in 2020 <sup>(c)(e)</sup>
						Gross	Net					
<b>1. Subsidiaries (&gt; 50%)</b>												
Sofidiv SAS	Paris	EUR	23,100.8	5,039.5	100.00%	24,776.3	24,776.3	-	-	801.3	704.8	-
Christian Dior Couture SA	Paris	EUR	291.1	1,991.8	100.00%	6,000.0	6,000.0	-	-	2,180.4	462.1	-
Bulgari SpA	Rome	EUR	24.5	609.3	100.00%	4,268.7	4,268.7	-	-	560.9	318.2	-
LVMH Miscellanées SA	Paris	EUR	1,552.5	(578.2)	99.99%	3,290.5	1,141.7	-	-	0.1	(284.4)	-
Vicuna Holding SpA	Milan	EUR	110.1	1,657.5	100.00%	1,533.4	1,533.4	-	-	-	(2.8)	-
Moët Hennessy SAS	Paris	EUR	428.7	2,938.5	58.67%	1,018.9	1,018.9	-	1.8	614.9	134.0	104.2
LV Group SA	Paris	EUR	35.6	1,862.4	99.95%	822.4	822.4	-	-	3,602.3	3,427.9	2,698.4
Rimowa Group GmbH	Cologne	EUR	642.8	(0.2)	100.00%	642.8	642.8	-	-	-	(0.1)	-
Le Bon Marché SA	Paris	EUR	29.4	87.5	99.99%	259.2	259.2	-	-	376.9	(21.1)	16.0
Parfums Christian Dior SA	Paris	EUR	2.6	932.8	99.99%	76.5	76.5	-	5.7	1,907.0	399.1	400.0
Moët Hennessy Inter. SAS	Paris	EUR	151.6	573.4	58.67%	74.4	74.4	-	-	153.3	151.8	51.9
LVMH Services Ltd	London	GBP	34.4	(9.8)	100.00%	43.8	27.4	-	-	9.3	(2.0)	-
LVMH KK	Tokyo	JPY	1,150.0	1,276.0	100.00%	7.6	7.6	-	389.0	1,308.1	286.5	0.8
P&C International SAS	Paris	EUR	0.7	(3.3)	100.00%	1.6	1.6	-	-	-	(3.3)	-
<b>2. Equity investments (&gt; 10% and &lt; 50%)</b>												
GIE LVMH Services	Paris	EUR	44.3	(6.2)	20.00%	8.9	8.9	-	-	2.0	(6.8)	-
<b>3. Equity investments (&lt; 10%)</b>												
Loewe SA	Madrid	EUR	5.3	34.7	5.44%	6.7	6.7	-	-	329.8	(7.7)	-
<b>4. Other subsidiaries and investments</b>												
<b>Total</b>						<b>42,831.7</b>	<b>40,666.5</b>	<b>-</b>	<b>396.5</b>			<b>3,271.3</b>

(a) In local currency for foreign subsidiaries.

(b) Prior to the appropriation of earnings for the fiscal year.

(c) In millions of euros.

(d) Including financial income from subsidiaries and investments.

(e) Excluding share of income from GIEs (economic interest groups).

## COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

(EUR millions, except earnings per share, expressed in euros)	2016	2017	2018	2019	2020
<b>1. Share capital</b>					
Share capital	152.1	152.1	151.5	151.6	151.4
Number of ordinary shares outstanding	507,126,088	507,042,596	505,029,495	505,431,285	504,757,339
Maximum number of future shares to be created:					
– through conversion of bonds	-	-	-	-	-
– through exercise of equity warrants	-	-	-	-	-
– through exercise of share subscription options	1,903,010	1,180,692	411,088	-	-
<b>2. Operations and profit for the fiscal year</b>					
Income from investments and other revenue	3,441.3	2,912.8	3,866.5	4,631.5	3,920.7
Profit before taxes, depreciation, amortization and movements in provisions	2,917.7	2,523.0	3,322.8	3,789.1	3,305.4
Income tax (income)/expense <sup>(a)</sup>	-	-	-	-	-
Earnings per share after taxes, depreciation, amortization and movements in provisions <sup>(b)</sup>	2,645.3	2,853.2	3,384.1	3,711.5	3,212.7
Profit distributed as dividends <sup>(c)</sup>	2,028.5	2,535.2	3,030.2	2,426.1	3,028.5
<b>3. Earnings per share</b>					
Earnings per share after taxes but before depreciation, amortization and movements in provisions	5.45	5.72	7.04	7.75	6.99
Earnings per share after taxes, depreciation, amortization and movements in provisions <sup>(b)</sup>	5.22	5.63	6.70	7.34	6.36
Gross dividend distributed per share <sup>(c)(d)</sup>	4.00	5.00	6.00	4.80	6.00
<b>4. Employees</b>					
Average number of employees	18	18	19	20	22
Total payroll	103.4	103.5	161.0	219.7	170.9
Amounts paid in respect of employee benefits	15.7	16.8	20.1	33.0	25.5

(a) Excluding the impact of the tax consolidation agreement, the share of tax profits of "flow-through" entities, tax in respect of prior fiscal years and provisions.

(b) Including the impact of the tax consolidation agreement, the share of tax profits of "flow-through" entities, tax in respect of prior fiscal years and provisions.

(c) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of LVMH treasury shares held as of the distribution date. In respect of fiscal year 2020, amount proposed by the Board of Directors at its meeting of January 26, 2021 for approval at the Shareholders' Meeting of April 15, 2021.

(d) Excluding the impact of tax regulations applicable to the recipient.

# STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Fiscal year ended December 31, 2020

To the Shareholders' Meeting of LVMH Moët Hennessy Louis Vuitton,

## 1. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying parent company financial statements of LVMH Moët Hennessy Louis Vuitton SE for the fiscal year ended December 31, 2020.

In our opinion, the parent company financial statements give a true and fair view of the Company's assets, liabilities and financial position as of December 31, 2020 and of the results of its operations for the fiscal year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

## 2. Basis for our opinion

### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' responsibilities for the audit of the parent company financial statements" section of our report.

### Independence

We conducted our audit engagement in compliance with the independence rules provided by the French Commercial Code (*Code de Commerce*) and the French Code of Ethics (*Code de Déontologie*) for Statutory Auditors, for the period from January 1, 2020 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) 537/2014.

## 3. Justification of assessments - Key audit matters

The global crisis arising from the Covid-19 pandemic imposed particular conditions on the preparation and audit of the financial statements for this fiscal year. The crisis and the exceptional measures taken in response to the public health emergency had wide-ranging consequences on companies, especially on their business activity and financing, and heightened uncertainty regarding their outlook for the future. Some of these measures, such as travel restrictions and remote working, also had an impact on the internal organization of companies and on the conditions under which audits were run.

Within this complex, changing context, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the parent company financial statements for the fiscal year, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion expressed above. We do not provide a separate opinion on specific items of the parent company financial statements.

### Valuation of equity investments

#### Risk identified

As of December 31, 2020, the net amount of equity investments recognized as assets amounted to 40.7 billion euros, after impairment of 2.2 billion euros, representing 98% of total assets. They are stated at acquisition cost (excluding incidental costs) or at contribution value, after revaluation pursuant to French law where appropriate.

If the recoverable amount as of the fiscal year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. As specified in Note 2.3 to the parent company financial statements, the recoverable amount is measured with reference to the value in use or the net selling price. Value in use is based on the entities' forecast future cash flows. The net selling price is calculated

with reference to ratios or share prices of similar entities, on the basis of valuations performed by independent experts for the purposes of a disposal transaction, or by comparison with recent similar transactions.

We considered the valuation of equity investments to be a key audit matter due to their significance in the Company's financial statements and because the determination of their recoverable amount, especially as regards value in use, requires the use of assumptions, estimates and other forms of judgment with a high degree of uncertainty, with the Covid-19 pandemic further increasing this degree of uncertainty and making the outlook more difficult to assess.

### Our response

We assessed the methods used to perform these impairment tests, as set out in Note 2.3 to the parent company financial statements, and focused our work primarily on the most significant equity investments, and on those whose recoverable amount is close to their net carrying amount, particularly in the context of the Covid-19 pandemic.

We assessed the data and assumptions that served as the basis for the main estimates used, in particular forecast cash flows, assumptions regarding a return to 2019 business levels, long-term growth rates and the discount rates applied. We analyzed the consistency of forecasts with past performance and market outlook, and conducted impairment test sensitivity analyses. In addition, where the recoverable amount is estimated by comparison with recent similar transactions, we corroborated the analyses provided with available market data. These analyses were carried out in conjunction with our valuation experts.

Lastly, we assessed the appropriateness of the information disclosed in the notes to the parent company financial statements.

### Provisions for contingencies and losses

#### Risk identified

As of December 31, 2020, provisions for contingencies and losses amounted to 756 million euros and essentially comprised provisions for general contingencies amounting to 567 million euros.

The Company's activities and those of its subsidiaries are carried out in an international regulatory environment that is often imprecise, varies from country to country, changes over time and applies to areas ranging from product composition to the tax computation.

In particular, as stated in Note 18 to the parent company financial statements, the Company may be subject to tax inspections and, in certain cases, to rectification claims from tax administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, give rise to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of Regulation 2014-03 of the Autorité des Normes Comptables (France's accounting standards authority). Changes in provisions mainly reflect the resolution of certain discussions with tax authorities, customs or other administrations, both in France and abroad.

We considered this to be a key audit matter due to the significance of the amounts concerned and the level of judgment required to evaluate these provisions within a constantly evolving international regulatory environment.

### Our response

In the context of our audit of the parent company financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Company in order to identify and catalogue all risks;
- obtaining an understanding of the risk analysis performed by the Company and the corresponding documentation and, where applicable, reviewing written confirmations received from external advisors;
- assessing – with our experts, tax specialists in particular – the main risks identified and assessing the reasonableness of the assumptions made by management to estimate the amount of the provisions;
- verifying the appropriateness of information relating to these risks disclosed in the notes to the parent company financial statements.

#### 4. Specific verifications

We also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

##### **Information provided in the Management Report and in the other documents given to shareholders related to the financial position and the parent company financial statements**

We have no matters to report as to the fair presentation and the consistency with the parent company financial statements of the information provided in the Management Report of the Board of Directors and in the other documents given to shareholders related to the financial position and the parent company financial statements.

We attest to the fair presentation and the consistency with the parent company financial statements of the information on payment terms set out in Article D. 441-4 of the French Commercial Code.

##### **Report on corporate governance**

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code.

Concerning the information provided in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code relating to compensation and benefits paid or awarded to company officers and any other commitments made in their favor, we have verified its consistency with the financial statements or the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled companies included in the scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code, we verified their compliance with the source documents communicated to us. Based on our work, we have no observations to make on this information.

##### **Other information**

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

#### 5. Other verifications or information required by laws and regulations

##### **Presentation format for the parent company financial statements to be included in the Annual Financial Report**

In accordance with Article 222-3 III of the AMF's General Regulation, your Company's management has informed us of its decision to postpone the application of the European Single Electronic Format as defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 to fiscal years beginning on or after January 1, 2021. Consequently, this report does not include a conclusion on compliance with this format in the presentation of the parent company financial statements to be included in the Annual Financial Report mentioned in Article L. 451-1-2 I of the French Monetary and Financial Code (*Code Monétaire et Financier*).

##### **Appointment of the Statutory Auditors**

Our audit firms were appointed as Statutory Auditors of LVMH Moët Hennessy Louis Vuitton SE by your Shareholders' Meeting held on April 14, 2016.

As of December 31, 2020, our audit firms were in the fifth consecutive year of their engagement, it being specified that ERNST & YOUNG et Autres and ERNST & YOUNG Audit, members of the international EY network, were respectively Statutory Auditors from 2010 to 2015 and from 1988 to 2009.

## 6. Responsibilities of management and those charged with governance for the parent company financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The parent company financial statements have been approved by the Board of Directors.

## 7. Statutory Auditors' responsibilities for the audit of the parent company financial statements

### Objectives and audit approach

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance as to whether the parent company financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability or the quality of management of your Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error; designs and performs audit procedures responsive to those risks; and obtains audit evidence considered to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the parent company financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of its audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse audit opinion;
- assesses the overall presentation of the parent company financial statements and whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Report to the Performance Audit Committee

We submit a report to the Performance Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the parent company financial statements for the fiscal year and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de Commerce*) and in the French Code of Ethics (*Code de Déontologie*) for Statutory Auditors. We discuss any risks that may reasonably be thought to bear on our independence, and the related safeguards, with the Performance Audit Committee.

Courbevoie and Paris-La Défense, February 8, 2021

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert

Isabelle Sapet

ERNST & YOUNG Audit

Gilles Cohen

Patrick Vincent-Genod

This is a free translation into English of the Statutory Auditors' report on the parent company financial statements of the Company, issued in French. It is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

## STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy Louis Vuitton,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related-party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements prior to their approval.

In accordance with Article R. 225-31 of the French Commercial Code, we are also required to inform you of the continuation of the implementation, during the fiscal year under review, of any agreements previously approved at a Shareholders' Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

### Agreements submitted for approval at the Shareholders' Meeting

In accordance with Article L. 225-40 of the French Commercial Code, we have been notified of the following related-party agreement entered into during the past fiscal year, which received prior authorization from your Board of Directors.

#### With Sophie Chassat, a Director of your Company

##### Nature and purpose

Allocation of exceptional compensation to Sophie Chassat in connection with an assignment entrusted to her by the Board of Directors.

##### Conditions

At its meeting of January 28, 2020, the Board of Directors tasked Sophie Chassat with conducting a study and a review into the *raison d'être* (purpose) that could potentially be adopted by the Company. In connection with this assignment, the Board of Directors decided to allocate exceptional compensation to Sophie Chassat in the amount of 25,000 euros, payable in two equal installments, one at the end of April 2020 and the other upon completion of the assignment.

Accordingly, in 2020 the Company paid exceptional compensation in the amount of 25,000 euros to Sophie Chassat.

##### Reasons justifying why the Company benefits from this agreement

The Board gave the following reasons for entering into this agreement: it felt that it would be appropriate to entrust this assignment to a member of the Board of Directors and that, given her qualifications and experience, Sophie Chassat was particularly well placed to successfully undertake it.



## Agreements previously approved at a Shareholders' Meeting

In accordance with Article R. 225-30 of the French Commercial Code, we have been notified that the implementation of the following agreements, which were approved at a Shareholders' Meeting in a prior fiscal year, remained in effect during the fiscal year under review.

### With Agache SE (formerly Groupe Arnault SEDCS)

#### Persons concerned

Bernard Arnault, Antoine Arnault and Nicolas Bazire, Directors of your Company.

#### Assistance agreement

##### Nature, purpose and conditions

The assistance agreement of July 31, 1998, amended on January 29, 2019, relating to various services – mainly in the fields of legal assistance and financial engineering, business law and real estate law – entered into between the Company and Agache SE continued to have effect during the fiscal year. This agreement covers a wide range of high value-added services, mainly relating to financial, legal, tax and administrative matters, provided by specialists with considerable experience in these areas. It provides for the sharing of skills as well as certain costs, thus reducing expenses in the interests of both parties.

During the fiscal year ended December 31, 2020, your Company paid 1,500,000 euros (exclusive of VAT) to Agache SE in respect of this agreement.

### With Moët Hennessy SAS, a subsidiary of your Company

#### LVMH group holding company cost-sharing agreement

##### Nature, purpose and conditions

Diageo holds a 34% stake in Moët Hennessy SAS. When that holding was acquired in 1994, an agreement was entered into between the Diageo group and your Company for the apportionment of shared holding company costs between Moët Hennessy SAS and the other holding companies of the LVMH group.

This apportionment of shared costs is laid out in the shareholders' agreement entered into in 1994 with the Diageo group.

Under this agreement, Moët Hennessy SAS assumed 14.1% of shared costs in 2020 and accordingly re-invoiced the excess costs incurred to your Company. After re-invoicing, the amount of shared costs assumed by Moët Hennessy SAS under this agreement was 21.7 million euros for the fiscal year ended December 31, 2020.

### With Bernard Arnault, Antonio Belloni and Nicolas Bazire, Directors of your Company

#### Funding of the supplementary pension plan

##### Nature, purpose and conditions

The supplementary pension plan, set up via an insurance company in 1999 and modified in 2004 and 2012 for the benefit of Executive Committee members, employees and senior executives of French companies, some of whom are also Directors, was closed and the corresponding rights frozen as of December 31, 2019.

A replacement plan complying with legislation in force is in the process of being put in place.

The resulting impact for your Company in fiscal year 2020 is included in the amount disclosed in Note 33.4 to the consolidated financial statements.

**With Christian Dior SE****Persons concerned**

Bernard Arnault, Nicolas Bazire and Delphine Arnault, Directors of your Company.

**Service agreement****Nature, purpose and conditions**

The service agreement of June 7, 2002, amended on May 16, 2014 and relating to legal services, particularly for corporate law issues and the management of securities services, entered into between your Company and Christian Dior SE, remained in effect during fiscal year 2020.

Pursuant to this agreement, your Company received annual fees of 60,000 euros (exclusive of VAT) from Christian Dior SE for the fiscal year ended December 31, 2020.

Courbevoie and Paris-La Défense, February 8, 2021

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert

Isabelle Sapet

ERNST & YOUNG Audit

Gilles Cohen

Patrick Vincent-Genod

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# OTHER INFORMATION

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## 1. INFORMATION REGARDING THE PARENT COMPANY

### 1.1 Role of the parent company within the Group

LVMH SE manages and coordinates the operational activities of all its subsidiaries, and offers them various management assistance services, particularly in legal, financial, tax and insurance matters.

All these services are invoiced to the subsidiaries in question, based on the real cost price or normal market conditions, depending on the type of service. For fiscal year 2020, LVMH

billed its subsidiaries 167.3 million euros for management assistance.

LVMH also manages the Group's long-term financial debt and the associated interest rate risk, in addition to foreign exchange transactions for proprietary foreign exchange transactions.

Since Group brands belong to the various operating subsidiaries, LVMH does not collect any royalties in connection with these brands.

### 1.2 General information

**Company name** (Article 3 of the Bylaws): LVMH Moët Hennessy Louis Vuitton.

**Registered office** (Article 4 of the Bylaws): 22 avenue Montaigne, 75008 Paris (France). Telephone: 33 (1) 44 13 22 22.

**Legal form** (Article 1 of the Bylaws): *Société Européenne* (Societas Europaea). The Company was converted from a *Société Anonyme* (SA) to a *Société Européenne* (SE) on October 27, 2014.

**Jurisdiction:** the Company is governed by French law.

**Trade and Companies Register:** the Company is registered in the Paris Trade and Companies Register under number 775 670 417 RCS Paris. APE code (company activity code): 7010Z.

**Date of incorporation – Term** (Article 5 of the Bylaws): LVMH was incorporated on January 1, 1923 for a term of 99 years, which expires on December 31, 2021, unless the Company is dissolved early or extended by a resolution at the Extraordinary Shareholders' Meeting. At the Shareholders' Meeting of April 14, 2016, the shareholders voted to preemptively extend the term of the Company by 99 years as of January 1, 2017, thus until December 31, 2115.

**Location where documents concerning the Company may be consulted:** The Bylaws, financial statements and reports, and the minutes of Shareholders' Meetings may be consulted at the registered office at the address indicated above.

**Website:** [www.lvmh.com](http://www.lvmh.com).

### 1.3 Additional information

The text of the Bylaws currently in effect is presented in full on the Company's website, [www.lvmh.com](http://www.lvmh.com).

**Corporate purpose** (Extract from Article 2 of the Bylaws): Acquiring any stakes in any company or grouping of entities primarily engaged in (i) trade in champagne and other wines, cognac and other spirits, or in any perfume and cosmetic products; (ii) the manufacture, sale and promotion of leather goods, clothing, accessories as well as any other high-quality and branded articles or products; (iii) the operation of vineyards; or (iv) the use of any intellectual property right.

**Board of Directors** (Extract from Articles 11, 12, 13, 14 and 15 of the Bylaws)

The Company is administered by a Board of Directors whose members are elected using two different procedures: (i) Directors appointed by vote of the shareholders at the Shareholders' Meeting, who may be individuals or legal entities; and (ii) Directors representing the employees appointed by the Group Works Council and, where applicable, by the SE Works Council.

- Directors appointed by vote of the shareholders at the Shareholders' Meeting:

The Company shall be administered by a Board of Directors with between three and eighteen members.

Each Director must own at least five hundred (500) shares in the Company throughout his/her entire term of office.

No one over the age of seventy shall be appointed as a Director if, as a result of his/her appointment, the number of Directors over seventy would exceed one-third of the Board members. The number of members of the Board of Directors who are more than seventy years old may not exceed one-third, rounded to the next higher number if this total is not a whole number, of the Directors in office. Whenever this limit is exceeded, the term of office of the oldest Director shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year during which the limit is exceeded. The Director or Directors representing the employees are not taken into account when calculating this limit.

Directors shall be appointed for three-year terms. The duties of a Director shall expire at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the preceding fiscal year and held in the year during which the term of office of that Director comes to an end.

However, to make the renewal of appointments as balanced over time as possible, and in any event to make them complete for each three-year period, the Board will have the option

of determining the order in which Directors' appointments expire by drawing lots at a Board meeting for one-third of its members each year. Once the rotation has been established, renewals will take place according to seniority.

In the event of the death or resignation of one or several Directors, the Board of Directors may make provisional appointments between two Shareholders' Meetings.

- Directors representing the employees:

As provided by law, if the number of members of the Board of Directors, calculated in accordance with the provisions of Article L. 225-27-1 II of the French Commercial Code, is less than or equal to eight, a Director representing the employees shall be appointed by LVMH's Group Works Council.

If the Board of Directors has more than eight members, a second Director representing the employees shall be appointed by the SE Works Council. If the number of members of the Board of Directors is initially more than eight but subsequently falls to eight or fewer members, the Director appointed by the SE Works Council shall remain in office until the end of his/her term.

Pursuant to Article L. 225-28 of the French Commercial Code, the Director representing the employees appointed by the LVMH Group Works Council must have entered into an employment contract at least two years prior to his/her appointment that corresponds to actual employment, either with the Company or with any of its direct or indirect subsidiaries whose registered office is in France. The Director representing the employees appointed by the SE Works Council must have entered into an employment contract at least two years prior to his/her appointment that corresponds to actual employment, either with the Company or with any of its direct or indirect subsidiaries.

The term of office of the Directors representing the employees will begin from the date of notice of the first meeting of the Board of Directors following their appointment by the Works Council that appointed them.

The Directors representing the employees are not counted for the purpose of calculating the minimum or maximum number of Directors as provided for by law.

Pursuant to Article L. 225-25 §3 of the French Commercial Code, the Directors representing the employees are not required to hold shares in the Company for the duration of their term of office.

The Director representing the employees shall be appointed for a term of three years expiring at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the preceding fiscal year and held in the year during which the term of office of that Director comes to an end. The term of the Director representing the employees is renewable.

The appointment of the Director representing the employees may be terminated early as provided by law and by the Bylaws, in particular if his/her employment contract is terminated (excluding intra-Group transfers). If the conditions for the application of Article L. 225-27-1 of the French Commercial

Code are no longer met at the end of a fiscal year, the term of office of the Director or Directors representing the employees shall end at the close of the meeting during which the Board of Directors observes that the Company no longer falls within the scope of application of the law.

Should the position of a Director representing the employees fall vacant for any reason, the vacant position shall be filled in accordance with the conditions set out in Article L. 225-34 of the French Commercial Code, it being specified that until the date of replacement of the Director(s) representing the employees, the Board of Directors shall be able to meet and hold valid proceedings.

Directors representing the employees are entitled to vote. Subject to the provisions specific to their role, the Directors representing the employees have the same powers, are subject to the same obligations (in particular as regards confidentiality) and incur the same liabilities as the other Directors.

- The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his/her term of office, which cannot exceed that of his/her office as Director, and may dismiss him/her at any time.

The Chairman of the Board of Directors shall chair Board meetings, organize and direct the work of the Board, and report on the latter at Shareholders' Meetings. He/she shall ensure the proper operation of corporate bodies and, in particular, shall verify that the Directors are able to perform their duties.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his/her term of office, his/her appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

The Board may appoint one or more of its members as Vice-Chairmen and set their term of office, which may not exceed their term of office as a Director.

- The Board of Directors, convened by its Chairman, shall meet as often as is required by the interests of the Company, and in any event at least every three months.

Notice is served to each Director by any means, at least eight days prior to the meeting; the notice of meeting shall mention the agenda of the meeting as set by the person convening the meeting. However, the Board may meet without notice and without an agenda set in advance if all Directors in office are present or represented or when it is convened by the Chairman during a Shareholders' Meeting.

The meetings of the Board are held at the registered office or at any place, in France or abroad.

A meeting of the Board of Directors shall be valid if at least half of its members are present or represented. Decisions are made by a majority of votes of the members present or represented, each Director being entitled to one vote for himself and one for the Director he represents. In the event of a tie vote, the Chairman's vote is the deciding vote. In

accordance with Article L. 225-37 of the French Commercial Code, the Board of Directors may cast votes in writing, as provided for in the regulations.

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation, in accordance with its corporate interest, taking into account the social and environmental issues facing its business and, where applicable, the Company's mission statement. Subject to the powers expressly granted to the shareholders at Shareholders' Meetings, and within the limits of the corporate purpose, it addresses any issues relating to the Company's proper operation and settles the affairs concerning it through its resolutions. The Board of Directors performs such monitoring and verifications as it deems appropriate.

**Executive Management** (Extract from Article 16 of the Bylaws): the Company's Executive Management function is performed under the responsibility of either the Chairman of the Board of Directors or another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer; the Board of Directors chooses one of these two methods of exercising the Executive Management function. It shall inform the shareholders thereof in accordance with the regulatory conditions.

If the Company's Executive Management function is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him/her.

The Chief Executive Officer may or may not be chosen from among the Directors. The Board sets his/her term of office and compensation. The age limit for serving as Chief Executive Officer is seventy-five years. Should the Chief Executive Officer reach this age limit during his/her term of office, his/her appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer is vested with the most extensive powers to act under any circumstances on behalf of the Company. He/she exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the Shareholders' Meeting and to the Board of Directors.

He/she shall represent the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient to establish such proof.

Upon the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, with the title of Group Managing Director, for whom it shall set the compensation.

There may not be more than five Group Managing Directors serving in this capacity at the same time. In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers granted to Group Managing Directors.

With regard to third parties, they shall have the same powers as the Chief Executive Officer.

**Advisory Board** (Extract from Article 21 of the Bylaws): Shareholders at the Shareholders' Meeting may, upon proposal of the Board of Directors, appoint Advisory Board members, whose number shall not exceed nine.

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, though their absence does not affect the validity of the Board of Directors' proceedings.

Advisory Board members may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise.

**Shareholders' Meetings** (Extract from Article 23 of the Bylaws): Shareholders' Meetings are convened and held pursuant to the provisions of laws. The agenda of a Shareholders' Meeting shall be stated on the convening notice and letters, and is set by the person issuing the notice.

One or more shareholders who together hold at least 10% of the Company's subscribed share capital may also request that the Board of Directors convene a Shareholders' Meeting, and draw up its agenda.

Meetings are held at the registered office or at any other place mentioned in the convening notice.

The right to attend and vote at Shareholders' Meetings is subject to the registration of the shareholder in the Company's share register.

A shareholder can always be represented by proxy at a Shareholders' Meeting by another shareholder, his/her spouse, the partner with whom he/she has entered into a *pacte civil de solidarité* (PACS, the French civil union contract), or any other private individual or legal entity of his/her choice.

Shareholders may vote by mail at any Meeting in accordance with applicable laws and regulations.

In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, Shareholders' Meetings may also be held using videoconferencing or other means of telecommunication that allow shareholders to be identified.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his/her absence, by the oldest Vice-Chairman of the Board of Directors or, in the absence of a Vice-Chairman, by a Director appointed by the Board for that purpose. In all other cases, the shareholders at the meeting elect its Chairman.

The role of scrutineer is served by the two shareholders present at the meeting who have the greatest number of votes and accept this role. The officers of the meeting appoint a secretary, who may or may not be a shareholder.

**Rights, preferences and restrictions attached to shares** (Extracts from Articles 6, 8, 9, 23 and 28 of the Bylaws): All shares belong to the same category, whether issued in registered or bearer form. Voting rights attached to shares are proportional to the share of capital represented by those shares. Assuming they have the same par value, each capital share or dividend share (*action de jouissance*) entitles its holder to one vote.

A voting right equal to twice the voting right attached to the other shares is granted to all fully paid-up registered shares for which evidence of registration for at least three years under the name of the same shareholder may be demonstrated, as well as to shares issued in the event of a capital increase through the incorporation of reserves, unappropriated retained earnings, or issue premiums, on the basis of existing shares giving the holder such right. This right may only be removed by a vote at the Extraordinary Shareholders' Meeting with the approval at a Special Meeting of the holders of this right.

This double voting right shall automatically lapse in the case of shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses or deed of gift *inter vivos* to a spouse or a family heir shall neither cause the acquired right to be lost nor interrupt the abovementioned three-year qualifying period. The same shall also apply to any transfer, following the merger or spin-off of a shareholding company, to the absorbing company or the Company benefiting from the spin-off, or, as the case may be, to the new company created as a result of the merger or spin-off.

Each share gives the right to a proportional stake in the ownership of the Company's assets, as well as in the sharing of profits and of any liquidation surplus. Whenever a certain number of shares is required in order to exercise a right, any shareholders who do

not hold the required number shall be responsible for forming a group with a sufficient number of shares.

**Crossing of shareholding thresholds** (Extract from Article 24 of the Bylaws): Independently of legal obligations, the Bylaws stipulate that any individual or legal entity that becomes the owner of a fraction of capital greater than or equal to 1% must inform the Company of the total number of shares held. The same obligation applies whenever the portion of capital held increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

**Fiscal year** (Extract from Article 26 of the Bylaws): From January 1 to December 31.

**Distribution of profits** (Extract from Article 28 of the Bylaws): An initial deduction is made from distributable earnings in the amount required to distribute to shareholders a preliminary dividend, equal to 5% of the amount paid up on the shares that has not been repaid to shareholders by the Company. From the remaining amount, the shareholders at a Shareholders' Meeting may deduct the amounts they deem appropriate to allocate to all optional, ordinary or special reserve funds, or retain. Any remaining balance is divided among shareholders as a special dividend.

In addition, the shareholders may vote at a Shareholders' Meeting to distribute amounts appropriated from reserves, either to provide or supplement an ordinary dividend, or by way of an exceptional distribution.

**Actions necessary to modify the rights of shareholders:** The Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by law.

**Provisions governing changes in the share capital:** The Bylaws do not contain any stricter provision governing changes in the share capital than those required by law.

## 2. INFORMATION REGARDING THE CAPITAL

### 2.1 Share capital

As of December 31, 2020, the Company's share capital was 151,427,201.70 euros, consisting of 504,757,339 fully paid-up shares with a par value of 0.30 euros each. Of these 504,757,339 shares, 232,538,911 shares conferred double voting rights.

At its meeting on July 27, 2020, the Board of Directors decided to reduce the share capital under the Bylaws from 151,508,201.70 euros to 151,427,201.70 euros by retiring 270,000 treasury shares. As of December 31, 2020, the share capital under the Bylaws amounted to 151,427,201.70 euros divided into 504,757,339 fully paid-up shares with a par value of 0.30 euros each.

### 2.2 Authorized share capital

As of December 31, 2020, the Company's authorized share capital was 201,427,201.50 euros, divided into 671,424,005 shares with a par value of 0.30 euros each.

The authorized share capital represents the maximum amount that the share capital could reach should the Board of Directors make use of all of the authorizations and delegations of authority granted at the Shareholders' Meeting that permit the Company to increase its amount.

General information regarding the parent company and its share capital; Stock market information

## 2.3 Status of delegations and authorizations granted to the Board of Directors

This information is provided in §1.12, “Summary of existing delegations and financial authorizations and use made of them” in the *Board of Directors’ report on corporate governance*.

## 2.4 Identifying holders of securities

Article 25 of the Bylaws authorizes the Company to set up a procedure for identifying holders of securities, in accordance with applicable laws and regulations.

## 2.5 Non-capital shares

The Company has not issued any non-capital shares.

## 2.6 Securities giving access to the Company’s capital

No securities giving access to the Company’s share capital were outstanding as of December 31, 2020.

## 2.7 Changes in the Company’s share capital during the last three fiscal years

(EUR thousands)	Change in capital				Capital after transaction	
	Type of transaction	Number of shares	Par value	Issue premium	Amount	Total number of shares
<b>As of December 31, 2017</b>					<b>152,350</b>	<b>507,834,573</b>
Fiscal year 2018	Issue of shares <sup>(a)</sup>	762,851	228	48,751	152,342	507,805,447
"	Retirement of shares	2,775,952	(833)	(364,379)	151,509	505,029,495
Fiscal year 2019	Issue of shares <sup>(a)</sup>	403,946	121	20,424	151,630	505,433,441
"	Retirement of shares	2,156	(1)	(110)	151,629	505,431,285
Fiscal year 2020	Retirement of shares	673,946	(202)	(93,912)	151,427	504,757,339
<b>As of December 31, 2020</b>					<b>151,427</b>	<b>504,757,339</b>

(a) In connection with the exercise of share subscription options.

# 3. BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

## 3.1 Share ownership of the Company

As of December 31, 2020, the Company’s share capital comprised 504,757,339 shares:

- 236,440,147 pure registered shares;
- 6,403,125 administered registered shares;
- 261,914,067 bearer shares.

Taking into consideration treasury shares, 503,895,883 shares carried voting rights, of which 232,538,911 shares carried double voting rights.



General information regarding the parent company and its share capital; Stock market information

Shareholders	Number of shares	Number of voting rights <sup>(a)</sup>	% of share capital	% of voting rights
Arnault Family Group <sup>(b)</sup>	239,637,391	467,373,733	47.48	63.46
<i>Of which: Christian Dior</i>	<i>208,212,746</i>	<i>416,034,096</i>	<i>41.25</i>	<i>56.49</i>
Other shareholders <sup>(c)</sup>	265,119,948	269,063,945	52.52	36.54
<b>Total as of December 31, 2020</b>	<b>504,757,339</b>	<b>736,434,794</b>	<b>100.00</b>	<b>100.00</b>

(a) Voting rights exercisable at Shareholders' Meetings.

(b) Aside from the Company's shares and voting rights held by Christian Dior SE, which absorbed Financière Jean Goujon effective September 30, 2020, the Arnault family and companies it controls directly or indirectly hold 6.23% of the Company's share capital and 6.97% of the voting rights exercisable at Shareholders' Meetings (see also §3.2 and 3.4 below).

(c) Including 861,456 treasury shares, i.e. 0.17% of the share capital.

On the basis of registered shareholders and information provided by the latest Euroclear survey of depository banks in November 2019, without applying an ownership threshold, the Company had about 220,000 shareholders.

Subject to the provisions of §3.4 below, to the Company's knowledge:

- no shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2020;
- no shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;
- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2020, members of the Executive Committee and the Board of Directors directly held 0.5% of the Company's share capital and voting rights, personally and as registered shares.

As of December 31, 2020, the Company held 861,456 shares as treasury shares; these were all recognized as short-term investments, with the main objective of covering commitments under bonus share plans. In accordance with legal requirements, these shares are stripped of their voting rights.

As of December 31, 2020, employees of the Company and affiliated companies, as defined in Article L. 225-180 of the French Commercial Code, held the equivalent of 0.14% of the share capital, in employee savings plans and in registered form as bonus shares identified as having been awarded under plans set up since October 20, 2016.

During the 2020 fiscal year, Caisse des Dépôts et Consignations informed the Company that it had on various occasions exceeded and/or gone below the thresholds specified under the Bylaws between 1.76% and 1.96% of the share capital, and exceeded the threshold specified under the Bylaws at 1% of voting rights. Pursuant to the most recent notifications received in 2020, Caisse

des Dépôts et Consignations held 1.96% of the Company's share capital and 1.34% of its voting rights. Fidelity International (FMR LLC of The Corporation Trust Center) informed the Company that it had exceeded the threshold specified under the Bylaws at 1% and held 1.01% of the share capital, but less than 1% of voting rights. The Amundi group held less than 1% of the Company's share capital and voting rights after going below a threshold. Lastly, on October 2, 2020, Christian Dior SE informed (i) the Autorité des Marchés Financiers (notice issued on October 5, 2020) and the Company that it had directly exceeded, as a result of the merger by absorption of Financière Jean Goujon, the statutory thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3 of the share capital and 50% of the Company's voting rights, and as of September 30, 2020 directly held 41.25% of the share capital and 56.45% of the Company's voting rights; and (ii) the Company that it had also exceeded the thresholds specified under the Bylaws at between 1% and 41% inclusive of the Company's share capital. Prior to the completion of this merger, the Autorité des Marchés Financiers granted, following the opinion published on September 2, 2020, to Christian Dior SE, the absorbing company, pursuant to Articles 234-8 to 234-10 of the General Regulation, an exemption to the obligation to file a draft tender offer for the LVMH shares.

During the fiscal year ended December 31, 2020 and as of the date at which this Universal Registration Document was filed with the Autorité des Marchés Financiers, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

The Company's main shareholders have voting rights identical to those of other shareholders.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. A majority of the members of the Nominations & Compensation Committee and the Ethics & Sustainable Development Committee must also be Independent Directors.

## OTHER INFORMATION

General information regarding the parent company and its share capital; Stock market information

### 3.2 Changes in share ownership during the last three fiscal years

#### As of December 31, 2020

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM	% of voting rights exercisable at SM
Arnault Family Group <sup>(a)</sup>	239,640,275	47.48	467,373,733	63.39	467,373,733	63.46
<i>Of which: Christian Dior SE</i>	<i>208,212,746</i>	<i>41.25</i>	<i>416,034,096</i>	<i>56.43</i>	<i>416,034,096</i>	<i>56.49</i>
Treasury shares	861,456	0.17	861,456	0.12	-	-
Free-float registered	6,622,203	1.31	11,427,656	1.55	11,427,656	1.55
Free-float bearer	257,633,405	51.04	257,633,405	34.94	257,633,405	34.98
<b>Total</b>	<b>504,757,339</b>	<b>100.00</b>	<b>737,296,250</b>	<b>100.00</b>	<b>736,434,794</b>	<b>100.00</b>

(a) Aside from the Company's shares and voting rights held by Christian Dior SE, which absorbed Financière Jean Goujon effective September 30, 2020, the Arnault family and companies it controls directly or indirectly hold 6.23% of the Company's share capital and 6.97% of the voting rights exercisable at Shareholders' Meetings.

#### As of December 31, 2019

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM	% of voting rights exercisable at SM
Arnault Family Group <sup>(a)</sup>	239,314,535	47.35	466,570,719	63.24	466,570,719	63.40
<i>Of which: Financière Jean Goujon</i>	<i>207,962,425</i>	<i>41.15</i>	<i>415,783,750</i>	<i>56.36</i>	<i>415,783,750</i>	<i>56.50</i>
Treasury shares	1,778,911	0.35	1,778,911	0.24	-	-
Free-float registered	7,231,941	1.43	12,268,900	1.66	12,268,900	1.67
Free-float bearer	257,105,898	50.87	257,105,898	34.86	257,105,898	34.93
<b>Total</b>	<b>505,431,285</b>	<b>100.00</b>	<b>737,724,428</b>	<b>100.00</b>	<b>735,945,517</b>	<b>100.00</b>

(a) Excluding Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 6.20% of the Company's share capital and 6.90% of the voting rights exercisable at Shareholders' Meetings.

#### As of December 31, 2018

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM	% of voting rights exercisable at SM
Arnault Family Group <sup>(a)</sup>	238,155,505	47.16	464,890,015	63.09	464,890,015	63.27
<i>Of which: Financière Jean Goujon</i>	<i>207,962,425</i>	<i>41.18</i>	<i>415,783,750</i>	<i>56.43</i>	<i>415,783,750</i>	<i>56.59</i>
Treasury shares	2,135,404	0.42	2,135,404	0.29	-	-
Free-float registered	7,313,267	1.45	12,412,768	1.68	12,412,768	1.69
Free-float bearer	257,425,319	50.97	257,425,319	34.94	257,425,319	35.04
<b>Total</b>	<b>505,029,495</b>	<b>100.00</b>	<b>736,863,506</b>	<b>100.00</b>	<b>734,728,102</b>	<b>100.00</b>

(a) Excluding Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 5.98% of the Company's share capital and 6.68% of the voting rights exercisable at Shareholders' Meetings.

### 3.3 Pledges of pure registered shares by main shareholders

The Company is not aware of any pledge of pure registered shares by the main shareholders.

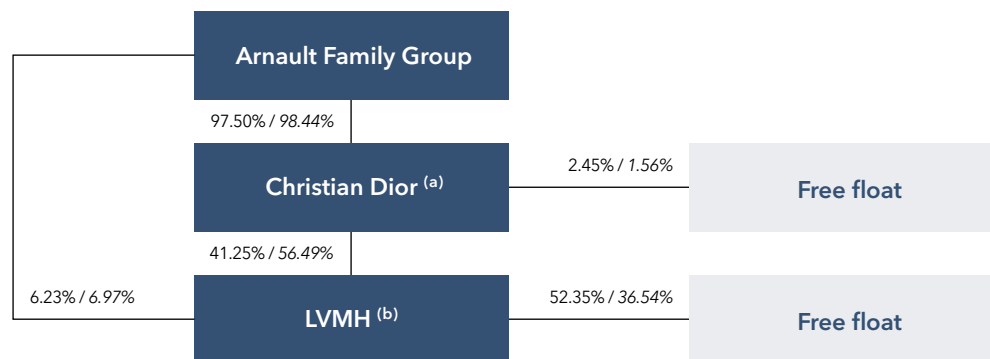
### 3.4 Natural persons or legal entities that may exercise control over the Company

As of December 31, 2020, the Arnault Family Group, comprising the Arnault family and the companies it controls, owned, directly and indirectly, 47.48% of the share capital of the Company (i.e. 239,637,391 shares) and 63.46% of the voting rights that may be exercised at Shareholders' Meetings, which breaks down as follows:

- 41.25% of the share capital of the Company (i.e. 239,640,275 shares) and 56.49% of the voting rights that may be exercised at Shareholders' Meetings, via Christian Dior SE whose main activity is to hold LVMH securities; and

- 6.23% of the share capital of the Company (i.e. 31,424,645 shares) and 6.97% of the voting rights that may be exercised at Shareholders' Meetings, via the Arnault family and other companies that it controls.

The organizational chart below provides a simplified overview of the shareholding structure as of December 31, 2020 (% of share capital/% of voting rights exercisable at Shareholders' Meetings):



(a) Treasury shares: 0.05% based on the share capital under the Bylaws as of December 31, 2020.

(b) Treasury shares: 0.17% based on the share capital under the Bylaws as of December 31, 2020.

## 4. MARKET FOR FINANCIAL INSTRUMENTS ISSUED BY LVMH

### 4.1 Market for LVMH shares

The Company's shares are listed on Euronext Paris (ISIN code FR0000121014) and are eligible for the deferred settlement service of Euronext Paris.

LVMH is a constituent of the main French and European indices used by fund managers: the CAC 40, DJ-Euro Stoxx 50, MSCI Europe and the FTSE Eurotop 100, as well as the Global Dow and FTSE4Good, one of the key indices for socially responsible investing.

As of end-December, LVMH's market capitalization was 257.9 billion euros, making it the largest company on the CAC 40.

In 2020, 169,920,791 LVMH shares were traded on Euronext for a total of 66 billion euros. This corresponds to an average daily volume of 663,753 shares.

#### Trading volumes and amounts on Euronext Paris and share price movement in 2020

	Opening price, first day (EUR)	Closing price last day (EUR)	Highest share price <sup>(a)</sup> (EUR)	Lowest share price <sup>(a)</sup> (EUR)	Number of shares traded (EUR millions)	Value of shares traded (EUR billions)
January	418.00	395.30	439.05	394.10	12.3	5.1
February	394.65	370.85	424.70	353.15	16.7	6.6
March	385.00	338.45	388.80	278.70	36.1	12.0
April	328.00	352.45	364.30	316.10	13.5	4.7
May	345.00	375.00	387.30	324.30	12.2	4.3
June	383.35	390.50	405.20	363.75	16.7	6.4
July	391.35	366.75	418.30	365.95	11.3	4.5
August	366.45	392.80	404.55	364.50	7.4	2.9
September	395.10	399.40	427.90	390.70	11.4	4.6
October	404.20	402.30	440.30	396.30	9.7	4.0
November	402.30	482.90	499.50	399.45	13.6	6.3
December	487.00	510.90	517.20	484.40	9.0	4.5

Source: Euronext.

(a) Intra-day share price.

### 4.2 Share repurchase program

LVMH has implemented a share repurchase program that allows it to buy back up to 10% of its share capital. This program was approved at the Combined Shareholders' Meetings of April 18, 2019 and June 30, 2020. Under this program, between January 1

and December 31, 2020, stock market purchases of LVMH shares by LVMH SE amounted 582,906 shares, or 0.12% of its share capital. Disposals of shares, bonus share awards and retired shares involved the equivalent of 1,500,361 LVMH shares.

### 4.3 LVMH bond markets

Among the bonds issued by LVMH Moët Hennessy Louis Vuitton outstanding as of December 31, 2020, those presented below are admitted to trading on a regulated market.

#### 4.3.1 Bonds listed in Luxembourg

Currency	Amount outstanding (in currency)	Year of issue	Year of maturity	Coupon
EUR	1,500,000,000	2020	2031	0.375%
EUR	1,750,000,000	2020	2028	0.125%
GBP	850,000,000	2020	2027	1.125%
EUR	1,250,000,000	2020	2026	0.000%
EUR	1,500,000,000	2020	2025	0.750%
EUR	1,250,000,000	2020	2024	0.000%
GBP	700,000,000	2020	2023	1.000%
EUR	1,750,000,000	2020	2022	Floating
EUR	700,000,000	2019	2023	0.125%
EUR	300,000,000	2019	2021	0.00%
GBP	400,000,000	2017	2022	1.00%
EUR	1,200,000,000	2017	2024	0.75%
EUR	800,000,000	2017	2022	0.375%
EUR	650,000,000	2014	2021	1.00%

### 4.4 Dividend

A dividend of 6.00 euros per share is being proposed for fiscal year 2020, which represents an increase of 1.20 euros per share on the dividend paid in respect of fiscal year 2019.

Based on the 545,757,339 shares outstanding as of December 31, 2020, the total LVMH Moët Hennessy Louis Vuitton distribution will amount to 3,029 million euros for fiscal year 2020, before the impact of treasury shares.

The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the Group's growth and, where appropriate, in response to exceptional events.

In accordance with applicable laws in France, dividends and interim dividends not claimed within five years become void and are paid to the French state.

#### Dividend distribution in respect of fiscal years 2016 to 2020

Fiscal year	Gross dividend per share (EUR)	Dividend distribution (EUR millions)
2020 <sup>(a)</sup>	6.00	3,029
2019	4.80	2,426
2018	6.00	3,030
2017	5.00	2,535
2016	4.00	2,029

(a) Amount proposed at the Shareholders' Meeting of April 15, 2021.

### 4.5 Change in the number of shares outstanding

No shares were issued as a result of the exercise of share subscription options; 673,946 shares were retired, bringing the number of shares outstanding to 504,757,339 shares as of December 31, 2020.

## OTHER INFORMATION

General information regarding the parent company and its share capital; Stock market information

### 4.6 Performance per share

(EUR)	2020	2019	2018 <sup>(a)</sup>
Diluted Group share of earnings per share	9.32	14.23	12.61
Gross dividend per share	6.00 <sup>(b)</sup>	4.80	6.00
Change relative to previous year	25.0%	- 20.0%	20.0%
Highest share price (intra-day)	517.20	419.50	313.70
Lowest share price (intra-day)	278.70	243.65	232.50
Share price as of December 31	510.90	414.20	258.20
Change compared to previous year	23.3%	60.4%	5.2%

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

(b) Amount proposed at the Shareholders' Meeting of April 15, 2021.

## OTHER INFORMATION

### Person responsible for the Universal Registration Document; financial information

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## 1. STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

We declare that the information contained in this Universal Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management Report presented on page 9 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, March 25, 2021

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee



## 2. INFORMATION INCORPORATED BY REFERENCE IN THE UNIVERSAL REGISTRATION DOCUMENT

In application of Article 28 of European Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Universal Registration Document :

- the 2019 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 183-261 and 262-266, respectively, of the 2019 Universal Registration Document, filed with the AMF on April 29, 2020 under the number D. 20-0406;
- the 2018 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 169-243 and 244-248, respectively, of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D. 19-0208;
- the developments in the Group's financial situation and in the results of its operations between the 2019 and 2018 fiscal years, presented on pages 14-47 of the 2019 Universal Registration Document, filed with the AMF on April 29, 2020 under the number D. 20-0406;
- the developments in the Group's financial situation and in the results of its operations between the 2018 and 2017 fiscal years, presented on pages 14-44 of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D. 19-0208;
- the 2019 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 267-292 and 293-296, respectively, of the 2019 Universal Registration Document, filed with the AMF on April 29, 2020 under the number D. 20-0406;
- the 2018 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 249-274 and 275-278, respectively, of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D. 19-0208;
- the Statutory Auditors' special report on related party agreements and commitments of the 2019 fiscal year, included on pages 297-288 of the 2019 Universal Registration Document, filed with the AMF on April 29, 2020 under the number D. 20-0406;
- the Statutory Auditors' special report on related party agreements and commitments of the 2018 fiscal year, included on pages 279-280 of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D. 19-0208.

The sections of the 2019 Universal Registration Document and the 2018 Reference Documents that are not incorporated are either not relevant to investors or are included in the Universal Registration Document.

## 3. DOCUMENTS ON DISPLAY

The full text of the Bylaws of LVMH Moët Hennessy Louis Vuitton SE is available on the Company's website: [www.lvmh.com](http://www.lvmh.com). Other legal documents pertaining to the Company may be consulted at its headquarters under the conditions provided by law.

The Company's Universal Registration Document filed by LVMH with the Autorité des Marchés Financiers (the French financial markets regulator), the press releases relating to revenue and earnings, as well as the annual and interim reports and the consolidated and parent company financial statements and information relating to transactions in treasury shares and the total number of voting rights and shares may be consulted on the Company's website at the following address: [www.lvmh.com](http://www.lvmh.com).



# OTHER INFORMATION

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# 1. TABLE OF CONCORDANCE WITH HEADINGS PRESENTED IN ANNEX 1 OF COMMISSION DELEGATED REGULATION (EU) 2019/980

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N/A : Not applicable

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(1) Pursuant to Articles L.451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF's General Regulations.

The original French version of the Universal Registration Document was filed on March 25, 2021 with the AMF in its capacity as the competent authority designated under Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 of that regulation.

The original French version of the Universal Registration Document may be used for the purposes of a public offering of securities or the admission of securities to trading on a regulated market if it is accompanied by a prospectus and, where applicable, a summary and any amendments to the Universal Registration Document. This set of documents is then approved by the AMF, in accordance with Regulation (EU) 2017/1129.

LVMH

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