FINANCIERE AGACHE

Translation of the French “Rapport financier annuel”

Fiscal year ended December 31, 2021

Combined Shareholders' Meeting April 27, 2022

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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 "Rapport financier annuel", hereafter referred to as the "Annual Financial Report". 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.

Executive and Supervisory Bodies, and Statutory Auditors as of December 31, 2021

Board of Directors

Florian OLLIVIER
Chairman and Chief Executive Officer

Nicolas BAZIRE
Group Managing Director
Representative of Agache SEDCS

Pierre DE ANDREA
Representative of Invry SAS (1)

Pierre DEHEN
Representative of Agache Placements SA

Lord POWELL of BAYSWATER

Statutory Auditors

ERNST & YOUNG et Autres(2)
represented by Gilles Cohen

MAZARS
represented by Loïc Wallaert and Guillaume Machin

(1) Renewal proposed at the Shareholders' Meeting of April 27, 2022.
(2) A resolution will be presented at the Shareholders' Meeting of April 27, 2022 to appoint Deloitte as Principal Statutory Auditor to replace Ernst & Young et Autres, following the latter's resignation.

Management Report of the Board of Directors: The Financière Agache group

1. Financière Agache's business model

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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. In addition to being a responsible corporate citizen which conducts its business in the most exemplary way, the Group decided, in conjunction with its Maisons, to implement a number of initiatives not directly related to their business activities in support of society, the environment and culture. These longstanding commitments contribute to a long-term vision and provide a powerful response to the role a group like Financière Agache should play within society.

1. Business group overview

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

Wines and Spirits: Based in Champagne, Bordeaux and other renowned wine-growing regions, the 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 Group's Wines and Spirits activities 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. The Group 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: The Group 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, the Financière Agache group'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: The Financière Agache group 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 – the Financière Agache group's youngest business group – operate in the high-end watchmaking, jewelry and high jewelry sectors. The Group 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 an *art de vivre* that is emblematic of the Financière Agache group. 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.

2. Group values

The Financière Agache group and its Maisons put heart and soul into everything the Group does. Its core identity is based on the fundamental values that run through the entire Group and are shared by everyone in it.

Being creative and innovative: Creativity and innovation are part of the Group'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 the Group operates, and that the Group is actively working to build a better future.

3. Operating model

The Financière Agache group's unique operating model is based on six pillars, and 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 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 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. Financière Agache'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 Financière Agache group cultivate a long-term vision. To protect their identity and excellence, the Group 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 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 Financière Agache group

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1. Wines and Spirits

In 2021, revenue for the Wines and Spirits business group represented 9% of the Financière Agache group's total revenue. Champagne and wines made up 47% of this revenue, while cognacs and spirits accounted for 53%.

1.1 Champagne and Wines

1.1.1 Champagne and Wine brands

The Group 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 and 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, which will celebrate its 250th anniversary in 2022, is highly acclaimed for its work with Pinot Noir and its expertise in reserve wines, accounting for between 30% and 45% of its *Brut Carte Jaune* and *Rosé* cuvées. Since its founding in 1772, the champagne house has stayed true to its motto, "Only one quality, the finest", as illustrated by its prestige cuvée *La Grande Dame*, a blend bringing together its eight classic grands crus. Innovations are also an essential part of its DNA, as Madame Clicquot was behind several still in use today. Among other breakthroughs, she created the first vintage champagne (1810), invented the riddling table process to clarify champagne (1816), and created the first blended rosé champagne (1818). Paying homage to her legacy, in 1972 Veuve Clicquot established what is now known as the Bold Woman Award, which has recognized women entrepreneurs around the world for 50 years.

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 the Group 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.

In 2021, the Group acquired a 50% stake in the share capital of Armand de Brignac. Jointly owned with Shawn "Jay-Z" Carter, the brand continued its growth and confirmed its super-luxury positioning.

The Group's portfolio of wines beyond champagne includes a number of prestigious appellations in France, Spain, America, Asia and Oceania.

The Group'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 30 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 the Group has owned **Château d'Yquem**, the most celebrated Sauternes and the only Premier Cru Supérieur in the 1855 classification. Since 2009, the Group has held a 50% stake in the prestigious winery **Château Cheval Blanc**, Premier Grand Cru classé A Saint-Émilion, accounted for using the equity method. In 2014, the Group 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

Following 2020, a year marked by the public health crisis, shipments of Group champagne brands were stronger than ever in 2021, surging 32.3% compared with 2020 and exceeding the record levels reached in 2019. Shipments from the Champagne region also saw strong growth, climbing 31.8% (source: CIVC). The Group's market share thus rose to 21.5% of the total shipments.

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

(in millions of bottles and percentage)	2021			2020			2019		
	Sales volume		Market share	Sales volume		Market share	Sales volume		Market share
	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	141.9	8.6	6.1	113.3	6.8	6.0	141.3	8.7	6.1
Export	179.9	60.4	33.6	130.8	45.4	34.7	156.0	57.2	36.7
Total	**321.8**	**69.0**	**21.5**	**244.1**	**52.2**	**21.4**	**297.3**	**65.9**	**22.1**

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

The geographic breakdown of the Group's champagne sales in 2021 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2021	2020	2019
Germany	5	5	5
United Kingdom	7	8	8
United States	25	24	20
Italy	4	4	4
Japan	9	10	11
Australia	5	4	4
Other	32	32	35
Total export	**87**	**87**	**87**
France	13	13	13
Total	**100**	**100**	**100**

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 varietals 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, the Group'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 225 million bottles are stored in the Group's cellars in the Champagne region, equivalent to about 3.4 years of sales; in addition to this bottled inventory, the Group has wines still in storage tanks waiting to be drawn (equivalent to 74 million bottles), including the quality reserve withheld from sale in accordance with applicable industry rules (equivalent to 9 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 continued construction of its new Comète production facility located in Saint-Léonard, near Reims, while Krug began building a new production site in Ambonnay.

In order to drive innovation and develop expertise in its production processes, the Group inaugurated its research and development facility in Oiry in 2021, which is open to all its Maisons.

1.1.4 Grape supply sources and subcontracting

The Financière Agache group owns 1,700 hectares under production, which provide 19% 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.

The Group'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 2021 harvest, the marketable yield for the Champagne appellation was set at 10,000 kg/ha. The maximum level of the stockpiled reserve is set at 8,000 kg/ha. In 2021, this reserve helped the champagne houses in coping with challenging weather conditions, which significantly reduced the output from the harvest.

The price paid for each kilogram of grapes in the 2021 harvest ranged between 5.66 euros and 6.51 euros depending on the vineyard, an average increase of 1% compared to the 2020 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 2021, the champagne houses used subcontractors for about 23 million euros of services, notably pressing, handling and storing bottles.

1.2 Cognac and Spirits

1.2.1 Cognac and Spirits brands

The Group 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, the Group 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, the Group 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 Żyrardów distillery in Poland, which was founded in 1910.

Since 2017, **Volcán de mi Tierra** tequila, which was created in collaboration with Mexican entrepreneur Juan Gallardo Thurlow, has been primarily available in the United States and Mexico. Volcán de mi Tierra is accounted for using the equity method.

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 2021, the volumes shipped from the Cognac region were up 16.4% from 2020 (source: BNIC), while volumes of Hennessy shipped increased by 8.2%. Hennessy’s market share of volumes shipped from the Cognac region was 45%, compared with 49% in 2020, thus marking a return to normal levels, resulting from its supply situation. The Company is the world leader in cognac and premium international spirits, with particularly strong positions in the United States, China and other important markets for cognac (South Africa, Nigeria, Russia, etc.).

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

(in millions of bottles and percentage)	2021			2020			2019		
	Sales volume		Market share	Sales volume		Market share	Sales volume		Market share
	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	5.3	2.4	45.4	4.1	1.8	44.3	3.9	1.1	27.2
Europe (excl. France)	28.9	6.6	22.8	27.7	6.5	23.6	31.9	8.0	25.0
United States	114.5	62.6	54.7	103.0	61.1	59.3	101.9	68.7	67.4
Asia	57.2	19.2	33.6	42.8	15.7	36.8	61.1	23.5	38.5
Other markets	12.9	8.0	62.0	10.4	6.2	59.9	14.1	8.8	62.4
Total	**218.9**	**98.9**	**45.2**	**188.0**	**91.4**	**48.6**	**212.9**	**110.0**	**51.7**

(Source: Bureau National Interprofessionnel du Cognac – BNIC).

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

(as %)	2021	2020	2019
United States	65	69	58
Japan	-	1	1
Asia (excl. Japan)	18	15	23
Europe (excl. France)	7	7	8
Other	10	8	11
Total export	**100**	**100**	**100**
France	-	-	-
Total	**100**	**100**	**100**

1.2.3 The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 80,500 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. With the inauguration of a second production line at the Pont Neuf plant in 2021, the Maison's production capacity has been raised 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 2021, eaux-de-vie harvest prices were 3.5% above their level in the previous harvest, with this increase following on from a 1.6% increase in 2020.

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.

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.

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 [(1)], governed by agreements that have been in place since 1987, 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 2021, 27% of champagne and cognac sales were made through this channel.

1.4 Highlights of 2021 and outlook for 2022

	2021	2020	2019
Revenue *(EUR millions)*	**5,974**	**4,755**	**5,576**
Of which: Champagne and wines	*2,793*	*2,119*	*2,507*
Cognac and spirits	*3,181*	*2,636*	*3,069*
Sales volumes (in millions of bottles)			
Champagne	66.8	52.4	64.7
Cognac	102.6	94.6	98.7
Other spirits	20.8	16.1	19.6
Still and sparkling wines	51.5	41.8	39.3
Revenue by geographic region of delivery *(%)*			
France	6	5	5
Europe (excl. France)	18	18	18
United States	38	41	33
Japan	5	6	7
Asia (excl. Japan)	21	19	24
Other markets	12	11	13
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,863**	**1,388**	**1,729**
Operating margin *(%)*	**31.2**	**29.2**	**31.0**

Highlights

The Wines and Spirits business group turned in a record year and reaffirmed its position as leader in luxury wines and spirits. The industry's strong recovery – despite the pressure it placed on naturally limited supplies – favored the continuation of the value-enhancing strategy. 2021 was also a year marked by the ambition to get closer to consumers by developing unique sales experiences, in particular through travel, at department stores and within the Maisons themselves, as illustrated by the many initiatives launched and underway. They reaffirmed their social and environmental commitment through the "Living Soils – Living Together" program. This was underscored by the opening of the Robert-Jean de Vogüé research center in France's Champagne region, which will support the Maisons in their transition to more sustainable practices and their adaptation to climate change.

Champagne volumes were up 27% with respect to 2020 and 3% compared with 2019, with particularly strong growth in Europe and the United States.

Moët & Chandon achieved good growth in all regions, particularly in the United States and in Europe, where it beat its record sales volumes of 2018 worldwide. At the end of the year, the "Effervescence" program brought together friends of the Maison, which has been an icon of celebration and history's most memorable events since 1743. **Dom Pérignon**'s sales were boosted by the launch of three vintages: *Vintage 2012*, *Rosé Vintage 2008* and *Vintage 2003 Plénitude 2*. The year also saw a high-profile collaboration with world-famous star Lady Gaga. **Veuve Clicquot** achieved a record performance, backed by the opening of the Comète site, its new production center. The Maison expressed its bold values through its collaborations and ramped up its efforts to promote women's entrepreneurship with several international initiatives under its *Bold* program. **Ruinart** recorded very strong growth in all its markets and reaffirmed its commitment to the environment with the rollout of its sustainably designed case and its agroforestry winegrowing pilot project. **Krug**'s remarkable results confirmed the success of its value-enhancing strategy, exemplified by the launch of *Krug Grande Cuvée 169e Edition* and *Rosé 25e Edition*. The Group acquired a 50% stake in the share capital of **Armand de Brignac**. Jointly owned with Shawn "Jay-Z" Carter, the brand continued its growth and confirmed its super-luxury positioning.

The **Estates & Wines** Maisons showed strong momentum. A new range of Terrazas de los Andes wines was launched in China and met with great success. The year also saw the release of the excellent 2021 vintage of *Cloudy Bay Sauvignon Blanc* and a performance by **Ao Yun** that exceeded expectations, confirming the potential of Yunnan province wines. **Château du Galoupet**, acquired in 2019, continued its transition to organic winegrowing. **Château d'Esclans**' range of rosé wines accelerated its development following the takeover of its distribution by the Moët Hennessy network.

Chandon benefited from a comprehensive redesign of its image, communications and packaging. Its momentum was boosted by the success of *Chandon Garden Spritz*, launched in Europe, the United States and Australia.

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

For the third year in a row, **Hennessy** was the leading international premium spirits brand, achieving an exceptional performance thanks to the strength of its brand in the United States, continued recovery in China and acceleration in Europe and Africa. In a tight supply environment, its volumes were up 9% with respect to 2020 and 4% compared with 2019. In keeping with its pioneering spirit, the Maison established an exceptional global partnership with the NBA. It expanded its production capacity and invested in a dedicated store network on the island of Hainan in China. Hennessy also stepped up its commitment to its key priorities of protecting living soils, reforestation and reducing its carbon footprint by 50% by 2030.

The unprecedented performance of **Glenmorangie** and **Ardbeg** whiskies was in line with their ambitious innovation and growth plans. Both brands took home prestigious awards, including "Master Distiller of the Year" for the fifth time.

Belvedere reaffirmed its commitment to crafting natural spirits rich in character with the launch of *Belvedere Organic Infusions*, its first certified organic product line. Emerging, exceptional spirits brands **Woodinville**, **Volcán de mi Tierra** and Cuban rum **Eminente** experienced strong growth thanks to the expansion of their distribution and production capacities.

Moët Hennessy expanded its online sales presence with the launch of Clos19 in France, the OurCellar site in the United States and the joint acquisition with the Campari Group of the Italian company Tannico, which also owns VentealaPropriete.com in France.

Outlook

While ensuring that it remains alert and responsive amid the prevailing volatility and tight supply environment, the Wines and Spirits business group remains resolutely optimistic about the medium-term development prospects of its Maisons. Moët Hennessy will continue to strengthen its portfolio and accelerate the transformation and selectivity of its distribution, while remaining close to consumers by offering them an ever-expanding and innovative range of experiences.

Excellence, authenticity and sustainability remain key, backed by the launch of bold and inspiring innovations and collaborations. More aware than ever of the value of their heritage, many of which date back several centuries, all the Maisons are deeply committed to acting sustainably, protecting the environment, improving soil regeneration with more biodiversity and significantly reducing their carbon footprint.

2. Fashion and Leather Goods

In 2021, the Fashion and Leather Goods business group represented 48% of the Financière Agache group's total revenue.

2.1 The brands of the Fashion and Leather Goods business group

In the luxury fashion and leather goods sector, the Group holds a portfolio 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 Couture 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 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 the Group 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 the Group 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 the Group since 1996, offers women's and men's ready-to-wear, leather goods, shoes, accessories and fragrances.

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's 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. In 2021, the Group disposed of its stake in this business.

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 the Group in 2000.

Berluti, an artisan bootmaker established in 1895 and held by the Group 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 the Group 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 the Group. Renowned for its prestigious luggage, its products feature an iconic design and reflect its constant quest for excellence.

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. The Financière Agache group's 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.

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, the Group 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.

The Financière Agache group believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its Maisons. In 2021, Tomoaki Nagao, known as Nigo, was named Creative Director of Kenzo, taking over from Felipe Oliveira Baptista who had been at the helm since 2019, while Camille Miceli became the first female designer to lead Emilio Pucci and Kris Van Assche departed as Creative Director of Berluti.

The end of 2021 saw the tragic loss of Virgil Abloh, who had served as Louis Vuitton's Creative Director of Menswear since 2018. 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 Creative Director of all Givenchy's women's and men's collections. Since 2018, Kim Jones has been Creative Director of Menswear at Christian Dior and Hedi Slimane has been Artistic, Creative and Image Director at Celine. 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 the Financière Agache group, particularly in the luxury fashion and leather goods sector. 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, the Group 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, 2021.

2.5 Supply sources and subcontracting

In 2021, despite the uncertain environment disrupted by the public health crisis, Louis Vuitton continued to invest in its production capacity in France, in particular by opening a second workshop in Vendôme. Including the addition of this workshop, Louis Vuitton's twenty-five leather goods workshops – eighteen in France, three in Spain, three in the United States and one in Italy – manufacture most of the Maison's leather goods. 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) and manufacturing and model making for leather goods. In addition to leather goods manufacturing, Louis Vuitton's workshops in Spain also handle all leather goods accessories (belts and bracelets). Louis Vuitton uses external manufacturers only to supplement its manufacturing.

Louis Vuitton purchases its materials from suppliers located around the world, with whom the Maison has established sustainable 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. Accordingly, the leading supplier in the leather market accounts for about 20% of Louis Vuitton's leather supplies, while the leader in the metal parts market also represents 20% of its metal parts 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 crocodilian leather tannery. In 2012, the Group acquired Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin. In 2017, the Group formed Thélios, a joint venture with Marcolin, combining the latter's eyewear expertise with the know-how of LVMH. At the end of 2021, the Group purchased the stake held by Marcolin and became the sole owner of Thélios.

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 2021 and outlook for 2022

	2021	2020	2019
Revenue *(EUR millions)*	**30,896**	**21,207**	**22,237**
Revenue by geographic region of delivery *(%)*			
France	5	5	8
Europe (excl. France)	16	18	23
United States	21	19	18
Japan	9	10	11
Asia (excl. Japan)	41	39	31
Other markets	8	9	9
Total	**100**	**100**	**100**
Type of revenue *(% of total revenue)*			
Retail	94	93	91
Wholesale	6	6	8
Licenses	-	1	1
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**12,842**	**7,188**	**7,344**
Operating margin *(%)*	**41.6**	**33.9**	**33.0**

Highlights

The strong growth achieved by the Fashion and Leather Goods business group reflected the solid progress made by this unique collection of Maisons and the exceptional performance of Louis Vuitton, Christian Dior, Fendi, Celine and Loewe. Our Maisons were backed by their highly engaged and agile staff, with several key assets – creativity coupled with an unrelenting focus on excellence, and digital tools to stay connected with their customers – playing a major role throughout the global public health crisis.

For **Louis Vuitton**, the end of the year was saddened by the loss of Virgil Abloh, who had served as Creative Director of Menswear since March 2018. Using his vision and his unique talent to challenge established practice in fashion, he was among those who most brilliantly expressed the creative freedom and timeless modernity of Louis Vuitton. The Maison paid a deeply emotional tribute to him at the runway show in Miami, "Virgil Was Here", on November 30.

Illustrating its creative energy and its pursuit of excellence in craftsmanship, the Maison continued its dialogue with the world of art, reinvented its iconic models and unveiled a number of initiatives in connection with the bicentenary of its founder's birth. The *LV Pont 9* handbag collection welcomed a soft, rounded new version, while the *Petite Malle*, a symbol of the Maison's rich heritage, took the spotlight in an array of new formats. By reinterpreting the Maison's signatures, the new *Bravery* high jewelry collection also paid tribute to its founder. A collaboration with Fornasetti gave rise to a multifaceted collection of ready-to-wear and accessories, illustrating the encounter between the Italian art and design studio's boundless creativity and Nicolas Ghesquière's contemporary vision. The second half of the year saw the return of in-person fashion shows held with an audience in inspiring locations: the Louvre in Paris, followed by Shanghai for the Women's Spring/Summer 2022 collection and Seoul for the Fall/Winter 2021 Men's collection. Louis Vuitton strengthened its ties with the world's most prestigious sporting events: the trophy cases for the 2023 Rugby World Cup to be held in France, the Monaco Grand Prix *Formula 1* race and the Davis Cup tennis tournament were custom-made by the Maison's craftspeople at its Asnières workshop, while its partnership with the NBA continued. Its range of fragrances was expanded with the *Extraits* collection, composed of five scents whose bottle was designed by Frank Gehry, and the *Spell On You* fragrance showcased in a video starring Léa Seydoux. At its stores and through its original, high-quality digital initiatives, the Maison continued to offer its customers a unique experience. The store network was expanded with the inauguration of an emblematic store in Tokyo and the opening at La Samaritaine Pont-Neuf in Paris. Committed to making its products ever more sustainable, particularly by focusing on repairability from the very beginning of the design process, the Maison also stepped up its efforts to reduce their environmental impact throughout their entire life cycle. The *LV Pillow* leather goods collection and the sustainable *Felt Line* in menswear were two illustrations of this approach in 2021. The Vendôme workshop is yet another reflection of Louis Vuitton's commitment to sustainable, high-quality craftsmanship dedicated to responsible design.

Christian Dior Couture recorded an excellent year, with remarkable growth in all its product categories with local customer bases. The Maison continued to be buoyed by the wealth of inspiration of its designers: Maria Grazia Chiuri for its women's collections and Kim Jones for Dior Homme. The Women's Winter 2021 ready-to-wear collection filmed in the Hall of Mirrors at the Palace of Versailles generated millions of views online. The 2022 Cruise show – the first show open to guests after months of pandemic-related restrictions – was held against the spectacular backdrop of the Panathenaic Stadium in Athens. An embroidered silk thread textile installation by artist Eva Jospin served as an exceptional backdrop for the Fall/Winter 2021-2022 haute couture show held at the Musée Rodin. The new *Dior Caro* bag was launched, featuring the Maison's legendary cannage pattern, while several of its classic models were reimagined into unprecedented dimensions. The new *RoseDior* high jewelry collection designed by Victoire de Castellane was unveiled, featuring 54 pieces inspired by roses. Capsule collections, including the *Dioriviera* line in the summer and *DiorAlps* in the winter, appeared at a series of stores around the world. Colorful window displays and pop-up locations also accompanied the launch of Dior Homme collections designed in collaboration with major artists such as Kenny Scharf and Peter Doig. The store network continued to expand with a number of high-profile openings around the world. The "Christian Dior: Designer of Dreams" exhibition made stopovers in Chengdu, at the Brooklyn Museum in New York and in Doha, Qatar. As part of its Women@Dior program, the Maison partnered with UNESCO to hold a virtual conference entitled "Dream for Change", which was attended by 1,500 young women from 25 countries.

Fendi turned in a record year, featuring the success of Kim Jones' first collections in collaboration with Silvia Venturini Fendi and Delfina Delettrez Fendi as well as strong growth in all its product categories. The *Peekaboo* and *Baguette* lines along with the new *Fendi First* bag drove sales in leather goods. Ready-to-wear and accessories also saw remarkable growth. The capsule collection born out of the Maison's creative collaboration with the SKIMS brand generated record sales. A number of flagship stores were inaugurated in New York, Shanghai and Sydney. The Hand in Hand project, which showcases Italian craftsmanship, was unveiled to the public at an exhibition held at the Palazzo della Civiltà Italiana, the Maison's headquarters in Rome. This initiative reflected its desire to support the development of craft trades and promote this tradition of passing on skills and excellence, both in Italy and beyond.

It was a record year for **Celine**, marked by the success of its ready-to-wear lines designed by Hedi Slimane, buoyed by digital fashion shows staged and filmed by Slimane himself. Leather goods benefited from growth in the *Triomphe* and *16* lines. Investments in its omnichannel strategy also played a key role in the Maison's new gains.

Loro Piana saw solid growth and expanded its customer base. A number of high-profile initiatives contributed to this momentum: the launch of the *Sesia* bag, made of exceptionally high-quality leather; a collection designed with Japanese artist Hiroshi Fujiwara; and the renewal of the Maison's partnership with the European Team for the Ryder Cup golf tournament. Reaffirming its long-standing commitment to sustainable development, Loro Piana published its first environmental report to present the initiatives it has taken and share its vision for the future.

Loewe also had a record year. Online sales grew significantly. Customers, the media and fashion professionals were all equally impressed with the wealth of inspiration and modernity displayed by Jonathan Anderson's collections. Alongside the *Puzzle* bag, the *Flamenco* line and the new version of the *Amazona* stood out. The *Surplus Project*, a Loewe initiative aimed at recycling leather from previous collections to create new designs, was presented at the IUCN World Conservation Congress.

Givenchy reached a key milestone with the arrival in stores of Matthew Williams' first collection and the launch of the *Cut-Out* bag and the *4G* line. The second half of the year featured two ready-to-wear collaborations, with artists Chito and Josh Smith.

2021 was a year of new energy for **Marc Jacobs**, with strong growth in the United States and a highly impressive surge in online sales. With its clearly affirmed style, the Maison was buoyed by the success of the *Tote Bag* in leather goods, *Heaven* in ready-to-wear and *Jogger* in footwear. The brand enjoyed positive responses to its fashion shows and a high level of engagement on social media.

Berluti benefited from the development of a policy to build strong, personalized connections with its customers. Ready-to-wear sales were boosted by the launch of the *Essentiels* collection. The "lifestyle" category saw the enthusiastic reception of its new *Home & Office* line. With a new color palette available in leather goods and footwear, the *Patina Rainbow* collection illustrated the Maison's unique expertise in the art of patina. A number of stores opened in China, and a flagship store was inaugurated in Tokyo's Ginza district in Japan.

As borders gradually reopened, **Rimowa** saw encouraging signs of recovery. Its *Never Still* soft bags saw promising success. The *Personal* line was expanded to include models made of aluminum, the Maison's iconic material. The luggage collection was enriched with the reintroduction of iconic designs, spotlighted through a new campaign and four renowned ambassadors.

Kenzo announced the appointment of Japanese designer Nigo as Creative Director of its collections.

Pucci named Camille Miceli as its Creative Director.

Outlook

The Fashion and Leather Goods Maisons enter 2022 with confidence. While maintaining the efforts needed to adapt to the economic environment, they can count on their dedicated staff to consolidate their key strengths: exceptional expertise, intensely creative collections and an excellent customer experience. **Louis Vuitton** will continue its development, focusing on the exceptional creativity that runs through everything it does, and will carry on its tradition of captivating creative collaborations. The Maison will step up its quest for excellence in its physical and digital distribution networks to ensure that the entire customer experience is enchanting, unique and accompanied by the unparalleled quality of service it is known for. **Christian Dior Couture** will aim to continue its strong growth in all of its markets, with a number of high-profile openings and events. The highlight of 2022 will be the reopening of its historic store at 30 avenue Montaigne in an exceptional new format. Responding to strong demand from its customers, **Fendi** will open a number of flagship stores in its key markets. **Celine**'s growth will be spurred by the selective expansion of its store network and the development of its omnichannel strategy to continually improve how it serves its customers. Over the next few months, this unique group of Maisons will continue to advance toward an ever more sustainable and responsible vision of luxury. The ongoing rollout of two innovative circular economy programs will be one of the driving forces behind this objective.

3. Perfumes and Cosmetics

In 2021, the Perfumes and Cosmetics business group posted revenue of 6,608 million euros, representing 10% of the Financière Agache group'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. Violette, Dior's new international makeup designer and consultant, aims to help women reveal and enhance their natural beauty. 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.

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 the Group 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 the Group in September 2000. Remaining true to its roots by using natural ingredients, 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 the Group 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 the Group 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 four brands: KVD Vegan Beauty, Ole Henriksen, 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 Group in the fast-growing field of niche perfumes.

3.2 Competitive position

Globally, the Group's brands were able to achieve higher growth than their main competitors.

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 the Group's location 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 the Perfumes and Cosmetics business group.

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, as well as increasingly to their own network of directly operated stores. Guerlain's products are distributed through its network of directly operated stores, enabling it to develop its unique expertise, supplemented by a network of partner retail outlets. In addition to sales through its 71 exclusive stores 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 2021 and outlook for 2022

	2021	2020	2019
Revenue *(EUR millions)*	**6,608**	**5,248**	**6,835**
Revenue by geographic region of delivery *(%)*			
France	9	9	10
Europe (excl. France)	19	18	20
United States	16	14	15
Japan	4	5	5
Asia (excl. Japan)	42	45	40
Other markets	10	9	10
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**684**	**80**	**683**
Operating margin *(%)*	**10.3**	**1.5**	**10.0**

Highlights

Amid a limited recovery in international travel and the gradual reopening of points of sale, the Financière Agache group's major Maisons regained strong momentum, especially in the second half of the year. To preserve their exceptional image – a key element of their lasting appeal – the choice was made to keep their distribution highly selective, limit promotional offers and develop online sales through their own websites. Their performance was buoyed by their vibrant iconic lines, successful innovations and ability to craft high-quality, groundbreaking digital experiences.

Parfums Christian Dior made a strong recovery, particularly in all its local markets – especially Asia, the United States and the Middle East – and consolidated its leading positions in Europe. Its performance in fragrances was driven by the success of its flagship lines: *Sauvage*, which became global leader in all categories, launched a new version, *Sauvage Elixir*; solid results were also turned in by *J'adore*, *Dior Homme* and *Miss Dior*, which was boosted in September by a revisited scent profile and a new marketing campaign. The *Collection Privée* range, which distills the Maison's peerless expertise in high perfumery, was enriched with new scents. Francis Kurkdjian was appointed as Creative Director of Fragrances, taking over from François Demachy, who had served as Dior's perfumer since 2006. Skincare was buoyed by the vibrant *Prestige*, *Capture* and *L'Or de Vie* ranges, the culmination of the scientific and sensory expertise of the Group's research and innovation center. The Dior Spa that opened at the Cheval Blanc hotel in Paris is the ultimate expression of Dior skincare and its beauty expertise. Makeup was boosted by the rollout of the refillable *Rouge Dior* lipstick and the launch of its transfer-proof liquid version, *Forever Liquid*. The acceleration in online sales continued via directly operated sites, spurred by digital campaigns that were among the most innovative run by fragrance and beauty brands. These initiatives complemented the Maison's store network by attracting a new clientele and showcasing the exceptional products and customer experience it offers. Parfums Christian Dior carried on its tradition of artistic partnerships, including the collaboration with India Mahdavi for *J'adore*, and exhibitions showcasing its rich heritage and wealth of creativity. The Maison began sharing its values and initiatives in connection with the mission it has adopted, "Beauty as a legacy", affirming its commitment to culture, the environment and society, in particular through exceptional corporate philanthropy toward the Palace of Versailles, the Tuileries Gardens and the Beaux-Arts de Paris art school.

Guerlain achieved remarkable growth, particularly in China thanks to its very strong momentum in skincare. Backed by the Maison's commitment to biodiversity and sustainable innovation, the *Abeille Royale* and *Orchidée Impériale* lines continued their exceptional performance. In fragrances, the *Aqua Allegoria* line and the new high perfumery collection *L'Art et la Matière* were a global success. In makeup, a new chapter began with the appointment of Violette as Creative Director of Makeup. The exceptional foundation *Parure Gold* bolstered its positions, particularly in Asia. The Maison continued to invest in its store network, with openings, renovations and pop-up locations expressing and exalting the brand's unique identity. Guerlain stepped up its initiatives and engagement in connection with its "In the Name of Beauty" sustainability program, in particular alongside UNESCO for programs to protect biodiversity and bees, spearheaded by its brand ambassador Angelina Jolie, as well as the formation of its Sustainable Board, a panel of experts chaired by Yann Arthus-Bertrand.

Parfums Givenchy returned to growth and won market share thanks to the success of its *L'Interdit* fragrance and the promising relaunch of the *Irresistible* line. In makeup, momentum was driven by its *Prisme Libre* powder and *Le Rouge* lipstick. Benefit's sales were boosted by the launch of its *They're Real! Magnet* mascara and the global "Love Your Brows" campaign. The Maison extended its lead in these two categories. As locations reopened, its *Brow Bars* confirmed their success. **Fresh** reinforced its standing in ultra-premium skincare, seeing major growth in its *Crème Ancienne* range, which was expanded with its *White Truffle Mask*. To celebrate its 30th anniversary, an initiative was launched to support the communities where key ingredients for its products are sourced. **Make Up For Ever** benefited from the successful launch of *Setting Powder*, the finest powder on the market, within its iconic *Ultra HD* range. **Fenty Beauty** reaffirmed its expertise in foundation with the launch of its *Eaze Drop Blurring Skin Tint* foundation, an instant bestseller, and the expansion of its range of highlighters. **Fenty Skin** launched its first instant retexturizing treatment, *Pre-Show Glow*. *Fenty Eau de Parfum*, available exclusively online, was a major success. **Parfums Kenzo** expanded its *Flower by Kenzo* flagship line with a new eau de toilette version, while its men's fragrance *Kenzo Homme* and *Kenzoki* skincare products were reimagined. **Maison Francis Kurkdjian** continued its rapid growth trajectory, in particular in the United States. Its "fragrance wardrobe" continued to enjoy great success, led by its highly popular *Baccarat Rouge 540* as well as its *À la rose* and *Gentle Fluidity* ranges. The successful launches of the *Bergamotto La Spugnatura*, *Oud & Spice* and *Lily of the Valley* fragrances were among the year's highlights for **Acqua di Parma**. The Maison expanded its presence in China and won over customers through an immersive experience during its "The Scent of Parma" exhibition. **Perfumes Loewe** saw solid international growth with the repositioning of its fragrances in dialogue with the fashion house and the *Home Scents* collection crafted by Jonathan Anderson. **Ole Henriksen** enriched its skincare range with the creation of *Dewtopia*. **KVD Beauty**, all of whose products are vegan, capitalized on the success of its *Good Apple Foundation Balm*. **Officine Universelle Buly**, a Maison that stands out through its selection of rare, effective and authentic products with impeccable aesthetics, joined the Group.

Outlook

The Financière Agache group's Maisons are well positioned to stand out in their competitive environment. While remaining highly vigilant over the months to come, they will boost innovation and continue to invest in their communications, ensuring selectivity in their retail networks and creating compelling digital experiences. Focusing on building its appeal through its image as a major brand rooted in the world of couture, **Parfums Christian Dior** has set ambitious leadership targets. The Maison will continue to innovate in its icons, especially *Sauvage*, *Miss Dior*, *Rouge Dior*, *J'adore* and *Prestige*. Its directly operated stores will continue their expansion, in particular in China. Expanding the share of online sales and digital communications is also a key priority, along with effective supply chain management in a context of heightened volatility. **Guerlain** will expand its international presence, paying particular attention to the selectivity of its distribution. Its momentum will be driven by strong growth in skincare combined with its expertise in spa treatments, the development of its fragrance ranges toward Collections, new energy in makeup and an acceleration in digital initiatives. In 2022, the Maison will celebrate the 15th anniversary of its "In the Name of Beauty" sustainability program. **Parfums Givenchy** will enrich its range of fragrances and continue its expansion into makeup. **Acqua di Parma** will relaunch its iconic *Colonia* range. **Make Up For Ever** will launch a further improved version of its *HD Skin* flagship line, developed by its community of makeup artists. **Benefit** will further expand its range of blushes while continuing to innovate in its brow collection. **Parfums Kenzo** will continue reviving its historic fragrances, drawing on the Maison's French and Japanese roots. **Perfumes Loewe** and **Maison Francis Kurkdjian** will open their first store in China.

4. Watches and Jewelry

In 2021, the Watches and Jewelry business group represented 14% of the Financière Agache group's total revenue.

4.1 The brands of the Watches and Jewelry business group

TAG Heuer, a pioneer of Swiss watchmaking since 1860, which was acquired by the Group 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*, *Aquaracer*, *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 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 the Group 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.

Tiffany & Co., founded in New York in 1837 and acquired by the Group in 2021, is a global icon of luxury, famous for its innovative jewelry designs, extraordinary craftsmanship and unrivaled creativity. The brand's optimism, legendary wit and distinctive New York energy inspire dreams that begin with the opening of one of its coveted Blue Boxes. In 1886, Charles Lewis Tiffany introduced the *Tiffany® Setting*, the world's most iconic engagement ring. With this innovation, Tiffany & Co. quickly made its name as more than a jewelry house – it has become a destination for timeless designs and unparalleled craftsmanship.

Bvlgari, 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*. The Group acquired Bvlgari in 2011.

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 Group acquired Chaumet in 1999.

Fred, founded in 1936 and part of the 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. The Financière Agache group's brands are present all around the world, and it has established itself as one of the international leaders.

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. The Watches and Jewelry business group has a regional organization that covers all European markets, the Americas, 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 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 836 stores as of year-end 2021 at prestigious locations in the world's largest cities. The Watches and Jewelry business group also developed a network of franchises.

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 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.

Tiffany operates several jewelry manufacturing workshops in the United States, as well as its own diamond polishing workshops in Belgium, Botswana, Cambodia, Mauritius and Vietnam.

Overall, for the Group's Watches and Jewelry operations, subcontracting accounted for around 5% of the cost of sales in 2021.

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 2021 and outlook for 2022

	2021	2020	2019
Revenue *(EUR millions)*	**8,964**	**3,356**	**4,405**
Revenue by geographic region of delivery *(%)*			
France	2	4	5
Europe (excl. France)	15	20	23
United States	25	8	8
Japan	11	12	12
Asia (excl. Japan)	36	43	38
Other markets	11	13	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,679**	**302**	**736**
Operating margin *(%)*	**18.7**	**9.0**	**16.7**

Highlights

The Watches and Jewelry business group saw organic revenue growth of 40% with respect to 2020, which had been particularly hard hit by the pandemic, and of 7% compared with 2019. Including Tiffany, growth was much stronger, showing the transformative contribution of this iconic brand. The Maisons were buoyed by the gradual recovery in their local markets, primarily China and the United States, and the use of distribution methods well-suited to the public health context: direct sales and digital channels. New watch designs were unveiled in the first half of the year at trade fairs that were held in innovative new formats.

Tiffany delivered record performance, in terms of revenue, profits and cash flow. The Maison raised its global profile through its innovations and high-profile collaborations. For the first time in its history, Tiffany's annual *Blue Book* collection of high jewelry was unveiled in China. A series of events followed in New York, Los Angeles and Dubai, giving customers the opportunity to discover the extraordinary necklace, featuring over 180 carats of diamonds, inspired by the pendant unveiled at the 1939 New York World's Fair. Following these presentations, high jewelry sales reached an unprecedented level. Rosé, the young singer of South Korean band Blackpink, became the new face of the *HardWear* collection. This very well-received revival led to a doubling of sales for this core line, which embodies bold femininity. The *Knot* collection – a limited edition designed in collaboration with artist Daniel Arsham – was another major success, as was the *Tiffany X Supreme* collaboration. December saw the launch of the highly anticipated limited edition of Nautilus watches designed by Patek Philippe and Tiffany to commemorate the 170th anniversary of their partnership in the United States. The first of the 170 watches in this limited edition series set a new record when it was sold at auction, with all proceeds from the sale going to The Nature Conservancy. Honoring its long tradition of expressions of love and diversity, the Maison launched its "About Love" global campaign starring Beyoncé and Jay-Z. Among the jewelry featured was the legendary Tiffany Diamond, making Beyoncé only the fourth person to have worn it since its discovery in 1877. This campaign – one of the year's most prominent – was a powerful affirmation of the brand's resolutely modern tone, boosting its appeal and expressing its core values. Three openings – at Le Bon Marché in Paris, in Barcelona and in Stockholm – marked a new aesthetic for Tiffany's stores.

Bvlgari regained solid momentum, driven by the strong performance of its jewelry and watch lines at its directly operated stores. In jewelry, the recent *B.zero1 Rock* and *Serpenti Viper* collections were the main growth drivers. The Maison rolled out its *Magnifica* high jewelry collection presented in June, while at the end of the year, the launch of the *Jannah* collection proved extremely promising. In watches, growth was driven by *Serpenti Seduttori*, *Octo Finissimo* (which won the Aiguille d'Or grand prize at the Geneva Watchmaking Grand Prix) and *Bvlgari Aluminium*. The Maison's performance was all the more remarkable given the limited recovery in international travel and its increasingly selective presence at multi-brand stores. Jewelry in particular is now exclusively distributed through its directly operated stores. The Bvlgari hotel collection expanded with the addition of a seventh showpiece, the Bvlgari Hotel Paris, which opened in December on Avenue George V.

TAG Heuer marked the start of a major partnership with Porsche with the launch of the *TAG Heuer Carrera Porsche* chronograph. The latest edition of the *TAG Heuer Carrera 3 Aiguilles* featured Ryan Gosling as its brand ambassador, while the *Aquaracer* line was completely revisited. The *Titan* and *Green Dial* limited editions of the *Monaco* watch were very successful. TAG Heuer successfully launched a *Super Mario* limited edition of its smartwatch for gaming enthusiasts. Naomi Osaka and Tommy Fleetwood joined the Maison's team of brand ambassadors as it opened its first store in California and continued to develop its online sales.

Hublot's growth was driven by strong momentum in China and the United States, particularly at its directly operated stores. Continuing to invest in its retail network, the Maison accentuated its selective development and resumed direct control of its distribution in Spain and Portugal. Several new products bolstered the success of its flagship lines, including the *Classic Fusion Takashi Murakami*, the *Big Bang DJ Snake*, backed by a global event, and the *Big Bang E UEFA Euro 2020* smartwatch. Novak Djokovic joined the Hublot family as a brand ambassador.

Zenith benefited from the launch of *Chronomaster Sport*, which won the Chronograph watch prize at the Geneva Watchmaking Grand Prix, and *Defy Extreme*. The Maison significantly raised its profile in China with the appointment of singer and actor Xiao Zhan as its new brand ambassador. It developed its network of directly operated stores, including the opening of a store offering unique experiences within its watch manufacturing facility and the expansion of its e-commerce presence.

Chaumet saw strong momentum. Highlights of the year included the launch of the *Torsade* high jewelry collection; the introduction of an exclusive diamond cut, the "Taille Impératrice" (empress cut); the "Joséphine et Napoléon" exhibition at the heart of the Maison's iconic 12 Vendôme address; two high jewelry events in Beijing and Tokyo; and the reopening of its flagship store on New Bond Street in London.

Fred launched the *Pretty Woman* fine jewelry and high jewelry collection, and created the *Winch* men's line to celebrate the 55th anniversary of the *Force 10*. The Soleil d'Or diamond returned to the Maison's collection. This remarkable yellow diamond of over 100 carats will be the centerpiece of Fred's first retrospective exhibition in 2022. It opened its first store in Dubai.

Outlook

With the arrival of Tiffany, the Watches and Jewelry group is now a leading global player. It will continue to drive its development by focusing on creativity, excellent craftsmanship and corporate social responsibility. In the short term, given the current volatility and contrasting levels of recovery in their various markets, the Maisons will continue to manage costs and remain highly selective in their investments. Innovation, the quality-driven development of distribution networks – directly operated stores in particular – and new digital inroads will drive momentum over the months to come. **Tiffany** will roll out its *Knot* collection worldwide following its success in the United States. At the end of 2022, the Maison will reopen its flagship store on 5th Avenue in New York, and will hold a major exhibition in London. **Bvlgari** will continue to add to its core collections, showcasing its exceptional expertise in high jewelry and high-end watchmaking while continuing to develop its digital presence. In preparation for future growth, a project to extend the Valenza watch manufacturing facility will be launched in 2022. Major exhibitions will be held by **Bvlgari**, **Chaumet** and **Fred**. **TAG Heuer** will develop its iconic lines and launch new high-end models inspired by its partnership with Porsche. **Hublot** will focus on its *Big Bang* flagship line in particular, and will unveil several original new designs.

5. Selective Retailing

In 2021, the Selective Retailing business group represented 18% of the Financière Agache group's total revenue.

5.1 Travel retail

Duty Free Shoppers (DFS), which joined the Group 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 45% of its revenue. The 23 DFS *Gallerias*, 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, and the opening in June 2021 of La Samaritaine in Paris. 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 Group (including Louis Vuitton, Hermès, Bvlgari, Tiffany, Christian Dior Couture, Chanel, Prada, Fendi and Celine).

While continuing with the development of its *Gallerias*, 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 around ten international airport sites in the Asia-Pacific, the United States, Japan and Abu Dhabi.

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, 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 the Group 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 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.

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.

5.3 Competitive position

Following the recent round of market consolidation, DFS is the sixth-largest travel retail operator (according to an Exane study based on data as of end-2019). 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) grew by 10% in 2021 compared with 2020 (data source: NPD to end-December), the market share of Sephora remained stable. 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 2021 and outlook for 2022

	2021	2020	2019
Revenue *(EUR millions)*	**11,754**	**10,155**	**14,791**
Revenue by geographic region of delivery *(%)*			
France	12	13	11
Europe (excl. France)	9	9	9
United States	39	35	37
Japan	-	1	2
Asia (excl. Japan)	24	27	27
Other markets	16	15	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**534**	**(203)**	**1,395**
Operating margin *(%)*	**4.5**	**(2.0)**	**9.4**

Highlights

In a business environment disrupted by the consequences of the public health crisis, the Maisons continued to adapt to the situation and enrich their digital content to drive online sales and stay connected with customers. The gradual reopening of stores went smoothly, with the top priority being the health and safety of customers and staff, while constantly striving to offer the best shopping experience across all channels.

Building on its expanded geographic presence and its pursuit of excellence in its omnichannel strategy, **Sephora** was highly resilient and delivered another strong performance thanks to the upturn in activity at its stores and the continued momentum of its online sales. Despite the pandemic-related closures for part of the year, the expansion of its store network continued, especially in China and the United States, particularly following the large-scale partnership with US distributor Kohl's. The Maison continued to develop its digital offering with a series of new initiatives, including a long-term strategic partnership with the Zalando platform for the creation of a "prestige beauty" selection, launched in Germany in the second half of the year; the acquisition of Feelunique, one of the leading players in the online selective beauty segment in the United Kingdom; a series of new transnational e-commerce initiatives to serve various countries in Asia; ramping up its own websites, resulting in record online sales; and developing innovative services to ensure a smooth omnichannel purchasing experience for customers, such as same-day delivery, which has been successfully rolled out in the United States. This strategy helped dynamize its key brands and categories, particularly skincare, fragrances and haircare, while makeup showed encouraging signs of recovery. The Maison continued to serve as an incubator, launching exclusive brands and products, particularly in the area of "green" cosmetics, which resonates strongly with its customers' aspirations. Sephora stepped up its commitment to diversity and inclusion by joining the Valuable 500, a global movement to speed the inclusion of people with disabilities in the workplace. The Maison also launched highly innovative campaigns to celebrate black beauty in North America and expanded its selection of brands founded by people of color, in line with the commitment undertaken in 2020. Thanks to its relentless drive for innovation and highly motivated staff, Sephora returned to its pre-pandemic sales levels and was listed in the prestigious Interbrand Best Global Brands 2021 ranking.

The public health crisis continued to impact **DFS**' business due to the very limited recovery in international travel, travel restrictions in China and quarantine measures implemented in Hong Kong. In response to the Chinese government's efforts to transform Hainan into a free trade port by 2025, DFS, in partnership with Shenzhen Duty Free Group, opened its first downtown store in the port city of Haikou. Thanks to growing demand from local customers, the seven *T Gallerias* in Macao turned in a good performance, while DFS launched its operations in Hainan. The highly anticipated opening of La Samaritaine Paris Pont-Neuf took place in June following an ambitious renovation project and saw a promising number of visitors. After a one-year hiatus, the "Masters of Time" event showcasing a prestigious collection of watches and jewelry returned to Macao for its 12th edition. DFS accelerated its omnichannel transformation through an innovative "Travel E-Tail" program for its customers and brand partners. The Maison continued to focus on employee well-being by implementing health programs and adapting working hours, and supported its local communities through volunteer activities aimed at helping the most vulnerable individuals and those most affected by the pandemic.

Starboard Cruise Services resumed operations at the end of the year on part of its fleet of vessels with an occupancy of about half their capacity. The Maison focused on the new opportunities offered by the digital channel, and tailoring the products and services it offers depending on the cruise line.

Le Bon Marché experienced an unusual year marked by a long period of closure from January 31 to May 19, during which digital communication and mail-order sales helped it stay connected with customers. As soon as it reopened, the department store saw the return in force of its particularly loyal French clientele. The year's highlights included Prune Nourry's "L'Amazone Erogène" exhibition and the "Porte-Bonheurs" exhibition, featuring works by Thebe Magugu, to support the Dessine l'Espoir (Designing Hope) humanitarian nonprofit. Momentum was spurred by the development of new concepts, such as a holistic beauty initiative with Holidermie, and the opening of new spaces, in particular for Tiffany. Both of La Grande Épicerie de Paris' sites continued to perform well. The 24S digital platform recorded strong growth, particularly in Asia and North America, driven by the unique character of its selection and its Parisian positioning. The year featured the rollout of the "marketplace" model, a strategic driver for acceleration.

Outlook

In 2022, **Sephora** will continue to innovate, ramp up its digitalization efforts and develop its omnichannel strategy to gain new market share in key countries, with the priority placed on North America and China. In the United States, the implementation of its partnership with Kohl's will help amplify its success with an expanded presence and a closer connection to American customers. The Maison will continue investing to sustain its strong momentum in other strategic markets such as the Middle East and Canada, as well as to expand its retail network in major cities and scale up its digital strategy. In 2022, **DFS**' priority will be placed on tourism at its key destinations: Hainan, Macao and potentially Hong Kong in the second half of the fiscal year. Partial air traffic recovery forecasts – which are more favorable, with the exception of China – will be closely monitored to ensure that reopenings are in line with local authorities' requirements and the return of travelers. Highlights planned for 2022 include the second phase of the Mission Hills site opening in Hainan and the inauguration of a *T Galleria* in Queenstown, New Zealand, while preparing for the 2023 opening of the Brisbane location in Australia. **Le Bon Marché** will continue to capitalize on its unique profile as a trend-setting department store and cultural venue. In January, the "Su" exhibition by artist Mehmet Ali Uysal will invite viewers to reflect on climate issues. The beginning of the year will also see the launch of a digital platform for services and experiences, building on Le Bon Marché's strengths and underscoring its privileged position as an integral part of the Parisian scene.

6. Other activities

Les Echos group

The Financière Agache group 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*, *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. Following a large-scale program to renovate and restore 70,000 square meters in space to the latest environmental standards, La Samaritaine reopened to shoppers in June 2021. With diversity at the heart of the redesign, the buildings now house an 80-crib daycare facility, plus 96 social housing units (operated by Paris Habitat). Designed and operated by DFS, the Samaritaine Pont-Neuf department store in Paris is guided by a bold vision: to create a rich blend of experiences and wonder, authenticity and modernity. In another of La Samaritaine's projects, Cheval Blanc Paris, the Maison's first urban hotel, welcomed its first guests in September 2021.

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 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. In 2021, Cheval Blanc opened its new luxury hotel in Paris at the La Samaritaine site.

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. The Group 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 Financière Agache group

3. Business and financial review

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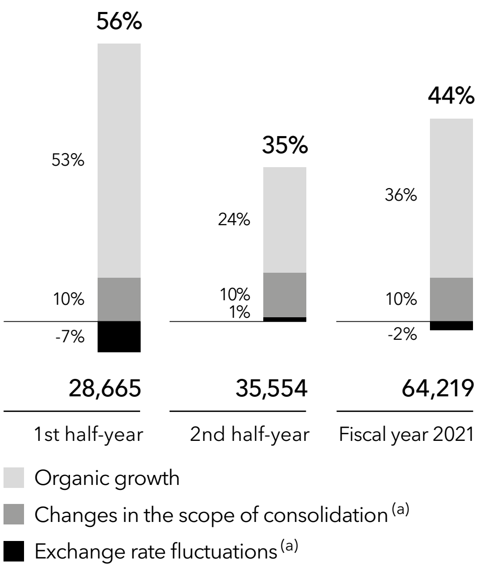
1. Comments on the consolidated income statement

1.1 Breakdown of revenue

Change in revenue per half-year period

(EUR millions and as %)



(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 33.

Fiscal year 2021 confirmed the return to growth in business activity begun in the second half of 2020, after the first half of 2020 saw the Group's operations severely disrupted by the Covid-19 pandemic and the measures taken by various governments, significantly affecting the financial statements.

Revenue for the 2021 fiscal year was 64,219 million euros, up 44% from the previous fiscal year, which had been very hard hit by the impact of the Covid-19 pandemic. It was adversely affected by 2 points as a result of many of the Group's invoicing currencies weakening on average against the euro, in particular the US dollar.

The following changes to the Group's consolidation scope took place after January 1, 2020: in the Watches and Jewelry business group, the consolidation of Tiffany in January 2021; in the Wines and Spirits business group, the consolidation of Armand de Brignac as of May 28, 2021; in the Fashion and Leather Goods business group, the consolidation of Off-White in June 2021; these changes in the scope of consolidation contributed 10 points to the fiscal year revenue growth.

On a constant consolidation scope and currency basis, revenue increased by 36%.

Compared with 2019, revenue was up by 20% based on published figures. The impact of changes in scope arising from the consolidation of Tiffany, Belmond and Château d'Esclans contributed 9 points to growth, and was partially offset by a negative 3-point exchange rate impact. On a constant consolidation scope and currency basis, revenue increased by 14%.

Revenue by invoicing currency

(as %)	2021	2020	2019
Euro	17	19	22
US dollar	28	27	29
Japanese yen	7	7	7
Hong Kong dollar	3	4	5
Other currencies	45	43	37
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed appreciably with respect to the previous fiscal year: the contributions of the euro and the Hong Kong dollar fell by 2 points and 1 point, respectively, to 17% and 3%, while those of the US dollar and "Other currencies" rose by 1 point and 2 points, respectively, to 28% and 45%. The contribution of the Japanese yen remained stable at 7%.

Revenue by geographic region of delivery

(as %)	2021	2020	2019
France	6	8	9
Europe (excl. France)	15	16	19
United States	26	24	24
Japan	7	7	7
Asia (excl. Japan)	35	34	30
Other markets	11	11	11
Total	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of Europe (excluding France) to Group revenue fell from 16% to 15%, while that of France fell from 8% to 6%, due to the significant reduction in tourist travel to these regions and the partial lockdowns in the first half of the year. The relative contributions of Japan and "Other markets" remained stable at 7% and 11%, respectively, while those of the United States and Asia (excluding Japan) were boosted by the carryover of consumer demand among their local clientele who canceled their travel plans, with the contributions of these regions growing by 2 points and 1 point, respectively, to 26% and 35%.

Revenue by business group

(EUR millions)	2021	2020	2019
Wines and Spirits	5,974	4,755	5,576
Fashion and Leather Goods	30,896	21,207	22,237
Perfumes and Cosmetics	6,608	5,248	6,835
Watches and Jewelry	8,964	3,356	4,405
Selective Retailing	11,754	10,155	14,791
Other activities and eliminations	23	(70)	(173)
Total	**64,219**	**44,651**	**53,671**

By business group, the breakdown of Group revenue changed appreciably. The contributions of Watches and Jewelry, and Fashion and Leather Goods increased by 6 points (following the consolidation of Tiffany) and 1 point, respectively, to 14% and 48%, while the contribution of Selective Retailing fell by 4 points to 18%, and those of Perfumes and Cosmetics, and Wines and Spirits decreased by 1 point each to 10% and 9%, respectively.

Revenue for Wines and Spirits increased by 26% based on published figures. Affected by a negative 2-point exchange rate impact, which was fully offset by the impact of changes in scope arising from the consolidation of Armand de Brignac, revenue for this business group was up 26% on a constant consolidation scope and currency basis. Champagnes and wines were up 32% both based on published figures and on a constant consolidation scope and currency basis. Cognac and spirits were up 21% based on published figures and 22% on a constant consolidation scope and currency basis. This performance was largely driven by an increase in sales volumes. Demand was very strong in Europe and in Asia, particularly China, the first market to have been hit by the pandemic and which saw a solid recovery.

Revenue for Fashion and Leather Goods grew by 47% in terms of organic growth and 46% based on published figures. The United States and Asia delivered an excellent performance, followed by Europe and Japan with more limited growth; Louis Vuitton and Christian Dior Couture turned in an exceptional performance.

Revenue for Perfumes and Cosmetics increased by 27% in terms of organic growth and by 26% based on published figures. All the brands showed a solid recovery and delivered a strong performance. The United States was the region where revenue increased the most.

Revenue for Watches and Jewelry increased by 40% in terms of organic growth. The positive impact of changes in scope arising from the consolidation of Tiffany, partially offset by the negative 2-point exchange rate impact, enabled the business group to multiply its revenue by 2.7 based on published figures. All the business group's brands showed excellent performance. Asia (excluding Japan) and the United States were the best-performing regions.

Revenue for Selective Retailing increased by 18% on a constant consolidation scope and currency basis, and by 16% based on published figures. Asia and Japan remained the regions most heavily affected by the lack of recovery in international travel and the partial closure of the store network in certain regions.

1.2 Profit from recurring operations

(EUR millions)	2021	2020	2019
Revenue	64,219	44,651	53,671
Cost of sales	(20,359)	(15,871)	(18,126)
Gross margin	43,860	28,780	35,545
Marketing and selling expenses	(22,306)	(16,790)	(20,206)
General and administrative expenses	(4,454)	(3,653)	(3,880)
Income/(loss) from joint ventures and associates	13	(42)	28
Profit from recurring operations	**17,113**	**8,294**	**11,487**
Current operating margin *(%)*	**26.6**	**18.6**	**21.4**

The Group's gross margin came to 43,860 million euros, up 52% compared to the previous fiscal year; as a percentage of revenue, the gross margin was 68%, up 4 points.

Marketing and selling expenses totaled 22,306 million euros, up 33% based on published figures and up 25% on a constant consolidation scope and currency basis compared to the previous fiscal year, while revenue grew by 44%. The level of these expenses expressed as a percentage of revenue came to 35%, down 3 points from the previous fiscal year.

This increase in marketing and selling expenses was mainly due to higher communications investments as well as the development of retail networks. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, increasing by 42% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2021 [(a)]	2020	2019
France	522	512	535
Europe (excl. France)	1,203	1,175	1,177
United States	1,014	866	829
Japan	477	428	427
Asia (excl. Japan)	1,746	1,514	1,453
Other markets	594	508	494
Total	**5,556**	**5,003**	**4,915**

(a) Of which 334 stores for Tiffany.

General and administrative expenses totaled 4,454 million euros, up 22% based on published figures and up 10% on a constant consolidation scope and currency basis. They amounted to 7% of revenue.

Profit from recurring operations by business group

(EUR millions)	2021	2020	2019
Wines and Spirits	1,863	1,388	1,729
Fashion and Leather Goods	12,842	7,188	7,344
Perfumes and Cosmetics	684	80	683
Watches and Jewelry	1,679	302	736
Selective Retailing	534	(203)	1,395
Other activities and eliminations	(489)	(461)	(400)
Total	**17,113**	**8,294**	**11,487**

The Group's profit from recurring operations was 17,113 million euros, more than twice as high as in the fiscal year ended December 31, 2020. The Group's current operating margin as a percentage of revenue was 26.6%, up 8.1 points with respect to fiscal year 2020, and up 5.2 points with respect to fiscal year 2019.

The overall impact of exchange rate fluctuations on profit from recurring operations compared to the previous fiscal year was nil. This total comprises the following three items: (i) the impact of exchange rate fluctuations on export and import sales and purchases by Group companies; (ii) the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies; and (iii) the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

Wines and Spirits

	2021	2020	2019
Revenue *(EUR millions)*	5,974	4,755	5,576
Profit from recurring operations *(EUR millions)*	1,863	1,388	1,729
Current operating margin *(%)*	31.2	29.2	31.0

Profit from recurring operations for Wines and Spirits was 1,863 million euros, up 34% relative to December 31, 2020. Champagne and wines contributed 762 million euros, while cognacs and spirits accounted for 1,101 million euros. The business group's current operating margin as a percentage of revenue grew by 2 points to 31.2%.

Fashion and Leather Goods

	2021	2020	2019
Revenue *(EUR millions)*	30,896	21,207	22,237
Profit from recurring operations *(EUR millions)*	12,842	7,188	7,344
Current operating margin *(%)*	41.6	33.9	33.0

Fashion and Leather Goods posted profit from recurring operations of 12,842 million euros, up 79% compared with the fiscal year ended December 31, 2020. Amid the recovery following the emergence of the Covid-19 pandemic, Louis Vuitton and Christian Dior Couture continued to increase their profitability, which was already at an exceptional level. All the brands showed improved operating profit despite the impact of partial store closures in certain regions. The business group's current operating margin as a percentage of revenue grew by 8 points to 41.6%.

Perfumes and Cosmetics

	2021	2020	2019
Revenue *(EUR millions)*	6,608	5,248	6,835
Profit from recurring operations *(EUR millions)*	684	80	683
Current operating margin *(%)*	10.4	1.5	10.0

Profit from recurring operations for Perfumes and Cosmetics was 684 million euros, compared with 80 million euros in the fiscal year ended December 31, 2020. Special attention paid to the management of operating costs enabled the business group to improve its current operating margin as a percentage of revenue by 9 points to 10.4%.

Watches and Jewelry

	2021	2020	2019
Revenue *(EUR millions)*	8,964	3,356	4,405
Profit from recurring operations *(EUR millions)*	1,679	302	736
Current operating margin *(%)*	18.7	9.0	16.7

Profit from recurring operations for Watches and Jewelry was 1,679 million euros, compared with 302 million euros in 2020. This substantial increase includes the 778 million euro positive impact of the consolidation of Tiffany, as well as the very strong performance of certain brands. The current operating margin as a percentage of revenue for the Watches and Jewelry business group rose by 10 points to 18.7%.

Selective Retailing

	2021	2020	2019
Revenue *(EUR millions)*	11,754	10,155	14,791
Profit from recurring operations *(EUR millions)*	534	(203)	1,395
Current operating margin *(%)*	4.5	(2.0)	9.4

Profit from recurring operations for Selective Retailing was 534 million euros, compared with a loss of 203 million euros in 2020. The business group's current operating margin as a percentage of revenue improved by 6.5 points to 4.5%.

Other activities

The loss from recurring operations of "Other activities and eliminations" remained almost stable with respect to 2020, totaling 489 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.

1.3 Other income statement items

(EUR millions)	2021	2020	2019
Profit from recurring operations	17,113	8,294	11,487
Other operating income and expenses	6	(332)	(231)
Operating profit	17,119	7,963	11,255
Net financial income/(expense)	51	(610)	(615)
Income taxes	(4,558)	(2,400)	(2,966)
Net profit before minority interests	**12,612**	**4,953**	**7,674**
Minority interests	(7,706)	(3,040)	(4,888)
Net profit, Group share	**4,906**	**1,913**	**2,786**

"Other operating income and expenses" amounted to net income of 6 million euros, compared with a net expense of 332 million euros in 2020. As of December 31, 2021, "Other operating income and expenses" included 119 million euros in income arising from the remeasurement of shares acquired prior to their initial consolidation; 11 million in net gains on disposals; 89 million euros in depreciation, amortization and impairment charges for brands, goodwill and real estate assets; and 18 million euros in transaction costs relating to the acquisition of consolidated companies.

The Group's operating profit was 17,119 million euros, more than double what it was in 2020.

"Net financial income/(expense)" amounted to net income of 51 million euros as of December 31, 2021, compared with a net expense of 610 million euros for fiscal year 2020. This item comprised the following:

- the aggregate cost of net financial debt, which amounted to net income of 37 million euros, versus a cost of 59 million euros for fiscal year 2020, representing an improvement of 96 million euros;
- interest on lease liabilities recognized under IFRS 16, which amounted to an expense of 242 million euros, compared with an expense of 281 million euros a year earlier;
- income from financial joint ventures and associates, which amounted to 12 million euros, compared with 7 million euros in 2020;
- other financial income and expenses, which amounted to net income of 244 million euros, compared to a net expense of 287 million euros in 2020. Included in this amount was the expense related to the cost of foreign exchange derivatives, 212 million euros, versus an expense of 255 million euros a year earlier. Moreover, fair value adjustments of available for sale financial assets amounted to net income of 500 million euros, compared to a net expense of 3 million euros for 2020.

The Group's effective tax rate was 26.6% in 2021, compared with 32.7% in 2020 and 28.0% in 2019. Aside from exceptional, non-recurring items in 2020 related to the Covid-19 pandemic, in fiscal year 2021 the Group recorded positive non-recurring effects related to changes in deferred tax, mainly in connection with the LVMH group's application of specific tax measures in Italy. An Italian law made it possible to revalue fixed assets at the company's discretion in exchange for the payment of a 3% tax on the revalued amount for certain assets, and without any tax due for hotel-sector assets; the deferred tax liabilities historically recognized in connection with these revalued assets were taken to the income statement.

Profit attributable to minority interests was 7,706 million euros, compared with 3,040 million euros in 2020. Minority interests are essentially composed of LVMH SE shareholders excluding Financière Agache's controlling interest, i.e. shareholders owning 55% of LVMH SE as of December 31, 2021; Christian Dior SE shareholders (4% as of December 31, 2021) other than Financière Agache, the controlling shareholder; and minority interests in Moët Hennessy and DFS. See Note 2 to the consolidated financial statements.

The Group's share of net profit was 4,906 million euros, compared with 1,913 million euros in 2020. The Group's share of net profit in fiscal year 2021 was 2.6 times higher than in fiscal year 2020.

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 by deducting from revenue for the fiscal year:
- for the fiscal year's acquisitions, revenue generated during that fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year's acquisitions, revenue generated over the months during which the acquired entities were not consolidated in the prior fiscal year;

and by adding:
- for the fiscal year's disposals, prior fiscal year revenue generated over the months during which the divested entities were no longer consolidated in the fiscal year;
- for the prior fiscal year's disposals, 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)	2021	2020	Change
Intangible assets	48,245	30,843	17,402
Property, plant and equipment	19,582	17,626	1,956
Right-of-use assets	13,699	12,515	1,184
Other non-current assets	9,634	8,189	1,445
Non-current assets	**91,160**	**69,173**	**21,987**
Inventories	16,837	13,255	3,582
Cash and cash equivalents	8,348	20,468	(12,120)
Other current assets	12,522	8,112	4,410
Current assets	**37,707**	**41,835**	**(4,128)**
Assets	**128,867**	**111,009**	**17,858**

(EUR millions)	2021	2020	Change
Equity	49,333	38,540	10,793
Long-term borrowings	13,492	15,820	(2,328)
Non-current lease liabilities	11,887	10,665	1,222
Other non-current liabilities	24,284	19,429	4,853
Non-current liabilities and equity	**98,995**	**84,454**	**14,541**
Short-term borrowings	9,915	11,870	(1,955)
Current lease liabilities	2,387	2,163	224
Other current liabilities	17,570	12,523	5,047
Current liabilities	**29,872**	**26,556**	**3,316**
Liabilities and equity	**128,867**	**111,009**	**17,858**

The Financière Agache group's consolidated balance sheet totaled 128.9 billion euros as of December 31, 2021, up 17.9 billion euros from December 31, 2020.

Intangible assets totaled 48.2 billion euros, up 17.4 billion euros from year-end 2020, with 9.9 billion euros of this increase arising from goodwill and 7.5 billion euros from brands and other intangible assets. This mainly resulted from Tiffany joining the scope of consolidation, as the acquisition was finalized in early January 2021. It also included the positive 2.5 billion euro impact on goodwill of the revaluation of purchase commitments for minority interests and the positive 1.4 billion euro impact of exchange rate fluctuations on the intangible assets of entities outside the eurozone.

Property, plant and equipment were also up 2.0 billion euros and totaled 19.6 billion euros as of the fiscal year-end. Of this increase, 1.0 billion euros was attributable to acquisitions during the fiscal year, first and foremost Tiffany. It also included the impact of investments for 2021, net of depreciation charges, which amounted to 0.7 billion euros (the comments on the cash flow statement provide further information on investments), as well as the positive 0.5 billion euro impact of exchange rate fluctuations.

Right-of-use assets totaled 13.7 billion euros, up 1.2 billion euros from 12.5 billion euros as of year-end 2020, including 0.9 billion euros arising from Tiffany entering the scope of consolidation. Exchange rate fluctuations generated an additional increase of 0.6 billion euros. Conversely, changes in valuation assumptions led to a decrease of 0.2 billion euros. The impact of lease renewals was fully offset by depreciation for the fiscal year. Store leases represented the majority of right-of-use assets, for a total of 10.6 billion euros.

Other non-current assets increased by 1.4 billion euros, amounting to 9.6 billion euros, following the 0.8 billion euro increase in deferred tax assets and the 2.1 billion euro increase in non-current available for sale financial assets. "Investments in joint ventures and associates" and "Other non-current assets" decreased by 1.5 billion euros, primarily as a result of the merger by absorption by Financière Agache SA of Belgian company Le Peigné SA, previously accounted for using the equity method. See Note 2 to the consolidated financial statements.

Inventories were up 3.6 billion euros, of which 1.8 billion euros resulted from the integration of Tiffany's inventories, and 1.6 billion euros resulted from increased business activity during the fiscal year. This increase was offset by the 0.4 billion euro charge to provisions for impairment, net of reversals. See also the "Comments on the consolidated cash flow statement" section.

Excluding inventories, current assets decreased by 7.7 billion euros, largely due to the 12.1 billion euro decrease in cash and cash equivalents, primarily related to the payment of the purchase price for Tiffany, which took place on January 7. It also included the 0.7 billion euro decrease in derivatives, due in particular to financial instruments related to the convertible bonds issued in 2016 (which were fully redeemed during the year) reaching maturity, as well as exchange rate fluctuations. Conversely, current available for sale financial assets increased by 2.8 billion euros, due to acquisitions completed in 2021 and the increase in market values, and trade accounts receivable and other operating receivables increased by 2.3 billion euros, in connection with the increase in business activity.

Lease liabilities arising from the application of IFRS 16 were up 1.4 billion euros, including 0.9 billion euros attributable to the acquisition of Tiffany and 0.6 billion euros related to exchange rate fluctuations.

Other non-current liabilities totaled 24.3 billion euros, up 4.9 billion euros from 19.4 billion euros as of year-end 2020. Of this increase, 2.7 billion euros resulted from the increase in the liability in respect of purchase commitments for minority interests' shares, which amounted to 13.7 billion euros, following changes in the metrics used to measure these commitments. Another 1.7 billion euros arose from the increase in deferred tax liabilities related to the acquisition of Tiffany, the 0.3 billion euro increase in deferred tax liabilities related to available for sale financial assets, and the 0.5 billion euro increase in provisions, mainly related to the integration of Tiffany's retirement benefit obligations. These increases were partially offset by the decrease arising from LVMH's application of specific tax measures in Italy enabling it to revalue fixed assets.

Lastly, other current liabilities increased by 5.0 billion euros, amounting to 17.6 billion euros. Operating liabilities increased by 5.3 billion euros, of which 2.0 billion euros was attributable to trade accounts payable and 1.1 billion euros to tax and social security liabilities. Conversely, derivatives decreased by 0.4 billion euros, mainly due to the remaining financial instruments related to the convertible bonds issued in 2016 reaching maturity.

Net financial debt and equity

(EUR millions or as %)	2021	2020	Change
Long-term borrowings	13,492	15,820	(2,328)
Short-term borrowings and derivatives	9,846	12,119	(2,273)
Gross borrowings after derivatives	**23,338**	**27,939**	**(4,601)**
Cash, cash equivalents and current available for sale financial assets	(12,981)	(22,288)	9,307
Net financial debt	**10,357**	**5,651**	**4,706**
Total equity (Group share and minority interests)	**49,333**	**38,540**	**+10,793**
Net financial debt/Total equity ratio	**21.0%**	**14.7%**	**+6.3 pts**

Total equity (including minority interests) amounted to 49.3 billion euros as of year-end 2021, up 10.8 billion euros, compared with 38.5 billion euros as of year-end 2020. Net profit for the fiscal year, after the distribution of dividends, contributed 9.9 billion euros to this increase. Net gains recognized in equity contributed another 4.6 billion euros, mainly resulting from (i) the 2.2 billion euro impact of exchange rate fluctuations and (ii) the 2.2 billion euro impact of the increase in market values of available for sale financial assets.

As of December 31, 2021, the ratio of net financial debt to total equity (including minority interests) amounted to 21%, compared with 14.7% as of year-end 2020, up 6.3 points, largely due to the payment of the purchase price for Tiffany in early January 2021.

Gross borrowings after derivatives totaled 23.3 billion euros as of year-end 2021, down 4.6 billion euros compared with year-end 2020 despite the integration of Tiffany's liabilities in the amount of 1.2 billion euros. This decrease resulted from the repayment of the 0.35 billion euro bond issued by Christian Dior in 2016. This decrease followed the redemption of the remaining cash-settled convertible bonds issued by LVMH in 2016, of the 0.3 billion euro bond issued in 2019, and of the 0.7 billion euro bond issued in 2014. The outstanding portion of the short-term negotiable debt securities programs (NEU CP, euro- and US dollar-denominated commercial paper) also decreased, by 4.2 billion euros.

Cash, cash equivalents, and current available for sale financial assets totaled 13.0 billion euros as of year-end 2021, down 9.3 billion euros from 22.3 billion euros as of year-end 2020. Net financial debt thus increased by 4.7 billion euros during the year, after taking into account the payment during the fiscal year, net of cash acquired, of 12.5 billion euros for the acquisition of Tiffany.

As of year-end 2021, the Group's undrawn confirmed credit lines amounted to 16.1 billion euros. This amount exceeded the outstanding portion of its short-term negotiable debt securities programs, which came to 5.1 billion euros as of year-end 2021.

3. Comments on the consolidated cash flow statement

(EUR millions)	2021	2020	Change
Cash from operations before changes in working capital	**22,598**	**13,979**	**8,619**
Cost of net financial debt: interest paid/(received)	60	(83)	143
Lease liabilities: interest paid	(231)	(290)	59
Tax paid	(4,229)	(2,414)	(1,815)
Change in working capital	377	(413)	790
Net cash from operating activities	**18,576**	**10,779**	**7,797**
Operating investments	(2,651)	(2,477)	(174)
Repayment of lease liabilities	(2,453)	(2,302)	(151)
Operating free cash flow[(1)]	**13,472**	**6,000**	**7,472**
Financial investments and purchase and sale of consolidated investments	(13,555)	(1,050)	(12,505)
Equity-related transactions	(4,031)	(2,164)	(1,867)
Change in cash before financing activities	**(4,114)**	**2,786**	**(6,900)**

Cash from operations before changes in working capital totaled 22,598 million euros, up 8,619 million euros from 13,979 million euros a year earlier, mainly due to the increase in operating profit.

After tax paid, positive financial income relating to net financial debt taken into account, and interest paid on lease liabilities and the change in working capital, net cash from operating activities amounted to 18,576 million euros, up 7,797 million euros from 2020.

Interest paid on net financial debt amounted to a net cash inflow of 60 million euros, compared to an outflow of 83 million euros a year earlier, despite the increase in average net financial debt. The Group benefited from the negative interest rate environment on euro-denominated short-term debt during the year.

Tax paid came to 4,229 million euros, 1,815 million euros more than the 2,414 million euros paid in 2020, in connection with the increase in business activity and profit.

The change in working capital (a positive change of 377 million euros) improved by 790 million euros from fiscal year 2020, during which the change in working capital generated a requirement of 413 million euros. This positive change in 2021 primarily arose from the financing provided by the 2,579 million euro increase in operating payables (including 1,577 million euros in trade accounts payable), which more than covered the requirement generated by the increase in inventories (1,616 million euros) and the increase in trade accounts receivable (586 million euros). The Fashion and Leather Goods, and Watches and Jewelry business groups were the main drivers of these increases. All of these changes arose from the surge in business activity.

Operating investments net of disposals resulted in an outflow of 2,651 million euros in 2021, up slightly (174 million euros) relative to the outflow of 2,477 million euros in 2020. Purchases of property, plant and equipment mainly include investments by the Group's brands – notably Louis Vuitton, Christian Dior, Sephora and Tiffany – in their retail networks. They also included investments by the champagne houses, Hennessy and Louis Vuitton in their production equipment, as well as investments relating to the Group's hotel activities, net of the sale of an asset in the United States.

Repayment of lease liabilities totaled 2,453 million euros in 2021, close to the 2,302 million euros recorded in 2020.

In 2021, "Operating free cash flow" [(1)] amounted to a net inflow of 13,472 million euros, a substantial increase of 7,472 million euros relative to 2020, following the surge in cash from operations before changes in working capital.

During the year, financial investments accounted for an outflow of 13,555 million euros, the predominant share of which related to the acquisition of Tiffany.

(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.

Equity-related transactions generated an outflow of 4,031 million euros. This amount included interim and final dividends paid, of which 200 million euros in cash dividends paid during the fiscal year by Financière Agache SA and 2,474 million euros in dividends paid to minority shareholders in consolidated subsidiaries (essentially the shareholders of LVMH SE, excluding Financière Agache's controlling interest; and minority interests in Christian Dior and Diageo as a result of its 34% stake in Moët Hennessy); as well as 226 million euros in tax related to dividends paid. Net cash used in purchases of minority interests' shares came to 1,137 million euros.

The financing requirement after all transactions relating to operating activities, investing activities and equity-related transactions thus totaled 4,114 million euros. After 6,089 million euros in net repayments of borrowings, a net outflow of 943 million euros in receivables from and payables to affiliated companies, a net requirement of 1,520 million euros generated by current available for sale financial assets, and the positive 498 million euro impact of exchange rate fluctuations on cash balances, the period-end cash balance was down 12,168 million euros compared to year-end 2020. It totaled 8,144 million euros as of the fiscal year-end, a level that included the impact of the acquisition of Tiffany, which took place on January 7, 2021 for the amount of 16.1 billion US dollars, equating to 13.1 billion euros.

4. Financial policy

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

- preserving the Group's financial structure and flexibility, as evidenced by the following key indicators:
  - a significant reserve of undrawn confirmed credit lines totaling 16.1 billion euros,
  - the Group's access to liquidity under NEU CP, euro- and US dollar-denominated commercial paper programs, which benefit from extremely favorable rates and spreads, as well as its ability to tap the bond markets on a regular basis for medium/long-term maturities, with issue spreads that narrowed overall during the year, despite volatility spikes in the second half as concerns mounted about Covid-19 variants,
  - total equity before appropriation of profit was on the rise, totaling 49.3 billion euros as of year-end 2021, versus 38.5 billion euros a year earlier;
- protecting the Group's assets:
  - maintaining a high amount 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 insofar as possible 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;
- a dynamic dividend policy for shareholders, enabling them to share in the 2021 results:
  - an interim dividend for 2021 of 62 euros per share was paid out for 3,225,043 shares on December 22, 2021,
  - a final dividend of 146 euros per share in respect of fiscal year 2021, subject to approval at the Shareholders' Meeting, will potentially be paid out for 3,358,449 shares on April 29, 2022,
  - the distribution to shareholders of Financière Agache SA in respect of 2021 will thus total 0.7 billion euros, before the impact of treasury shares.

Net debt came to 10.4 billion euros as of year-end 2021, as against 5.7 billion euros a year earlier. The increase in net debt was kept down to 4.7 billion euros thanks to a high level of free cash flow in 2021. Thanks to this solid financial performance, LVMH maintained its credit quality ratings (A1/P1 at Moody's and A+/A1 at Standard & Poor's, with a stable outlook in both cases).

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:

Communication and promotion expenses:	2021	2020	2019
– in millions of euros	7,291	4,869	6,265
– as % of revenue	11	11	12

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.

5.2 Research and development costs

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

(EUR millions)	2021	2020	2019
Research and development costs	147	139	140

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

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:

Acquisitions of intangible assets and property, plant and equipment:	2021	2020	2019
– in millions of euros	3,071	2,526	3,287
– as % of cash from operations	14	18	20

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 2021, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total store network increasing from 5,003 to 5,556. This increase includes the integration of Tiffany's 334 stores.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2021 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:

(in hectares)	2021		2020	
	Total	*Of which: Under production*	Total	*Of which: Under production*
France				
Champagne appellation	1,836	*1,697*	1,872	*1,699*
Cognac appellation	187	*161*	187	*160*
Vineyards in Provence	166	*129*	163	*147*
Vineyards in Bordeaux	193	*156*	193	*160*
Vineyards in Burgundy	13	*13*	11	*11*
International				
California (United States)	444	*274*	452	*276*
Argentina	1,714	*916*	1,635	*923*
Australia, New Zealand	691	*626*	682	*612*
Brazil	198	*110*	198	*110*
Spain	119	*78*	119	*86*
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 and in Poland. The total surface area is approximately 1,055,000 square meters in France and 315,600 square meters abroad.

6.1.2 Fashion and Leather Goods

Louis Vuitton owns thirty 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 Alvarado, Texas). Overall, production facilities and warehouses owned by the Group represent approximately 224,200 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 at Radda 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 Couture owns four manufacturing workshops (three in Italy and one in Germany) and a warehouse in France. 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.

6.1.4 Watches and Jewelry

TAG Heuer has two workshops in Switzerland, one in Cornol and the other in Chevenez, 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.

Chaumet owns a near-2,900 sq.m jewelry workshop in Valenza (Italy).

Tiffany owns its production facilities in the United States, Cambodia, Vietnam, Mauritius and Botswana, as well as a warehouse in the United States. Overall, this property represents approximately 65,000 square meters.

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

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 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 nearly 15,000 square meters.

Christian Dior Couture owns certain buildings that house its stores in France, South Korea, Japan, England, Australia, Switzerland and Spain, for a total surface area of approximately 6,800 square meters.

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

6.2.2 Watches and Jewelry

Tiffany owns the premises of one of its stores in the United States.

6.2.3 Selective Retailing

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

La Samaritaine owns the store with around 30,500 square meters in space in Paris that is leased by DFS.

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

6.2.4 Other activities

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

Belmond owns twenty-eight hotels, eight of which are in Italy.

As of December 31, 2021, the Group's store network broke down as follows:

(number of stores)	2021	2020	2019
France	522	512	535
Europe (excl. France)	1,203	1,175	1,177
United States	1,014	866	829
Japan	477	428	427
Asia (excl. Japan)	1,746	1,514	1,453
Other markets	594	508	494
Total	**5,556**	**5,003**	**4,915**

(a) Of which 334 stores for Tiffany.

(number of stores)	2021	2020	2019
Fashion and Leather Goods	2,080	2,007	2,002
Perfumes and Cosmetics	469	434	426
Watches and Jewelry	836	471	457
Selective Retailing	2,150	2,072	2,011
Of which: Sephora	*2,100*	*2,021*	*1,957*
Other, including DFS	*50*	*51*	*54*
Other	21	19	19
Total	**5,556**	**5,003**	**4,915**

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 the LVMH 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 about 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.

7. Subsequent events

The Group is paying very close attention to the evolving situation in Ukraine and the surrounding area. Its primary concern has been to ensure the safety of its 150 employees in Ukraine and to provide them with all necessary financial and operational assistance. The Group has also announced the temporary closure of its stores in Russia, starting March 6, while continuing to pay its employees' wages and providing them with specific support. Assets held by the Group in Russia and Ukraine primarily relate to fixtures and fittings at stores (mainly Sephora) and right-of-use assets under store leases. These assets comprise non-material amounts with respect to the Group's total assets. The consequences of the conflict on the Group's business activities, in terms of the direct impact in the affected countries and the impact of sanctions imposed by the European Union on Russia and certain Russian nationals, as well as sanctions imposed by Russia in response, cannot be accurately assessed at this time but should be relatively contained, as Russia and Ukraine account for a limited proportion of the Group's operations.

Financière Agache SA informed the AMF that on March 16, 2022 it had individually exceeded the thresholds of 5% of the share capital and voting rights of LVMH SE, and that it individually held 5.53% of that company's share capital and 5.44% of its voting rights. These thresholds were crossed due to the contribution by Agache SE of 9,255,405 LVMH shares to Financière Agache SA.

No other significant subsequent events occurred between December 31, 2021 and April 5, 2022, the date at which the financial statements were approved for publication by the Board of Directors.

8. Recent developments and prospects

In 2022, 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 appeal and distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance between its different businesses and the geographic diversity of its customers, the Group enters 2022 with confidence and sets an objective of further developing its global leadership position in luxury goods.

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1. Background

Given the Group's structure and organization, the Group's policy with respect to ethics and responsibility is primarily led by LVMH and its Maisons, which cover all of the Group's operating activities.

The Group 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;
- demand for integrity in business, made effective by the implementation of procedures to prevent and detect breaches of probity in financial life;
- sensitivity to the use of personal data, a key issue in safeguarding the fundamental right to privacy.

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

2. Standards

The 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 Group, via LVMH, 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 LVMH signed up in 2003, as well as the Caring for Climate initiative;
- the Universal Declaration of Human Rights;
- OECD Guidelines;
- the International Labour Organization (ILO)'s Fundamental Conventions;
- the 17 Sustainable Development Goals drawn up and developed by the United Nations;
- the French Diversity Charter, signed by LVMH in 2007;
- the United Nations Women's Empowerment Principles, signed by LVMH 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;
- the International Labour Organization (ILO) Global Business and Disability Network Charter.

2.2 Internal standards

Codes of Conduct

The Codes of Conduct of Agache, the Group's holding company, and LVMH are designed to provide a common ethical foundation for the Group and its Maisons.

They outline the rules to be followed by all employees as they go about their work and are structured around 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 all of the governing bodies, they promote consistency and continuous improvement across the Group's various entities. They do not replace existing codes and charters within Maisons, but serve as a shared foundation and source of inspiration. Where appropriate, their policies are defined in greater detail by each Maison according to its business sector or location. Furthermore, locally applicable codes and charters are implemented where this is appropriate in light of local laws and regulations.

These Codes are widely disseminated across the Group. Supplementary tools have also been developed to help employees better understand and apply the principles set out in them, including an e-learning module and various communication materials developed by LVMH.

Supplier Codes of Conduct

The Agache and LVMH Supplier Codes of Conduct set out the Group's requirements for its partners in corporate social responsibility, human rights, the environment, the fight against corruption and, more broadly, high standards of business integrity.

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

These Codes specify 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 Codes of Conduct state that suppliers to the Group 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 Codes and any other relevant obligations.

They also give the Group the ability to verify compliance with these principles by its suppliers and subcontractors.

If the Supplier Codes of Conduct are violated by one of its suppliers – or by a supplier or subcontractor of one of its suppliers – the Group 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.

LVMH Environmental Charter

Adopted in 2001, the LVMH Environmental Charter is the founding document for the Group'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.

LVMH 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 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 2022.

LVMH Animal-Based Raw Materials Sourcing Charter

In 2019, the Group launched the LVMH 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.

LVMH Charter on Working Relations with Fashion Models

In 2017, LVMH 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. The site provides fashion models with best practice and advice from independent nutritionists and coaches.

LVMH Internal Competition Law Compliance Charter

In 2012, LVMH 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, the Group 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 LVMH Ethics & Compliance Intranet.

Health and Safety Charter

Signed by the LVMH group's Executive Committee in April 2021, the Health and Safety Charter serves as the basis for a comprehensive approach across all the Group's operations with the aim of developing a "zero accident" culture. The Group and its Maisons undertake to protect employee health and safety through five pillars of action: identify their priorities in order to structure their approach; draw up an action plan to be reviewed regularly; report on progress made using the approach, in particular by submitting frequency rate results to each Maison's Management Committee; engage every employee in the approach, notably by raising awareness about first aid measures; and maintain a virtuous culture by ensuring strong collaboration between the Group and the Maisons. Each commitment is associated with a target to be met by 2025. The charter will be covered by an annual reporting process.

3. Governance

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

LVMH's 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.

Agache's governing bodies verify the work performed by LVMH with respect to ethics and compliance, notably at presentations that are made to it by LVMH's Ethics & Compliance Director.

The LVMH Ethics & Compliance Department steers and coordinates procedures with regard to anti-corruption, personal data protection, respecting international sanctions, human rights and anti-money laundering. To ensure greater independence and visibility, in April 2021 it became part of LVMH's newly created "General Administration and Legal Affairs" Department, reporting directly to the Chairman and Chief Executive Officer.

It has its own budget and headcount and is also supported by the representatives of various LVMH departments so as to promote coordination on cross-functional projects led by it. An Ethics & Compliance Committee groups together the main centralized functions: finance, human resources, legal, audit and internal control, communications and IT systems security. Each function head contributes their expertise to support the work of the Ethics & Compliance Department. The Committee meets periodically and when necessary.

The Ethics & Compliance Department is supported by a network of over 80 officers within the Maisons. Appointed by the Presidents of each Maison, their role is to implement the Group's ethics and compliance standards within their Maison. They report on a regular basis to their Maison's governing body as well as to LVMH's Ethics & Compliance Director.

In addition, various communities have been set up to foster coordination between the Maisons and drive shared initiatives in the areas of ethics and environmental, social and societal responsibility, in particular:

- 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 360 program), environmental challenges and opportunities;
- Maison representatives in charge of purchasing, certain supply chains and supplier relations, who come together at the Responsible Purchasing Committee to review priority issues, launch new initiatives and share best practices within the Group;
- the network of Internal Control Officers led by LVMH's 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 LVMH'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, notably within the context of regulatory reforms.

A global risk analysis focused primarily on risks associated with the Group's supply chain was carried out by LVMH with the assistance of Verisk Maplecroft, an external service provider specialized in analyzing political, economic, social and environmental risks. In view of the economic climate in 2021, the Maisons continued to use the analysis resulting from the work carried out in 2020. A new general risk analysis exercise will be conducted in 2022 on the basis of figures for 2021.

The approach is based on an assessment comparing external assessments of risk levels by this external service provider with the quantitative information provided internally by a number of the Group's Maisons, especially the amount of purchases by category and supplier. This work has allowed the Group to categorize 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:

- Human rights: Decent pay and working hours, workplace discrimination, freedom of association and trade union membership, health and safety, forced labor, etc.
- Environment: Air quality, waste management, water stress, water quality, deforestation, climate change, risk of drought, CO_2 emissions indicator, etc.

The analysis of all these risk factors highlights the severity of potential risks arising from the Group's activities and those of its supply chain.

With regard to the risk of corruption, the Group's Maisons have each identified and ranked risk scenarios relating to their operations within the framework of specific risk mapping exercises based on interviews with representatives of the various functions and regions. These risk maps demonstrate their "gross" and "net" risk exposure (to take account of the risk management measures in place). The results were presented to the Maisons' governing bodies and action plans have been defined to manage the risks identified.

The list of risks classified by representatives of the Group's central functions and Executive Management as "key risks" in the Statement of Non-Financial Performance in light of the Group's activities has remained unchanged this year:

- 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.

The updating of this risk analysis, scheduled for 2022 on the basis of 2021 purchasing data, will be done in a more precise way taking account of Regional/State indices for certain large countries such as China and the United States.

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 general risk analysis exercise (described in the previous section) helps the Group's Maisons identify which countries and types of purchases are particularly at risk with respect to human rights violations and environmental impact. This exercise is now one of the key components of LVMH's 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. In the light of this result, a reaudit was not deemed necessary in 2021.

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, LVMH's Ethics & Compliance Department reports to the Ethics & Sustainable Development Committee of LVMH's Board of Directors and Agache's governing bodies on the implementation of the Group's ethics and compliance policy.

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, the Group 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 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 the Group, 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 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 LVMH's Convergence project, the Group continued to expand its use of the EcoVadis platform in 2021. 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 1,450 suppliers were invited to join the platform in 2021: 66% of suppliers were reassessed and 72% of these improved their score. The average improvement since the first assessment is now 54 points (compared with the overall EcoVadis average of 44 points). Following on from the LVMH Group Purchasing Department, Louis Vuitton, the Perfumes and Cosmetics business group, Sephora, the Wines and Spirits business group, Bvlgari, Fendi and Loewe in 2020, several Maisons in the Fashion and Leather Goods business groups are planning to come on board in 2022.

Assessment and corrective action plans

The Group's Maisons are unique in that they undertake much of their 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 Group's Supplier Codes 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.

Some Maisons, such as Loewe, use preselection questionnaires.

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 2021, 1,512 audits (not including EcoVadis assessments) were undertaken at 1,201 suppliers and subcontractors. Thanks to a slight improvement in the health situation in the countries where production facilities are located, this figure was higher than in 2020, when 1,325 audits were carried out.

Of all the audits undertaken, 78% 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, anti-corruption, 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 17% of audits covered only workforce-related aspects, and 5% only environmental aspects. There was a significant increase in the number of audits covering all social and environmental aspects thanks to the introduction of new LVMH guidelines in January 2021.

In keeping with the aim of monitoring at-risk suppliers and ensuring permanent controls on their level of compliance, around one-quarter of the audits carried out in 2021 involved suppliers that had already been audited in previous years.

In view of the economic disruption experienced in 2020 and 2021, the figures below relate to 2019:

	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 2021, additional specific controls were introduced relating to tasks performed by people working from home.

In 2021, 5% 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 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 Berluti, Fendi, Tiffany & Co. and Parfums Christian Dior, also offered personalized coaching to help suppliers correct compliance failures identified during audits.

When, in spite of the support offered by the Group, 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, 17 contracts were terminated in 2021 (compared with six in 2020). Similarly, one production site was not approved following unsatisfactory preliminary audits.

Following work carried out in 2020 with the aim of establishing a shared set of workforce-related audit guidelines for all the Group's Maisons, these guidelines – which also include a section concerned with the assessment of environmental and anti-corruption risks – were applied starting in January 2021.

Supplier and buyer training

In keeping with its aim of providing support and fostering continuous improvement, the Group regularly offers its suppliers training opportunities. For example, in 2021:

- The sixth LVMH Italia sustainable development coordination seminar was held in Milan in November, focusing on understanding and implementation of the LIFE 360 program.
- In October, seven Maisons (Acqua di Parma, Berluti, Bvlgari, Fendi, Givenchy, Loro Piana and Louis Vuitton) got together to organize an online training course for 25 managers of supplier sites based in Italy. In December, ten Maisons (Berluti, Bvlgari, Celine, Fendi, Givenchy, Loewe, Louis Vuitton, Moët Hennessy, Parfums Christian Dior and Sephora) organized an online training course for 65 managers of supplier sites based in China. Given the results of the global risk analysis and the findings of certain audits, these training sessions again focused on human rights, health and safety, the environment, and anti-corruption.
- Throughout 2021, Berluti conducted checks on 14 suppliers to ensure that specific Covid-19-related protocols were implemented. A total of 45 protocols have been brought in since the start of the pandemic.

In addition to training on responsible purchasing practices held at certain Maisons in previous years, the decision was made in 2021 to create an LVMH-wide training program on this subject. Delivery of this training program, developed with the support of consulting firm Des Enjeux et Des Hommes, will begin in 2022.

Participation in multi-party initiatives covering high-risk areas

In addition to its actions aimed at direct suppliers, the Group, via 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 the Group's individual business groups. 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 360 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. Tiffany & Co.'s diamond supply policy goes beyond the obligations of the Kimberley Process (which defines "conflict-free" diamonds), and requires its suppliers to comply with the Diamond Source Warranty Protocol.

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 360 program. Leather traceability is taken into account via the score resulting from audits of the Leather Working Group standard. A leather coordination seminar attended by 30 participants was held in November 2021 in Florence at one of the tanneries supplying LVMH's Maisons. Targets for the certification of raw materials like cotton and leather were set as part of the LIFE 360 program; the results are presented in the "Environment and sustainability" section, §3.2 "Key achievements in 2021: Biodiversity".

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.

In 2021, LVMH appointed a team to draw up a fair wage policy to be applied both internally and externally, whose principles will be announced in the first quarter of 2022.

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. Audit guidelines and levels of compliance were reviewed and simplified in 2021, and updated to be brought in line with new regulations in India.

5.3 Unrelenting focus on quality and safety

The Group's Maisons are 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 their activities. The Group is motivated by a constant desire to protect the health and safety of its stakeholders.

As regards its own employees, the Group pursues a health, safety and well-being at work 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

The Group 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 the Group's Maisons 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.

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 2021, the Group and the Fashion and Leather Goods Maisons worked on rolling out the program and set targets for 2023, as described in the "Environment and sustainability" section in §3.2.3 "Protecting water resources".

To help suppliers eliminate the substances on this list, LVMH'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 Group's Wines and Spirits Maisons promote the art of enjoyment of their drinks and invite their consumers to learn about their heritage and expertise. They are also fully aware that their main responsibility to society is to prevent risks relating to harmful use of alcohol. Moët Hennessy has made a commitment to promote moderate consumption and responsible choices with regard to alcohol among its employees and consumers.

The Maisons need to help consumers who are old enough to consume the Group's products to make responsible choices when drinking, such as deciding whether to drink or not, choosing when to drink and how much to drink.

The Group is committed to raising awareness and educating its consumers, customers and employees about risky behaviors such as excessive alcohol consumption or driving under the influence is a priority.

Some people should not consume alcohol at all. Moët Hennessy has adopted a firm stance against alcohol consumption amongst minors and also believes that pregnant women should be better informed about the risks of alcohol consumption for their child.

Moët Hennessy fully supports the World Health Organization's goal of reducing harmful use of alcohol by 10% worldwide by 2025.

In October 2021, Moët Hennessy joined the IARD (International Alliance for Responsible Drinking), a group bringing together leading names from the beers, wines and spirits industry, dedicated to promoting responsible consumption. Moët Hennessy is committed to respecting the standards set by the IARD in its digital marketing practices, in the information shared with consumers – particularly in its product labeling – and on its e-commerce sites, and to working with the profession as a whole to take the concept of responsible consumption even further.

Action plans will be rolled out between 2021 and 2025 and will be based on prior commitments.

For example, Moët Hennessy developed a Responsible Marketing & Communications Code more than 15 years ago. This code has been regularly updated and recently incorporated the International Alliance for Responsible Drinking's digital principles and principles for digital influencers. Marketing teams are trained on the basis of this code, which is also systematically shared with external agencies. In addition, Moët Hennessy is a member of the World Federation of Advertisers' Responsible Marketing Pact, an industry standard setting out practices to prevent exposing minors to alcohol marketing.

Moët Hennessy's company culture is based on moderation and responsible enjoyment of its products. Its employees are responsible and exemplary ambassadors of this.

Moët Hennessy is aware of the need to raise awareness within the Company about responsible consumption and has developed specific training programs for employees, as well as individual instructions for events held within the Maisons and on the markets.

Moët Hennessy is involved in industry-level initiatives and is an ambassador of the "Wine in Moderation – Art de Vivre" international program, bringing together members of the wine industry from all over the world to convey a message of social and societal responsibility.

On a local level, Moët Hennessy also supports national industry initiatives to promote responsible consumption such as Responsibility.org in the United States, Prevention & Moderation in France, and other initiatives around the world.

5.4 Ongoing efforts to attract and support talent

The pursuit of our 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 the Group.

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

The Group 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 ensuring well-being at work, offering 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

The Group 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 the Group'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, the Christian Dior group has operations in many countries around the world, including countries with a level of maturity in business ethics deemed unsatisfactory by leading international rankings.

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, the Group'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, the Group 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 the Group is registered as an interest representative 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.

Global risk analysis exercises (described in §4 "Risk identification") were carried out at the level of LVMH's headquarters and the Maisons to identify and prioritize these risks.

Given the diversity of the Group's ecosystem and its decentralized organizational model, Maisons have developed their own tools and policies adapted to their specific business contexts. At a central level, LVMH's 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, by operational staff, of prohibited conduct.

Communications, awareness, training and intra-Group experience sharing

Serving as the central information resource for the Group's ethics and compliance policy, the Agache and 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 Codes of Conduct and the whistleblowing system. An online training tool, available to all employees on the LVMH Ethics & Compliance Intranet, is designed to help them understand and better assimilate the rules, practices and values presented in the Group's Codes of Conduct. This module is already 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 LVMH's Ethics & Compliance Department.

Since 2019, each Maison has reported to the Ethics & Compliance Department on progress made on its compliance program via a detailed reporting questionnaire.

Various training and awareness initiatives are carried out with central functions and at the Maisons. The following initiatives in 2021 are some examples:

- LVMH's Ethics & Compliance Department organized a number of anti-corruption training webinars that were attended by over 450 head office staff;
- Parfums Christian Dior took steps to raise awareness among its senior managers about preventing corruption, organizing face-to-face small group interactive training sessions;
- TAG Heuer launched a business ethics training program via an e-learning app. This training, mandatory for all employees worldwide, covers the fight against corruption, the prevention of conflicts of interest and requirements linked to industry initiatives to which the Maison has signed up (Kimberley Process, Responsible Jewellery Council);
- Sephora China restated the ethics and compliance requirements incumbent on its business partners during its Landlord Day and Brand Day events, which attracted over 500 participants;
- Perfumes Loewe produced a video in which its Executive Committee members present the Group's Code of Conduct and guidelines. Special attention was paid to conflicts of interest, and gifts and entertainment practices (a mobile app for recording gifts and entertainment was launched).

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. 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 11,000 of them successfully completed this training in 2021.

Specifically, this module:

- reiterates the Group's zero-tolerance policy on corruption;
- expresses the commitment of LVMH's Chairman and Chief Executive Officer and Group Managing Director 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.

On December 17, 2021, the President of the Paris Judicial Tribunal approved the Judicial Public Interest Agreement (CJIP, convention judiciaire d'intérêt public) proposed to LVMH, under the terms of which the Group agreed to pay a public interest fine of 10 million euros.

Rules, procedures and tools

The Agache and LVMH Codes of Conduct define and illustrate prohibited behaviors, in particular those that may constitute corruption or influence-peddling. They reaffirm the Group's zero-tolerance stance on this issue.

In addition to the Codes 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.

In addition to these Group-level reference frameworks, the Maisons have adopted their own rules and communication channels. Christian Dior Couture, for example, launched a compliance portal for its operations in France during the year. Its features include the ability for each employee to confirm they are familiar with internal policies and to report online any conflict of interest with which they are faced.

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 LVMH's Ethics & Compliance Intranet. A tool has been rolled out at the holding company and certain Group Maisons 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 Group's Codes 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.

LVMH's whistleblowing system gave rise to 252 reports in respect of fiscal year 2021. Most of these reports related to human resources matters.

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

5.7 Responsible management of personal data

In order to offer their customers exceptional products and experiences that meet their expectations, the 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 Group – which is moving ahead with an ambitious digital strategy, resolutely focused on its customers and their aspirations – every Maison 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 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, the Group 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 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, the Group and its Maisons monitor not only the security of their own information systems but also assess the security levels of the products and services offered by the third-party providers used by the Group and its Maisons. Providers that have access to the Group 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 prevention, detection and response policies are also applied within the Group.

As a general rule, projects carried out by the Group and/or its Maisons must complete a study covering any personal data protection and security-related issues (Security and Privacy by Design). They must ensure 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 need to be carried out have been identified. From a data security standpoint, a risk analysis is carried out and an action plan drawn up incorporating technical, organizational and contractual measures to address the risks 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 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.

LVMH 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 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.

6. Independent Verifier's report on the verification of the consolidated statement of non-financial performance

To the Shareholders' Meeting,

In our capacity as an Independent Verifier ("third party") accredited by COFRAC (COFRAC Inspection Accreditation No. 3 1681; scope available at www.cofrac.fr) and belonging to the network of a Statutory Auditor of your Company (hereinafter "Entity"), we conducted our work in order to express a reasoned opinion reflecting a limited assurance conclusion that the consolidated statement of non-financial performance for the fiscal year ended December 31, 2021 (hereinafter "Statement") complies with the provisions of the French Commercial Code and that the historical information (recorded or extrapolated) provided is fairly presented in accordance with Point 3 of Sections I and II of Article R. 225-105 of the French Commercial Code (hereinafter "Information") prepared in accordance with the Entity's procedures (hereinafter "Guidelines"), 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.

I. Conclusion

On the basis of the procedures we performed, as described in the "Nature and scope of work" section, and the information we obtained, 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.

II. Preparation of the statement of non-financial performance

The lack of a generally accepted and commonly used framework or established practice on which to base the assessment and measurement of Information allows for the use of different, but acceptable, measurement techniques that may affect comparability between entities and over time.

The Information should therefore be read and understood in relation to the Guidelines, the key elements of which are presented in the Statement or made available at the entity's registered office.

III. Responsibility of the entity

It is the Board of Directors' responsibility to:

- select and define appropriate criteria for the preparation of Information;
- 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 and furthermore the information provided for in Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- and for such internal control as management determines is necessary to enable the preparation of Information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared by applying the entity's Guidelines as mentioned above.

IV. 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 historical information (recorded or extrapolated) 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.

As it is our responsibility to reach an independent conclusion regarding the Information as prepared by management, we are not allowed to be involved in the preparation of this Information, as this could compromise our independence.

It is not our responsibility to express an opinion on:

- whether the entity complies with other applicable legal and regulatory provisions, notably concerning the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the vigilance plan and the prevention of corruption and tax evasion;
- the fair presentation of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- whether products and services comply with applicable regulations.

Regulatory provisions and applicable professional guidelines

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 serving as an audit program, and ISAE 3000 (revised) [(1).]

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11 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 of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to this engagement.

Means and resources

Our work was undertaken by a team of three people between December 2021 and March 2022, for a period of approximately one week.

We enlisted the help of our specialists in sustainable development and social responsibility to assist us in our work. We conducted around fifteen interviews with those responsible for preparing the Statement, notably representing Executive Management and the Administration & Finance, Risk Management, Compliance, Human Resources, Health & Safety, Environment and Purchasing Departments.

Nature and scope of work

We planned and performed our work with due regard to the risks of material misstatement of the Information.

We consider that the procedures we performed using our professional judgment allow us to formulate a limited assurance conclusion:

- 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;
- 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 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

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

- corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1. For all risks, 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 (Epernay, France); Hennessy: Maison and sites (Cognac, France); Glenmorangie: site (Tain, Scotland); Chandon Argentina: sites (Argentina); Perfumes and Cosmetics: Parfums Christian Dior Maison and site (Saint-Jean-de-Braye, France), Guerlain Maison and site (Chartres, France); Fashion and Leather Goods: Loro Piana site (Quarona, Italy), Christian Dior Couture Maison (France) and site (Lugagnano Val d'Arda, Italy), Fendi Maison (Italy), Louis Vuitton Malletier Maison and stores (France); Watches and Jewelry: Bvlgari Maison and site (Valenza, Italy), TAG Heuer site (Chaux-de-Fonds, Switzerland); Selective Retailing: Le Bon Marché (France), DFS stores (Hong Kong), Sephora Europe Middle East Maison and stores (France); DFS: Other activities: Belmond hotels (Cipriani, Italy, and Das Cataratas, Brazil),
  - for workforce-related risks: Wines and Spirits: MHCS (France); Perfumes and Cosmetics: Guerlain (France); Fashion and Leather Goods: Manufacture de Maroquinerie et Accessoires Louis Vuitton (Spain), Fendi (Italy), Société des Ateliers Louis Vuitton (France); Watches and Jewelry: Hublot (Switzerland); Selective Retailing: Sephora (China), Segep (France); Other activities: Belmond Copacabana Palace (Brazil),
  - for social risks:
    - responsible supply chains: Wines and Spirits: MHCS (France), Hennessy (France); Perfumes and Cosmetics: Parfums Christian Dior (France), Guerlain (France); Fashion and Leather Goods: Fendi (Italy), Christian Dior Couture (France), Louis Vuitton Malletier (France); Watches and Jewelry: Tiffany & Co. (United States), Bvlgari (Italy); Selective Retailing: Sephora SA (France), Le Bon Marché (France),
    - personal data protection: Le Parisien (France), Moët Hennessy (France),
    - compliant business practices: Sephora SA Sephora SA (France), Parfums Christian Dior (France);

- 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 or other means of selection 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 9.1% and 79% of the consolidated data selected for these tests (9.1% of the workforce, 46% of energy consumption and 61% of certified supplies);
- we assessed the Statement's overall consistency with our knowledge of all the entities falling within the scope of consolidation.

The procedures performed for a moderate assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with professional guidelines; a higher level of assurance would have required more extensive audit procedures.

Paris-La Défense, April 14, 2022

The Independent Verifier

French original signed by

EY & Associés

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, 2021 by gender and job category
- Recruitment on permanent contracts from January 1 to December 31, 2021 (breakdown by gender)
- Turnover among employees on permanent contracts from January 1 to December 31, 2021 (total, voluntary and involuntary)
- Proportion of employees on permanent contracts trained between January 1 and December 31, 2021 by job 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)

- Workplace health and safety
- Inclusion and diversity among employees
- Implementing the employer policy and attracting and retaining students and recent graduates
- Training and support for employees throughout their careers
- 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_2 equivalent)
- Greenhouse gas emissions generated by outbound transport – Scope 3 (metric tons of CO_2 equivalent)
- Total water consumption for process requirements (m^3)
- Total water consumption for agricultural requirements (m^3)
- Total waste produced (metric tons)
- Total hazardous waste produced (metric tons)
- Waste recovery rate (%)
- Total packaging that reaches customers (metric tons)

Qualitative information (actions and results)

- Organization of the environmental approach, particularly governance and commitments, including the LIFE 360 program
- Environmental impact of packaging and monitoring of the LIFE "Circular Design" target
- Combating climate change and monitoring the LIFE "Climate" target

Social information

Quantitative information (including key performance indicators)

- Proportion of grape supplies, *eaux-de-vie* and still wines (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 sheep and cow leather supplies (in m^2) sourced from LWG-certified tanneries (%)
- Proportion of exotic leather (crocodilian) supplies (number of skins) sourced from LWG-certified tanneries (%)
- Proportion of gold supplies (in kg) certified RJC CoC
- Proportion of gold supplies (in kg) sourced from RJC CoP-certified suppliers
- Proportion of diamond supplies (in carats) sourced from RJC CoP-certified suppliers
- Proportion of certified cotton supplies (in metric tons) (%)
- Proportion of certified fur supplies (mink and fox) (in kg) (%)
- Proportion of certified sheep's wool (merino and other species) and cashmere (in kg) (%)
- Number of social and/or environmental audits carried out on suppliers and subcontractors

Qualitative information (actions and results)

- Environmental standards applied to the supply chain and monitoring of the LIFE "Traceability" and "Biodiversity" targets
- 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

7. Cross-reference tables

7.1 Statement of non-financial performance

Like any other economic actor, the Financière Agache 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 by LVMH's Executive Management as "key risks" in light of the Group's activities (see §4 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.

The Group 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 section of 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 sections:

- with regard to the Group's business model, in the sections entitled "The Financière Agache 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 §4.2 of the "Attracting and retaining talent" section;
- with regard to efforts to promote the circular economy, in §2 of the "Environment and sustainability" section;
- with regard to combating food waste, in §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 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.

7.1.1 Social consequences

Risk	Policies	Results
Loss of key skills and expertise	– Academic partnerships (§2.3 of the "Attracting and retaining talent" section) – Institut des Métiers d'Excellence (§2.3 of the "Attracting and retaining talent" section) – Employee training and support (§3.1 of the "Attracting and retaining talent" section) – Specific initiatives to promote training and employment for people with disabilities (§2.4 of the "Attracting and retaining talent" section) – Support for high-potential female employees to help them move into key positions (§2.4 of the "Attracting and retaining talent" section)	– Joiners by business group and geographic region (§2.1 of the "Attracting and retaining talent" section) – Investment in training (§3.1 of the "Attracting and retaining talent" section) – Internal mobility data (§3.1 of the "Attracting and retaining talent" section) – Awards, recognition and rankings obtained as an employer (§2.1 of the "Attracting and retaining talent" section)
Health and safety issues faced in the Group's business activities	– Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section) – LVMH Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section) – Investments in health, safety and security (§3.2 of the "Attracting and retaining talent" section) – Employee training in health, safety and security (§3.2 of the "Attracting and retaining talent" section) – Social audits of suppliers and subcontractors including a health and safety dimension (§5.2 of the "Ethics and responsibility" section) – Measures relating to the use of chemicals and cosmetovigilance (§5.3 of the "Ethics and responsibility" section) – Promoting responsible consumption of wines and spirits (§5.3 of the "Ethics and responsibility" section)	– Breakdown, frequency and severity of work-related accidents (§3.2 of the "Attracting and retaining talent" section) – Data relating to social audits that include a health and safety dimension (§5.2 of the "Ethics and responsibility" section) – Training for employees and suppliers focusing on the LVMH Restricted Substances List (§5.3 of the "Ethics and responsibility" section)
Implementation of a policy of employee inclusion and fulfillment (aspects related to fulfillment at work)	– Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section) – DARE program (§3.1 of the "Attracting and retaining talent" section) – LVMH Global Pulse Survey (§3.1 of the "Attracting and retaining talent" section) – LVMH Heart Fund (§3.2 of the "Attracting and retaining talent" section) – Specific training for managers (§3.1 of the "Attracting and retaining talent" section) – Group Works Council and SE Works Council (§3.2 of the "Attracting and retaining talent" section)	– Number of meetings held by employee representative bodies in 2021 (§3.2 of the "Attracting and retaining talent" section) – Endowment and number of support requests received in connection with the LVMH Heart Fund (§3.2 of the "Attracting and retaining talent" section)

7.1.2 Respect for human rights

Risk	Policies	Results
Setting up and maintaining responsible supply chains (aspects relating to respect for human rights)	– Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – LVMH Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section) – LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section) – Risk analysis (§4 of the "Ethics and responsibility" section) – Social audits of suppliers and subcontractors (§5.2 of the "Ethics and responsibility" section) – Collection of information on suppliers' social and ethical performance via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section) – Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section)	– Breakdown of suppliers and audits (§5.2 of the "Ethics and responsibility" section) – Data on combined audits and audits examining only social aspects carried out at suppliers (§5.2 of the "Ethics and responsibility" section) – Proportion of follow-up audits (§5.2 of the "Ethics and responsibility" section) – Proportion of suppliers not meeting the Group's standards (§5.2 of the "Ethics and responsibility" section) – Number of contracts terminated following audits (§5.2 of the "Ethics and responsibility" section) – Number of business relationships not initiated following audits (§5.2 of the "Ethics and responsibility" section)
Implementation of a policy of employee inclusion and fulfillment (aspects relating to the fight against discrimination and the promotion of diversity)	– Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section) – LVMH Recruitment Code of Conduct (§2.2 of the "Ethics and responsibility" section) – Specific training for recruiters (§2.4 of the "Attracting and retaining talent" section) – Independent review of hiring practices (§2.4 of the "Attracting and retaining talent" section) – Specific initiatives to promote training and employment for people with disabilities (§2.4 of the "Attracting and retaining talent" section) – Support for high-potential female employees to help them move into key positions (§2.4 of the "Attracting and retaining talent" section)	– Proportion of employees with disabilities (§2.4 of the "Attracting and retaining talent" section) – Proportion of women among joiners and in the Group's workforce (§2.4 of the "Attracting and retaining talent" section)
Shortcomings in the implementation of personal data protection rules	– Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – Data protection policy (§5.7 of the "Ethics and responsibility" section)	– Creation of a network of Data Protection Officers (§5.7 of the "Ethics and responsibility" section)

7.1.3 Environmental consequences

Risk	Policies	Results
Business impacts ecosystems and depletion of natural resources (including aspects relating to the fight against climate change)	– LVMH Environmental Charter (§1.1 and §1.2 of the “Environment and sustainability” section) – LIFE program and LIFE 360 targets (§1.1 and §1.2 of the “Environment and sustainability” section) – Combating climate change and the LVMH Carbon Fund (§5 of the “Environment and sustainability” section)	– Improvement in the Environmental Performance Index scores of product packaging for Perfumes and Cosmetics companies (§2.2 of the “Environment and sustainability” section) – Accelerated and expanded rollout of sustainable and organic winegrowing (§3.1 of the “Environment and sustainability” section) – Certification of materials used in products (§3.1 of the “Environment and sustainability” section) – Amounts raised via the Carbon Fund and metric tons of carbon-equivalents via the innovative projects supported (§5.2 of the “Environment and sustainability” section) – Increase in the proportion of renewable energy in the Group’s energy mix (§5.2 of the “Environment and sustainability” section) – Implementation of an environmental management system at manufacturing sites (§2.1.4 and §2.2.4 of the “Environment and sustainability” section)
Setting up and maintaining responsible supply chains (environmental aspects)	– Codes of Conduct (§2.2 of the “Ethics and responsibility” section) – Supplier Codes of Conduct (§2.2 of the “Ethics and responsibility” section) – LVMH Environmental Charter (§1.1 and §1.2 of the “Environment and sustainability” section) – LIFE program and LIFE 360 targets (§1.1 and §1.2 of the “Environment and sustainability” section) – LVMH Alert Line whistleblowing system (§5.6 of the “Ethics and responsibility” section) – Collection of information on suppliers’ environmental performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section) – Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the “Ethics and responsibility” section)	– 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) – LIFE 360 program – “Biodiversity”, particularly relating to supply chains for grapes, leather, skins and pelts, gemstones and precious metals, palm oil derivatives and regulated chemicals (§3.1 of the “Environment and sustainability” section)

7.1.4 Fight against corruption

Risk	Policies	Results
Shortcomings in the implementation of business practice compliance arrangements	– Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section) – Group Ethics and Compliance Intranet site (§5.6 of the "Ethics and responsibility" section) – Corruption risk mapping (§4 and §5.6 of the "Ethics and responsibility" section) – Anti-corruption assessment of third parties (§5.6 of the "Ethics and responsibility" section) – Role of the Ethics & Compliance Department, officers and committees (§3 and §5.6 of the "Ethics and responsibility" section) – Internal guidelines (§5.6 of the "Ethics and responsibility" section) – Anti-corruption training (§5.6 of the "Ethics and responsibility" section) – Compliance rules included in the internal audit and control framework (§5.6 of the "Ethics and responsibility" section) – Reports to the Ethics & Sustainable Development Committee of LVMH's Board of Directors and to Agache's governing bodies (§5.6 of the "Ethics and responsibility" section)	– Number of reports made to the LVMH Alert Line (§5.6 of the "Ethics and responsibility" section) – Number of times the anti-corruption training module has been passed (§5.6 of the "Ethics and responsibility" section) – Number of Ethics & Compliance Officers (§5.6 of the "Ethics and responsibility" section)

7.2 Vigilance plan

As a responsible, actively engaged corporate citizen on a global scale, the 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.

7.2.1 Human rights and fundamental freedoms

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)	– Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section) – Risk mapping by the Group (§4 of the "Ethics and responsibility" section)
Frequent risk assessments	– Internal control and audit framework (§3.5 of the "Financial and operational risk management and internal control" section)	– Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) – Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	– Specific training for recruiters to prevent discrimination (§2.4 of the "Attracting and retaining talent" section) – Independent review of hiring practices (§2.4 of the "Attracting and retaining talent" section)	– Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) – Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) – Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)
Whistleblowing systems	– Centralized LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section)	– LVMH Alert Line open to all stakeholders, including employees of suppliers and subcontractors (§5.6 of the "Ethics and responsibility" section) – Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	– Regular updates to the risk analysis	– Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) – Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.2 Individuals' health and safety

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	– Risk mapping by the Group (§4 of the "Ethics and responsibility" section)	– Risk mapping by the Group (§4 of the "Ethics and responsibility" section) – Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	– Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section) – Accident analysis and prevention (§3.2 of the "Attracting and retaining talent" section)	– Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) – Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	– LVMH Restricted Substances List (§5.3 of the "Ethics and responsibility" section) – LVMH Testing Program (§5.3 of the "Ethics and responsibility" section) – Promoting responsible consumption of wines and spirits (§5.3 of the "Ethics and responsibility" section) – Third-party liability insurance (§2.3 of the "Financial and operational risk management and internal control" section) – 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)	– Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) – Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) – Supply chain certification targets (§5.2 of the "Ethics and responsibility" section) – 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) – LVMH Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section)
Whistleblowing systems	– Centralized LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section)	– LVMH Alert Line open to all stakeholders, including employees of suppliers and subcontractors (§5.6 of the "Ethics and responsibility" section) – Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	– Regular updates to the risk analysis	– Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) – Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.3 Environment

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	– Risk mapping by the Group (§1 of the "Ethics and responsibility" section)	– Identification of environmental priorities (§1 of the "Ethics and responsibility" section) – Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	– Environment management system (§2.1.4 and §2.2.4 of the "Environment and sustainability" section)	– Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) – Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	– LIFE 360 objectives (§2 to §5 of the "Environment and sustainability" section) – Insurance for environmental damage (§2.3 and §2.4 of the "Financial and operational risk management and internal control" section)	– Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) – Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) – Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) – Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)
Whistleblowing systems	– Centralized LVMH Alert Line whistleblowing system (§5.6 of the "Ethics and responsibility" section)	– LVMH Alert Line open to all stakeholders, including employees of suppliers and subcontractors (§5.6 of the "Ethics and responsibility" section)
Follow-up and assessment measures	– Tracking achievement of LIFE 360 targets (§2 to §5 of the "Environment and sustainability" section) – Regular updates to the risk analysis	– Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) – Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

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5. Environment and sustainability

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The Group's policy with respect to the environment and sustainability is pursued via LVMH and its Maisons, which comprise all of the Group's operating activities.

1. General environmental policy

One of the consequences of the public health crisis that continued to rage in 2021 has been to raise public expectations worldwide as to the need to protect biodiversity and combat global warming. With a fourth value of commitment (to inclusiveness and solidarity and to the environment) now added to the Group's three enduring values of creativity, excellence and entrepreneurial spirit, the Group unveiled its new environmental roadmap, LIFE 360 (LVMH Initiatives for the Environment 360), at its Shareholders' Meeting on April 12, 2021. This new phase in the Group's environmental policy, which itself dates back as far as 1992, follows on from LIFE 2020, LVMH's program of commitments covering the period 2016-2020. To speed up progress, LIFE 360 includes 2023, 2026 and 2030 targets for all the Group's Maisons, with the aim of nurturing the emergence of a new vision for luxury as a balanced combination of nature on the one hand and creativity and artisanal excellence on the other.

1.1 Organization of the Group's environmental approach

1.1.1 Governance

The Environmental Development Department reports directly to Antoine Arnault (a member of LVMH's Board of Directors), and is staffed by ten people. The department has the following objectives:

- implement the four action plans (circular design, traceability, biodiversity and climate) of the LIFE (LVMH Initiatives for the Environment) program across all Maisons;
- guide Group companies' environmental policies, in compliance with the LVMH Environmental Charter;
- report on the Group's environmental strategy through a dedicated report and specific impact indicators;
- identify world-class environmental analyses, tools and methodologies and share them with the Maisons;
- build the environment into design processes and nurture innovation;
- carry out forward-looking analysis to help the Maisons safeguard against risks and seize opportunities in each business group: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing;
- train employees and raise environmental awareness at every level of the organization;
- share the Group's environmental experience at international summits and build proactive partnerships;
- uphold the Group's reputation and contribute to its non-financial performance.

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, LVMH 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 175,700 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 2021 focusing on products, stores and also biodiversity. In addition, almost all Maisons continued with their employee environmental training and awareness programs. These programs totaled 20,106 hours. To optimize the environmental performance of its stores, LVMH runs a program of monthly webinars for the Store Planning and Environment community mainly focusing on sustainable building design in accordance with Group and LIFE 360 guidelines.

In 2021, LVMH was included in the main indices based on responsible investment criteria: FTSE4Good Global 100, Euronext Vigeo Eurozone 120 (67/100), S&P (71/100), CDP Climate (A-), CDP Water (A-) and CDP Forests (A-).

1.1.2 Risk identification

In 2021, the analysis of material issues for the Group was updated by mapping the climate impacts of LVMH's operations. 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 Group is also exposed to climate-related risks and opportunities. The policies implemented and their results are set out in the following sections.

The full materiality matrix of risks and opportunities 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

State of energy resources and climate change	- Grape growing and yield
	- Packaging production
	- Distillation
	- Transportation of products
	- Soil erosion
		- Store lighting and air conditioning
		- Transportation of products and carbon taxes
		- Production of resources needed to manufacture products:
		  - Plant fibers used for textiles (cotton, etc.)
		  - Leather, including exotic leather
		  - Fur
		  - Wool
		- Customer expectations in relation to more sustainable products
		- Renewable energy costs
			- Packaging production
			- Store lighting and air conditioning
			- Transportation of products and carbon taxes
			- Customer expectations in relation to more sustainable products
			- Renewable energy costs
				- Store lighting and air conditioning
				- Renewable energy costs
					- Store lighting and air conditioning
					- Transportation of products
					- Renewable energy costs

Impact on water resources	- Water consumption (vineyard irrigation in Australia, New Zealand, Argentina and California) - Production of effluents containing organic matter during winemaking and distillation	- Water consumption (crocodilian farms and tanneries) - Production of effluents containing organic matter - Alternative raw materials	- Water consumption (production and transformation of raw materials)	- Water consumption during the extraction of mineral resources needed to manufacture products - Production of effluents containing mineral matter	

Impact on ecosystems (including deforestation and desertification) and depletion of natural resources	- Production of plant resources needed for other production processes (grape vines, barley, rye, etc.)
	- Protecting biodiversity
		- Production of resources needed to manufacture products:
		  - Plant fibers used for textiles (cotton, etc.)
		  - Leather, including exotic leather
		  - Fur
		  - Wool
		  - Eider down
		- Farming and trapping practices concerning raw materials of animal origin
		- Protecting biodiversity
			- Production of plant resources needed to manufacture products (rose, jasmine, etc.)
			- Protecting biodiversity
				- Extraction of resources needed to manufacture products:
				  - Gems and precious metals
				  - Exotic leather
				- Farming and trapping practices concerning raw materials of animal origin
				- Protecting biodiversity	

Waste production	- Production of residues from winemaking or distillation processes and packaging waste - Circular economy	- Unused raw materials, obsolete and unsold products, window displays and events - Customer expectations in relation to more sustainable products - Circular economy	- Point-of-sale advertising, packaging waste, and obsolete and unsold products - Circular economy	- Scrap metal - Circular economy	- Point-of-sale advertising, packaging waste, and obsolete and unsold products - Circular economy

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 2021, expenses related to environmental protection broke down as follows:

- operating expenses: 32 million euros (2020: 24.4 million euros);
- capital expenditure: 16.6 million euros (2020: 10.4 million euros).

Provisions for environmental risks amounted to 12.4 million euros as of December 31, 2021. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

Furthermore, in accordance with Regulation (EU) 2020/852 establishing criteria for determining whether an economic activity qualifies as environmentally sustainable, the Group has identified those of its activities that qualify as contributing to climate change adaptation and mitigation objectives (see §6, "Environmental taxonomy").

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;
- making a commitment that goes beyond the Company.

LVMH's 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 The LIFE 360 program

Preparations for the new program

LIFE 2020, the first roadmap resulting from the LIFE program and risk mapping, which in 2016 set out four targets common to all the Maisons, was completed in 2020. A review of the program showed that most of its targets had been met and highlighted future areas for improvement. Preparations for the Group's new program of commitments, drawn up from November 2020 with the intention – shared by the Maisons – of making even faster progress, included analyzing the results of LIFE 2020. 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 design 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 and plans to do the same 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;
- analyzing the extent to which LVMH's environmental policy has contributed to the achievement of the United Nations Sustainable Development Goals (SDGs), in particular SDG 3 ("Good health and well-being"), SDG 6 ("Clean water and sanitation"), SDG 9 ("Industry, innovation and infrastructure"), SDG 12 ("Responsible consumption and production"), SDG 15 ("Life on land") and SDG 17 ("Partnerships for the goals");
- securing approval for the prioritization of objectives and their terms of implementation at presentations to members of the Executive Committee and the Ethics and Sustainable Development Committee.

LIFE 360 objectives

LVMH's new LIFE 360 roadmap, the fruit of this work, was unveiled at the 2021 Shareholders' Meeting and presented to the Board of Directors on October 28, 2021. It sets out 2023, 2026 and 2030 targets and charts a course for creating products that embody the Group's environmental ambitions: products that exist in harmony with nature, demonstrate care for biodiversity and the climate and mobilize stakeholders. It is structured around four strategic action plans:

- **Circular Design**: Harnessing the circular economy (sustainable design, repair, reuse and upcycling) and innovation (research into new materials) to fuel creativity, with a target of all new products being sustainably designed by 2030 and having a managed environmental footprint from extraction of materials through to their transformation. Packaging strategy will follow this same trajectory, with a target of zero fossil-based virgin plastic by 2026.
- **Biodiversity**: LVMH's activities are intimately linked to nature. The targets laid down in this action plan are designed to limit impacts and restore to the environment whatever is taken from it: zero sourcing in areas at very high risk of deforestation or desertification; all strategic supply chains to be subject to the most rigorous standards by 2026; a regenerative agriculture plan to restore 5 million hectares of flora and fauna habitat between now and 2030. The Group continues to roll out its Animal Welfare Charter published in 2019 and is in the process of drawing up a dedicated policy to protect water resources.
- **Climate**: LVMH's new carbon trajectory, in line with the Paris Agreement, was approved by the Science Based Targets initiative (SBTi) in December 2021. It aims to achieve a 50% reduction in energy-related greenhouse gas emissions by 2026 (baseline: 2019) and a 55% reduction in Scope 3 emissions per unit of added value by 2030. Actions to achieve these targets are concentrated in four key areas: exclusive use of renewable or low-carbon energy by production sites and stores, an action plan dedicated to green e-commerce, increase in the share of maritime transport for freight, and a supplier carbon footprint plan.
- **Traceability and Transparency**: The action plan aims to roll out dedicated traceability initiatives covering all strategic raw materials by 2030 and tools for sharing environmental and/or social information at product level.

These four strategic action plans are broken down to business segment and individual Maison level. They are accompanied by targets designed to mobilize stakeholders around the LIFE 360 priorities, in particular:

- **employees**, with the aim of designing environmental training programs tailored to the specific characteristics of the Group's businesses;
- **customers**, with a target of all new products having a dedicated information system by 2026;
- **strategic suppliers**, with CSR clauses to be included in all contracts and subject to verification by 2030;
- **researchers**, with a dedicated sustainable luxury research and innovation program for 2023.

1.3 2021 reporting scope

The environmental indicator reporting process covered the following scope in 2021:

Production facilities, warehouses and administrative sites *(number)*	**2021**
Sites covered[(a)]	301
Sites not covered[(b)(c)]	145
Total number of sites	**446**

(a) Includes Château du Galoupet and new Bvlgari, Christian Dior Couture and Louis Vuitton sites.
(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 is included in reporting for indicators relating to energy and associated greenhouse gas emissions; seven hotels, five trains and three boats are excluded.

90% 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.

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[(a)]	
	2021	**2020**
Group total	**74**	**73**

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

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. Not including Sephora South East Asia, Rimowa, Cha Ling, Parfums Francis Kurkdjian, Pucci and Parfums Givenchy stores.

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 360 – Circular Design

2.1 Overview of the Circular Design policy

LVMH's Maisons work to limit the impact of their products on the natural environment by taking each product's entire life cycle into account. Through its LIFE 360 strategy, LVMH is bringing together all its Maisons around the concept of circular design, based on four convictions:

- inventiveness: selecting innovative new materials such as those that are recycled, bio-sourced, certified and/or derived from regenerative agriculture (see Sections 2.1.1 and 3.1);
- simplicity: selecting the most demanding transformation and manufacturing processes at Maisons' and suppliers' sites to reduce environmental impacts (climate, water, waste, biodiversity) (see Section 2.1.4);
- eternity: guaranteeing long product life by ensuring high quality thanks to expertise in repairs and the art of patina, new technologies such as product recharges, refills and refurbishment, and the promotion of new services (see Section 2.1.3);
- rebirth: helping give materials and products a new lease of life through reuse, recovery, recycling and upcycling (see Section 2.2.2).

These convictions are translated into action plans with tangible targets:

- all new products sustainably designed by 2030;
- zero fossil-based virgin plastics to be used in packaging by 2026;
- new circular services to be rolled out;
- as key drivers of circular design, Maisons' production sites are also subject to specific targets, for example to roll out certified environmental management systems across all production and logistics sites by 2026. Ambitious policies are also in place covering water consumption, wastewater and general waste.

2.1.1 All products to be covered by a sustainable design process

To meet this sustainable design challenge, the Group and its Maisons have together identified sustainable design criteria encompassing at least the following:

- use of raw materials that are certified, recycled or derived from regenerative agriculture;
- traceability: knowing the supplier and country of origin for each primary raw material;
- product life span and end-of-life treatment.

Each business group has tailored these sustainable design criteria to its own specific environmental challenges; tools are currently being rolled out to monitor performance against these criteria and assess each product's environmental footprint.

- Perfumes and Cosmetics: The Maisons have implemented the EFI (Eco-Formulation Index) and the EPI (Environmental Performance Index for packaging). The EFI score spans six dimensions: traceability, clean beauty (with certain substances banned from use), naturally occurring raw materials, smart formulation to reduce the number of substances used, sustainability, and overall environmental impact. The EPI score takes into account a number of criteria including packaging weight and volume, recycled raw material content, recyclability and refill capability.
- Fashion and Leather Goods: Maisons in the Fashion and Leather Goods business group apply the traceability criteria identified by the Group as well as requiring a minimum of 50% raw materials to be certified, recycled or derived from regenerative agriculture. A sustainability criterion is also currently under development. Testing and rollout of a sector-based tool for tracking indicators and calculating products' environmental footprints began in 2021.
- Wines and Spirits and Watches and Jewelry: Criteria are currently under development.

2.1.2 Zero fossil-based virgin plastic in customer packaging by 2026

LVMH aims to have stopped using fossil-based virgin plastics in packaging that reaches customers by 2026. To achieve this target, the Maisons are working to:

- use recycled plastics;
- use bio-sourced plastics;
- replace plastics with other materials.

LVMH has also set the following targets for 2030: 70% of packaging materials used by the Maisons (in packaging that reaches customers) is to be recycled, and all packaging that reaches customers is to be recyclable, compostable or reusable.

2.1.3 Results for new circular services

LVMH's 75 Maisons offer a vast range of opportunities to explore potential new cross-sector circular design practices, a priority action of LIFE 360. From 2021 onwards, these practices will result in new services:

- to make products more sustainable through repairs and refills;
- to donate unsold products to nonprofits, reuse (i.e. use a product for the same purpose for which it was originally designed), recover (i.e. use products and materials now considered as waste) and recycle (i.e. reintroduce waste directly into the production cycle that produced it to completely or partially replace a new raw material);
- to exchange raw and other materials between Maisons through innovative projects.

2.1.4 All manufacturing and logistics sites to have certified environmental management systems by 2026

The Maisons' products are mainly manufactured at 222 production sites and distribution hubs. Reducing their environmental impact and fostering a circular approach also helps shrink products' environmental footprint.

The Group has set a target of having all its sites covered by environmental certification by 2026; this kind of certification is a dynamic, unifying and motivating approach for continuously improving performance in building use. 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. 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.

2.2 Key achievements in 2021: Circular Design

2.2.1 Sustainable packaging design

The Maisons are working on sustainable packaging design to reduce the amount of raw materials used, facilitate recycling and help put a stop to the use of fossil-based virgin plastics. For example, Parfums Christian Dior is working with Eastman to develop packaging using materials like copolyester produced with molecular recycling technologies.

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.

The amount of packaging used Group-wide was higher than in 2020 but 5% lower than in 2019. Sustainable packaging design efforts have also resulted in a reduction in the proportion of plastic and an increase in the proportion of glass and paper, as shown by the change in the EPI (Environmental Performance Index) for packaging used by Maisons in the Perfumes and Cosmetics and Wines and Spirits business groups (see Section 2.1.1).

Perfumes and Cosmetics and Wines and Spirits business groups – EPI scores over time:

Indicators	Baseline	Performance in 2021	Performance in 2020	Change
EPI score for Perfumes and Cosmetics packaging	8.32	10.71 [a]	9.15	+17%
EPI score for Wines and Spirits packaging	Champagne: 16.03	16.5	16.1	+2%
	Cognac: 10.60	13.4	13.9	-4%

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

The weight of packaging that reaches customers changed as follows between 2020 and 2021:

(in metric tons)	2021	2020	2021 pro forma [a]	Change [b] *(as %)*
Wines and Spirits	170,166	141,224	170,166	20
Fashion and Leather Goods	19,149	13,090	19,149	46
Perfumes and Cosmetics	26,890	23,163	26,890	16
Watches and Jewelry	3,390	3,274	3,543	8
Selective Retailing	4,053	4,541	4,053	(11)
Other activities	1	1	1	-
Total	**223,649**	**185,293**	**223,802**	**21**

(a) Value and change at constant scope.
(b) This change was a result of the upturn in business.

The total weight of packaging that reaches customers, by type of material, broke down as follows in 2021:

(in metric tons)	Glass	Paper/ Cardboard	Plastic	Metal	Fabric	Other packaging materials
Wines and Spirits	152,495	14,431	529	2,165	59	487
Fashion and Leather Goods	472	16,109	327	118	2,121	2
Perfumes and Cosmetics	14,274	5,195	6,123	1,287	9	2
Watches and Jewelry	1,319	1,019	767	136	111	38
Selective Retailing	298	2,476	1,136	61	82	-
Other activities	-	1	-	-	-	-
Total	**168,858**	**39,231**	**8,882**	**3,767**	**2,382**	**529**

2.2.2 Reducing and recovering waste

The weight of waste generated changed as follows between 2020 and 2021:

(in metric tons)	**Waste produced in 2021**	***Of which: Hazardous waste produced in 2021*** [a]	**Waste produced in 2020**	**Waste produced in 2021 pro forma** [d]	**Change in waste produced** [d] *(as %)*
Wines and Spirits	78,881	*439*	52,256	78,696	51 [b]
Fashion and Leather Goods	19,422	*4,739*	13,125	18,915	44 [c]
Perfumes and Cosmetics	10,297	*2,352*	8,540	10,369	21
Watches and Jewelry	985	*409*	1,584	976	(38)
Selective Retailing	2,373	*12*	3,140	2,418	(23)
Other activities	1,625	*74*	2,042	1,625	(20)
Total	**113,584**	***8,025***	**80,687**	**112,998**	**40**

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic and paper).
(b) This change is the result of a process change at one site.
(c) This change is the result of exceptional activity at one site.
(d) Value and change at constant scope.

Waste was recovered as follows in 2021:

(as % of waste produced)	**Re-used**	**Recovery of materials**	**Waste-to-energy recovery**	**Total recovery**
Wines and Spirits	3	88	3	94
Fashion and Leather Goods	19	41	25	86
Perfumes and Cosmetics	1	75	17	93
Watches and Jewelry	1	46	25	72
Selective Retailing	2	38	38	78
Other activities	27	32	38	97
Total	**6**	**76**	**9**	**91**

The Maisons are working to reduce and recycle production waste, end-of-life products and unsold products. As regards circular waste management, in 2021, 91% of waste was recovered (93% in 2020). Recovered waste is waste for which the final use corresponds to, listed in descending order of interest in accordance with European and French laws: reuse, recovery of materials (i.e. recycling, composting or land treatment) or incineration for energy production.

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 Ecologique) 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, obsolete 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 2021, around 3,717 metric tons of waste were processed (2,920 metric tons in 2020). The various materials (glass, cardboard, wood, metal, plastic, alcohol and cellophane) are resold to a network of specialized recyclers.

As another example, the Group has set a target of ensuring that all site waste from store construction and renovation is locally recycled or reused. To achieve this, the Maisons complete the store construction process by implementing a recycling indicator for construction waste.

2.2.3 Results for new circular services

Annual reporting tracks the number of new projects at each Maison as well as the proportion of total sales accounted for by new circular offerings. In 2021, LVMH launched Nona Source, a platform on which the Group's Maisons can resell their unused textiles. As well as fostering greater circularity in the fashion industry, Nona Source also offers tangible support for young designers by offering high-quality fabrics at very competitive prices. Over 60,000 meters of fabric was upcycled in this way in 2021. In 2021, LVMH entered into a partnership with WeTurn, which has begun developing the first dedicated process for recycling unsold textiles, fabric rolls and production offcuts from prestigious Maisons protected by intellectual property rights by transforming them into new, fully traceable high-quality European thread. Kenzo also ran an upcycling project with CETI (European Center for Innovative Textiles) aimed at producing recycled thread from distressed inventory. The resulting recycled thread was used to make more than 6,000 new T-shirts.

To help combat food waste and promote food donations, La Grande Épicerie de Paris put in place a process to accurately monitor sales so that production can be adjusted accordingly. The French Red Cross collects any unsold products each day. In 2018, a partnership was launched with Too Good To Go, an app that lets stores give their unsold items to its users. In light of the Group's business activities, food insecurity and actions promoting responsible, fair and sustainable food use do not constitute key risks.

2.2.4 Environmental management

In 2021, the Group continued to roll out certified environmental management systems across its 446 sites. By the end of 2021, 70% of its industrial sites will be ISO 14001 certified.

Sustainable design and environmental management are also relevant to the Group's stores. The Sustainable Store Planning process was put in place in early 2021, in partnership with Purchasing, to coordinate efforts across the store community, which brings together over 300 people. A platform named LIFE Influencers Journey has helped more quickly deliver training for decision-makers. Over 400 webinars were run in 2021 to cascade the LVMH LIFE environmental performance criteria set out in the Group's store guidelines. An LVMH Store Planning nomenclature has been developed in conjunction with the Maisons to make it easier to compare projects and tie environmental requirements into each line of expenditure. During the design phase of their stores, most Maisons were able to implement improvements in relation to energy conservation and the circular economy (recycled materials, premises free of volatile organic compounds, etc.) into their store concepts.

2.2.5 Summary of LIFE 360 "Circular Design" achievements in 2021

Objectives	Performance in 2021	Performance in 2020	Target
Zero fossil-based virgin plastic in packaging that reaches customers Quantity of fossil-based virgin plastic in packaging that reaches customers *(in metric tons)*	8,632	9,162	0 (2026)
70% recycled materials in packaging that reaches customers Percentage of recycled materials in packaging that reaches customers for glass and plastic *(by weight)*[(a)]	41%	N/A	70% (2030)
Presence of ISO 14001-compliant environmental management systems (at manufacturing sites and distribution hubs)	70%	69%	100%

(a) Data from a report currently under development.
N/A: Not applicable.

3. LIFE 360 – Biodiversity

3.1 Overview of the Biodiversity policy

Protecting natural ecosystems is of vital importance to the Group, whose business is heavily dependent on natural raw materials (such as flowers, grapes, cotton, leather and gems). This concern is part and parcel of a long-term view that places a priority on preserving nature, from which the exceptional quality of its Maisons' products is ultimately derived.

The first step in the process is to measure impacts. This can serve as a powerful lever for identifying priorities, targets and actions. However, measuring impacts on biodiversity is a complex matter. The Group rolled out two methods: the Global Biodiversity Score and an 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's commitments and actions are in keeping with the reference framework drawn up by Science Based Targets for Nature, which aims to align companies' actions with international biodiversity protection goals.

Taking into account the results of these measurements, the Group is taking action and making protecting and regenerating biodiversity a major focus of its LIFE 360 environmental strategy, whose three targets aim to reduce impacts and regenerate biodiversity:

- zero net deforestation by 2026 and zero gross deforestation by 2030 within the Group's supply chains;
- all strategic raw materials to be certified by 2026;
- 5 million hectares of flora and fauna habitat to be preserved, regenerated or restored by 2030.

3.1.1 Avoiding and reducing impacts on biodiversity

Zero net deforestation by 2026 and zero gross deforestation by 2030 within the Group's supply chains

The Group has set itself a target of achieving zero net deforestation in its supply chains by 2026 and zero gross deforestation by 2030. Raw materials considered at risk and used by the Group include wood and wood derivatives (paper, cardboard and viscose), palm oil derivative and leather. These materials have been identified with the help of environmental footprints from LVMH's value chain. The Group is working to roll out a methodology for quantifying the degree of deforestation and has taken a number of practical steps:

- in spring 2021, LVMH entered into a partnership with Canopy, an NGO whose program aims to avoid deforestation in the wood, cardboard and viscose sectors;
- like many of the Group's Maisons, LVMH is a member of FSC France, whose strategy is aimed at certifying sustainably managed forests, transforming markets and acting as a catalyst for change;
- the Group's Maisons ask their partner tanneries not to accept any hides sourced from the Amazon basin;
- LVMH has kicked off agroforestry projects in the Malaysian palm oil sector.

All strategic raw materials to be certified by 2026

LVMH has put in place a strategy for sourcing and preserving raw materials, covered by LIFE 360 targets for 2026, that commits the Maisons to ensuring that all strategic raw materials they purchase and produce are certified as complying with the most stringent environmental standards covering both the materials themselves and production sites, and that guarantees that ecosystems and water resources are properly protected. At the close of the LIFE 2020 environmental program, the list of strategic raw materials was expanded. This list now includes the following:

- grapes, rye and barley;
- leathers, raw lamb and calf skins, exotic leathers and furs;
- cotton;
- wool;
- down and feathers;
- viscose;
- silk;
- wood, paper and cardboard;
- gems and precious metals;
- palm oil and its derivatives;
- soya and its derivatives for cosmetic use;
- alcohol;
- iconic ingredients used by Maisons in the Perfumes and Cosmetics business group;
- 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. In keeping with the Animal-Based Raw Materials Sourcing Charter published in 2019, the Maisons committed not to source any supplies of materials listed in Appendix 1 of CITES or identified as under threat by the International Union for Conservation of Nature (IUCN) with effect from 2020.

The Group proactively supports certification programs not only by purchasing certified materials but also by sitting on expert committees, in partnership with other stakeholders, to ensure that the required standards are both neutral and sufficiently stringent.

Wines and Spirits

The Wines and Spirits business group is actively committed to sustainable, organic and/or regenerative 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, organic and/or regenerative winegrowing at the Maisons' vineyards and among independent grape suppliers has thus been adopted as a LIFE 360 target. Various certification systems have been established across winegrowing regions: Viticulture Durable en Champagne for champagne houses, environmental certification for cognac (Haute Valeur Environnementale), organic farming for certain vineyards, Napa Green in California, etc. LIFE 360 targets are as follows:

- for vineyards owned by the Group: all grapes to be from sustainable, organic or regenerative winegrowing by 2026;
- for partner/supplier vineyards (champagne, cognac, wines): 80% of grapes to be from sustainable, organic or regenerative winegrowing by 2026.

Fashion and Leather Goods

The Fashion and Leather Goods business group has adopted nine major targets for 2026:

- 90% by volume of supplies of cow, sheep and exotic leathers to be purchased from Tier 1 LWG-certified tanneries, with 50% to be purchased from Tier 2 and above LWG- or ISO 14001-certified tanneries. LWG certification is a standard created by the Leather Working Group to improve the environmental performance of tanneries (energy, water, waste, traceability);
- supplies of exotic leather to be purchased from abattoirs and/or farms certified in accordance with standards covering animal and human welfare and care for the environment, such as the LVMH Standard for Responsible Crocodilian Production, the International Crocodilian Farmers Association (ICFA), the South African Business Chamber of Ostriches (SAOBC) and the forthcoming standard to be issued by the South East Asian Reptile Conservation Alliance (SARCA). The Group is also seeking certification for all crocodile farms supplying the Group's tannery;
- all supplies of pelts to be purchased from certified fur farms, notably by rolling out certifications recognized under the FurMark program;
- all supplies of cotton to be purchased from sustainable cotton sources. Organic, regenerative and recycled cottons are preferred;
- all supplies of wool to be purchased from sustainable sources. Sustainable wool is either recycled or sourced from farms certified as complying with animal welfare and environmental protection standards such as the Responsible Wool Standard (RWS), the Responsible Mohair Standard (RMS), the Code of Practice of the Sustainable Fibre Alliance (SFA) and the Global Recycle Standard (GRS);
- all supplies of viscose to be sustainable, whether recycled or purchased from suppliers with a Canopy "green shirt" rating;
- all supplies of silk to be purchased from sustainable sources (certified GOTS or a mix of GOTS and GRS);
- all supplies of feathers and down to be either recycled or purchased from suppliers certified in accordance with the Responsible Down Standard (RDS);
- Animal-Based Raw Materials Sourcing Charter to be incorporated into supplier relationships. The Group shares civil society's aim of improving animal welfare, as reflected in the charter unveiled by the Group 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.

Perfumes and Cosmetics

The Perfumes and Cosmetics business group has set itself three key LIFE 360 targets in relation to its supply chain to be achieved by 2026:

- all supplies of palm oil to be purchased from sustainable sources, including RSPO-certified palm oil and palm oil from regenerative agriculture;
- all supplies of alcohol to be purchased from sustainable sources, including organic beet and regenerative agriculture as well as alternative and innovative solutions;
- all iconic ingredients used by the Maisons to be EUBT-certified.

The business group also takes part in specific initiatives related to the sourcing of mica (RMI). The Group's Research and 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 the Group'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.

Watches and Jewelry

The Watches and Jewelry business group has set itself three key LIFE 360 targets in relation to its supply chain to be achieved by 2026:

- all supplies of gold to be purchased from sustainable sources, including Responsible Jewellery Council Chain-of-Custody (RJC CoC) or equivalent certification for recycled gold and RJC CoC or equivalent certification for mines for new gold. The Group is currently working to recognize other standards for future adoption such as the Initiative for Responsible Mining Assurance (IRMA), Fairmined, Fairtrade and the CRAFT and Swiss Better Gold Association (SBGA) initiatives;
- all supplies of diamonds to be purchased from RJC CoP-certified suppliers;
- all supplies of colored gemstones to be purchased from suppliers certified RJC CoP or equivalent or verified via the Gemstones and Jewellery Community Platform (GJCP).

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 and LIFE 360 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. The Group and its Maisons are also involved in the Coloured Gemstones Working Group (CGWG) run by The Dragonfly Initiative. The CGWG aims to roll out environmental and social best practice across the colored gemstone sector by making all tools developed by the initiative available to the industry on an open-source basis and allowing industry players to assess the maturity of their practices.

All business groups

- Wood and wood derivatives: Given its strong commitment to combating deforestation, the Group has set an additional target applicable to all business groups: all supplies of wood, paper and cardboard to be FSC-certified (including FSC Mix and FSC Recycled) by 2026. For example, all wood for use in store fittings and decorations will be FSC-certified by 2026. In the meantime, a training module on wood was added to the architects' training program in 2021. The framework agreement negotiated with prime contractors now requires them to declare what proportion of certified wood is used in their projects.
- Chemicals: LVMH has also implemented many tools to improve and monitor the use of chemicals in products. These are described in §5.3.

3.1.2 Protecting and restoring biodiversity

The Group is committed to regenerating the equivalent of 5 million hectares of flora and fauna habitat by 2030, either within its supply chains by rolling out regenerative agriculture programs for strategic agricultural materials like grapes, cotton, wool and leather, or by contributing to collective efforts to regenerate and preserve ecosystems and protect particularly endangered plants and animals.

Regenerative agriculture

Regenerative agriculture is defined as agriculture that can regenerate soil health and ecosystem function (biodiversity/water cycle) while ensuring socioeconomic stability for stakeholders (farmers and communities) and yielding high-quality raw materials. The Group has selected a number of raw materials for which it is keen to roll out regenerative agriculture practices. These include grapes for Wines and Spirits, cotton, wool and leather for Fashion and Leather Goods, and palm, beet and iconic ingredients for Perfumes and Cosmetics.

Preserving and restoring ecosystems

As responsible corporate citizens keen to make a net positive contribution to biodiversity, the Group and its Maisons are committed to funding projects that help preserve or restore ecosystems that fall outside their supply chains. In this context, LVMH and UNESCO have launched a program with 5 million euros of funding over five years to combat causes of deforestation in the Amazon. The program aims to attack the root causes of deforestation and water pollution in the Amazon basin by working with eight biosphere reserves in Bolivia (Pilón-Lajas and Beni), Ecuador (Yasuní, Sumaco and Podocarpus-El Cóndor), Brazil (Central Amazon) and Peru (Manu and Oxapampa-Asháninka-Yanesha).

3.2 Key achievements in 2021: Biodiversity

At the IUCN (International Union for Conservation of Nature) World Conservation Congress in September 2021, LVMH presented its solutions for promoting biodiversity at a stand shared with UNESCO. Antoine Arnault spoke about the Group's commitment during the CEO Summit at the start of the congress. The Group has been active for more than 10 years alongside many partners working to conserve biodiversity. The Group 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.

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. LVMH is actively involved in the Act4Nature International initiative.

In 2021, LVMH launched a series of interviews on nature and living beings with prominent figures from the scientific community and civil society to answer questions such as, "Are humans (really) animals like any other?" These discussions helped raise awareness of the crucial role of nature, on which all the Group's businesses undeniably depend: there can be no champagne without grapes, no perfume without plants, no evening gowns without silkworm farms.

3.2.1 Certification of strategic supply chains

In 2021, the level of certification increased significantly in some supply chains, for example leather (up from 74% in 2020 to 81% in 2021) and cotton (up from 51% in 2020 to 61% in 2021). As part of the LIFE 360 program, the Group has set certification targets for supply chains in which standards may have yet to stabilize. This is the case, for example, of the wool and cashmere supply chains. Against this backdrop, the Group's Maisons are working in partnership with their suppliers to ensure that wool and cashmere is purchased from farms certified as complying with animal welfare and environmental protection standards.

In the fur sector, the Group and its Maisons are actively involved in drawing up new certification standards under the FurMark program (which follows the ISEAL rules) [1].

The level of certification of gold used in the Watches and Jewelry business also increased significantly in 2021 thanks to efforts by the Maisons to improve supply chain visibility all the way through to refiners and ensure that gold is purchased only from certified operators, as well as an updated reporting scope for the activities of the Group's Watches and Jewelry Maisons.

As regards exotic leather, all hides purchased by the Heng Long tannery now come from farms certified as complying with the standard developed by the Group in 2018 and reviewed in 2021 to take into account the latest research findings on the welfare of farm-reared crocodilians so as to align with the International Crocodilian Farmers Association (ICFA) standard.

(1) Source: "Chain of custody models and definitions", ISEAL Alliance, V 1.0, September 2016 (page 2).

Certification of strategic supply chains: LIFE 360 achievements in 2021

Indicators	Performance in 2021	Performance in 2020	Target for 2026
Wines and Spirits			
Grapes – Sustainable winegrowing certification *(certified grapes by weight, as %; figures include still wines and eaux-de-vie)*	LVMH vineyards: 92% French vineyards: 100% Rest of the world: 86%	LVMH vineyards: 92% French vineyards: 100% Rest of the world: 90%	LVMH vineyards: 100%
	Independent grape suppliers: 16%	Independent grape suppliers: 4%	Independent grape suppliers: 50%
Fashion and Leather Goods			
LWG certification of tanneries for bovine and ovine leather *(leather from certified tanneries by weight, as %)*	81%	74%	100%
LWG certification of tanneries for crocodilian skin leather *(crocodilian skin leather from certified tanneries by weight, as %)*	70%	N/A	100%
Certified cotton *(GOTS, Better Cotton, GRC, OCS and Supima-certified cotton by weight, as %)*	61%	51%	100%
Certified paper, cardboard and wood *(FSC- and PEFC-certified paper, cardboard and wood by weight, as %)*	77%[a]	N/A	100%
Certified fur (mink and fox) *(fur from farms certified as complying with one of the standards recognized by the FurMark program, as %)*	92%	87%[b]	100%
Certified sheep's wool (merino and other species) and cashmere *(wool and cashmere from farms certified RWS, ZQ, Authentico, New Merino, SustainaWOOL, Nativa or SFA, as %)*	24%	N/A	100%
Certification for all crocodilian farms supplying the Group's tannery *(crocodilian skin from farms certified as complying with LVMH's crocodile standard, as %)*	100%	86%	100%
Perfumes and Cosmetics			
Palm oil derivatives *(RSPO-certified Mass Balance or Segregated palm oil derivatives by weight, as %)*	95%	91%	100%
Watches and Jewelry			
Diamonds: RJC COP certification *(carats of diamonds from COP-certified direct suppliers, as %)*	99.9%	99%	100%
Gold: RJC COP certification	98%	79%	100%
RJC CoC certification *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[c]*	93%	77%	100%

(a) It should be noted that, since the reporting process is currently under development, data reported by the Maisons is subject to a high degree of uncertainty.
(b) Indicator not audited in 2020.
(c) In 2021, the Maisons reported exclusively on their Watches and Jewelry activities.
N/A: Not applicable.

3.2.2 Regenerative agriculture and preserving ecosystems

In 2021, the Group developed practical guides on how to put regenerative agriculture into practice and surrounded itself with a network of experts such as Biosphères, Renature, Earthworm, Pour une Agriculture du Vivant and Savory. The overall approach and individual projects are signed off by a Science Committee, which meets annually. Practice and performance indicators have been put in place for each raw material. A number of projects have already kicked off in Turkey for cotton, in Uruguay and Australia for merino wool, in Malaysia for palm oil and in France for some iconic perfume ingredients. For example, Parfums Christian Dior has set itself a target of implementing regenerative agriculture practices for each of the essences in its Dior Gardens program: nine essences for skincare (such as Granville rose, longoza from Madagascar and red hibiscus from Koro) and four for perfumes (such as rose, jasmine and neroli from Grasse). The Maison is also partnering with the Hectar project, which runs a center for dedicated research into horticulture and regenerative practices. Lastly, all Moët Hennessy vineyards have also launched regenerative agriculture programs.

Outside these supply chains, LVMH and its Maisons are committed to financing projects that help preserve or restore ecosystems, such as the joint LVMH and UNESCO program to combat the causes of deforestation in the Amazon and Moët Hennessy's partnership with Reforest'Action to launch reforestation programs in Kenya, China, the United States and South Africa as well as on its own vineyards. LVMH Italia is also partnering with the ForestaMi program, which aims to replant 3 million trees in the Milan metropolitan area by 2030.

A total of 657,000 hectares was preserved or restored in 2021 (LIFE 360 target).

3.2.3 Protecting water resources

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: use of water 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 2020 and 2021:

(in m³)	**2021**	**2020**	**2021 pro forma** [(a)]	**Change** [(a)] *(as %)*
Process requirements	3,406,813	3,310,906	3,464,166	5
Agricultural requirements (vineyard irrigation)	5,131,434	6,969,256	5,107,347	-

(a) Value and change at constant scope.

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

(process requirements in m³)	**2021**	**2020**	**2021 pro forma** [(a)]	**Change** [(a)] *(as %)*
Wines and Spirits	1,314,226	1,068,162	1,311,910	23
Fashion and Leather Goods	1,494,457	1,472,857	1,483,200	1
Perfumes and Cosmetics	184,933	197,032	187,639	(5)
Watches and Jewelry	73,397	62,427	69,611	12
Selective Retailing	188,727	229,211	174,061	(24)
Other activities	151,073	281,217	237,745	(15)[(b)]
Total	**3,406,813**	**3,310,906**	**3,464,166**	**5**

(a) Value and change at constant scope.
(b) Change related to measurement adjustments at a site.

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 vineyards 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 67% 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 8% 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.

As part of the calculation of the environmental footprint of LVMH's value chain in 2020, 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%). The water footprint will be updated in 2022.

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 2020 and 2021:

COD after treatment *(metric tons/year)*	**2021**	**2020**	**2021 pro forma[(a)]**	**Change[(a)]** *(as %)*
Wines and Spirits	1,354	917	1,353	48
Fashion and Leather Goods	19	19	19	-
Perfumes and Cosmetics	21	16	21	31
Total	**1,394**	**952**	**1,394**	**46[(b)]**

(a) Value and change at constant scope.
(b) This change was a result of the upturn in business and changes to effluent treatment processes at Domaine Chandon Argentina.

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

LVMH also 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. LVMH has drawn up a detailed roadmap targeting affected LVMH production sites and key suppliers of Maisons in the Fashion and Leather Goods business group. The following targets are in place for 2023: roll out the ZDHC MRSL with a minimum compliance rate of 50%; implement a chemicals management system with at least ZDHC Foundation-level certification; and monitor wastewater quality, with at least one ZDHC ClearStream report to be produced each year. The Riba Guixa tannery and Loro Piana production sites already achieved all these targets in 2021. At the same time, the Maisons have begun working with their suppliers to roll out wet processes. Loro Piana also installed a new reverse osmosis wastewater treatment unit at its Quarona site in 2021. Water treated by this unit can be reused in the production process; the site was already able to achieve a 10% reduction in water consumption in 2021.

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

4. LIFE 360 – Traceability and Transparency

4.1 Overview of the Traceability and Transparency policy

Tracing a material – be it gold, cotton or leather – from source through to finished product is no simple matter. However, it is a vital step in ensuring the adoption of responsible practices. If the Group is to reduce its carbon impact, introduce ecosystem-friendly farming practices and ensure that its suppliers use responsible practices, it must first have end-to-end knowledge of the value chains of all materials that go into the exceptional products made by the artisans and manufacturers it works with. Traceability is thus a prerequisite for identifying issues, implementing responsible practices and transparently sharing those practices with stakeholders. This is known by LVMH as the Chain of Custody system, defined by ISEAL as "the complete set of documents and mechanisms used to verify the traceability between the verified unit of production and the claim about the final product".

Building on the formal certification policy put in place for its supply chains as early as 2016, LVMH has set itself new targets to perfect product traceability and boost its progress in relation to customer transparency:

- all strategic supply chains to be covered by a dedicated traceability system by 2030;
- all new products to come with a dedicated customer information system by 2026.

4.1.1 Traceability

What action is required to ensure traceability across the entire value chain depends on the characteristics of the supply chain in question: whether or not it is integrated (one of the Group's distinctive features is that it owns a large number of manufacturing businesses, enabling it to ensure traceability and responsible practices through direct control); how structurally mature it is; and whether the materials produced are compound.

Traceability is a key concern for the following strategic raw materials:

- grapes, rye and barley;
- leathers, raw lamb and calf skins, exotic leathers and furs;
- cotton;
- wool;
- down and feathers;
- viscose;
- silk;
- wood, paper and cardboard;
- gems and precious metals;
- palm oil and its derivatives;
- soya and its derivatives for cosmetic use;
- alcohol;
- iconic ingredients used by Maisons in the Perfumes and Cosmetics business group.

To ensure that all strategic supply chains are covered by a dedicated traceability system enabling full traceability from raw material to finished product by 2030, three sub-goals have been put in place:

- 2023: country of origin to be known for all strategic supply chains;
- 2026: all strategic supply chains to have a dedicated traceability system;
- 2030: all strategic supply chains to be fully traceable from raw material to finished product with the help of the dedicated traceability system.

To achieve these targets, the Group is implementing an ambitious certification process for its strategic supply chains based on the most stringent standards, as set out in Section 3.1.1. These standards are mainly based on Chain of Custody models and strengthen the upstream traceability process for the most complex supply chains.

In 2021, LVMH's Environmental Development and Purchasing departments launched a joint Upstream Traceability working group with members drawn from over 25 Maisons. This working group's goals are as follows:

- to raise awareness of upstream traceability issues and work to build solutions to them;
- to initiate and/or accelerate upstream traceability projects within each Maison;
- to manage cross-functional requirements and standardize upstream traceability practices across the industry for selected materials.

In 2021, three awareness-raising webinars were run, two Maisons (Louis Vuitton and Chaumet) received support for materials traceability projects and three materials taskforces were set up.

4.1.2 Transparency

Sharing information about products' environmental performance with customers has become a key requirement for the Group, which has set a target of ensuring that each product comes with a dedicated information system by 2030. With this in mind, LVMH is involved in ongoing discussions on environmental labelling at both the French and European levels, notably in respect of fashion products where quality and lifespan are of critical importance. Over the next three years, each business group will be equipped with the tools it needs to produce environmental indicators to be shared with customers. All the associated targets are set out in Section 2.2.

4.2 Key achievements in 2021: Traceability and Transparency

4.2.1 Adoption of new traceability tools

The Group launched a tender process in 2021 with the intention of acquiring a system for mapping its strategic supply chains. The objectives of this system are to monitor flows of materials along value chains and to identify and mitigate environmental and social risks as well as risks to ethics and animal welfare. In taking this approach, the Group aims to optimize synergies and streamline information management for Maisons and their suppliers. The Group and its Maisons have now identified a solution; the technology and associated service will be piloted in the first half of 2022.

In addition, in 2021, LVMH developed new solutions tailored to each sourcing channel's specific features, and together with Prada Group and Cartier (a subsidiary of Richemont) announced the launch of the Aura Blockchain Consortium: a unique, global blockchain solution, open to all luxury brands worldwide to address shared challenges in responsible sourcing.

In keeping with the Animal Materials Supply Charter published in 2019, the Group's Maisons are working to ensure that their raw materials are traceable; in 2021, the source of materials of animal origin was known for 90% of exotic leathers, 87% of furs and 62% of wools.

Summary of LIFE 360 "Traceability and Transparency" targets for 2021:

Traceability indicators	Performance in 2021	Target for 2023
Fashion and Leather Goods *(as % of quantities purchased in 2021)*		
Sheep and cow leather – country of slaughter known	76%	100%
Exotic leather – country of slaughter known	90%	100%
Fur – country of rearing or trapping known	87%	100%
Wools (merino sheep and other species, and cashmere) – country of rearing known	62%	100%

4.2.2 New information systems

The Group and its Maisons have begun rolling out systems that measure the environmental impact of products as well as monitoring the sustainability of product design (see Section 2.1.1). In 2021, LVMH took part in French and European methodological work on environmental labelling. Two Maisons, Louis Vuitton and Patou, are involved in official testing of the European apparel standard currently under development.

LVMH is also one of the founding members of the Eco-Beauty Score Consortium, which aims to develop a shared methodology for measuring and communicating the environmental footprint of cosmetic products.

In 2021, 4,000 products sold by the Group's Maisons already had an information system.

5. LIFE 360 – Climate

Combating climate change is a major focus of the Group's environmental policy, and 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.

5.1 Overview of the Climate policy

Based on its overall carbon footprint calculated by an outside firm, LVMH has mapped out a carbon trajectory in line with the Paris Agreement, approved by a leading international third party (the Science Based Targets initiative), which calls for the following:

- reducing energy-related greenhouse gas (GHG) emissions at its sites and stores by 50% in absolute terms by 2026 (baseline: 2019) thanks to a policy of 100% renewable or low-carbon energy;
- reducing or avoiding 55% of Scope 3 GHG emissions (raw materials, purchases, transportation, waste, product usage and end-of-life treatment) per unit of added value by 2030 (baseline: 2019).

5.1.1 Key levers for reducing Scope 1 and 2 emissions

The Group's actions to mitigate the impact of its activities on energy consumption are concentrated in two key areas:

- 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 and logistics sites, administrative sites and stores.

To halve GHG emissions from stores (CO_2 emitted by energy generation and refrigerant gases used in air conditioning systems), the Group has set tangible and ambitious targets for the first two milestones in 2023 and 2026:

2023: all sites and stores to have the ability to report their energy consumption (bills or meters);

2026: all stores to be equipped with LED lighting, with stores over seven years old undergoing partial renovation of their lighting systems.

To move store practices forward, the Group guidelines set out a target lighting power density of 20 watts per square meter. These recommendations are explored in detail at training events that equip designers with the strategies they need to achieve energy efficiency while improving store ambiance.

The Better Stores program uses annual consumption data to identify "bad stores" that exceed a certain threshold and trigger remedial action. These "bad stores" are then asked to complete a detailed 15-point questionnaire that serves to identify urgently required improvements. In 2020, the relevant threshold was 700 kWh per square meter. This will fall to 500 kWh in 2023 (from 600 kWh in 2021), 400 kWh in 2026 and 300 kWh in 2030.

Alongside actions to reduce its fossil fuel consumption, LVMH is rapidly expanding its use of renewable energy with a target of exclusive use of renewable or low-carbon energy by 2026. Framework agreements signed with energy suppliers in different regions have been one of the main drivers of the Group's progress in the area of electricity and gas since 2015.

5.1.2 Key levers for reducing Scope 3 emissions

The Group's actions to reduce Scope 3 emissions are concentrated in two key areas:

- a lower carbon footprint for raw materials, products and packaging: dedicated policies on sustainable product design and packaging (see §2.1.1) and the sourcing of certified raw materials (see §3.1.1) are being implemented by each business group, with the involvement of suppliers, such as independent grape suppliers, livestock farmers and growers;
- sustainable transport, using several different methods: an emphasis on local sourcing, use of trains and boats where possible, supply chain optimization, biofuel use for air freight and electric vehicles for last-mile deliveries.

The Group is also working on forward-looking projects, for example by developing a green e-commerce policy and working with the livestock industry to establish a position on methane, which has significant warming potential.

5.1.3 Key levers for adapting to climate change

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 §3.2.3).

More broadly, innovation – a key component of the Group's mitigation policy – also plays a part in its adaptation policy: new regenerative farming practices (see §2.1.1), 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/0 partnership with Central Saint Martins dedicated to innovation and sustainable creativity will help drive new solutions at the Group's Maisons.

These ambitious reduction and adaptation objectives have raised questions as to the relevance of certain solutions, notably carbon offsetting. To maximize leverage in reducing emissions, LVMH had previously refrained from making use of large-scale carbon offsetting (i.e. buying carbon credits linked to projects to avoid or sequester emissions to offset those emissions still produced by the Group). However, the goal of achieving global net-zero emissions by 2050 raises the question of the role of carbon credits, which the SBTi Net Zero standard proposes should be used once reduction targets have been met. Against this backdrop, the Maisons are trialing various types of offsetting.

5.2 Key achievements in 2021: Climate

The Group's climate targets have been approved by leading international third-party organization the Science Based Targets initiative (SBTi), a coalition that brings together the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund (WWF). Over and above the Group's overall commitment, four of its Maisons – Louis Vuitton, Moët Hennessy, Parfums Christian Dior and Guerlain – also secured approval in 2021 for their carbon trajectories across their own scopes, confirming their goals built into each Maison's strategy: "Our Committed Journey" for Louis Vuitton, "Living Soils" for Moët Hennessy, "Beauty as a Legacy" for Parfums Christian Dior and "In the Name of Beauty" for Guerlain.

At a time when combating climate change is of vital importance, and corporate citizens must play a decisive role in this fight, LVMH participated in COP26 to present its actions and engage in dialogue with stakeholders:

- as part of the Sustainable Markets Initiative, led by His Royal Highness Prince Charles, Stella McCartney launched the "Future of Fashion: An innovation conversation with Stella McCartney" exhibition at the Kelvingrove Art Gallery and Museum in Glasgow. The installation featured highly innovative materials such as Bolt Threads' Mylo mycelium leather, Söktas' regenerative cotton, Econyl's regenerated nylon and Evrnu's NuCycl made from post-consumer waste and ocean plastics;
- Antoine Arnault, head of Image and Environment at LVMH, was interviewed on behalf of the Group as part of the special study by the United Nations and Accenture: The 2021 United Nations Global Compact – Accenture CEO Study on Sustainability: "Climate Leadership in the Eleventh Hour". As the world's largest program of CEO research on sustainable development, it draws on insights from over 1,000 CEOs across 113 countries and 21 industries;
- the Group also participated in the "Net Zero Business and Value Chain" conference held by EpE (Entreprises pour l'Environnement) at the EU Pavilion; the "Fashion Industry on the Race to Zero" conference held by the Fashion Industry Charter for Climate Action (UNFCCC); the "Private Sector Net Zero Goal: How can companies contribute to achieving global carbon neutrality, and report on their strategies?" conference held by ADEME and Carbone 4; and organized the "Preserving Biodiversity Can Help Mitigate Climate Change" conference at the French Pavilion.

In addition to a program to jointly develop clean technologies with the Solar Impulse Foundation, in 2021 LVMH's Carbon Fund invested 7.9 million euros in 60 innovation projects that would together avoid more than 2,600 metric tons of CO_2 equivalent (tCO_2e) a year. In 2021, the Solar Impulse Foundation also published a guide to clean and profitable technological solutions for the ecological transition at COP26 in Glasgow, Scotland. The guide, presented to the Scottish Government on the fringes of COP26, highlighted a case study for Glenmorangie, the Group's Scottish Maison and the only company featured in its pages.

5.2.1 Energy consumption

Improving energy efficiency and expanding the use of renewable energy are the main thrusts of the Group's strategy to limit its carbon footprint, an approach that also entails better energy management, which is vital to help reduce overall energy consumption. Measures to reduce these emissions have been in place for a number of years at Maisons' production sites.

Total energy consumption amounted to 1,198,144 MWh in 2021 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 (26% of the total sales floor area) estimated based on consolidated figures stands at 169,196 MWh. The 9% pro forma increase between 2020 and 2021 was mainly the result of an upturn in business in 2021 after stores were closed in 2020. To optimize how stores' energy consumption is managed, the Maisons install the most advanced lighting systems offered by the LVMH Lighting program and follow the LVMH Store Guidelines: 57% of the sales floor area is already covered by full LED lighting, based on the scope of stores that report this data, i.e. 60% of the total sales floor area. Alongside action to reduce consumption and boost energy efficiency, LVMH is increasing the proportion of renewable energy in its energy mix.

Consumption of renewables rose from 1% to more than 39% of the Group's total energy mix between 2013 and 2021. 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 the Group's sites in France, belonging to 23 of its Maisons. A similar agreement was signed in 2016 for the supply of electricity to a number of the Group's Italian Maisons, while some sites in Spain and Portugal now use renewable energy. 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 and Guerlain in 2021). LVMH has chosen SAVE Energies, France's second-largest buyer of biomethane, to supply all its French production facilities and sites with biomethane for three years starting in 2023. Biomethane, which is produced from organic waste, generates 81% fewer greenhouse gas emissions than conventional gas. To maximize local benefits, methanation units will be located as close to Maisons' sites as possible.

Meanwhile, Belvedere opened a new biomass power plant in 2021 that will meet the energy needs (electricity and steam) of its distillery using water vapor generated by burning wooden pallets and distillation by-products. The plant was developed after three years of studies and trials with the three Polish universities of Gdańsk, Łódź and Poznań.

Energy consumption by business group changed as follows between 2020 and 2021:

(in MWh)	**2021**	**2021 Estimated store scope**[(b)]	**2020**	**2021 pro forma**[(a)]	**Change**[(a)(c)] *(as %)*
Wines and Spirits	233,665	/	214,226	233,015	9
Fashion and Leather Goods	398,686	79,527	368,275	395,198	7
Perfumes and Cosmetics	99,267	4,529	93,267	100,867	8
Watches and Jewelry	46,869	7,079	37,688	43,260	15
Selective Retailing	308,582	77,797	250,901	258,741	3
Other activities	111,075	264	34,460	55,376	61
Total	**1,198,144**	**169,196**	**998,817**	**1,086,458**	**9**

(a) Value and change at constant scope.
(b) Estimated power consumption by stores not covered by reporting (26% of total sales floor area).
(c) Excludes estimated store power consumption.

Energy consumption by business group and by energy source was as follows in 2021:

(in MWh)	Electricity	Natural gas, butane and propane	Fuel oil and heavy fuel oil	Steam	Ice water	Renewable energies	% renewable energies[(a)]
Wines and Spirits	13,610	84,356	34,344	-	-	101,355	43
Fashion and Leather Goods	142,314	103,394	11,744	2,329	5,894	133,012	34
Perfumes and Cosmetics	8,418	34,014	2,537	613	-	53,684	54
Watches and Jewelry	12,402	7,666	652	1,466	487	24,196	51
Selective Retailing	142,315	14,060	157	6,829	5,938	139,282	45
Other activities	58,029	24,214	4,750	3,641	2,865	17,577	16
Total	**377,088**	**267,704**	**54,184**	**14,878**	**15,184**	**469,107**	**39**

(a) Not including estimated data for stores not covered by reporting.

5.2.2 Greenhouse gas emissions

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

Scope 1 emissions are those generated mainly through the combustion of fuel oil and natural gas. Scope 2 emissions are those generated indirectly from energy use, mainly electricity used in stores and at the Group's production sites.

Energy-related CO_2 emissions by business group changed as follows between 2020 and 2021:

(in metric tons of CO_2 equivalent)	CO_2 emissions in 2021	*Of which:*		CO_2 emissions in 2021 (estimated store scope)[(c)]	CO_2 emissions in 2020	CO_2 emissions in 2021 (pro forma)[(a)]	Change[(a)(d)] *(as %)*
		Direct CO_2 emissions	*Indirect CO_2 emissions*				
Wines and Spirits	34,470	*27,536*	*6,934*	/	33,796	34,431	2
Fashion and Leather Goods	107,301	*24,482*	*82,819*	38,349	107,404	106,764	(1)
Perfumes and Cosmetics	14,285	*7,743*	*6,542*	2,999	14,701	14,896	1
Watches and Jewelry	8,965	*1,756*	*7,209*	3,734	6,772	7,247	(7)
Selective Retailing	96,315	*2,939*	*93,376*	40,370	62,605	63,375	1
Other activities	28,842	*6,599*	*22,243*	107	6,051	12,142	101[(b)]
Total	**290,177**	***71,055***	***219,123***	**85,559**	**231,329**[(e)]	**238,855**	**3**

(a) Value and change at constant scope.
(b) Change linked to business levels.
(c) CO_2 emissions by stores not covered by reporting (26% of total sales floor area).
(d) Excludes estimated store power consumption.
(e) This figure does not include estimated emissions generated by stores in 2020.

Scope 3 emissions

In 2020, as part of the process to update the carbon footprint, 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. The 2019 baseline was revised to take into account additional emissions, in particular relating to fixed assets; this revision was approved by SBTi. The total carbon footprint thus stands at 5.1 million metric tons of CO_2 equivalent (tCO_2e), including 4.8 million metric tons from Scope 3 emissions, broken down as follows:

- More than 50% of Scope 3 emissions are generated by the sourcing of raw materials (products and packaging). The main sources of greenhouse gas emissions are the production of luxury wool fibers (535,000 tCO_2e); leather (460,000 tCO_2e); grapes, wines and spirits (234,000 tCO_2e, which includes vineyards belonging to the Group's Maisons as well as independent grape suppliers); glass for packaging (192,000 tCO_2e); and cotton (187,000 tCO_2e).
- Inbound and outbound transport of components and finished products is the second-largest area, generating 17% of Scope 3 emissions.
- Employees' commutes were assessed using average figures by geographic region and accounted for 7% of Scope 3 emissions.

The Group's total emissions from purchases, employee commuting, business travel, fixed assets and product usage and end-of-life treatment will be recalculated in 2022 and annually thereafter, in accordance with SBTi requirements.

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 2021:

(in metric tons of CO_2 equivalent)	**Road**	**Air**	**Ship**	**Rail**	**Total**
Wines and Spirits	21,967	962	208	1	23,139
Fashion and Leather Goods	10,880	13,707	639	1	25,226
Perfumes and Cosmetics	820	34,430	475	-	35,725
Watches and Jewelry	149	1,947	-	-	2,096
Selective Retailing	-	-	-	-	-
Other activities	4	7	-	-	12
Total	**33,821**	**51,054**	**1,322**	**2**	**86,198**

Greenhouse gas emissions generated by outbound transport (transport of finished products from production sites to distribution centers) broke down as follows in 2021:

(in metric tons of CO_2 equivalent)	**Road**	**Rail**	**Air**	**Ship**	**Inland barge**	**Electric vehicle**	**Liquid natural gas**	**Total**
Wines and Spirits	25,416	337	32,971	25,826	53	2	129	84,735
Fashion and Leather Goods	3,064	17	334,949	177	-	-	192	338,400
Perfumes and Cosmetics	2,529	-	280,011	2,151	-	-	65	284,755
Watches and Jewelry	1,090	-	24,176	96	-	-	-	25,362
Selective Retailing	3,254	-	7,332	138	-	63	16	10,803
Total	**35,354**	**355**	**679,439**	**28,388**	**53**	**65**	**402**	**744,055**

The following Maisons did not report any data for transport-related indicators: Rimowa, Rossimoda, DFS, Fred, Royal Van Lent, Thélios, Château Cheval Blanc, Groupe Les Echos-Le Parisien and Château du Galoupet. Furthermore, the reporting process in respect of inbound transport is still under development at some Maisons, with the result that inbound transport indicators are subject to a high degree of uncertainty.

At the forefront of this field, Hennessy achieved a rate of over 90% sustainable transport in 2021 by predominantly using sea freight. Meanwhile, Celine has kicked off two new approaches since 2020. The first aims to reduce reliance on air freight and make greater use of sea freight and road haulage, with a target of converting 2,500 cubic meters of air freight each year. The second aims to reduce the size of packaging (by 15% for leather goods, for example), with a direct impact on CO_2 emissions from outbound transport. For last-mile deliveries, Acqua di Parma has launched a seven-days-a-week bicycle delivery service.

5.2.3 Results for LIFE 360 "Climate" targets

The three LIFE 2020 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 had enabled a 25% reduction in emissions compared with 2013.

With LIFE 360, the target reduction in energy-related greenhouse gas emissions (Scopes 1 and 2) is measured relative to a new baseline year (2019). The baseline value will be recalculated at each significant change in scope to better reflect changes, in accordance with the GHG Protocol.

Between 2019 and 2021, Scope 1 and 2 emissions declined by 6% and the proportion of renewable energies rose from 36% to 39%. The reduction in greenhouse gas emissions is mainly down to energy efficiency improvements at the Group's stores; the moderate increase in renewable energies arose from more than twenty Belmond sites being added to the reporting scope.

Energy efficiency at the Group's stores has been steadily improving since 2013 thanks to a specific lighting policy, audits of the least energy-efficient stores and a sustainable design policy (see Section 5.1.1). To drive continued strong performance, the LIFE 360 program has endeavored to set more ambitious targets such as full LED lighting across all of the Group's retail floor space.

Summary of LIFE 360 "Climate" targets for 2021

Indicators	Performance in 2021	Target for 2026
Energy-related CO_2 emissions (Scopes 1 and 2) (baseline year: 2019)	-6%[(a)]	-50%
Proportion of renewable energy in the Group's energy mix	39%	100%
Proportion of stores lit entirely by LED lighting	57%[(b)]	100%

(a) In accordance with the GHG protocol, performance between 2019 and 2021 is based on a recalculated 2019 scope that takes into account changes since 2021: inclusion of emissions from Maisons that joined the LVMH reporting scope (Belmond and Sephora North Asia); inclusion of emissions related to new sites opened since 2019; exclusion of emissions from sites present in 2019 but absent in 2021; inclusion of changes since 2019 in retail floor space, to which average 2019 emissions per square meter are applied. For entities for which 2019 data is not available, emissions for 2020 or 2021 are used instead, constituting a relatively conservative approach.
(b) Based on the scope of data available, which covers around 60% of all data.

5.3 Supporting the principles of the Task Force on Climate-Related Financial Disclosures (TCFD)

In June 2017, the Financial Stability Board, established by the G20, published recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD) aimed at providing a clear, comparable and consistent framework for the assessment and disclosure of climate-related information while enabling companies to disclose more information to stakeholders. Understanding that inadequate information can lead to assets and capital allocation being incorrectly assessed, financial decision-makers are increasingly asking companies to (i) manage their exposure to climate-related risks and (ii) reduce their contribution to climate change.

In 2019, as part of its previous LIFE 2020 program, LVMH commissioned a survey to establish how closely the Group's practices were aligned with the TCFD recommendations. This survey highlighted both the robustness of the targets that had been set and how much progress remained to be made on incorporating climate-related issues into governance, corporate strategy and risk management. These conclusions were taken into account when the LIFE 360 action plan was drawn up.

At the end of 2020, LVMH committed to support the TCFD principles and embarked on a process of continuous improvement to implement its recommendations. Those disclosures already available are presented in this report, in the public response to the CDP Climate Change 2021 questionnaire (https://www.cdp.net/en/responses).

A breakdown of the corresponding information is set out for the first time in the following table.

Category	TCFD recommended disclosures	References in Annual Report (AR) and response to CDP 2021 questionnaire
Governance Describe the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities	– AR: Organization of the Group's environmental approach, p. 76 – CDP C1.1b (Details on the board's oversight of climate-related issues)
	b) Describe management's role in assessing and managing climate-related risks and opportunities	– CDP C1.2a (Describe where in the organizational structure this/these committees lie, what their responsibilities are, and how climate-related issues are monitored)
Strategy Describe the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is pertinent	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	– AR: Risk analysis matrix, p. 77; Strategic, operational and financial risks, p. 128 – CDP C2.3a (Details of risks identified with the potential to have a substantive financial or strategic impact on your business) and C2.4a (Details of opportunities identified with the potential to have a substantive financial or strategic impact on your business)
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	– AR: Risks arising from access to and pricing of raw materials, p. 130; Climate change-related risks, p. 134 – CDP: C 2.3a and C2.4a
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	– AR: Risks arising from access to and pricing of raw materials, p. 130; Climate change-related risks, p. 134 – CDP 3.2 (Details of your organization's use of climate-related scenario analysis)
Risk management Disclose how the organization identifies, assesses, and manages climate-related risks	a) Describe the organization's processes for identifying and assessing climate-related risks	– AR: Risk identification, p. 53; Risk analysis matrix, p. 77 – CDP: C2.2 (Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities)
	b) Describe the organization's processes for managing climate-related risks	– AR: Risk management, p. 54 – CDP: C2.2
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	– AR: Strategic, operational and financial risks, p. 128 – CDP: C2.2a
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	– CDP: C2.3a (Details of risks identified with the potential to have a substantive financial or strategic impact on your business) and C2.4a (Details of opportunities identified with the potential to have a substantive financial or strategic impact on your business)
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	– AR: Reduce energy-related GHG emissions by 50% in absolute terms, p. 94; Reduce Scope 3 GHG emissions by 55%, p. 94 – CDP: C6 (Emissions data); C7 (Emissions breakdowns)
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	– AR: Climate targets in line with the Paris Agreement, p. 94; Key achievements in 2021: Climate, p. 99 – CDP: C4 (Targets and performance)

6. Environmental taxonomy

In accordance with Regulation (EU) 2020/852 establishing criteria for determining whether an economic activity qualifies as environmentally sustainable ("the Regulation"), the Group has identified those of its activities that qualify as contributing to climate change adaptation and mitigation objectives ("the Climate Objectives").

As of December 31, 2021, the Regulation stipulates that certain large companies should publish three key performance indicators (KPIs) indicating the proportion of the following three items that is associated with Taxonomy-eligible economic activities:

- revenue;
- capital expenditure, defined as the sum of acquired fixed assets, right-of-use assets in relation to new leases, and fixed assets and right-of-use assets recognized in respect of changes in scope ("capex");
- operating expenditure used to maintain fixed assets and fund research and development (R&D) and non-capitalized leases ("opex").

The Regulation defines eligible activities as those that have the greatest impact on climate change and thus offer the greatest potential for reducing greenhouse gas emissions. These include, in particular, the production and sale of energy, means of transport and transportation services, and real estate development and renovation. LVMH's main activities are thus not, at this stage, targeted by the Climate Objectives.

Consequently, given the restricted list of activities eligible for the Climate Objectives defined at this stage in the Regulation, and the fact that activities' sustainability will only be assessed from 2022 onward, the Group's climate-related initiatives are not reflected in the key performance indicators defined in the Regulation and presented herein. However, as part of its LIFE 360 program, LVMH is pursuing an ambitious policy to reduce the impact of its activities on the climate, described in §5, "LIFE 360 – Climate". Furthermore, LVMH is strongly committed to circular product design and biodiversity, as set out in §2, "LIFE 360 – Circular Design", and §3, "LIFE 360 – Biodiversity". The Group's actions in these two areas will be more reflected in progress against other environmental objectives covered by the Regulation (protecting water and marine resources, transitioning to a circular economy, preventing/reducing pollution, and protecting biodiversity and ecosystems), notably in respect of the Fashion and Leather Goods and Wines and Spirits business groups.

6.1 Revenue

Since LVMH's main activities are not at this stage cited by the Regulation in relation to achievement of the Climate Objectives, the turnover KPI is nil for LVMH in respect of fiscal year 2021.

6.2 Operating investments (capex)

Part of the Group's capital expenditure relates to certain eligible activities as defined in the Regulation, mainly in the real estate sector.

This is chiefly the result of lease right-of-use assets.

Total capex (as defined in the Regulation) and Taxonomy-eligible capex in 2021 are broken down as follows:

(EUR millions)	**Total capex**	**Of which: Individually eligible**
Acquisitions of property, plant and equipment and intangible assets[(a)]	3,253	1,134[(c)]
Right-of-use assets in respect of new leases[(b)]	2,730	2,652
Changes in the scope of consolidation, of which:	8,552	1,218
– *Property, plant and equipment[(a)]*	*1,016*	*385*
– *Intangible assets[(a)]*	*6,678*	-
– *Lease right-of-use assets[(b)]*	*858*	*833*
TOTAL FOR 2021	**14,535**	**5,004**

(a) See Notes 3 and 6 to the consolidated financial statements.
(b) See Note 7 to the consolidated financial statements.
(c) Since a breakdown of acquisitions of property, plant and equipment in respect of Taxonomy-eligible activities is not available within the Group's financial reporting, this information has only been collected for those Maisons whose balance sheets include significant property, plant and equipment; these Maisons account for 60% of the Group's total property, plant and equipment. No extrapolations were performed for the other Maisons, which were considered "ineligible" for the requirements of this reporting.

In 2021, LVMH's capex in respect of Taxonomy-eligible activities equated to 34% of its total capex. Eligible capex relates almost entirely to the real estate sector and mainly consists of right-of-use assets in respect of store leases, as well as property acquisition and renovation. Excluding the one-off impact of the recognition of the Tiffany brand and related goodwill, the portion of eligible activities equates to 63% of total capex.

6.3 Maintenance, R&D and rental expenses (opex)

Since asset maintenance expenses are not readily available within the Group's financial reporting, this information has only been collected for those Maisons whose balance sheets include material amounts of property, plant and equipment and right-of-use assets (together accounting for 60% of the Group's total property, plant and equipment and right-of-use assets).

Given this basis, maintenance, R&D and rental expenses (in respect of non-capitalized leases) represent a non-material proportion of the Group's total operating expenditure. As provided for by the Regulation, this indicator is not shown since it is not relevant in light of the Group's activities.

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6. Attracting and retaining talent

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1. General policy

The Group's approach to workforce-related responsibility is led by LVMH and its subsidiaries, which employ the entire workforce of the Financière Agache group.

Through their talent and commitment, the Group's employees create unforgettable experiences for all customers and drive the success of the Group and its Maisons. They safeguard and build on an invaluable range of expertise, particularly in craftsmanship and design professions.

In a constantly changing competitive environment, the Group seeks to attract the most talented people on every continent. The Group welcomes new hires and supports all its staff based solely on their talent and skills, embracing diversity as a source of cultural enrichment. Offering employees career development opportunities helps ensure the long-term future of this exceptional expertise. Guaranteeing the health, safety and well-being of employees is key to their fulfillment and their engagement, both of which drive the Group's success. Lastly, promoting constructive labor relations helps create a fulfilling work environment where everyone has a voice and a key role within the team.

1.1 Committed to developing talent

Our people's talent drives strong performance and helps secure the Group's long-term future. Responsible people management is structured around four key priorities identified through stakeholder consultation and a mapping of issues and risks:

- respecting every individual's uniqueness and dignity;
- supporting our employees by taking action for their safety and well-being;
- passing on skills and expertise that are an integral part of our world's cultural heritage;
- working to build a better society.

Within this shared social responsibility program, each of the Maisons implements its own action plan.

2021 saw the resumption of business operations and an upswing in activity in the aftermath of an unprecedented public health crisis. During this period, protecting employee health and safety remained the top priority for the Group. At the same time, the Group continued with its ambitious policy to attract talented people and support them on every continent, while uniting all of its employees around its values. The first two of these core values – creativity and a passion for innovation – have helped the Group adapt very quickly during the Covid-19 crisis. The next two – a quest for excellence and an entrepreneurial spirit – remain essential to drive collective performance. In 2021, the Group expanded this set of core values with the addition of a commitment to having a positive impact with respect to the environment, inclusion and supporting its communities.

1.2 Organization and quality of workforce-related reporting

The Group 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 2021, workforce-related data was verified by Ernst & Young, in accordance with Article R. 225-105-2 of the French Commercial Code [(1)].

In addition, the Corporate Social Responsibility Department reports on qualitative aspects of workforce management and development, listing progress made under the policies adopted and action plans put in place by the Maisons. The reporting template is sent to all Human Resources Directors at the Maisons, who are responsible for the data entered. Each Maison submits its completed reporting template to the Corporate Social Responsibility Department, which verifies and then consolidates all the data submitted at Group level.

(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.

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, 2021, 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 948 organizational entities covering over 99% of the global workforce and encompass staff employed during the fiscal year, including those employed by joint ventures.

The Group's employees in China and its regions are included in the number of staff working under permanent contracts (27,900 as of December 31, 2021). 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

Total headcount as of December 31, 2021 stood at 175,647 employees, an increase of 17% compared with 2020. Of this total, 159,564 employees were working under permanent contracts and 16,083 under fixed-term contracts. Part-time employees represented 15% of the total workforce, or 26,786 individuals. Staff outside France represented 81% of the global workforce.

The Group's average total full-time equivalent (FTE) workforce in 2021 comprised 157,953 employees, up 6.48% compared with 2020.

1.3.1 Breakdown of the workforce by business group, geographic region and job category

Breakdown by business group

Total workforce as of December 31 [(a)]	2021	%	2020	%	2019	%
Wines and Spirits	7,898	4	7,530	5	7,671	5
Fashion and Leather Goods	57,689	33	53,002	35	53,456	33
Perfumes and Cosmetics	27,774	16	28,017	19	30,427	19
Watches and Jewelry	24,348	14	9,078	6	9,426	6
Selective Retailing	48,807	28	43,741	29	57,383	35
Other activities	9,131	5	9,111	6	4,946	3
Total	**175,647**	**100**	**150,479**	**100**	**163,309**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by geographic region

Total workforce as of December 31 [(a)]	2021	%	2020	%	2019	%
France	33,887	19	32,813	22	33,701	21
Europe (excl. France)	39,343	22	37,693	25	40,453	25
United States	34,930	20	24,749	16	31,483	19
Japan	8,013	5	7,012	5	7,391	5
Asia (excl. Japan)	43,705	25	35,382	23	38,109	23
Other markets	15,769	9	12,830	9	12,172	7
Total	**175,647**	**100**	**150,479**	**100**	**163,309**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by job category

Total workforce as of December 31 [a]	2021	%	2020	%	2019	%
Executives and managers	36,807	21	32,713	22	32,004	20
Technicians and supervisors	16,952	10	14,575	9	15,333	9
Administrative and sales staff	91,691	52	79,059	53	93,575	57
Production workers	30,197	17	24,132	16	22,398	14
Total	**175,647**	**100**	**150,479**	**100**	**163,309**	**100**

(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. The youngest age ranges are found among sales staff, mainly in Asia, the United States and "Other markets".

(as %)	Global workforce	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Age: Under 25	9.1	4.1	5.6	15.2	3.3	10.5	14.5
25-29	18.2	15.3	13.5	18.3	10.9	24.9	20.0
30-34	20.7	17.6	17.7	17.4	15.9	28.5	21.7
35-39	16.4	14.4	16.3	13.4	19.9	19.3	16.9
40-44	12.0	12.8	14.6	10.2	20.6	9.2	10.9
45-49	9.1	11.9	13.0	7.5	17.5	4.2	6.4
50-54	6.8	10.3	10.0	6.8	8.3	2.0	4.4
55-59	5.0	9.4	6.4	5.6	3.5	1.0	3.4
60 and up	2.8	4.2	2.8	5.6	0.1	0.5	1.9
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average age	**37**	**40**	**40**	**37**	**39**	**33**	**35**

1.3.3 Average length of service and breakdown by length of service

The average length of service within the Group is 10 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 (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Length of service: Less than 5 years	58.1	44.5	48.4	66.5	47.3	70.0	65.7
5-9 years	19.5	19.5	21.5	17.7	21.2	18.4	20.6
10-14 years	10.0	12.1	13.9	7.5	11.2	7.7	7.3
15-19 years	5.3	7.7	7.5	4.2	11.5	2.1	2.8
20-24 years	3.8	7.5	5.0	2.6	6.2	1.0	2.1
25-29 years	1.5	3.2	1.9	1.0	1.8	0.5	0.9
30 years and up	1.8	5.6	1.8	0.7	0.9	0.2	0.6
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average length of service	**7**	**10**	**8**	**6**	**8**	**5**	**5**

2. Taking an ambitious, inclusive approach to developing talent

Attracting the best talent and growing with its employees are the cornerstones of the Group's dynamic talent development policy. The Group is seen as a highly attractive employer among promising job candidates, and works to maintain this attractiveness through its range of training and job opportunities. It strives to offer motivating development opportunities and help all employees advance in their careers based solely on their talent and skills.

2.1 Implementing an attractive employer policy

The Maisons owe their success to the firm belief that their people are what set them apart. Whether they be young graduates, managers or senior executives, talented people are the Group's most valuable assets. For this reason, recruitment is a central pillar of the Group's human resources policy and contributes to its excellent results. It involves identifying future talent and building strong connections with candidates so as to offer them varied and unique career opportunities.

Recruitment trends in 2021 were largely similar to those in 2019, following the disruption seen in 2020. The Group's teams anticipated and adapted to these changes, redoubling their efforts to maintain close ties with talented candidates. For this work, they drew on the strengths of the Group ecosystem by building on synergies between the Maisons.

With a strong employer brand playing an increasingly pivotal role in attracting talent, the Group pays very close attention to changing expectations in the market so as to offer solutions tailored to individual career aspirations. The Group looks for candidates who share its values of excellence, creativity and entrepreneurial spirit, and who are motivated by modern, inspiring leadership that places a priority on engagement, dialogue and social responsibility. Firmly committed to diversity, the Group forms teams as varied as its customers and also actively seeks out candidates from fields other than its own, particularly those able to bring in new expertise from the most innovative sectors.

Attracting talent

In 2021, the Group continued the rollout of its new employer brand promise, "Craft the Future", aimed at showcasing the unique range of opportunities the Group can offer its talent. This new promise is structured around four pillars: Inspire, Challenge, Connect and Support. The Group has trained thousands of in-house ambassadors and launched a new social media campaign. Featuring employees sharing their unique stories, it offers very personal perspectives on the ways in which they are helping to shape the future of the Group, the luxury industry, and even society itself. New episodes in the series will be unveiled in 2022.

For the 16th consecutive year, LVMH topped the Universum ranking of preferred employers among business school students in France. Outside France as well, the Group remains an employer of choice and continues to rise in rankings of the world's most attractive employers.

Engagement and opportunities

In a constantly evolving world, professions are being reinvented and created at an unprecedented pace. Seeking out, developing and retaining talent is essential to the Group's continued success, now and over the long term.

Individual support provided to employees, a range of human resources initiatives, and the transformation of managerial culture are all necessary elements contributing to the Group's growth and that of its staff.

Each year, to anticipate and prepare for future challenges and opportunities, human resources staff, working closely with the Group's senior executives and managers, conduct an annual organizational and talent review, a forward-looking analysis covering all the Group's Maisons. Taking a systematic, structured and cohesive approach, this review highlights the strategic goals, business models and talent structures of each Maison. Worldwide in focus, it offers a comprehensive overview of the Group's leaders and managers. It helps to identify talent pools for future senior executives and high-potential employees, firm up succession plans, and anticipate skill and resource requirements. The subsequent action plans support the Group's development. The data analyzed also shed light on the dynamic management of talent across the Group. In 2021, nearly 80% of key positions within the Group were covered by a succession plan and 75% of the most strategic roles were filled internally.

Turnover by geographic region

(as %)	2021	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets	2020	2019
Total turnover[(a)]	23.3	11.3	17.8	39.5	10.4	25.8	29.3	24.5	23.1
Of which: Voluntary turnover[(b)]	*17.2*	*5.0*	*11.4*	*33.6*	*8.9*	*20.3*	*20.3*	*11.7*	*17.2*
Involuntary turnover[(c)]	*5.5*	*5.1*	*5.7*	*5.4*	*1.3*	*5.4*	*8.7*	*12.2*	*5.4*

(a) All reasons. Excluding internal mobility and non-Group transfers.
(b) Resignations.
(c) Dismissals/end of trial period.

Breakdown of movements[(a)] of employees working under permanent contracts by business group

(number)	Joiners			Leavers		
	2021	2020	2019	2021	2020	2019
Wines and Spirits	902	481	844	615	609	717
Fashion and Leather Goods	15,431	7,777	13,563	9,992	7,458	8,609
Perfumes and Cosmetics	6,045	3,486	7,468	6,605	5,165	6,340
Watches and Jewelry	5,246	924	1,799	4,102	1,036	1,253
Selective Retailing	15,908	9,190	16,719	14,989	17,503	16,508
Other activities	1,544	1,064	894	1,554	3,369	892
Total	**45,076**	**22,922**	**41,287**	**37,857**	**35,140**	**34,319**

(a) Under permanent contracts, including conversions of fixed-term contracts to permanent contracts and excluding internal mobility within the Group.

In 2021, a total of 37,857 employees working under permanent contracts left the Group (all reasons combined); of these, nearly 40% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate.

2.2 Recognizing talent through compensation

The Group 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 takes care to ensure that performance is rewarded. Variable compensation is linked to the financial results of each employee's company and the achievement of individual targets.

In 2021, LVMH appointed a team to draw up a fair wage policy to be applied both internally and externally, whose principles will be announced in the first quarter of 2022.

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 %)	2021	2020	2019
Less than 1,500 euros	2.0	1.4	1.9
1,501 to 2,250 euros	17.7	18.6	15.3
2,251 to 3,000 euros	20.5	21.6	22.6
Over 3,000 euros	59.8	58.4	60.2
Total	**100.0**	**100.0**	**100.0**

Personnel costs[(a)]

Worldwide personnel costs break down as follows:

(EUR millions)	2021	2020	2019
Gross payroll – Fixed-term and permanent contracts	7,562.4	6,509.8	6,544.7
Employer social security contributions	1,725.2	1,629.8	1,619.3
Temporary staffing costs	298.7	315.7	324.0
Total personnel costs	**9,586.4**	**8,455.3**	**8,488.0**

(a) Indicators are taken from the HR reporting system, which covers 948 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 remained stable year over year, accounting for 6.3% of the total worldwide payroll (versus 6.3% in 2020), 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 266.2 million euros in 2021, paid in respect of 2020, a decrease compared to the previous year.

(EUR millions)	2021	2020	2019
Profit sharing	120.8	139.3	138.3
Incentive	106.1	139.4	148.8
Employer's contribution to company savings plans	39.3	32.2	32.9
Total	**266.2**	**310.9**	**320.0**

2.3 Nurturing future talent

The Group is committed to bringing talent to light as well as developing its existing talent. It hires and trains the best candidates for its positions, those deemed likely to take up the quest for excellence. A number of initiatives are pursued by LVMH to attract students and young graduates.

2.3.1 Institut des Métiers d'Excellence – Training in the luxury trades

Safeguarding the future for exceptional professions that are essential to the luxury value chain

Across its six business segments, the Group brings together a wide range of unique skills, knowledge and expertise. Vital to the success of its Maisons, these skills and expertise make LVMH a key player in protecting this heritage and passing it on. The Group boasts more than 280 *métiers d'excellence* (professions of excellence) in the fields of design, craftsmanship and the customer experience. Over 80,000 employees around the world are the custodians of this living heritage.

LVMH has forged a new set of goals structured around three strategic objectives: passing on knowledge and expertise, showcasing its employees' skills and promoting this singular heritage. To preserve and promote the Group's exceptional professions, in 2021 all of the Group's Maisons signed the WE for ME (Worldwide Engagements for Métiers d'Excellence) agreement. Commemorated in a powerful photograph portraying Bernard Arnault alongside the virtuosos and CEOs of around 40 Maisons, set against the backdrop of the Fondation Louis Vuitton, the agreement lays down ten commitments shared by all of the Group's Maisons.

Promoting and passing on skills and expertise

To spur interest in its professions and attract top talent, the Group reaches out to young people from an early age. Under the "Excellent!" program, four practical workshops have been organized for 120 middle school students in France to help them discover these professions. In the same vein, LVMH has introduced the Village des Métiers d'Excellence, a vocational training fair to showcase these professions. In partnership with 21 schools and universities recognized in their disciplines and 39 Maisons, it has offered more than 400 work-linked training contracts.

In 2021, the Institut des Métiers d'Excellence (IME) program continued its exceptional growth momentum. The program welcomed its largest class since its creation: 339 new apprentices in six countries (France, Switzerland, Italy, Spain, Japan and Germany). Since 2014, through its 34 programs, the IME has trained more than 1,400 apprentices in 27 professions. In 2021, 99% of apprentices obtained their diplomas. Their job placement rate at the Maisons and their partners was 61%.

Showcasing talent

To introduce young people and those interested in retraining for career opportunities provided by these professions, the Group aims to raise the profile of the related skills and expertise by showcasing the talents of its employees.

"SHOW ME" – the Institut des Métiers d'Excellence's new format for its traditional annual induction ceremony – celebrates its community of professions in design, craftsmanship and the customer experience.

Each year, the LVMH Virtuosos program now asks the Maisons to select one of their most eminent practitioners in an exceptional profession, who are offered a specific career guidance plan. In 2021, the first selection of 67 virtuosos, guardians of exceptional skills and expertise, was honored at the "SHOW ME" event attended by Bernard Arnault and Chantal Gaemperle.

Supporting and promoting skills and expertise outside the Group

As part of its active engagement in society, the Group has set up partnerships to promote exceptional professions beyond the scope of its operations. An initial artistic collaboration was launched between five craftswomen affiliated with nonprofit La Fabrique Nomade and Jérémy Gobé, an artist committed to the protection of coral reefs. The resulting work was exhibited at the FIAC International Contemporary Art Fair in Paris in 2021.

The LVMH group has also joined forces with the magazine *Elle*, the Institut National des Métiers d'Art and the Chambre des Métiers de l'Artisanat to create the Prix des Artisanes. The talented women recognized with these prizes all work in exceptional professions in the fields of fashion, design, food and wine, and the preservation of French heritage. Specific career guidance plans are being offered to them.

2.3.2 Inside LVMH – Supporting the next generation

With current economic conditions proving especially challenging for young people, the Group has stepped up its dedicated programs, particularly in the areas of training and access to employment. In 2021, the Group announced a new target to be met by the end of 2022: hiring 25,000 young people under 30 worldwide, including 5,000 internship and apprenticeship contracts at LVMH, and 2,500 permanent contracts in France.

In line with its commitment to pass on knowledge and expertise, the Group continues to provide practical guidance to young people as they build their career plans. The Group is moving forward with its "Craft the Future 2022" action plan, which involves many initiatives, in partnership with schools and universities in France and around the world.

The Inside LVMH platform (www.insidelvmh.com) helps students and young people around the world improve their knowledge of the luxury sector, while also offering the chance to complete additional training and receive career development assistance. With 50 hours of exclusive content provided by experts in the luxury industry (employees, HR staff and senior executives of the Group and its Maisons, as well as teachers from around the world), LVMH is opening the doors to its six business groups. Launched following the success of the in-person Inside LVMH events first held in 2016, the digital platform, which went live in March 2021, had already welcomed more than 43,000 registered users by the end of the November.

Apart from on-demand access to its content, learners may also earn a certificate for having completed training in specific areas. By successfully completing 30 hours of exclusive content in the form of training modules and case studies, learners receive the Inside LVMH certificate. In 2021, more than 21,000 young people signed up for one of the two certifying sessions, and nearly 10,000 of them received their certificate. The highest ranking trainees were offered the opportunity to be mentored by a Group employee.

2.4 Building a culture of inclusion

Ensuring discrimination-free recruitment and development

The Group 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, the Group 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. The Group makes sure each and every new recruit feels welcome and benefits from equal opportunities throughout their career. The Group implements practices to prohibit any discrimination on the basis of skin color, sex, religion, political convictions, national or social origin, age, disability, trade union membership, sexual orientation, gender identity, etc. These principles are set out in the Code of Conduct.

After appointing a Head of Diversity & Inclusion for North America in 2020, LVMH launched the role of Group Chief Diversity & Inclusion Officer in 2021. This new appointee coordinates the activities of all Diversity & Inclusion staff throughout the Group to ensure that its commitments in this area are being met at the Maisons and across all business lines.

Promoting diversity and inclusion training

LVMH has created its Inclusion Index to monitor and strengthen diversity and inclusion across the Group. It is sponsored by two members of the LVMH group's Executive Committee: Chantal Gaemperle, Group Executive Vice President, Human Resources and Synergies, and Jean-Jacques Guiony, Group Chief Financial

Officer. This tool encourages initiatives and helps bring forth joint projects within the Maisons. The particularly hard-hitting initiatives of 2020 were celebrated on International Women's Day on March 8 and at the "Voices of Inclusion" online event held on June 28 marking Pride Month.

LVMH has designed training in unconscious bias in decision-making and its effects. Delivered to senior executives since 2019, its rollout continues throughout the Group and its Maisons.

In 2021, a training course on the risk of attitudes and behaviors motivated by racial bias was delivered to more than 1,500 employees of sales teams in North America. This seminar reminds employees of the Group's rules of conduct and its principle of zero tolerance for discrimination and harassment; it also includes interactive role-playing exercises to provide practical tools for fighting bias. It thus helps store managers create an inclusive and fair environment for both employees and customers.

In the United States, Sephora was the first retailer to join the Fifteen Percent Pledge, an initiative that asks businesses to dedicate 15% of their shelf space to Black-owned brands. This target was reached by the chain in 2021.

Embracing the full spectrum of talent

The Group is constantly working to prevent any form of discrimination in its recruitment practices. This ambition is reaffirmed in the Codes of Conduct and the Recruitment Code of Conduct.

Starting in 2011, the Group and the Maisons have periodically held mandatory anti-discrimination training for their recruiters. Digital training courses are now supplementing those offered in various regions and by Maisons. In 2020 and 2021, 70 international recruiters were trained using this format. 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.

The Group assesses its recruitment processes on a regular basis to ensure that they are free of discrimination. Since 2008, the Group has used an audit procedure to review its practices, which it expanded to cover a global scope starting in 2014. This audit procedure, entrusted to an independent firm, takes a variety of forms. It includes discrimination testing of the Group's posted job offers, with testing campaigns run regularly and over long periods. It also gives rise to statistical surveys on discrimination risk in recruitment, with a campaign run in 2019-2020. It may also take the form of compliance testing for job offers. In 2021, a sample of job offers from a representative set of countries was audited to make sure that they did not include any discriminatory content. The findings were presented to Human Resources Directors at the level of the Group and the Maisons, CSR officers, as well as Diversity and Inclusion managers, and have been followed by appropriate action plans.

In 2021, LVMH launched a comprehensive update for its Recruitment Code of Conduct. A new version is expected to be released in 2022.

Taking action to promote employment for people with disabilities

Given its longstanding commitment to the employment and integration of people with disabilities, the Group maintains an ambitious program to promote their inclusion, whether through recruitment or accessibility. LVMH is a member of the Global Business and Disability Network of the International Labour Organization (ILO) and has signed its Charter. At the event celebrating the Group's involvement in good causes in December 2021, Chantal Gaemperle, Group Executive Vice President, Human Resources and Synergies, announced LVMH's target of having people with disabilities make up 2% of the workforce worldwide by 2025.

Since 2007, Mission Handicap has coordinated the Group's international approach in this area, and has helped it to formulate its ambitions. In this work it is supported by a network of 82 CSR and disability officers at the various Maisons, who meet regularly.

In all of LVMH's operating regions around the world, the Group and its Maisons organize many initiatives. In the United States, Sephora has pursued a program in place since 2017 whose goal is to have people with disabilities make up 30% of the company's workforce across its five distribution centers. To date, 246 employees with disabilities have been hired, bringing the number of people with disabilities to 9% of its distribution center workforce. In South Korea, LVMH's Maisons have innovated with a recruitment program aimed at advancing both inclusion and employee well-being. In its first year, LVMH Perfumes and Cosmetics Korea hired 15 employees with disabilities whose responsibilities include assessing the well-being of all office and store staff on a day-to-day basis.

In France, a work-linked training program was launched to promote the employability of people with disabilities. Since 2014, 54 people with disabilities have thus been offered a work-linked training contract at the Group's Maisons. During recruitment campaigns, work-based role play exercises are used to select candidates, thus providing for an objective evaluation of each individual's aptitudes, skills and potential, whatever their background. In addition, the Maisons promote the employment of people with disabilities through their own initiatives, including internship and training opportunities, specific recruitment programs, and workstation adjustments. Furthermore, some of the Maisons, such as Hennessy and Christian Dior Couture, have signed company-wide agreements for the employment of people with disabilities.

The Group also supports employees who report that they have a disability. The Maisons offer solutions adapted to each case to help people keep their jobs, where necessary by making adjustments to their workspaces or helping them transition to a different role. To help certain employees with disabilities remain in their jobs, Moët & Chandon created MHEA, a disability-friendly company, in 2011. Eligible employees can therefore continue working under conditions specifically designed to meet their needs. Since it was founded, MHEA has hired more than 80 people. Guerlain has rolled out an innovative approach to workplace accessibility in partnership with two nonprofit organizations active in this area, Vivre et Travailler Autrement and PEP 28. Following workstation assessments and the resulting adjustments, along with training sessions for prospective hires and their managers, employees with severe autism began working at the Chartres production site. One of them was hired under a permanent contract in 2021 and another new hire is due to join the site's permanent staff in early 2022. A total of eight new hires are planned.

In 2021, people with disabilities made up 1.2% of the Group's workforce worldwide. As of end-December 2021, the Group had 2,104 employees with disabilities.

Ensuring gender equality

Gender equality is an integral part of the Group's culture. Having signed the United Nations Women's Empowerment Principles in 2013, the Group and its Maisons are formally committed to gender equality. In particular, they strive for gender equality at the most senior levels, fair treatment, professional development for women, the promotion of equality, and transparency on results.

In 2021, 44% of key positions at the Group were held by women, compared with 23% in 2007. The Group aims to achieve gender equality in these positions by 2025. Seventeen of the Group's Maisons are led by women, two more than in 2020. Through its EllesVMH initiative, the Group is working closely with its Maisons to achieve this target and implementing coaching and mentoring programs. In 2021, LVMH introduced SHERO Academy, the Group's first online coaching program open to all female employees. It offers two modules to get to know oneself better and cultivate an entrepreneurial spirit, along with over 40 hours of coaching provided by outside and in-house experts. The EllesVMH Coaching program has been offered to around 30 women a year for over 10 years. Redesigned in 2021, it gave 45 women leaders the opportunity to take part in six months of training, which included both individual coaching and mentoring by a Group senior executive. Specific programs have also been rolled out locally, such as Futur'Elles in the Asia-Pacific region and Allyship in North America.

In addition, LVMH scored 92.1 points out of 100 on the French government's Gender Equality Index.

The Group also aims to achieve pay equity. The Maisons are putting in place initiatives and tools to reduce any pay gaps between men and women within a given job category.

Lastly, the Group is demonstrating and promoting its commitment. The Group celebrates International Women's Day every year. Held as online events for the most part in 2021 due to the Covid-19 pandemic, the celebrations were still plentiful and well attended. Talks and discussion panels were organized around the world. One such event bringing together the heads of Celine and Givenchy drew more than 700 attendees.

The Inclusion Index, designed to strengthen diversity and inclusion across the Group, is another important initiative in support of gender equality.

Proportion of women among joiners and in the Group's workforce[(a)]

(% women)	Joiners			Group workforce		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Breakdown by business group						
Wines and Spirits	49	49	45	39	38	38
Fashion and Leather Goods	66	66	65	67	67	67
Perfumes and Cosmetics	85	84	85	82	82	83
Watches and Jewelry	67	58	60	65	59	59
Selective Retailing	84	82	83	83	83	83
Other activities	45	37	42	39	38	37
Breakdown by job category						
Executives and managers	67	64	65	65	64	65
Technicians and supervisors	68	67	68	67	66	68
Administrative and sales staff	78	79	79	78	79	80
Production workers	62	56	61	60	57	59
Breakdown by geographic region						
France	65	64	66	64	64	64
Europe (excl. France)	72	72	74	70	71	72
United States	77	80	79	74	75	78
Japan	65	71	73	72	73	73
Asia (excl. Japan)	74	73	75	76	76	77
Other markets	72	70	79	66	67	73
Group	**74**	**73**	**75**	**71**	**71**	**73**

(a) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

Fighting discrimination against lesbian, gay, bisexual, transgender and intersex (LGBT+) people

The Group works to promote and ensure a work environment where people are treated with dignity and respect, where everyone can contribute and develop their skills and talents to their full potential, regardless of their sexual orientation or gender identity. Since 2019, the Group has been a signatory of the United Nations' Standards of Conduct to support the business community in tackling discrimination against LGBT+ people. LVMH Pride – the affinity group for LGBT+ employees and their allies created in the United States in 2019 – expanded into the Asia-Pacific region in 2020 and the United Kingdom in 2021. This worldwide community celebrates LGBT+ diversity, inclusion and authenticity across the Group and its Maisons. In 2021, Marc Chaya – co-founder, President and CEO of Maison Francis Kurkdjian – was selected as a winner in the "LGBT+ Executive" category at the third edition of the LGBT+ Role Models and Allies awards organized by L'Autre Cercle, the leading French nonprofit promoting inclusive workplaces for LGBT+ professionals.

In 2021, several of the Group's Maisons lent support to the nonprofit MAG Jeunes LGBT+. For example, in honor of Pride Month, Givenchy collaborated with Amar Singh, the founder and owner of London's Amar Gallery, and the artists of the Rewind Collective to create an NFT, or non-fungible token. Proceeds from the sale of 1,952 copies of this blockchain-based digital work of art amounted to more than 108,000 euros and were donated to the nonprofit. In addition, Sephora was a partner of the Global Conference on the Rights and Inclusion of LGBTI+ Youth, which was co-organized by the nonprofit. This event helped to launch an international movement to promote inclusion for those who are among the most marginalized members of society. Christian Dior Couture later became a sponsor of the Conference and presented a short video of its key moments during Pride Month.

The Inclusion Index celebrates and recognizes best practices in addressing discrimination experienced by LGBT+ employees. In the United States, Sephora has launched several initiatives: an LGBT+ career discussion panel about preparing virtual interviews, a series of talks during Pride Month, and events to celebrate LGBT History Month. LVMH Japan and ten of the Group's Maisons took part in the JobRainbow job fair in Japan. This job fair organized for LGBT+ students and young professionals aims to help them find an inclusive workplace where they can truly be themselves. In France, Celine invited its employees to attend an exclusive and authentic presentation by the Chair of Fédération LGBTI+, a French nonprofit grouping together LGBT+ organizations and centers throughout the country. In the Asia-Pacific region, the new chapter of All LVMH Pride was recognized for its work to promote inclusion. Lastly, at the Voices of Inclusion event, a number of LVMH employees shared their personal stories about belonging to the LGBT+ community.

Supporting older employees

The most experienced employees play an especially important role in passing on knowledge and expertise, but also the Group's values. Issues relating to older employees are addressed using specific approaches for each geographic region. In 2021, employees aged 50 and up represented 23% of the workforce in France and 15% of the workforce outside France. In France, specific company-wide agreements cover issues relating to older employees: reduction in working hours, quality of life, remote working, and the forward-looking management of jobs and skills.

The Group aims to keep its older employees in work by continuing to offer them a motivating and fulfilling work environment. The Group implements an employee-centered approach to career development that takes into account, as necessary, the lengthening of working lives and adjustments to workstations or working hours, while offering specific health checks, particularly in the context of the pandemic. By way of example, Ruinart has set up a secondment program for vineyard workers during the grapevine pruning season to avoid physical strain for older employees. Some of the Maisons, such as TAG Heuer, Zenith, DFS, Givenchy and Bodega Numanthia, have both employees and their managers take part in unconscious bias training to tackle discrimination experienced by older staff. Lastly, many of the Maisons, such as Berluti and Tanneries Roux, enlist older employees to serve as mentors or tutors for younger workers.

Some of the Maisons offer end-of-career interviews and dedicated training to older employees.

The Group also provides assistance in preparation for retirement. In 2021, the Group's holding company launched SWITCH, a program for employees reaching the end of their careers, with the dual aim of providing information about their retirement plans and remaining at their side during this transition. Celine includes a focus on assistance provided for retirement at all its workshops for human resources personnel. Other Maisons like Loewe, Bvlgari, Domaine Chandon Argentina and LVMH Fragrance Brands offer both partial retirement arrangements, with the employer assuming a portion of the resulting salary loss, and extensions of employment contracts beyond the legal retirement age. In 2021, Royal Van Lent continued with its Generatiepact pilot project to grant additional leave and promote part-time employment.

3. A fulfilling work environment

The Group recognizes its employees' enthusiasm for learning and undertakes to help them develop their full potential. To this end, the Group creates the tools and conditions necessary to strengthen their skills and encourage them to take charge of their own development. The Group also aims to set the standard in terms of health and safety, in supporting the well-being and fulfillment of its employees, and in maintaining constructive labor relations.

3.1 Encouraging learning to improve agility and employability

Employee skills are what give shape to collective performance for the Group and allow it to meet the challenges of a constantly changing world. The inseparable objectives of individual employability and collective agility guide the Group as it diversifies the formats offered for learning experiences, giving employees the keys to pursue learning on their own, explore mobility options and develop their careers.

3.1.1 Expanding learning approaches to build a culture of learners

Drawing on the experience gained during the health crisis in 2020, the Group has introduced new learning approaches to offer its employees numerous career development opportunities.

The Group and its Maisons have developed new learning experiences using digital formats. The Group has launched Living LVMH, an immersive introduction to the LVMH ecosystem intended for all new hires, at all its operations worldwide. Offered in seven languages, this digital tool makes use of micro-learning and gamification to build both understanding of the Group and pride in belonging to it. As is the case at Bvlgari, several Maisons have structured and digitized all or part of their onboarding content so as to reach the largest possible number of new employees. Like Louis Vuitton, LVMH Fragrance Brands, Fred, Le Bon Marché and TAG Heuer, many Maisons have set up digital learning applications to facilitate access to educational content and embed a focus on learning into day-to-day activities. The wide range of content offered, often developed by the Maisons themselves, covers topics from management and leadership, business-specific expertise and product knowledge to sales techniques and the customer experience.

Shorter learning formats, lasting only a few hours, make the modules easy to fit into employees' work schedules. This is why LVMH House France launched several short remote training modules in 2021. Led by an expert trainer, they relate to key skills such as emotional intelligence, collective intelligence and decision-making in an uncertain environment. They raise employee awareness about essential professional attitudes and encourage practical application thanks to a set of tools that may be activated immediately.

Initiatives aimed at spurring curiosity and the desire to learn were also rolled out in 2021 at some of the Group's Maisons. Kendo thus introduced Kuriosity Day, a quarterly event bringing together employees to build their knowledge relating to a specific topic. At this event, educational content is presented using varied learning approaches made available to everyone. The participants also gain experience in the use of key practices like feedback.

By establishing and supporting many learning communities, the Group promotes social learning. As forums for sharing best practices, experiences and expertise, these communities bring together employees from various Maisons. Community members learn from their peers and are better able to identify areas in which they need to improve. Within this special setting, they are encouraged to collaborate, working together to solve shared challenges. Some of these communities also offer their members skills acquisition programs that may subsequently be rolled out by the Maisons themselves. This has been the case for the Brand Education Community, an international community bringing together directors and managers outside France in charge of learning programs for store teams.

The agility required by cross-business projects also favors learning, the sharing of knowledge and the development of new skills. The Open Innovation Department, and in particular DARE, its development program based on open innovation, offers all Group employees the opportunity to be a part of intrapreneurial projects. Within the Maisons, employees bring forward their ideas or join an existing project to which they bring all their skills. With more than 2,000 ideas generated and shared organically via its dedicated platform, DARE leverages collective intelligence and accelerates skills development for everyone.

Lastly, LVMH House teams around the world have continued to offer training programs to Group employees that help them build deeper knowledge and skills. Led by experts, they are grouped into three thematic areas:

- understanding and promoting the LVMH group's culture;
- management and leadership through a range of programs aimed at young managers, experienced and high-potential managers, and senior executives;
- excellence in strategic areas such as retail, supply chain, operations and the appeal of our Group's brands.

3.1.2 Responding to employee job satisfaction surveys

LVMH has taken action based on the results of its Global Pulse Survey conducted in 2020. More than 78,000 employees responded to this survey and over 90% of them expressed their pride in working for their Maison and in belonging to the Group.

Remaining true to the core values of LVMH and in line with their differing contexts, the Maisons have designed action plans that are now an integral part of their road maps for human resources management. The main topics covered are flexible work arrangements, communication with staff, talent development and learning experiences, and diversity and inclusion.

3.1.3 Employees taking charge of mobility and career development

The Group aims to develop agility and employability across its workforce by empowering employees to build their knowledge and skills every day and to continue learning in the workplace, to help them take ownership of their careers and their development.

Due to its diversity, the LVMH ecosystem offers multiple career combinations and many ways to link geographies, professions and business areas: Wines and Spirits, Perfumes and Cosmetics, Fashion and Leather Goods, Watches and Jewelry, and Selective Retailing. The Group encourages its employees to shape their own career paths within this ecosystem. This commitment is reflected in a well-established mobility policy and related processes in place across the Group, including career committees and career interviews. In 2021, more than 20,000 employees were able to take advantage of an internal transfer opportunity. This total included 448 employees accepting a position abroad, in spite of restrictions due to the Covid-19 pandemic.

The Group intends to further expand internal mobility in the coming years, particularly between Maisons. In the short term, the redesign of the Group's Voices Intranet will improve visibility and access to internal transfer opportunities. In the medium term, the Group plans to incorporate more flexibility into its mobility culture and practices, so that it can continue to effectively meet the requirements of its businesses and the aspirations of its employees.

To help everyone reach their full potential, the Group also has a robust performance management system in place. The performance and career review (PCR) carried out via an application covers 50,000 employees across the Group. It takes the form of an annual interview between the employee and his or her line manager, supplemented in some cases by a mid-year meeting. The aim of this exchange is to take stock of the past year, identify motivating goals and areas for improvement and learning, and help shape the employee's professional development and career path.

In order to adapt its organizational culture and managerial practices to changing requirements, the Group and all of its Maisons have introduced a new approach to performance management, developed jointly with Louis Vuitton. This approach promotes three essential leadership values: empowerment, cooperation and agility. It includes giving employees the opportunity to propose their own self-directed learning or peer-to-peer learning plans to meet their improvement goals, by way of training projects or initiatives. It encourages more feedback, more collaboration, more agility and aims to make employees more responsible for their own growth and development throughout their career within the Group. In 2022, 60,000 employees will experience this new approach.

Training investment

In 2021, training expenses incurred by Group companies throughout the world represented a total of 129.2 million euros, or 1.7% of total payroll. On top of this investment and in addition to everyday workplace training, the Group has continued to develop new forms of learning. With approaches like digital learning, webinars, peer-to-peer learning and learning community workshops all being pursued within the Group, these new, faster and more collaborative forms of learning are so diverse that it is not possible to list them all here. However, the Group is convinced of their impact and relevance.

	2021	2020	2019
Training investment *(EUR millions)*	129.2	90.7	138.0
Proportion of total payroll *(as %)*	1.7	1.4	2.1
Number of days of training per employee	1.8	1.2	1.9
Average cost of training per employee *(EUR)*	796.0	631.0	930.0
Employees trained during the year *(as %)*	46.7	40.8	57.5

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.

The average training investment per full-time equivalent employee was approximately 796 euros. In 2021, the total number of training days was 293,724, equivalent to around 1,277 people receiving full-time training for the entire year. In 2021, 46.7% of employees received training and the average number of days of training was 1.8 days per employee. The Group 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, the Group estimates that 81.6% of its workforce received training.

The training investment is spread across all job categories and geographic regions as presented in the table below:

	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Training investment *(EUR millions)*	42.9	17.3	28.7	3.6	31.6	5.1
Proportion of total payroll *(as %)*	2.4	1.1	1.5	1.0	2.1	1.1
Employees trained during the year *(as %)*	47.5	43.5	28.2	47.4	63.0	43.4
Of which: Executives and managers	*52.2*	*56.1*	*33.8*	*47.8*	*56.8*	*53.4*
Technicians and supervisors	*61.3*	*48.5*	*17.0*	*61.5*	*50.3*	*61.7*
Administrative and sales staff	*36.3*	*40.1*	*29.3*	*44.5*	*65.4*	*40.1*
Production workers	*41.7*	*38.3*	*18.0*	*28.0*	*69.3*	*33.8*

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 committed to offering all its employees a high-quality work environment. Its priority is to ensure everyone's health and safety along with its employees' well-being at work and work-life balance. The Group also aims to foster constructive labor relations.

3.2.1 Ensuring health and safety for all staff

Given the recent experience with Covid-19, the Group decided to expand its actions to protect all of its employees. A dedicated working group was formed, comprised of health and safety experts as well as human resources managers, which drew up an assessment and proposed an action plan with commitments affirmed via a new Health and Safety Charter.

On the occasion of the World Day for Safety and Health at Work 2021, the Executive Committees signed the Group's new Health and Safety Charter. It serves as the basis for a comprehensive approach across all the Group's operations with the aim of developing a "zero accident" culture.

The Presidents of all Maisons were also invited to sign the charter. Each Maison having signed the charter has appointed a health and safety representative who reports to the Group. These representatives together form the Group's Health and Safety Community whose members meet regularly and are responsible for the development of practical tools to implement charter commitments. An initial coordination meeting was held on December 17, 2021.

The Maisons undertake to protect employee health and safety through five pillars of action:

- identify their priorities in order to structure their approach;
- draw up an action plan to be reviewed regularly;
- report on progress made using the approach, in particular by submitting frequency rate results to each Maison's Management Committee;
- engage every employee in the approach, notably by raising awareness about first aid measures;
- maintain a virtuous culture by ensuring strong collaboration between the Group and the Maisons.

Each commitment is associated with a performance indicator and target to be met by 2025. The LVMH group's Executive Committee will monitor progress on a regular basis, as part of a focus on continuous improvement.

Performance indicators and targets associated with the five commitments of the new LVMH Health and Safety Charter

		Result in 2021 [(a)]	Target for 2025
Commitment 1	Each Maison structures its own approach to employee health and safety.	71.7%	100%
Commitment 2	Each Maison reviews its health and safety approach on a regular basis.	93.9%	
Commitment 3	Each Maison's Management Committee reviews the past year's results for health and safety performance indicators, in particular the change in the accident frequency rate.	83.7%	
Commitment 4	All employees are engaged in prevention and trained in first aid measures.	20.9%	
Commitment 5	The Group dedicates a day each year to the promotion of health, safety and quality of life at work.	100%	

(a) Employee coverage rate (number of employees covered by the commitment/total number of LVMH employees).

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. They therefore put in place specific actions as part of the overall 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.

Workshops and production facilities took action to improve ergonomics and reduce physical strain for those positions most exposed to physical or mental stress. 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.

In 2021, the Group invested over 59.2 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 112.3 million euros, or 1.5% of the Group's gross payroll worldwide.

The Group also maintained its initiatives for awareness-raising and training in workplace safety and risk prevention. In 2021, 77,432 employees received training in these areas.

For the full resumption of business operations in 2021, remote working was the option preferred by the Group, where compatible with the employee's role. This was facilitated by the existence of agreements and charters already in place within the Maisons. The conditions put in place to favor remote working included office equipment, technical infrastructure, encouragement provided by close management, including advice on protective measures and postures and time management. Lastly, to ensure that employees could continue working under the best possible conditions, the Group provided all staff with hand sanitizer, face masks and protective equipment such as Plexiglas shields.

	Number of accidents	Frequency rate[(a)(b)]	Severity rate[(b)(c)]
Breakdown by business group			
Wines and Spirits	94	7.07	0.21
Fashion and Leather Goods	406	3.99	0.11
Perfumes and Cosmetics	153	3.09	0.08
Watches and Jewelry	94	2.12	0.06
Selective Retailing	391	4.83	0.19
Other activities	160	9.33	0.36
Breakdown by geographic region			
France	622	12.66	0.42
Europe (excl. France)	261	4.10	0.07
United States	185	3.40	0.21
Japan	11	0.84	0.00
Asia (excl. Japan)	120	1.30	0.04
Other markets	99	2.88	0.05
LVMH group 2021	**1,298**	**4.23**	**0.14**
2020	1,158	4.52	0.15
2019	1,532	5.60	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, the Group 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 an impact, bringing the overall absence rate to 7.1% in 2021.

The Group has estimated the effect of the public health crisis on its overall absence rate: 1.8 percentage points were attributable to the extraordinary circumstances linked to the health 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 5.3% in 2021, reflecting employees' strong commitment, motivation and trust in the Group and its Maisons. In 2020, the absence rate was 15.3% including the Covid-19 effect and 5.1% excluding that effect.

Absence rate[a] by region and by reason

(as %)	Global workforce	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Illness	2.8%	4.5%	4.5%	1.7%	0.6%	1.3%	2.9%
Work/commuting accidents	0.1%	0.3%	0.1%	0.1%	0.0%	0.1%	0.1%
Parental leave	1.6%	1.4%	2.9%	0.8%	2.0%	1.3%	0.9%
Paid leave (personal leave and other paid leave)	1.5%	2.2%	2.2%	1.0%	0.5%	1.3%	0.9%
Unpaid leave	1.1%	0.8%	2.1%	0.8%	1.9%	0.8%	0.5%
Overall absence rate	7.1%	9.1%	11.7%	4.3%	5.0%	4.7%	5.3%
Estimated overall absence rate excl. Covid effect	5.3%	6.9%	8.6%	3.5%	3.8%	3.2%	3.8%

(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 furthering employee fulfillment by communicating 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 2021, on November 24.

The LVMH group Works Council covers France. This 30-member body holds one plenary meeting each year. Through this representative body, delegates meet with the heads of all of the Group's business areas. They exchange information on strategic direction, business and financial issues, employment trends within the Group and prospects for the current year. The Group Works Council met on October 6, 2021.

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). 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. In 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 2021, Group companies allocated a budget totaling over 31.6 million euros (1.8% 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 and in person, enabling labor relations to continue without interruption.

In 2021, employee representatives attended 1,078 meetings in France:

Type of meeting	Number
CSE: 50 or more employees	827
CSE: Fewer than 50 employees	251
Total	**1,078**

As a result of these meetings, 153 company-wide agreements were signed in France.

Worldwide, 40.6% of the Group's workforce is covered by an employee representative body or trade union.

3.2.3 Work-life balance and well-being at work

The Group's Maisons remain focused on ensuring a high quality of life at work. Adjustments to working conditions and flexible working hour arrangements contribute to employee engagement by meeting their growing expectations in the area of physical and emotional well-being and the management of their personal and family responsibilities.

Work-life balance remains an essential aspect of quality of life at work. Most of the Maisons took part in Quality of Life at Work Week in France, taking as its theme "Working together". An individualized approach to working hours will always be a key component of the policies put in place at the Maisons. It serves to address issues relating to parenting (pregnancy, young children, returning from parental leave), end-of-career adjustments or disabilities as well as situations faced by family caregivers. Workplace concierge services and childcare are becoming more and more widespread within the Group. In France for example, the Group and its Maisons reserve 203 daycare slots for use by its employees. Lastly, some of the Maisons, including Louis Vuitton, Parfums Christian Dior and the Les Echos-Le Parisien media group, or those in the Selective Retailing business group, support employees who wish to work on Sundays and in the evenings.

During the Covid-19 pandemic in particular, but even outside the lockdown periods, the Group encouraged remote working. Its implementation was facilitated by collective bargaining agreements and charters relating to remote working and the right to disconnect from work. The Group gave talks on the new modes of working and time management to raise employee awareness about connecting to and disconnecting from work. During school closures, LVMH supported its employees with children by releasing a special talk entitled "Working as a team and managing lockdowns as a family" and by offering individual coaching sessions. Some Maisons like Acqua di Parma made it easier for employees to work part time. Fendi expanded its Smart Working program around the world in line with the rise in flexible work arrangements and more innovative modes of working. Loewe launched a project to update its policy relating to flexible work arrangements, which is due to be implemented in 2022. In a broader sense, most of the Maisons have set up working groups to better assess the impact of remote working with regard to employee aspirations and organizational priorities. Following the lockdown periods, some of the Maisons, like Loro Piana, launched initiatives to support the combination of in-person and remote working and improve collaborative working methods.

The Group's Maisons are also focusing on another issue relating to well-being at work: preventing psychosocial risks. They are supporting their employees on a day-to-day basis by using various tools: emergency assistance units, training platforms, and whistleblowing systems. Most of the Maisons have appointed a harassment officer to inform, guide and support employees in the fight against sexual harassment and sexist attitudes, while others have developed specific listening tools in conjunction with the Group's whistleblowing system.

By way of example, in Japan and Italy, Givenchy sends all of its employees an annual assessment of their level of stress. Berluti has opted to analyze workplace stress by means of an in-house survey. In Japan, among other measures, it has put in place a training course for store managers on harassment and labor law, a health and safety committee for store managers to focus on mental health, and an annual stress assessment. Similarly, Tiffany & Co. led an international campaign to raise awareness about mental health issues over the course of 2021, culminating in the launch of its Stress-Less Holiday offering devoted to mental, personal and social well-being.

In Spain, as part of its "Your Well-Being Matters" project focused on emotional well-being, Parfums Christian Dior carried out a psychosocial study based on the FPSICO questionnaire developed by INSST, the Spanish national institute for health and safety at work. The results of this questionnaire will be available in January 2022.

In 2021, Bvlgari expanded the reach of its training courses on sources, causes and triggers of violence to a wider and highly varied selection of employees. For 2022, the Maison is designing a complementary learning module on the prevention of harassment and the contribution of CSR.

Worldwide, 15% of employees have variable or adjusted working hours, and 47% have shift work or alternating working hours.

Global workforce affected by various forms of working time adjustments: Breakdown by geographic region

Employees concerned[(a)] *(as %)*	**Global workforce**	**France**	**Europe (excl. France)**	**United States**	**Japan**	**Asia (excl. Japan)**	**Other markets**
Variable or adjusted working hours	15%	27%	23%	1%	20%	10%	6%
Part-time	15%	11%	17%	32%	4%	5%	16%
Shift work or alternating hours	47%	8%	33%	63%	77%	69%	64%

(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 job category

Employees concerned[(a)] *(as %)*	**Workforce in France**	**Executives and managers**	**Technicians and supervisors**	**Administrative and sales staff**	**Production workers**
Variable or adjusted working hours	27%	17%	57%	49%	3%
Part-time	11%	2%	7%	17%	21%
Shift work or alternating hours	8%	0%	11%	3%	24%
Employees given time off in lieu	15%	1%	22%	38%	8%

(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 117.3 million euros, averaging 1.6% of the worldwide payroll.

Overtime by region

(as % of total payroll)	**Global workforce**	**France**	**Europe (excl. France)**	**United States**	**Japan**	**Asia (excl. Japan)**	**Other markets**
Overtime	1.6%	1.2%	1.3%	1.7%	3.0%	1.8%	1.1%

In spite of a sometimes challenging public health and economic situation, the Group's priority is to protect its employees' health by working closely with occupational health, social services and innovative initiatives such as medical concierge services.

3.2.4 The LVMH Heart Fund

In consideration of the difficult or unexpected circumstances that may be faced by Group employees, LVMH set up the LVMH Heart Fund. Launched on June 8, 2021, it illustrates the Group's commitment to reaching out and offering support to all its employees and communities.

This Group program includes two types of free, anonymous and confidential services: social and psychological support on the model of an employee assistance program (EAP), open to all employees to help them deal with all sorts of day-to-day issues; and/or rapid, exceptional financial support to aid employees faced with an exceptional, unforeseeable, urgent and serious personal situation.

Any employee worldwide can reach out to the LVMH Heart Fund by calling the hotline for their country, available in the local language. This free, anonymous and confidential hotline is available to all, 24/7. It may also be accessed by visiting the website managed by the Group's external partner WPO or by downloading the free mobile app iConnectYou.

Information about the LVMH Heart Fund was distributed in the form of several newsletters to all Group employees and is frequently communicated by human resources teams in the Maisons.

In 2021, the LVMH Heart Fund received more than 1,300 requests for psychological, social or financial support across five continents.

It has an initial endowment of 30 million euros.

Management Report of the Board of Directors: The Financière Agache group

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The Financière Agache group seeks to create a positive social impact over and above that generated by its business. To this end, the Group focuses on initiatives in three areas: local involvement, supporting young people and disadvantaged populations, and corporate philanthropy in support of culture and creativity. In this way, the Group is able to leverage its success and excellence to create shared growth and promote social and professional integration. This policy is spearheaded by LVMH and its Maisons, which comprise all the Group's operating activities, and which mobilize their resources and skills to support community-oriented initiatives. Maisons pursue their own initiatives according to their specific priorities and operating environments, while the Group coordinates and provides overall leadership.

The Group and its Maisons thus help support local employment and professional integration for people who have been marginalized on the job market and people with disabilities. Working with other socially responsible organizations, the Group also supports a number of humanitarian and social causes promoting access to education for young people and helping the most disadvantaged in society. Lastly, the Group remains committed to corporate philanthropy initiatives aimed at democratizing access to heritage, art and fashion and nurturing future talent.

1. Local involvement and social impact

The Group puts its ecosystem to work in society. The Group and its Maisons are committed to putting their values into practice both in their local communities and nationwide and to using their momentum to help people who have been marginalized on the job market.

1.1 Supporting job creation, entrepreneurship and regional development

The Group 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: Hennessy in the Cognac region, Moët & Chandon and Veuve Clicquot in the Champagne region, Louis Vuitton and its 20 workshops across France and Parfums Christian Dior in Saint-Jean-de-Braye (near Orléans) and in Chartres along with Guerlain. They have developed long-standing relationships with local government, covering cultural and educational aspects as well as employment.

LVMH and Elle magazine have joined forces to launch the first Prix des Artisanes award, supported by Institut National des Métiers d'Art and Chambre des Métiers et de l'Artisanat. This award aims to recognize and promote the expertise of highly skilled women working in the arts in the fashion, design, food and wine, and French heritage protection sectors.

The Group is a long-standing supporter of entrepreneurship. In early 2018, to help connect open innovation and business development with new ways of learning, LVMH launched La Maison des Startups. This startup accelerator for the luxury industry is housed at Station F, the world's largest startup campus. La Maison des Startups can be a stepping stone to the Group's Maisons. It illustrates the Group'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.

Through its international BOLD program, Veuve Clicquot is encouraging generations of female entrepreneurs to be bold and providing them with tangible support. In November 2021, two winners received recognition in the form of the Bold Woman Award and the Bold Future Award.

In the United States, Hennessy has teamed up with the Marcus Graham Project to launch the Never Stop, Never Settle Society, a growth accelerator designed to support African-American entrepreneurs. In 2021, 20 such entrepreneurs received financial support, were mentored by managers and directors from the Maison and benefited from media coverage for their projects.

In the beauty industry, women entrepreneurs remain under-represented. This is why Sephora supports women who have started their own businesses in all segments of the beauty industry and in countries all over the world. In 2021, the Sephora Accelerate program focused on underrepresented female entrepreneurs, and in particular black women, who have often missed out on mentoring and financial support. Sephora has supported 67 women through the program since its launch in 2016.

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, the Group 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 mentoring by a Group employee for young graduates from underprivileged backgrounds. In 2021, 170 managers signed up to serve as mentors, with more and more signing up each year. Since 2007, 709 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 made aware of the program by partners of the Group working to help underrepresented groups integrate into society.

Following in the footsteps of the first LIVE (L'Institut des Vocations pour l'Emploi) Campus, opened in Clichy-sous-Bois in 2019, another two campuses opened in 2021: one in Valence, Drôme and one in Roubaix, northern France. The institute, set up by Brigitte Macron with the help of the Group, is aimed at over-25s who want to bounce back after a long period of unemployment or personal challenges by putting together a career plan. More than 200 people have received help since the first campus opened, three-quarters of whom have succeeded in finding relevant work or training. At the start of the 2021-2022 academic year in September, 180 more people were welcomed across the three LIVE campuses for a six-month support program.

Through the Classes for Confidence program, 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. Since the program was launched in 2016, more than 120,000 participants have taken nearly 2,500 classes.

In the United States, Kendo, Louis Vuitton, Moët Hennessy, Starboard Cruise Services and the EllesVMH Employee Resource Group supported Dress for Success, a nonprofit that helps women access the labor market. Employees got involved by providing mentoring and donating workwear.

Similarly, in Asia, Louis Vuitton and Parfums Christian Dior supported underprivileged women looking for work through their partnership with Daughters of Tomorrow.

In keeping with its commitment to preserving and passing on expertise and creativity, LVMH last year renewed and stepped up its support for La Fabrique Nomade. By opening their doors and offering skills sponsorship, the Group and its Maisons are making a lasting contribution to the work of this nonprofit, which works to help migrant artisans who are refugees in France find work. In 2021, these passionate men and women keen to put their skills to use in France were supported by artisans and experts from Chaumet and Louis Vuitton as well as a collaboration with Dior. Chaumet also hosted one artisan as an intern. Lastly, as part of its Métiers d'Excellence initiative, the LVMH group brought about an artistic collaboration between eco-artist Jérémy Gobé and five craftswomen affiliated with nonprofit La Fabrique Nomade. Unveiled at the FIAC 2021 contemporary art fair in Paris, the unique work born out of this initiative will be presented at the 2022 Homo Faber Event showcasing craftsmanship in Venice.

1.3 Facilitating employment for people with disabilities

As a key focus of the Group's approach to corporate social responsibility from its origins, supporting access to employment for people with disabilities remains a core initiative. It is an apt reflection of the Group's values: respect for individual differences and fair treatment for all, with the same attitude expected of everyone working for the Group.

LVMH works with organizations that specialize in training young people with disabilities and fostering social integration and access to employment.

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 254 young people benefited from the Group's involvement in 2021.

The Group 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). The value of services entrusted to companies specifically employing people with disabilities totaled 7.8 million euros in 2021, in line with 2020 levels.

2. Supporting humanitarian and social causes

The Group is keen to promote access to education for young people and help the most vulnerable communities. The Group's commitment to these causes is reflected in original initiatives and programs often shared with other socially responsible organizations.

2.1 Helping young people get an education

The Group aims to put the renowned excellence of its Maisons – the very foundation of their success – to work in support of equal opportunity 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.

The Group encourages access to higher education for all students, whatever their social class, family situation or ethnic background. As a partner of the priority education program run by Institut d'Etudes Politiques (Sciences Po Paris), LVMH funds scholarships and has Group managers mentor recent graduates of the program. In 2021, LVMH renewed its commitment to this program for another five years. A total of 26 students were mentored by managers from the Group (up from 17 in 2020).

In 2021, 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. It encompasses a wide range of initiatives, including "business discovery" internships – which continued despite the public health situation – for 101 middle school students in 2021, visits to the Group's Maisons, help finding work, and so on. Young people from Seine-Saint-Denis were also invited to a digital version of LVMH's Village des Métiers d'Excellence vocational training fair, as well as its Métiers d'Excellence ceremony, where they learned about artisanal and creative skills and the importance of the customer experience.

The Group also supports the "Cultures et Création" fashion show in Montfermeil, which showcases the region's creative talent. It provides early training for young people through master classes and organizes events where they can meet designers and craftspeople. At the fashion show, the Group awards the LVMH CSR Young Talent Prize to help young people who are passionate about design but have limited access to the fashion world gain wider recognition within the profession. For example, one winner joined Christian Dior's haute couture workshop.

In the United States, TAG Heuer continues to work with United Way of New York City, a nonprofit that helps disadvantaged students with their schooling. Thanks to this partnership and the auctioning off of the *Monaco Pièce d'Art* watch to raise money for the nonprofit, a new library was inaugurated in 2021 at the Mill Brook community center, South Bronx.

In partnership with BeyGOOD and the Shawn Carter Foundation, Tiffany & Co. committed to donate 2 million dollars to fund "About Love" scholarships, named after the campaign, for students in arts and other creative fields at five historically black colleges and universities (HBCUs).

The Maison also donated 250,000 dollars from sales of its 2021 advent calendar to nonprofit Free Arts NYC to support programs helping young people from disadvantaged communities in New York access the creative arts.

Tiffany & Co. also initiated a partnership with the Lower Eastside Girls Club, a New York nonprofit that provides a safe space where girls can take part in a variety of educational programs. Thirty employees have committed to a six-month program of mentoring for female high school and college students.

Since 2018, DFS Hong Kong has been a full member of the WeCan project and supporter of the Buddhist Sum Heung Lam Memorial College, which encourages disadvantaged students to continue with their higher education and offers them career opportunities.

Alongside Charlize Theron, Parfums Christian Dior took targeted action by providing scholarships to young people selected by the CTAOP Youth Leaders Scholarship program, in partnership with the UCLA Center for World Health and StudyTrust. The program aims to provide academic support to the leaders of tomorrow, who are most often young women recognized for their involvement in and deep commitment to their local communities. The Maison pledged to cover four years of scholarship costs for scholars starting their studies in 2021.

2.2 Helping those in need

The Group and its Maisons are committed to helping disadvantaged communities in the regions where they operate. Their contribution may take the form of employee involvement, product donations or financial support.

In 2016, Louis Vuitton entered into an international partnership with the United Nations International Children's Emergency Fund (UNICEF). It has collected a total of 16 million dollars since its launch, in support of vulnerable children facing emergencies. Since 2021, nearly 300 employees in France have been voluntarily supporting this cause through micro-donations deducted at source from their salaries.

Rimowa launched a unique collection, *Vol. 1*, the proceeds of which will be donated in full to UNICEF via the COVAX Facility to finance Covid-19 vaccines for the poorest countries.

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 over 100 million 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.

The expert craftsmanship embodied by the two Italian houses Acqua di Parma and Emilio Pucci inspired an exceptional collection named *Holiday Season*, which is supporting Save the Children's "Riscriviamo il Futuro" ("Let's Rewrite the Future") project. This creative charitable endeavor is testament to the two Maisons' shared conviction that culture and education are essential to protecting the future of Italian *art de vivre*.

In 2021, Zenith donated three watches for auction, helping raise over 600,000 dollars for nonprofits working to combat breast cancer and muscular dystrophy.

Loro Piana supported a number of organizations in several Asian countries helping vulnerable single mothers integrate into society (e.g. Shanghai United Foundation, Little Ones, G Foundation, Share Sarangbat and Mother's Choice).

In 2021, LVMH continued to support efforts to combat sickle cell anemia through its partnerships with the Robert-Debré Hospital in Paris and the American Red Cross.

3. Corporate philanthropy to support culture and the arts

The Group has been pursuing groundbreaking corporate philanthropy initiatives for over 25 years. Through such initiatives, the Group expresses its creative and humanitarian values and plays a proactive role in promoting cultural heritage, art, fashion and arts education for all.

3.1 Culture, heritage and contemporary creative arts

3.1.1 Restoring and enriching historical heritage

In 2021, 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, Bernard Arnault pledged a donation of 200 million euros – to be donated in equal parts by LVMH and Agache – to contribute to Notre-Dame's restoration process.

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) 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 was 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, promoting 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 2021, 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 eighth edition of the LVMH Prize for Young Fashion Designers was held without a public audience. 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.

Out of nine finalists in 2021, the judging panel awarded the LVMH Prize to Nensi Dojaka, a 27-year-old Albanian designer based in London who founded the eponymous women's ready-to-wear fashion brand. She won a 300,000 euro award and is receiving a year's mentoring within the LVMH group. The Karl Lagerfeld Prize was awarded to three designers: Colm Dillane, 29-year-old American founder of Brooklyn-based brand KidSuper; Lukhanyo Mdingi, a 29-year-old South African from Cape Town; and Rui Zhou, a 26-year-old Chinese woman who founded Shanghai-based brand Rui. Each won a 150,000 euro award and is receiving a year's mentoring.

Since 2014, the LVMH Prize has received over 8,000 applications from all continents.

3.1.4 Fondation Louis Vuitton

Since it was opened in 2014, the Fondation Louis Vuitton[(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 2021, 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 Morozov Collection: Icons of Modern Art", an exhibition initially due to be held in October 2020, ultimately opened on September 22, 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 unveiled, 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, the Fondation Louis Vuitton continued its international programming under the "Hors les Murs" banner, with the Espaces Louis Vuitton in Munich and Tokyo holding exhibitions of works by Cao Fei and Gilbert & George.

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 Stradivariuses 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.

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8. Financial and operational risk management and internal control

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1. Strategic, operational and financial risks

The risk factors to which the Financière Agache group is exposed, and the occurrence of which could jeopardize its 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[(a)]	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
	Real estate-related risks	3	1.1.4
	Information system-related risks and risk of cyberattack	3	1.1.5
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 business interruptions	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

Operational risks are mainly present – and managed – at the level of LVMH and its subsidiaries.

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, 2021 amounted to 49.1 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 the Group's 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, the Group 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.	• The Group 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. • 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.
Inappropriate conduct by brand ambassadors, employees, distributors or Group suppliers, and breaches of compliance rules (Sapin II Act, GDPR, etc.).	• 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 Agache and LVMH Codes of Conduct, the Agache and LVMH Supplier Codes 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 Management Report of the Board of Directors – "Ethics and responsibility", §2.2). • The Group's distribution agreements include strict guidelines on these matters, which are also regularly monitored by the Maisons through on-site audits. • LVMH has also implemented a responsible supply chain management approach (see the Management Report of the Board of Directors – "Ethics and responsibility", §5.2).

1.1.2 Risks arising from the loss of strategic competencies

Risk description	Risk management
Around the world, the 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.	• To avoid any dissipation of this expertise, the Group 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 Management Report of the Board of Directors – "Attracting and retaining talent", §2.2). • 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 Management Report of the Board of Directors – "Business overview, highlights and outlook", §2.5).
The pursuit of our 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.	• The Group 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 Management Report of the Board of Directors – "Attracting and retaining talent", §3.1).

1.1.3 Risks arising from access to and pricing of raw materials

Risk description	Risk management
The Group 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.).	• 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). • 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. • 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 Management Report of the Board of Directors – "Business overview, highlights and outlook", §1.1.4). • 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 eaux-de-vie. • 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.

1.1.4 Real estate-related risks

Risk description	Risk management
The Group's success relies on the development of its retail network and its ability to secure the best locations without compromising the future profitability of its points of sale amid intense competition and a tight real estate market. The vast majority of locations are leased, though some may be acquired by the Group.	• The Group has developed particular expertise in real estate, which it shares with its various brands so as to be able to optimize development of its retail network and quickly identify the best locations. • Furthermore, the Group calls on real estate appraisers when entering into leases or purchasing property so as to ensure that leases and property values are consistent with those observed in comparable transactions. • Lastly, the Group's reputation and credit quality are assets when negotiating leases, with the result that lessors sometimes favor offers from the Group over higher offers from lesser-known competitors.

1.1.5 Information system-related risks and risk of cyberattack

Risk description	Risk management
The 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.	• The Group has developed an end-to-end methodology for analyzing cyber risks, which it analyzes and maps both at its various Maisons and at consolidated Group level. This analysis is based on a taxonomy of around twenty risks common to all the Maisons, four of which have emerged as major risks for the Group. This has resulted in the drawing up or strengthening of cybersecurity guidelines, which are translated into a governance structure, policies and Group-wide security solutions and services implemented through major security programs. Over and above these common analyses and action plans, cybersecurity is now built into all new projects (“security by design”). • Furthermore, security is assessed across the Group as a whole through periodic compliance assessments based on both international standards and in-house standards adjusted to suit the Group’s particular context and policies, as well as programs of audits including, in particular, penetration testing and “red teams”. Incident response performance is also measured and monitored. • Group-wide cybersecurity programs have strengthened security in terms of not only protecting against but also detecting and responding to incidents. While it is not possible to prevent the occurrence of all potential risk scenarios, efficient detection and response when an incident does occur can significantly reduce its impact. • Systems and procedures have been put in place to secure collaborative tools, networks and access to the Internet and Active Directory installations. Workstation and server security has been reinforced by rolling out and tightening up solutions such as EPP, EDR and local firewalls. The public health crisis has also prompted the development of additional protective measures to cover remote working and remote logins. • Growing numbers of software flaws over the past two years have prompted the Group to bolster its processes and solutions for managing vulnerabilities in terms of monitoring, scanning, and applying patches. • Significant security improvements have also been made to cloud environments to support the general transition of information systems to the cloud. This involves monitoring environments’ architecture and configuration to detect any policy breaches, undesired exposure and various other vulnerabilities. Significant efforts have been made in relation to identity and access management, including in particular identity federation, multifactor authentication and single sign-on (SSO), as well protecting privileged accounts through bastion-type solutions. • These various systems and procedures serve to prevent and/or detect and respond to incidents.

Risk description	Risk management
	• In addition to these solutions, steps have been taken to reduce the impact of potential cyberattacks. Examples include segmenting networks more finely to isolate and contain lateral movements in the event of an attack and protecting backup mechanisms to mitigate the potential impact of ransomware attacks. • The Group has set up shared services coordinated by an internal cyber defense unit (SOC, CERT and SecOps) to continuously 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. • The Group organizes frequent educational and training actions to improve cyber crisis management and has launched a worldwide awareness campaign. 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.
The Group may be exposed to shortcomings in the implementation of rules governing personal data protection.	The 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 Management Report of the Board of Directors – "Ethics and responsibility", §5.7).

1.2 External risks

1.2.1 Counterfeit and parallel retail network-related risks

Risk description	Risk management
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 the Group's consent.	• 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 the Group 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. • The Group 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, the Group 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 2021, anti-counterfeiting measures generated internal and external costs for the Group of around 40 million euros.

1.2.2 Risks arising from regulations adversely affecting the Group

Risk description	Risk management
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.	• 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. • The Group 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 Group and its customers, and gives the Group additional resources to combat counterfeiting and the parallel distribution of its products, both offline and online.

1.2.3 Risks arising from the public-health, political and economic environment

Risk description	Risk management
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. 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.	In 2020, the Group 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. 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.
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.	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.

1.2.4 Climate change-related risks

Risk description	Risk management
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.	• The LIFE 360 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. • 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). • The Group's heavy dependence on natural resources prompted it 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 Management Report of the Board of Directors – "Environment and sustainability", §3).

1.2.5 Risks arising from business interruptions

Risk description	Risk management
In its production, storage and distribution activities, the Group is exposed to the risk of losses from events such as fires, water damage or natural disasters, which may lead to a suspension of these operations.	• To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals from the Group (in particular safety, quality and environmental managers). • Protecting the Group's assets is part of an industrial risk prevention policy that meets the highest safety standards (FM Global and NFPA fire safety standards). • Working with its insurers, the Group has adopted HPR (Highly Protected Risk) standards, in order to significantly reduce fire risk and resulting business interruption. 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 also the Management Report of the Board of Directors – "Environment and sustainability"). • In addition, prevention and protection plans include contingency planning to ensure business continuity.

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 at the level of the LVMH Finance Department and the subsidiary responsible for LVMH'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 LVMH's 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

- 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 23.8 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.
- The Group is exposed to foreign exchange risk with respect to the its 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.

Risk management

- 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 2022 relating to the main invoicing currencies are disclosed in Note 23.8 to the consolidated financial statements. These levels are 80% for the US dollar and 81% for the Japanese yen.
- 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.

Liquidity risks and risks linked to fluctuations in interest rates

Risk description

- The Group could have difficulty accessing the liquidity it needs to meet its financial obligations; see Note 23.9 to the consolidated financial statements for the breakdown of financial liabilities by contractual maturity.
- The Group could have to pay higher borrowing costs if interest rates were to rise. See Notes 19.3 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.

Risk management

- As of December 31, 2021, the amount of short-term borrowings excluding derivatives, i.e. 9.9 billion euros, was lower than the 8.3 billion euro balance of cash and cash equivalents.
- In addition, the Group has access to undrawn confirmed credit lines totaling 16.1 billion euros.
- 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 & Poor's).
- 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.

1.3.2 Risks arising from tax policy

Risk description	Risk management
Due to its worldwide operations, the Group is subject to a complex and diverse set of tax regulations. As an exporter, it 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 and the reform of international taxation rules initiated by the OECD, the European Union and national governments, give rise to multiple risk factors faced by the Group.	The Group's tax policy is in line with the guiding principles described in its Codes 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 0.15% of consolidated revenue.

In 2021, the continued hardening of the global insurance market caused the Group's premiums to rise significantly, a trend addressed by way of targeted adjustments 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 6 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 decreased on July 1, 2021 and now totals between 40 and 100 million euros (depending on geographic area) per claim and per year.

Alongside this cover, a dedicated parametric insurance program has also been put in place to cover certain very expensive risks for which limited cover is available in the traditional insurance market. The risks covered by this program are earthquakes in Japan and California and storms in the United States. Cover is limited to 260 million US dollars per year.

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 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.

2.5 Tiffany

Following completion of the acquisition of Tiffany in January 2021, third-party liability cover for Tiffany's company officers was transferred to the LVMH program with effect from the closing date. Tiffany's other major insurance programs will be gradually merged into the relevant Group programs starting January 1, 2022.

3. Assessment and control procedures in place

3.1 Organization

3.1.1 Risk management and control activities within Financière Agache SA

Control environment

Given the fact that it belongs to a group with the necessary administrative skills, Financière Agache uses the specialized services of Agache SE, which mainly relate to strategic, legal, financial and accounting matters. A service agreement has been entered into with Agache SE for this purpose.

Regarding the Group's external services, the Shareholders' Meeting of Financière Agache appointed two first-tier accounting firms as Statutory Auditors, which also serve in the same capacity on behalf of Christian Dior and LVMH.

Key elements of internal control procedures

Risk management is based first and foremost on a regular review of the risks incurred by the Company so that internal control procedures can be adapted. Given the nature of the Company's activity, the primary objective of internal control systems is to mitigate risks of error and fraud in accounting and finance. The following principles form the basis of the Company's organization:

- very limited, very precise delegations of power, which are known by the counterparties involved, with sub-delegations reduced to a minimum;
- upstream legal control before signing agreements;
- separation of the expense and payment functions;
- secure payments;
- procedural rules known by potential users;
- integrated databases (single entry for all users);
- frequent audits (internal and external).

Internal controls relating to the preparation of the parent company's financial and accounting information

The parent company and consolidated financial statements are subject to a detailed set of instructions and a specially adapted data submission system designed to facilitate complete and accurate data processing within suitable timeframes. The exhaustive controls performed at the Christian Dior and LVMH sub-consolidation level ensure that information is integrated.

Legal control

Securities held by the subsidiaries are subject to reconciliation between the Company's Accounting Department and the Legal Department on a regular basis.

3.1.2 Organization of LVMH's 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.

3.1.3 Financial and accounting information: Organization and parties involved

At Financière Agache level

The Group's Finance Department oversees the production of the parent company and consolidated financial statements, which integrate Christian Dior (with a 96% equity stake) and thus LVMH.

At Christian Dior level

As noted above, Christian Dior is a holding company that directly owns a 41% equity stake in LVMH. LVMH is a listed company with a governance structure that checks the integrity and relevance of its own financial information. Its organization is described in detail below. At the Christian Dior SE level, financial information intended for the financial markets (financial analysts, investors, individual shareholders, market authorities) is provided under the supervision of the Company's Finance Department, which also oversees the production of the parent company and consolidated financial statements as well as the publication of the Annual Report and the Interim Financial Report. This information is strictly defined by current market rules, specifically the principle of equal treatment of investors.

At LVMH level

Risk management and internal controls of accounting and financial information are the responsibility of the following departments, which are all part of the LVMH 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 LVMH 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 LVMH 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 LVMH 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 hedging strategy is presented regularly to the LVMH group's Executive Committee as well as the Performance Audit Committee and is supported by detailed documentation.

The **Tax Department** ensures compliance with applicable laws and regulations, advises the various business groups and companies, and proposes tax solutions appropriate to the LVMH 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 Code of Conduct, the 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 LVMH's **Finance 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 this Intranet:

- The minimum basis for internal control, known as IC Base, made up of 64 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 ten controls were made mandatory in 2020 ("LVMH 10 IC Essentials") 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 **LVMH 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 LVMH's 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, 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 has an operations center to monitor and assess information systems security for all of the Group's Maisons.

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 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 the level of LVMH, 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.

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 their parent company – an essential feature of the financial internal control mechanism.

A team of controllers at LVMH, 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.

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, at LVMH, 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 brand and self-assessment of the 64 key controls taken from the internal control framework by all Group entities.

The internal control assessment as of June 30, 2021 covering all Group entities generating over 20 million euros in revenue focused on the LVMH 10 IC Essentials (10 key controls) and on the Ethics & Compliance program's 10 controls.

The results of the ERICA campaign, which takes place annually across the whole of the Group, are shared with the Group's entire network of internal control staff. The results of dedicated anti-corruption controls and action plans are also presented by LVMH's Ethics & Compliance Director to his or her officers.

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 LVMH 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.

Once an acceptable risk level has been determined and validated, risks are handled via preventive and protective measures; the latter include business continuity plans (BCPs) 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.

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.

LVMH's 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 were conducted throughout 2021 to raise awareness across the Group's internal control community in particular about the risk of fraud; a dedicated fraud e-learning module has been developed and is being rolled out to all the Group's Maisons, as well as awareness-raising talks on issues including fraud by impersonating a senior executive and changes in bank details.

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: Financière Agache parent company

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1. Results of Financière Agache SA

1.1 Comments on the financial statements as of December 31, 2021

Financière Agache SA, a subsidiary of Agache SE, directly controls Christian Dior SE and indirectly (via Christian Dior SE) controls LVMH Moët Hennessy Louis Vuitton SE. The Company also holds a diversified portfolio of financial investments.

During the first half of 2021, a public delisting offer *(offre publique de retrait)* followed by a squeeze-out *(retrait obligatoire)* was carried out on the shares in Financière Agache SA not held by the group composed of the majority shareholders. Settlement and delivery of this offer took place in early July.

On June 30, 2021, Aglaé Management SAS, a wholly owned subsidiary of Financière Agache, received authorization from the AMF (Autorité des Marchés Financiers) to operate as an asset management company for alternative investment funds (AIFs).

Under the shareholders' agreement with Lagardère Capital, on September 1, 2021 Financière Agache exercised its option of disposing of its stake in this company in return for Lagardère SA shares held by Lagardère Capital in the amount of the value of its stake in the latter company. By doing so, Financière Agache increased its stake in listed company Lagardère SA from 7.75% to 9.97%. The shareholders' agreement as well as the group composed of Arnaud Lagardère and Lagardère SAS, LM Holding SAS, Lagardère Capital SAS and Arjil Commanditée – Arco SA along with Agache SE and Financière Agache SA, was discontinued.

On November 30, 2021, Financière Agache SA absorbed Belgian company Le Peigné SA, a subsidiary in which it owned a 40% stake. This transaction generated a merger gain of 406.3 million euros, resulting from the positive difference between the share of the amount of net assets transferred by Le Peigné (1,168.9 million euros) and the net carrying amount of the Le Peigné shares previously held by Financière Agache (65.4 million euros). Financière Agache carried out a 2.7 million euro capital increase combined with a merger premium of 694.4 million euros in consideration for the 60% stake not held in Le Peigné SA, and retired its own shares included in the assets contributed by Le Peigné.

In accordance with the merger agreement dated June 25, 2021 between the Company and Le Peigné SA, shareholders are asked to approve Le Peigné SA's individual financial statements as of November 30, 2021 and the net assets they show of 1,168,916,370.10 euros.

Financial income from subsidiaries and other investments totaled 1,672.8 million euros as of December 31, 2021, compared with 11,472.2 million euros as of December 31, 2020. In 2020, a merger gain (resulting from the merger by absorption of Semyrhamis SA) was recognized for 10,640.1 million euros.

Net financial income totaled 1,668.8 million euros as of December 31, 2021, compared with 11,497.3 million euros as of December 31, 2020.

Net profit was 1,620.6 million euros as of December 31, 2021, compared with 11,476.8 million euros as of December 31, 2020.

1.2 Results of the Company

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)" and "Operating profit/(loss)" include items relating to the financial management of the Company or administrative operations.

Net financial income was 1,668.8 million euros, compared with 11,497.3 million euros in 2020. It was mainly composed of the 1,266.5 million euros in dividend payments received from French companies, compared with 832.1 million euros a year earlier, and a merger gain of 406.3 million euros.

"Operating profit/(loss)" was a loss of 3.9 million euros, compared with a loss of 1.4 million euros in the previous year.

"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)".

Net profit was 1,620.6 million euros in 2021, compared with 11,476.8 million euros a year earlier.

In 2021, the results of Financière Agache SA consisted of dividend income related to its investment in Christian Dior SE and LVMH Moët Hennessy Louis Vuitton SE, as well as the 406.3 million euro merger gain resulting from the merger by absorption of Le Peigné.

2. Appropriation of net profit

The shareholders at the Shareholders' Meeting are asked to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2021 as follows:

Amount available for distribution *(EUR)*	
Net profit	1,620,591,573.32
Retained earnings	14,654,491,998.88
Distributable earnings	**16,275,083,572.20**
Proposed appropriation	
Distribution of a gross dividend of 208.00 euros per share	690,510,598.00
Retained earnings	15,584,572,974.20
Total	**16,275,083,572.20**

Should this appropriation be approved, the gross cash dividend distributed would be 208.00 euros per share. As an interim dividend of 62.00 euros per share was paid in cash on December 22, 2021, the final dividend per share will be 146.00 euros; it should be noted that the shares issued pursuant to the March 16, 2022 increase in capital carry entitlement solely to the final dividend, which is due to be paid on April 29, 2022.

Distribution of dividends

As required by law, we remind you that the gross cash dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year	**Type**	**Payment date**	**Gross dividend** *(EUR)*
December 31, 2020	Interim	December 22, 2020	20.00
	Final	-	-
	Total		**20.00**
December 31, 2019	Interim	December 16, 2019	52.50
	Final	-	-
	Total		**52.50**
December 31, 2018	Interim	December 20, 2018	70.00
	Final	-	-
	Total		**70.00**
December 31, 2017	Interim	December 14, 2017	100.00
	Final	-	-
	Total		**100.00**

Information relating to payment terms

(EUR)	Article D. 441 I.-1°: Invoices received, not yet paid and past due at the fiscal year-end date						Article D. 441 I.-2°: Invoices issued, not yet paid and past due at the fiscal year-end date					
	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and up	Total (1 day and up)	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days and up	Total (1 day and up)
(A) Past-due invoices												
Number of invoices concerned	-	6	1	-	1	8	-	1	-	1	19	21
Total amount of invoices concerned including VAT	-	281,396.81	3,712.50	-	10,466.50	295,575.81	-	1,875.08	-	1,600.16	14,252.26	17,727.50
Percentage of total purchases for the fiscal year including VAT	-	6.07%	0.08%	-	0.23%	6.38%						
Percentage of revenue for the fiscal year							-	0.96%	-	0.82%	7.31%	9.09%
(B) Invoices excluded from (A) relating to payables and receivables that are disputed or not recognized in the accounts												
Number of invoices excluded	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of invoices excluded	-	-	-	-	-	-	-	-	-	-	-	-
(C) Standard payment terms (contractual or legal deadline – Article L. 441-14 or Article L. 443-1 of the French Commercial Code)												
Standard payment terms used to calculate late payments	✗ Contractual deadline: ✓ Legal deadline: 60 days from invoice date						✗ Contractual deadline: ✓ Legal deadline: 60 days from invoice date					

3. Information regarding the Company's share capital

As of December 31, 2021, the share capital totaled 51,658,592 euros, divided into 3,228,662 shares with a par value of 16 euros each. As of December 31, 2021, 3,619 of these shares (0.11% of the share capital) were held by the Company, with a total market value of 448,396 euros.

On November 30, 2021, the share capital was increased by 2,713,440 euros through the issue of 169,590 new shares in the Company, each with a nominal value of 16 euros, fully paid-up and allotted to Kléber Participations in consideration for its contribution of a 60% interest in Le Peigné SA.

On November 30, 2021, the Company also retired 114,280 Financière Agache shares tendered by Le Peigné, resulting in a reduction of 1,828,480 euros in the share capital.

After the fiscal year-end, the share capital was increased on March 16, 2022 by 2,076,592 euros to 53,735,184 euros through the issue of 129,787 new shares in the Company, each with a nominal value of 16 euros, fully paid-up and allotted to Agache SE in consideration for its contribution in kind.

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we hereby inform you that no employee of the Company, or of any affiliated company, holds shares in the Company through the types of mutual funds referred to in this legislation.

4. Matters to be voted upon

4.1 Membership of the Board of Directors

The shareholders at the Shareholders' Meeting are asked to reappoint Invry SAS as a Director for a three-year term, as stipulated in the Bylaws (sixth resolution).

4.2 Statutory Auditors

We hereby inform you of the resignation of Ernst & Young et Autres from its appointment as Principal Statutory Auditor of your Company at the close of this Shareholders' Meeting. After holding a call for tenders in accordance with current legal and regulatory requirements, you are asked, on the recommendation of the Board of Directors, to appoint Deloitte as Principal Statutory Auditor in its place for the remaining term of its predecessor's appointment, that is until the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2026 (seventh resolution).

Board of Directors' report on corporate governance

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3.	**Information on the related-party agreements covered by Article L. 225-37-4 2° of the French Commercial Code**	**148**

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 March 1, 2022, and will be submitted for shareholder approval at the Shareholders' Meeting of April 27, 2022.

1. List of all corporate offices and positions held by company officers

Currently serving Directors

Florian OLLIVIER, Chairman and Chief Executive Officer

Financière Agache SA	Chairman and Chief Executive Officer
Agache SEDCS	Chairman of the Supervisory Board and Member of the Compensation Committee
Sevrilux SNC	Legal Representative of Financière Agache, Managing Director

Lord POWELL of BAYSWATER

Financière Agache SA	Director
Hong Kong Land Holdings	Director
LVMH Moët Hennessy Louis Vuitton SE	Advisory Board member
LVMH Services Limited	Chairman of the Board of Directors
Matheson & Co. Ltd	Director
Northern Trust Corporation	Director

Agache SEDCS

Financière Agache SA	Director
Agache Développement SA	Director
Agache Placements SA	Director
Europatweb SA	Director

Nicolas BAZIRE, Permanent Representative and Group Managing Director

Agache SEDCS	Chief Executive Officer and Member of the Executive Board
Agache Développement SA	Director
Christian Dior SE	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
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
LVMH Moët Hennessy Louis Vuitton SE	Director
Louis Vuitton, Fondation d'Entreprise	Director
Louis Vuitton Malletier SAS	Permanent Representative of Ufipar, Member of the Steering Committee
LV Group SA	Director and Member of the Nominations & Compensation Committee
Madrigall SA	Director
Société des Bains de Mer de Monaco SA	Permanent Representative of Ufipar, Director and Rapporteur to the Finance and Audit Directors' Commission

Agache Placements SA

Financière Agache SA	Director

Pierre DEHEN, Permanent Representative

Agache Développement SA	Permanent Representative of Agache, Director
Agache Placements SA	Chairman and Chief Executive Officer
Asopis SAS	Chairman
Financière Agache SA	Permanent Representative of Agache Placements, Director
LC Investissements SAS	Member of the Management Committee
Union +	Permanent Representative of LVMH Moët Hennessy Louis Vuitton, Director

Directors whose terms of office expire at the Shareholders' Meeting

Invry SAS

Financière Agache SA	Director
Agache Placements SA	Director

Pierre DE ANDREA, Permanent Representative

Agache Développement SA	Chairman and Chief Executive Officer
Agache Placements SA	Permanent Representative of Agache, Director
CD Investissements SAS	Chairman
Cibejy SC	Managing Director
CPV Investissement SARL	Managing Director
Delcia SA	Director
Europimmo SNC	Managing Director
Fimeris SA	Director
Financière Agache SA	Permanent Representative of Invry, Director
Foncière du Nord SCI	Managing Director
Goujon Holding SAS	Chairman
Goujon Participations SAS	Chairman
Mandarine SARL	Managing Director
Montaigne Investissement SC	Managing Director
Sadifa SA	Chairman and Chief Executive Officer
Sanderson International SA	Director
Société de Gestion Financière et de Patrimoine SARL	Managing Director
Société de Gestion Mobilière et Immobilière SC	Managing Director
Société en Nom Collectif Jardin Bleu	Managing Director
Sophiz SA	Director
Westley International SA	Director

2. Summary of existing delegations and financial authorizations and use made of them

Status of existing delegations and authorizations

Authorizations to increase the share capital (Articles L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2021
Through the capitalization of profit, reserves, additional paid-in capital or other items (L. 225-129-2 and L. 225-130)	SM of 04/26/2021 (12th resolution)	06/25/2023 26 months	32 million euros[(a)(b)]	Not applicable	None
With preferential subscription rights – Ordinary shares and securities giving access to the share capital	SM of 04/26/2021 (13th resolution)	06/25/2023 26 months	32 million euros[(a)(b)]	Free	None

(a) Maximum nominal amount. This is an overall cap set at the Shareholders' Meeting of April 26, 2021, for any issues decided upon pursuant to the 12th or 13th resolutions (15th resolution).
(b) As a guide, this equates to 2,000,000 shares on the basis of the par value per unit as of December 31, 2021.

3. 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 2021 fiscal year.

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.

1. Consolidated income statement

(EUR millions, except for earnings per share)	Notes	2021	2020	2019
Revenue	24-25	**64,219**	**44,651**	**53,671**
Cost of sales		(20,359)	(15,871)	(18,126)
Gross margin		**43,860**	**28,780**	**35,545**
Marketing and selling expenses		(22,306)	(16,790)	(20,206)
General and administrative expenses		(4,454)	(3,653)	(3,880)
Income/(loss) from operating joint ventures and associates	8	13	(42)	28
Profit from recurring operations	24-25	**17,113**	**8,294**	**11,487**
Other operating income and expenses	26	6	(332)	(231)
Operating profit		**17,119**	**7,963**	**11,255**
Cost of net financial debt		37	(59)	(180)
Interest on lease liabilities		(242)	(281)	(290)
Income/(loss) from non-operating joint ventures and associates	8	12	17	41
Other financial income and expenses		244	(287)	(186)
Net financial income/(expense)	27	**51**	**(610)**	**(615)**
Income taxes	28	(4,558)	(2,400)	(2,966)
Net profit, before minority interests		**12,612**	**4,953**	**7,674**
Minority interests	18	7,706	3,040	4,888
Net profit, Group share		**4,906**	**1,913**	**2,786**
Basic Group share of net earnings per share *(EUR)*	29	**1,545.47**	**603.49**	**878.90**
Diluted Group share of net earnings per share *(EUR)*	29	**1,544.78**	**602.84**	**877.64**

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	Notes	2021	2020	2019
Net profit before minority interests		**12,612**	**4,953**	**7,674**
Translation adjustments		2,178	(1,645)	299
Amounts transferred to income statement		(4)	(12)	1
Tax impact		17	(10)	11
	16.5, 18	**2,191**	**(1,667)**	**311**
Change in value of hedges of future foreign currency cash flows[a]		281	73	(17)
Amounts transferred to income statement		(303)	(122)	28
Tax impact		127	(112)	(4)
		105	**(161)**	**7**
Change in value of the ineffective portion of hedging instruments		(375)	(209)	(211)
Amounts transferred to income statement		237	232	241
Tax impact		33	(9)	(7)
		(105)	**14**	**23**
Gains and losses recognized in equity, transferable to income statement		**2,191**	**(1,815)**	**342**
Change in value of vineyard land	6	52	(3)	42
Amounts transferred to consolidated reserves		-	-	-
Tax impact		(12)	3	(11)
		40	**-**	**31**
Employee benefit obligations: change in value resulting from actuarial gains and losses		251	(20)	(167)
Tax impact		(58)	6	39
		193	**(14)**	**(128)**
Change in value of available for sale financial assets		(535)	578	1,052
Capital gains or losses transferred to consolidated reserves		3,019	77	32
Tax impact		(274)	(44)	(59)
	8-9,14	**2,210**	**611**	**1,025**
Gains and losses recognized in equity, not transferable to income statement		**2,443**	**597**	**928**
Gains and losses recognized in equity		**4,634**	**(1,218)**	**1,269**
Comprehensive income		**17,246**	**3,735**	**8,943**
Minority interests		9,178	1,934	5,034
Comprehensive income, Group share		**8,068**	**1,801**	**3,909**

(a) In 2021, this amount includes 477 million euros relating to foreign exchange hedges implemented in anticipation of the acquisition of Tiffany shares and included in the value of the investment; see Note 2.

3. Consolidated balance sheet

Assets

(EUR millions)	Notes	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Brands and other intangible assets	3	23,518	15,978	16,169
Goodwill	4	24,727	14,865	14,857
Property, plant and equipment	6	19,582	17,626	17,929
Right-of-use assets	7	13,699	12,515	12,409
Investments in joint ventures and associates	8	925	3,352	2,903
Non-current available for sale financial assets	9	3,790	1,650	1,281
Other non-current assets	10	1,761	861	1,564
Deferred tax	28	3,158	2,328	2,278
Non-current assets		**91,160**	**69,173**	**69,390**
Inventories and work in progress	11	16,837	13,255	13,910
Trade accounts receivable	12	3,787	2,756	3,450
Income taxes		345	433	412
Other current assets	13	8,391	4,925	4,392
Cash and cash equivalents	15	8,348	20,468	6,351
Current assets		**37,707**	**41,835**	**28,515**
Total assets		**128,867**	**111,009**	**97,905**

Liabilities and equity

(EUR millions)	Notes	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Equity, Group share	16.1	19,429	13,610	11,883
Minority interests	18	29,904	24,930	24,787
Equity		**49,333**	**38,540**	**36,670**
Long-term borrowings	19	13,492	15,820	7,525
Non-current lease liabilities	7	11,887	10,665	10,373
Non-current provisions and other liabilities	20	3,957	3,286	3,809
Deferred tax	28	6,649	5,152	5,124
Purchase commitments for minority interests' shares	21	13,677	10,991	10,735
Non-current liabilities		**49,662**	**45,914**	**37,566**
Short-term borrowings	19	9,915	11,870	8,555
Current lease liabilities	7	2,387	2,163	2,172
Trade accounts payable	22.1	7,088	5,100	5,815
Income taxes		1,300	721	811
Current provisions and other liabilities	22.2	9,182	6,701	6,316
Current liabilities		**29,872**	**26,556**	**23,669**
Total liabilities and equity		**128,867**	**111,009**	**97,905**

4. Consolidated statement of changes in equity

(EUR millions)	Number of shares	Share capital	Share premium account	Financière Agache 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 commit-ments		Group share	Minority interests	Total
Notes		**16.1**	**16.1**	**16.3**	**16.5**							**18**	
As of January 1, 2019	**3,173,352**	**51**	**442**	**(6)**	**233**	**1,263**	**(56)**	**457**	**(45)**	**6,088**	**8,427**	**22,380**	**30,807**
Gains and losses recognized in equity					121	993	11	11	(45)	32	1,123	146	1,269
Net profit										2,786	2,786	4,888	7,674
Comprehensive income					**121**	**993**	**11**	**11**	**(45)**	**2,818**	**3,909**	**5,034**	**8,943**
Expenses related to bonus share and similar plans										33	33	42	75
(Acquisition)/disposal of Financière Agache treasury shares										-	-	-	-
Capital increase in subsidiaries										-	-	70	70
Interim and final dividends paid (see Note 16.4)										(166)	(166)	(2,511)	(2,677)
Changes in control of consolidated entities										1	1	26	27
Acquisition and disposal of minority interests' shares					-	-	-	(1)	-	(318)	(319)	(48)	(367)
Purchase commitments for minority interests' shares										(2)	(2)	(206)	(208)
As of December 31, 2019	**3,173,352**	**51**	**442**	**(6)**	**354**	**2,256**	**(45)**	**467**	**(90)**	**8,454**	**11,883**	**24,787**	**36,670**
Gains and losses recognized in equity					(646)	534	(72)	-	(5)	77	(112)	(1,106)	(1,218)
Net profit										1,913	1,913	3,040	4,953
Comprehensive income					**(646)**	**534**	**(72)**	**-**	**(5)**	**1,989**	**1,801**	**1,934**	**3,735**
Expenses related to bonus share and similar plans										26	26	36	62
(Acquisition)/disposal of Financière Agache treasury shares										-	-	-	-
Capital increase in subsidiaries										-	-	54	54
Interim and final dividends paid										(63)	(63)	(1,731)	(1,794)
Changes in control of consolidated entities										(13)	(13)	(11)	(24)
Acquisition and disposal of minority interests' shares					-	-	-	-	-	(104)	(104)	(32)	(136)
Purchase commitments for minority interests' shares										80	80	(107)	(27)
As of December 31, 2020	**3,173,352**	**51**	**442**	**(6)**	**(292)**	**2,790**	**(117)**	**467**	**(95)**	**10,369**	**13,610**	**24,930**	**38,540**
Gains and losses recognized in equity					864	(826)	17	12	76	3,019	3,162	1,472	4,634
Net profit										4,906	4,906	7,706	12,612
Comprehensive income					**864**	**(826)**	**17**	**12**	**76**	**7,925**	**8,068**	**9,178**	**17,246**
Expenses related to bonus share and similar plans										52	52	80	132
(Acquisition)/disposal of Financière Agache treasury shares										-	-	-	-
Capital increases of Financière Agache SA	169,590	3	694	(14)						-	683	-	683
Retirement of Financière Agache shares	(114,280)	(2)	(12)	14						-	-	-	
Capital increase in subsidiaries										-	-	15	15
Interim and final dividends paid										(200)	(200)	(2,494)	(2,694)
Changes in control of consolidated entities				6						(18)	(12)	373	361
Acquisition and disposal of minority interests' shares					28	(1)	(4)	28	(4)	(2,810)	(2,764)	(1,998)	(4,762)
Purchase commitments for minority interests' shares										(8)	(8)	(180)	(188)
As of December 31, 2021	**3,228,662**	**52**	**1,124**	**(0)**	**600**	**1,963**	**(104)**	**507**	**(23)**	**15,309**	**19,429**	**29,904**	**49,333**

5. Consolidated cash flow statement

(EUR millions)	Notes	2021	2020	2019
I. OPERATING ACTIVITIES				
Operating profit		17,119	7,963	11,255
Adjustment for income/(loss) and dividends received from commercial joint ventures and associates	8	41	64	(10)
Net increase in depreciation, amortization and provisions		3,153	3,478	2,700
Depreciation of right-of-use assets	7.1	2,691	2,572	2,408
Other adjustments and computed expenses		(406)	(99)	(268)
Cash from operations before changes in working capital		**22,598**	**13,979**	**16,085**
Cost of net financial debt: interest paid or received		60	(83)	(198)
Lease liabilities: interest paid		(231)	(290)	(239)
Tax paid on operating activities		(4,229)	(2,414)	(2,851)
Change in working capital	15.2	377	(413)	(1,173)
Net cash from/(used in) operating activities		**18,576**	**10,779**	**11,624**
II. INVESTING ACTIVITIES				
Operating investments	15.3	(2,651)	(2,477)	(3,332)
Purchase and proceeds from sale of consolidated investments	2.4	(13,226)	(616)	(2,478)
Dividends received		43	13	8
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(8)	(1)
Purchase and proceeds from sale of non-current available for sale financial assets	9	(372)	(439)	(157)
Net cash from/(used in) investing activities		**(16,206)**	**(3,527)**	**(5,960)**
III. FINANCING ACTIVITIES				
Interim and final dividends paid	15.4	(2,901)	(2,021)	(2,840)
Purchase and proceeds from sale of minority interests	2.4	(1,137)	(183)	(390)
Other equity-related transactions	15.4	7	40	57
Proceeds from borrowings	19	724	17,762	2,840
Repayment of borrowings	19	(6,813)	(5,800)	(8,155)
Loans to and receivables from affiliated companies	19	(943)	150	241
Repayment of lease liabilities	7.2	(2,453)	(2,302)	(2,187)
Purchase and proceeds from sale of current available for sale financial assets	14	(1,520)	292	1,969
Net cash from/(used in) financing activities		**(15,036)**	**7,937**	**(8,466)**
IV. EFFECT OF EXCHANGE RATE CHANGES		498	(1,052)	39
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		**(12,168)**	**14,136**	**(2,762)**
Cash and cash equivalents at beginning of period	15.1	**20,311**	**6,175**	**8,937**
Cash and cash equivalents at end of period	15.1	**8,144**	**20,311**	**6,175**
Total tax paid		**(4,456)**	**(2,658)**	**(3,019)**

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)	2021	2020	2019
Net cash from operating activities	18,576	10,779	11,624
Operating investments	(2,651)	(2,477)	(3,332)
Repayment of lease liabilities	(2,453)	(2,302)	(2,187)
Operating free cash flow[(a)]	**13,472**	**6,000**	**6,105**

(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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Note 1. Accounting policies

1.1 General framework and environment

The consolidated financial statements for fiscal year 2021 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2021.

These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2021 were approved by the Board of Directors on April 5, 2022.

1.2 Changes in the accounting framework applicable to the Group

Since January 1, 2021, the Group has applied Phase 2 of the amendments to IFRS 9, IAS 39 and IFRS 7 on financial instruments, in connection with the reform of benchmark interest rates. Phase 1 of these amendments was applied starting in 2019. The process of transitioning to the replacement rates has been finalized and the transition will take effect on January 1, 2022, at which date the current benchmark rates will cease to apply. This transition has no impact on the financial statements as of December 31, 2021.

The amendment to IFRS 16 on the recognition of rent concessions granted by lessors after June 30, 2021 in connection with the Covid-19 pandemic has been applied since January 1, 2021 (see Note 7.3).

The Group has taken into account the impact of the IFRIC agenda decision issued in April 2021 when measuring employee benefit obligations. This decision relates to attributing benefits to periods of service and the caps on such benefits. The impact as of December 31, 2021 represents a non-material decrease in this commitment, recognized within "Actuarial gains and losses" for fiscal year 2021 (see Note 30).

1.3 Impact of the Covid-19 pandemic

Fiscal year 2021 saw a return to growth in business activity, and a context in which the approval of the financial statements did not require any special review of the usual assumptions and estimates, in contrast with the 2020 fiscal year, during which the Covid-19 pandemic and the measures taken by various governments severely disrupted the Group's operations, significantly affecting the financial statements.

In 2020, the assumptions and estimates used as a basis for measuring certain balance sheet and income statement items were updated in light of the crisis, as regards the following:

- valuation of intangible assets;
- renegotiation of leases;
- valuation of purchase commitments for minority interests' shares;

-costs arising from lower activity levels;

- provisions for inventory impairment;
- provisions for impairment of trade accounts receivable;
- payments received or receivable from social security systems or government agencies in respect of measures to safeguard the economy;
- the portfolio of derivatives used to hedge commercial transactions and the hedging policy;
- valuation of deferred tax assets on tax losses.

See Note 1.3 to the 2020 consolidated financial statements for further details.

1.4 Taking into account climate, water supply and biodiversity risks

The Group's current exposure to the consequences of climate change is limited. As such, at this stage, the impact of climate change on the financial statements is not material.

As part of the LIFE 360 program, which puts its environmental strategy into practice, the Group – via LVMH, which comprises all of the Group's operating activities – has launched a plan to transform its value chains.

The implementation of this program is reflected in the financial statements in the form of operating investments, research and development expenses and corporate philanthropy expenses.

In addition, profit from recurring operations will be affected by changes in raw material prices; production, transport and distribution costs; and costs related to the end-of-life phase of its products.

The short-term effects have been incorporated into the strategic plans of the Group's Maisons, which form the basis for conducting impairment tests on intangible assets with indefinite useful lives (see Note 5). The long-term effects of these changes are not quantifiable at this stage.

1.5 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 Financière Agache group retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH, 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".

1.6 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.

It also includes any significant amounts 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 that 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 commercial joint ventures and associates, and in "Net cash from financial investments" for dividends from non-operating joint ventures and associates and from 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.

1.7 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 assumptions, 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 1.14 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 1.19 and 11); and, if applicable, deferred tax assets (see Note 28). Such assumptions, 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.

1.8 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 if their businesses are related to those of the Group. Financière Agache 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.

Net profit for non-operating joint ventures and associates is disclosed on a specific line within "Net financial income/(expense)".

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 Group's share of operations (see Note 1.28).

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.

1.9 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".

1.10 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 equity-related transactions. 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 1.11) 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 1.23 for the definition of the concepts of effective and ineffective portions.

1.11 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 1.15.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.19.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.24.	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 1.23.	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 1.14.	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 1.18.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.21.	Note 15

No other assets or liabilities have been remeasured at market value at the balance sheet date.

1.12 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 1.17.

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.

1.13 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 1.17. Any impairment expense recognized is included within "Other operating income and expenses".

1.14 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 deducted from equity, under "Other reserves".

This recognition method has no effect on the presentation of minority interests within the income statement.

1.15 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.

1.16 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.

1.17 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.

1.18 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 day-to-day cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.21).

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 by the LVMH group under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods.

At its level, Financière Agache integrates data from the LVMH group without restatement. As it is authorized to do under IFRS 9, Financière Agache has opted to present its own available for sale financial assets of consolidated subsidiaries outside the LVMH scope within equity (under "Revaluation reserves" for available for sale financial assets). Nevertheless, Financière Agache reserves the right to choose, for each accounting item, the method for recognizing their change in market value: either within "Net financial income/(expense)" or directly in equity for its future available for sale financial assets.

1.19 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.

1.20 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.

1.21 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)".

1.22 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 1.26 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.

1.23 Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of issue premiums and issuance costs, which are charged over time 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 1.11 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.

1.24 Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange, interest rate and precious metal 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 1.10 in the case of foreign exchange hedges and as described in Note 1.23 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.

1.25 Financière Agache, Christian Dior and LVMH treasury shares

Financière Agache treasury shares

Financière Agache 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 using the FIFO method. Gains and losses on disposal are taken directly to equity.

Christian Dior and LVMH treasury shares

Purchases and sales by Christian Dior and LVMH of their own shares, as well as LVMH SE capital increases reserved for recipients of share subscription options, resulting in changes in the ownership interests held by the Financière Agache group in Christian Dior and in LVMH, are accounted for in the consolidated financial statements of the Financière Agache group as changes in ownership interests in consolidated entities.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the Financière Agache group's ownership interest in Christian Dior and LVMH have been taken to equity.

As this standard is applied prospectively, goodwill recognized as of December 31, 2009 has been maintained as an asset on the balance sheet.

1.26 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, as well as the conditions under which benefits vest, in particular with regard to periods of service or caps on such benefits.

1.27 Current and deferred tax

The tax expense comprises current tax payable by consolidated companies, deferred tax resulting from temporary differences, and 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 and 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.

1.28 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. Retail sales, and in particular online sales, also result in product returns from customers.

Where these practices are 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 that sell and deliver both groups' products to customers; the income statement and balance sheet of these entities is apportioned between the Group 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.

1.29 Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples and 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.

1.30 Bonus share and similar plans

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 any bonus share plans subject to performance conditions, the expense for the fiscal year includes provisional allocations for which the conditions are deemed likely to be met.

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 any 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.

1.31 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the fiscal year, excluding treasury shares.

Where applicable, diluted earnings per share are calculated based on the weighted average number of shares before dilution. Dilutive instruments issued by subsidiaries are also taken into consideration for the purposes of determining the Group's share of net profit after dilution.

Note 2. Changes in ownership interests in consolidated entities

2.1 Fiscal year 2021

Tiffany

On January 7, 2021, LVMH acquired all of the shares in Tiffany & Co. ("Tiffany"), in accordance with the agreement signed in November 2019, amended in October 2020 and approved at Tiffany's Shareholders' Meeting on December 30, 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, equivalent to 13.1 billion euros as of the acquisition date. Tiffany has been consolidated since January 2021.

The acquisition of Tiffany reinforces LVMH's position in high jewelry and further expands its presence in the United States. The integration of this iconic American brand profoundly transforms LVMH's Watches and Jewelry business group.

The following table details the final allocation of the purchase price paid by LVMH on January 7, 2021, the date of acquisition of the controlling interest:

(EUR millions)	**Final purchase price allocation**
Brand and other intangible assets	6,124
Property, plant and equipment	1,002
Right-of-use assets	860
Inventories and work in progress	1,788
Deferred tax	(1,199)
Lease liabilities	(927)
Net financial debt	(345)
Other current and non-current assets and liabilities	(479)
Minority interests	-
Net assets acquired	**6,824**
Goodwill	6,750
Carrying amount of shares held as of January 7, 2021	**13,574**

The amounts presented in the table above are taken from Tiffany's financial statements at the date of acquisition of the controlling interest, prepared and presented in accordance with the accounting policies applied by LVMH; they have undergone specific audit procedures. As of December 31, 2021, the purchase price allocation was final.

The main revaluation of the assets and liabilities acquired was related to the brand. This was measured primarily using the relief-from-royalty method and secondarily using the excess earnings method. The value determined, i.e. 7,300 million US dollars (5,949 million euros), is the average of the value ranges obtained. Final goodwill, amounting to 8,283 million US dollars (6,750 million euros), reflects Tiffany's specific expertise in the development and production of high-quality jewelry products, as well as its access to a high-quality directly operated distribution network; this goodwill also reflects the synergies that will result from the inclusion of Tiffany in the LVMH group.

The carrying amount of shares held as of the date of acquisition of the controlling interest includes the impact of foreign exchange hedges implemented in anticipation of the acquisition for 477 million euros.

During the fiscal year, the Tiffany acquisition generated an outflow of 12.5 billion euros, net of cash acquired in the amount of 0.6 billion euros. The transaction was funded through a number of bond issues in 2020, for a total amount of 10.7 billion euros, together with euro- and US dollar-denominated commercial paper for the remainder (see Note 19 to the 2020 consolidated financial statements).

The acquisition costs for Tiffany were recognized in "Other operating income and expenses" and totaled 4 million euros, 35 million euros and 39 million euros for fiscal years 2021, 2020 and 2019, respectively.

For fiscal year 2021, Tiffany generated consolidated revenue of 4,321 million euros and profit from recurring operations of 778 million euros.

Le Peigné

Le Peigné, a Belgian company in which Financière Agache directly owned a 40% equity stake, accounted for using the equity method, underwent a merger by absorption by Financière Agache SA on November 30, 2021. Only the other shareholder in Le Peigné, an affiliated company, received consideration, through the issue of 169,590 new Financière Agache shares, with its contribution valued at 5.2 billion euros in the consolidated financial statements. The main consequence of this merger was that it increased Financière Agache's ownership interests in Christian Dior SE (by 0.76% of the share capital) and LVMH (by 1.88% of the share capital). These increases were treated as acquisitions of minority interests in these companies, resulting in a decrease in consolidated reserves of 6.8 billion euros for the Group share and of 1.0 billion euros for "Minority interests".

Lagardère Capital

On June 30, 2021, Lagardère SCA was transformed into a *Société Anonyme* (SA) with a Board of Directors. As compensation to the two general partners ("associés commandités") for the loss of their rights, the General Meeting of Limited Partners ("Assemblée générale des commanditaires") voted to grant them 10 million new Lagardère SA shares, half of which for Arjil Commanditée-Arco, a more than 99%-owned subsidiary of Lagardère Capital, and the other half for Arnaud Lagardère, who contributed 90% of this grant amount to Lagardère Capital, in accordance with the partners' agreement between the shareholders of Lagardère Capital.

On September 1, 2021, Financière Agache notified Lagardère Capital that it was exercising the liquidity pledge provided for in this partners' agreement. All the Lagardère Capital shares held by Financière Agache were bought back by way of an unequal capital reduction ("réduction de capital inégalitaire") in exchange for the transfer on October 13, 2021 of 3,910,139 Lagardère SA shares held by Lagardère Capital. In this context, Arnaud Lagardère and Financière Agache announced the end of their concerted action with regard to Lagardère SA.

Consequently, the direct stake in Lagardère SA rose to 9.97% of this company's share capital (see Note 9).

Château d'Esclans

In May 2021, LVMH acquired an additional 45% stake in Château d'Esclans, bringing its ownership interest to 100%.

Armand de Brignac

In May 2021, LVMH acquired a 50% stake in Armand de Brignac, a major purveyor of prestige champagne. The price paid was mainly allocated to the Armand de Brignac brand for an amount of 390 million US dollars (318 million euros), with the final goodwill totaling 112 million euros.

Rimowa

In June 2021, the minority shareholder holding 20% of the share capital of Rimowa exercised its put option for all of its shares. Payment took place in July 2021. Following this transaction, LVMH now holds all the shares in Rimowa.

Off-White

On September 1, 2021, LVMH acquired an additional 25% stake in Off-White LLC, bringing its ownership interest to 60%. Off-White LLC owns the Off-White fashion brand founded by Virgil Abloh. Off-White LLC has been fully consolidated since that date; the price paid was mainly allocated to the Off-White brand for an amount of 291 million US dollars (236 million euros). See also Note 26.

Feelunique

In September 2021, Sephora fully acquired Feelunique, a leading online beauty retailer in the United Kingdom. This acquisition represents the first step in establishing Sephora's presence in the United Kingdom. This equity investment will be consolidated in 2022.

Officine Universelle Buly

In October 2021, the Group fully acquired Officine Universelle Buly, a Parisian brand specializing in perfumes and cosmetics that was founded in the 19th century and relaunched in 2014. This equity investment will be consolidated in 2022. See also Note 26.

Thélios

In December 2021, LVMH acquired an additional 49% stake in Thélios, a company specializing in eyewear, bringing its ownership interest to 100%.

2.2 Fiscal year 2020

Lagardère Capital

On September 24, 2020, Financière Agache acquired a direct stake of around 27% in Lagardère Capital, which is accounted for using the equity method (see Note 8). In connection with this transaction, Financière Agache declared that it was acting in concert with Lagardère Capital and other related persons with regard to Lagardère SCA.

In addition, Financière Agache acquired a direct stake in Lagardère SCA and holds 7.75% of this company's share capital (see Note 9).

There were no other significant changes in ownership interests in consolidated entities during the fiscal year.

2.3 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:

(EUR millions)	**Final allocation as of June 30, 2020**
Brand and other intangible assets	147
Property, plant and equipment	2,312
Other current and non-current assets	338
Net financial debt	(604)
Deferred tax	(430)
Current and non-current liabilities	(409)
Minority interests	(1)
Net assets acquired	**1,353**
Goodwill	900
Carrying amount of shares held as of April 17, 2019	**2,253**

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 exclusively produces world-renowned rosé wines, in particular the *Garrus* and *Whispering Angel* cuvées.

2.4 Impact on net cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	2021	2020	2019
Purchase price of consolidated investments and of minority interests' shares	(15,220)	(987)	(3,165)
Positive cash balance/(net overdraft) of companies acquired	658	-	128
Proceeds from sale of consolidated investments	231	206	171
(Positive cash balance)/net overdraft of companies sold	(32)	(18)	(2)
Impact of changes in ownership interests in consolidated entities on net cash and cash equivalents	**(14,363)**	**(799)**	**(2,868)**
Of which: Purchase and proceeds from sale of consolidated investments	*(13,226)*	*(616)*	*(2,478)*
Purchase and proceeds from sale of minority interests	*(1,137)*	*(183)*	*(390)*

In 2021, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of Tiffany & Co. It also included acquisitions of LVMH shares by Group companies and the impact of the LVMH liquidity contract.

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. It also included acquisitions of LVMH shares by Group companies and the impact of the LVMH liquidity contract.

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, the acquisition of Christian Dior and LVMH shares by Group companies, and the acquisition of a 49% stake in Stella McCartney and a 55% stake in Château d'Esclans. It also included LVMH SE's capital increases reserved for recipients of share subscription options and the impact of the LVMH liquidity contract.

Note 3. Brands, trade names and other intangible assets

(EUR millions)			Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
	Gross	Amortization and impairment	Net	Net	Net
Brands	20,472	(624)	19,848	12,711	12,710
Trade names	3,889	(1,604)	2,285	2,130	2,303
License rights	78	(32)	46	46	34
Software, websites	3,143	(2,294)	849	665	650
Other	1,115	(625)	490	425	473
Total	**28,697**	**(5,179)**	**23,518**	**15,978**	**16,169**

3.1 Changes during the fiscal year

The net amounts of brands, trade names and other intangible assets changed as follows during fiscal year 2021:

Gross value *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Other intangible assets**	**Total**
As of December 31, 2020	**13,339**	**3,614**	**2,388**	**1,056**	**20,397**
Acquisitions	-	-	244	337	581
Disposals and retirements	-	-	(96)	(116)	(212)
Changes in the scope of consolidation	6,474	-	361	46	6,880
Translation adjustment	658	275	100	28	1,061
Reclassifications	-	-	148	(158)	(11)
As of December 31, 2021	**20,472**	**3,889**	**3,143**	**1,193**	**28,697**

Amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Other intangible assets**	**Total**
As of December 31, 2020	**(628)**	**(1,484)**	**(1,723)**	**(585)**	**(4,419)**
Amortization expense	(9)	-	(372)	(147)	(528)
Impairment expense	1	-	(1)	(13)	(13)
Disposals and retirements	-	-	90	116	206
Changes in the scope of consolidation	29	-	(214)	(18)	(202)
Translation adjustment	(18)	(120)	(67)	(12)	(216)
Reclassifications	-	-	(7)	1	(6)
As of December 31, 2021	**(624)**	**(1,604)**	**(2,294)**	**(657)**	**(5,179)**
Carrying amount as of December 31, 2021	**19,848**	**2,285**	**849**	**536**	**23,518**

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

3.2 Changes during prior fiscal years

The net amounts of brands, trade names and other intangible assets changed as follows during the fiscal year:

Carrying amount *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Other intangible assets**	**Total**
As of January 1, 2019	**12,570**	**2,265**	**544**	**453**	**15,832**
Acquisitions	-	-	225	303	528
Disposals and retirements	-	-	(2)	-	(2)
Changes in the scope of consolidation	140	-	1	44	185
Amortization expense	(17)	(1)	(267)	(137)	(421)
Impairment expense	(54)	-	-	4	(50)
Translation adjustment	70	39	5	6	120
Reclassifications	-	-	144	(166)	(22)
As of December 31, 2019	**12,710**	**2,303**	**650**	**507**	**16,169**
Acquisitions	-	-	194	286	480
Disposals and retirements	-	-	2	(3)	(2)
Changes in the scope of consolidation	14	-	-	1	15
Amortization expense	(24)	(1)	(329)	(129)	(483)
Impairment expense	(32)	-	-	(1)	(33)
Translation adjustment	(25)	(172)	(21)	(9)	(228)
Reclassifications	68	-	170	(179)	58
As of December 31, 2020	**12,711**	**2,130**	**665**	**472**	**15,978**

3.3 Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)			Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	3,244	(140)	3,104	2,734	2,691
Fashion and Leather Goods	5,231	(186)	5,045	4,792	4,821
Perfumes and Cosmetics	1,367	(77)	1,291	1,287	1,291
Watches and Jewelry	10,215	(96)	10,119	3,606	3,599
Selective Retailing	3,842	(1,557)	2,285	2,130	2,303
Other activities	462	(172)	290	292	308
Brands and trade names	**24,361**	**(2,228)**	**22,133**	**14,841**	**15,013**

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2021, the principal acquired brands and trade names were:

- Wines and Spirits: Hennessy, Moët & Chandon, Dom Pérignon, Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyard, Bodega Numanthia, Château d'Esclans and Armand de Brignac;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Celine, Loewe, Givenchy, Kenzo, Berluti, Pucci, Loro Piana, Rimowa and Off- White;
- 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: Tiffany, 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 Echos-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, Christian Dior Couture, Veuve Clicquot and Parfums Christian Dior, and the trade name Sephora, with the understanding that this list must not be considered exhaustive.

At the initial consolidation of LVMH in 1988, all brands then owned by LVMH were revalued in the consolidated financial statements of the Financière Agache group. In the Financière Agache consolidated financial statements, LVMH's accounts are restated to account for valuation differences in brands recorded prior to 1988 as well as intra-Group transactions in the consolidated accounts of each of these companies. See Note 1.5.

See also Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

Note 4. Goodwill

(EUR millions)			Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	17,530	(1,873)	15,658	8,268	8,545
Goodwill arising on purchase commitments for minority interests' shares	9,070	-	9,070	6,597	6,312
Total	**26,600**	**(1,873)**	**24,727**	**14,865**	**14,857**

Changes in net goodwill during the fiscal years presented break down as follows:

(EUR millions)			2021	2020	2019
	Gross	Impairment	Net	Net	Net
As of January 1	**16,587**	**(1,722)**	**14,865**	**14,857**	**12,550**
Changes in the scope of consolidation	6,878	1	6,879	(27)	1,032
Changes in purchase commitments for minority interests' shares	2,467	-	2,467	278	1,247
Changes in impairment	-	(78)	(78)	(178)	(22)
Translation adjustment	670	(74)	596	(67)	50
As of December 31	**26,601**	**(1,874)**	**24,727**	**14,865**	**14,857**

See Note 21 for goodwill arising on purchase commitments for minority interests' shares.

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

Changes in the scope of consolidation during fiscal year 2019 mainly resulted from the acquisition of Belmond. See Note 2.

Note 5. Impairment testing of intangible assets with indefinite useful lives

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition were subject to annual impairment testing. No significant impairment expense was recognized in respect of these items during the course of fiscal year 2021.

As described in Note 1.17, 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 consequences of the Covid-19 pandemic continue to disrupt the commercial operations of certain Maisons, particularly due to the decrease in business travel and tourist numbers. However, the Group believes that these Maisons' operations will not be significantly affected over the long term, with business activity expected to return to its 2019 level between 2022 and 2024.

The main assumptions used to determine these forecast cash flows are as follows:

Business group *(as %)*	December 31, 2021				December 31, 2020			December 31, 2019		
	Discount rate		Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan
	Post-tax	Pre-tax								
Wines and Spirits	6.7 to 11.6	9.1 to 15.7	7.4	2.0	6.0 to 10.8	5.8	2.0	6.0 to 10.8	5.8	2.0
Fashion and Leather Goods	7.4 to 10.2	10.0 to 13.8	10.6	2.0	7.1 to 9.6	10.5	2.0	7.1 to 9.6	10.4	2.0
Perfumes and Cosmetics	7.3	9.9	12.2	2.0	6.5 to 9.2	9.1	2.0	6.5 to 9.2	9.1	2.0
Watches and Jewelry	8.2	11.1	10.1	2.0	7.5 to 8.9	9.4	2.0	7.5 to 8.9	9.2	2.0
Selective Retailing	8.6	11.6	11.5	2.0	7.0 to 8.9	8.0	2.0	7.0 to 8.8	8.2	2.0
Other	6.6 to 9.0	8.9 to 12.2	7.6	2.0	6.0 to 9.0	6.6	2.0	6.0 to 7.5	2.3	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, 2021, 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 plans** *(as %)*	**Period covered by the forecast cash flows**
Louis Vuitton	2,059	450	2,509	7.4	2.0	5 years
Loro Piana	1,300	1,048	2,348	9.0	2.0	5 years
Fendi	713	405	1,118	9.0	2.0	5 years
Tiffany	6,445	7,274	13,719	N/A	N/A	N/A
Bvlgari	2,100	1,547	3,647	8.2	2.0	5 years
TAG Heuer	1,201	228	1,429	8.2	2.0	5 years
DFS	2,021	-	2,021	8.6	2.0	5 years
Belmond	126	771	897	9.0	2.0	10 years
Hennessy	1,067	53	1,120	6.7	2.0	5 years

N/A: Not applicable.

As of December 31, 2021, two business segments disclosed intangible assets with a carrying amount close to their recoverable amount (including one for which the net carrying amount of intangible assets with indefinite useful lives is 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, 2021 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, 2021, break down as follows:

(EUR millions)	**Amount of intangible assets concerned as of December 31, 2021**	**Amount of impairment if:**		
		Post-tax discount rate increases by 1.0 point	**Compound annual growth rate for revenue decreases by 4.0 points**	**Growth rate for the period after the plans decreases by 1.0 point**
Other activities	1,095	(127)	(320)	(74)
Total	**1,095**	**(127)**	**(320)**	**(74)**

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, 2021, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2021 were 1,087 million euros and 931 million euros, respectively (1,831 million and 1,328 million euros as of December 31, 2020).

Impairment expenses recognized during fiscal year 2021 came to 89 million euros. See Note 26.

Note 6. Property, plant and equipment

(EUR millions)	December 31, 2021			Dec. 31, 2020	Dec. 31, 2019
	Gross	Depreciation and impairment	Net	Net	Net
Land	4,282	(20)	4,261	3,938	3,863
Vineyard land and producing vineyards[(a)]	2,739	(117)	2,623	2,551	2,537
Buildings	6,604	(2,557)	4,047	3,405	3,120
Investment property	365	(39)	326	333	336
Leasehold improvements, machinery and equipment	17,610	(12,496)	5,114	4,459	4,717
Assets in progress	1,303	(1)	1,302	1,176	1,650
Other property, plant and equipment	2,456	(547)	1,909	1,763	1,706
Total	**35,359**	**(15,778)**	**19,582**	**17,626**	**17,929**
Of which: Historical cost of vineyard land and producing vineyards	*608*	-	*608*	*601*	*587*

(a) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

6.1 Changes during the fiscal year

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			
As of December 31, 2020	**2,668**	**9,597**	**368**	**9,767**	**3,098**	**1,566**	**1,181**	**2,318**	**30,564**
Acquisitions	11	398	10	679	159	106	1,162	150	2,675
Change in the market value of vineyard land	52	-	-	-	-	-	-	-	52
Disposals and retirements	(12)	(350)	(14)	(626)	(64)	(121)	(35)	(71)	(1,293)
Changes in the scope of consolidation	-	445	-	1,201	211	345	112	52	2,365
Translation adjustment	12	263	6	551	58	77	39	33	1,040
Other movements, including transfers	8	534	(5)	400	136	67	(1,157)	(26)	(43)
As of December 31, 2021	**2,739**	**10,886**	**365**	**11,972**	**3,598**	**2,039**	**1,303**	**2,456**	**35,359**

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			
As of December 31, 2020	**(117)**	**(2,254)**	**(35)**	**(6,810)**	**(2,087)**	**(1,076)**	**(5)**	**(555)**	**(12,939)**
Depreciation expense	(6)	(282)	(3)	(1,141)	(224)	(174)	-	(64)	(1,894)
Impairment expense	-	(7)	(2)	(8)	(1)	-	(21)	(1)	(41)
Disposals and retirements	8	119	-	618	58	118	24	59	1,004
Changes in the scope of consolidation	-	(60)	-	(851)	(153)	(286)	-	-	(1,349)
Translation adjustment	(1)	(69)	-	(399)	(39)	(63)	-	(15)	(586)
Other movements, including transfers	-	(26)	2	17	(1)	5	1	30	27
As of December 31, 2021	**(117)**	**(2,578)**	**(39)**	**(8,573)**	**(2,447)**	**(1,476)**	**(1)**	**(547)**	**(15,778)**
Carrying amount as of December 31, 2021	**2,623**	**8,308**	**326**	**3,398**	**1,152**	**564**	**1,302**	**1,909**	**19,582**

"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 Maisons – notably Louis Vuitton, Christian Dior, Sephora and Tiffany – in their retail networks. They also included investments by the champagne houses, Hennessy and Louis Vuitton in their production equipment, as well as investments relating to the Group's hotel activities.

Disposals of property, plant and equipment mainly included the sale of the Belmond Charleston hotel.

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

The market value of investment property, according to appraisals by independent third parties, was at least 0.6 billion euros as of December 31, 2021. The valuation methods used are based on market data.

6.2 Changes during prior fiscal years

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**			
As of January 1, 2019	**2,473**	**4,194**	**617**	**2,664**	**924**	**398**	**1,233**	**1,617**	**14,120**
Acquisitions	11	260	15	806	165	143	1,375	124	2,899
Disposals and retirements	-	(8)	(23)	(1)	(1)	(2)	(8)	8	(35)
Depreciation expense	(6)	(213)	(5)	(1,030)	(189)	(144)	-	(68)	(1,655)
Impairment expense	-	62	(1)	(5)	(2)	-	(16)	-	38
Change in the market value of vineyard land	42	-	-	-	-	-	-	-	42
Changes in the scope of consolidation	15	2,117	-	218	8	-	22	8	2,388
Translation adjustment	1	64	8	53	5	4	8	4	146
Other, including transfers	1	506	(275)	512	106	87	(964)	13	(14)
As of December 31, 2019	**2,537**	**6,984**	**336**	**3,216**	**1,015**	**486**	**1,650**	**1,706**	**17,929**
Acquisitions	19	295	1	464	135	91	911	67	1,984
Disposals and retirements	(2)	(12)	(4)	(6)	(8)	(2)	(4)	1	(37)
Depreciation expense	(6)	(238)	(2)	(1,024)	(211)	(149)	-	(75)	(1,706)
Impairment expense	(2)	(10)	-	(3)	(2)	-	(5)	(3)	(26)
Change in the market value of vineyard land	(3)	-	-	-	-	-	-	-	(3)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	(13)	(239)	(6)	(156)	(16)	(13)	(31)	(15)	(490)
Other, including transfers	21	565	8	466	100	77	(1,344)	83	(25)
As of December 31, 2020	**2,551**	**7,343**	**333**	**2,957**	**1,012**	**490**	**1,176**	**1,763**	**17,626**

Purchases of property, plant and equipment in fiscal years 2020 and 2019 mainly included investments by the Group's Maisons 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.

Note 7. Leases

7.1 Right-of-use assets

Right-of-use assets break down as follows, by type of underlying asset:

(EUR millions)			December 31, 2021	Dec. 31, 2020	31 déc.2019
	Gross	Depreciation and impairment	Net	Net	Net
Stores	16,065	(5,428)	10,636	10,053	9,861
Offices	2,762	(772)	1,991	1,433	1,436
Other	1,046	(275)	771	721	749
Capitalized fixed lease payments	**19,873**	**(6,475)**	**13,398**	**12,207**	**12,047**
Leasehold rights	840	(539)	301	308	362
Total	**20,713**	**(7,014)**	**13,699**	**12,515**	**12,409**

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		
As of December 31, 2020	**13,577**	**1,931**	**922**	**16,429**	**782**	**17,211**
New leases entered into	1,924	683	78	2,685	45	2,730
Changes in assumptions	(274)	34	38	(202)	-	(202)
Leases ended or canceled	(588)	(111)	(45)	(744)	(9)	(753)
Changes in the scope of consolidation	678	160	21	860	2	862
Translation adjustment	749	68	33	850	9	859
Other movements, including transfers	(1)	(4)	-	(6)	11	6
As of December 31, 2021	**16,065**	**2,762**	**1,046**	**19,873**	**840**	**20,713**

Depreciation and impairment *(EUR millions)*			Capitalized fixed lease payments		Leasehold rights	Total
	Stores	Offices	Other	Total		
As of December 31, 2020	**(3,523)**	**(498)**	**(200)**	**(4,222)**	**(474)**	**(4,696)**
Depreciation expense	(2,177)	(342)	(116)	(2,634)	(50)	(2,684)
Impairment expense	-	-	-	-	(7)	(7)
Leases ended or canceled	514	95	45	654	6	660
Changes in the scope of consolidation	(3)	(2)	2	(3)	(1)	(4)
Translation adjustment	(238)	(20)	(8)	(265)	(5)	(270)
Other movements, including transfers	(1)	(6)	2	(4)	(8)	(12)
As of December 31, 2021	**(5,428)**	**(772)**	**(275)**	**(6,475)**	**(539)**	**(7,014)**
Carrying amount as of December 31, 2021	**10,636**	**1,991**	**771**	**13,398**	**301**	**13,699**

"New leases entered into" involved store leases, in particular for Christian Dior Couture, Sephora, Louis Vuitton, and Fendi. They also included leases of office space, mainly for Christian Dior Couture and Loro Piana. Changes in the scope of consolidation mainly resulted from the consolidation of Tiffany (see Note 2). These two types of changes led to corresponding increases in right-of-use assets and lease liabilities. Changes in assumptions mainly resulted from rent concessions, in particular for DFS.

7.2 Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Non-current lease liabilities	11,887	10,665	10,373
Current lease liabilities	2,387	2,163	2,172
Total	**14,275**	**12,829**	**12,545**

The change in lease liabilities during the fiscal year breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
As of December 31, 2020	**10,556**	**1,555**	**718**	**12,829**
New leases entered into	1,875	686	73	2,634
Principal repayments	(2,039)	(276)	(112)	(2,426)
Change in accrued interest	7	4	1	12
Leases ended or canceled	(83)	(13)	(1)	(97)
Changes in assumptions	(303)	33	38	(232)
Changes in the scope of consolidation	744	157	23	924
Translation adjustment	554	55	27	636
Other movements, including transfers	(3)	(4)	2	(5)
As of December 31, 2021	**11,309**	**2,198**	**768**	**14,275**

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

The following table presents the contractual schedule of disbursements for lease liabilities as of December 31, 2021:

(EUR millions)		As of December 31, 2021 Total minimum future payments
Maturity:	2022	2,648
	2023	2,236
	2024	1,958
	2025	1,646
	2026	1,392
	Between 2027 and 2031	3,703
	Between 2032 and 2036	932
	Thereafter	1,293
Total minimum future payments		**15,808**
Impact of discounting		(1,533)
Total lease liability		**14,275**

7.3 Breakdown of lease expense

The lease expense for the fiscal year breaks down as follows:

(EUR millions)	2021	2020	2019
Depreciation and impairment of capitalized fixed lease payments	2,634	2,572	2,407
Interest on lease liabilities	242	281	290
Capitalized fixed lease expense	**2,876**	**2,853**	**2,697**
Variable lease payments	1,702	755	1,595
Short-term leases and/or low-value leases	506	320	376
Other lease expenses	**2,208**	**1,075**	**1,971**
Total	**5,084**	**3,928**	**4,668**

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 fiscal year 2021, the impact of rent concessions from lessors was not material. They were recorded within expenses for variable lease payments, in accordance with the provisions set out in the amendment to IFRS 16 adopted in 2020 (see Note 1.2). In 2020, the impact of rent concessions from lessors amounted to 548 million euros.

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 years

The change in right-of-use assets during the previous fiscal years breaks down as follows, by type of underlying asset:

Carrying amount *(EUR millions)*	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of January 1, 2019	**9,471**	**1,331**	**718**	**11,520**	**344**	**11,864**
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)
As of December 31, 2019	**9,861**	**1,436**	**749**	**12,047**	**362**	**12,409**
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	(131)	(12)	(17)	(160)	(1)	(161)
Depreciation expense	(2,111)	(286)	(117)	(2,514)	(54)	(2,568)
Impairment expense	1	(2)	-	(1)	(3)	(4)
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(600)	(41)	(37)	(678)	(6)	(684)
Other movements, including transfers	(11)	5	19	13	3	16
As of December 31, 2020	**10,054**	**1,433**	**722**	**12,207**	**308**	**12,515**

The change in lease liabilities during the previous fiscal years breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
As of January 1, 2019	**9,692**	**1,420**	**716**	**11,828**
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)
As of December 31, 2019	**10,264**	**1,532**	**749**	**12,545**
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)
As of December 31, 2020	**10,556**	**1,555**	**718**	**12,829**

7.5 Off-balance sheet commitments

Off-balance sheet commitments relating to leases with fixed lease payments break down as follows:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Contracts commencing after the balance sheet date	459	1,324	1,592
Low-value leases and short-term leases	167	180	195
Total undiscounted future payments	**626**	**1,504**	**1,787**

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, 2021:

(as %)	Average rate for leases in effect as of December 31, 2021	Average rate for leases entered into in 2021
Euro	0.5	0.6
US dollar	2.9	1.0
Japanese yen	0.5	0.2
Hong Kong dollar	1.6	0.9
Other currencies	2.0	1.7
Average rate for the Group	**1.7**	**0.9**

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, 2021:

(EUR millions)					As of December 31, 2021
	Lease liabilities	Of which:		Impact of options not taken into account[(a)]	
		Impact of early termination options	*Impact of renewal options*	Renewal options	Early termination options
Lease liabilities related to contracts:					
– with options	6,299	*(111)*	*1,475*	2,516	(951)
– without options	7,976	-	-	-	-
Total	**14,275**	***(111)***	***1,475***	**2,516**	**(951)**

(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.

Note 8. Investments in joint ventures and associates

(EUR millions)				2021		2020		2019
	Gross	Impairment	Net	*Of which: Joint arrangements*	Net	*Of which: Joint arrangements*	Net	*Of which: Joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**3,352**	**-**	**3,352**	***264***	**2,903**	***287***	**1,724**	***117***
Share of net profit/(loss) for the period	26	-	26	*1*	(25)	*(13)*	69	*11*
Dividends paid during the period	(54)	-	(54)	*(9)*	(24)	*(12)*	(20)	*(9)*
Changes in the scope of consolidation	(3,310)	-	(3,310)	-	80	-	415	*163*
Capital increases subscribed	3	-	3	*2*	10	*7*	5	*2*
Translation adjustment	36	-	36	*11*	(34)	*(14)*	5	-
Revaluation adjustments	872	-	872	-	435	-	702	-
Other, including transfers	-	-	-	-	6	*9*	3	*3*
Share of net assets of joint ventures and associates as of December 31	**925**	**-**	**925**	***270***	**3,352**	***264***	**2,903**	***287***

As of December 31, 2021, 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 SE,
  - 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 2021 mainly resulted from the change in the method of accounting for Le Peigné SA, the exercise of the Lagardère Capital liquidity pledge and the acquisition of a stake in Off-White Srl via Off-White LLC. See Note 2.

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.

Note 9. Non-current available for sale financial assets

Non-current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	2021	2020	2019
As of January 1	**1,650**	**1,281**	**1,356**
Acquisitions	922	672	216
Disposals at net realized value	(184)	(224)	(76)
Changes in market value[(a)]	1,190	81	56
Changes in the scope of consolidation	166	-	-
Translation adjustment	46	(27)	6
Reclassifications[(b)]	-	(133)	(276)
As of December 31	**3,790**	**1,650**	**1,281**

(a) Recognized within "Net financial income/(expense)" for the non-current available for sale financial assets held and, in 2021, partly within "Other operating income and expenses" (see Note 26) for the LVMH group. For the non-current available for sale financial assets of companies at the Financière Agache sub-consolidation level, the change in fair value is recognized within "Revaluation reserves". See Note 1.18.
(b) See Note 14.

Acquisitions in fiscal year 2021 included the acquisition of an additional 6.8% stake in Tod's SpA, for 74 million euros, bringing LVMH's ownership interest in Tod's SpA to 10%. Acquisitions also included several equity investments that will be consolidated in 2022 (see Note 2).

Changes in the scope of consolidation mainly resulted from the contribution of non-current available for sale financial assets following the merger by absorption of Le Peigné by Financière Agache, and from the exercise of the liquidity pledge for Lagardère Capital securities exchanged for Lagardère SA securities.

Acquisitions in fiscal years 2020 and 2019 included, for 342 and 126 million euros, respectively, the impact of subscription of securities in investment funds.

Note 10. Other non-current assets

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Warranty deposits	482	409	429
Derivatives[(a)]	55	110	782
Loans and receivables	1,121	295	308
Other	103	46	45
Total	**1,761**	**861**	**1,564**

(a) See Note 23.

Note 11. Inventories and work in progress

(EUR millions)			December 31, 2021	Dec. 31, 2020	Dec. 31, 2019
	Gross	Impairment	Net	Net	Net
Wines and eaux-de-vie in the process of aging	5,456	(23)	5,433	5,313	5,017
Other raw materials and work in progress	3,604	(719)	2,885	1,732	1,900
	9,061	**(742)**	**8,319**	**7,046**	**6,917**
Goods purchased for resale	2,477	(238)	2,239	1,945	2,382
Finished products	7,825	(1,546)	6,279	4,264	4,611
	10,302	**(1,784)**	**8,518**	**6,209**	**6,993**
Total	**19,363**	**(2,526)**	**16,837**	**13,255**	**13,910**

The change in net inventories for the fiscal years presented breaks down as follows:

(EUR millions)			2021	2020	2019
	Gross	Impairment	Net	Net	Net
As of January 1	**15,396**	**(2,142)**	**13,255**	**13,910**	**12,660**
Change in gross inventories	1,616	-	1,616	607	1,622
Impact of provision for returns[(a)]	34	-	34	12	2
Impact of marking harvests to market	(35)	-	(35)	(27)	(6)
Changes in provision for impairment	-	(447)	(447)	(797)	(559)
Changes in the scope of consolidation	2,099	(291)	1,808	-	36
Translation adjustment	718	(113)	605	(457)	154
Other, including reclassifications	(466)	466	1	7	-
As of December 31	**19,363**	**(2,526)**	**16,837**	**13,255**	**13,910**

(a) See Note 1.28.

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

The impact of marking harvests to market on Wines and Spirits' cost of sales and value of inventory is as follows:

(EUR millions)	2021	2020	2019
Impact of marking the fiscal year's harvest to market	(12)	(7)	14
Impact of inventory sold during the fiscal year	(23)	(20)	(20)
Net impact on cost of sales for the fiscal year	**(35)**	**(27)**	**(6)**
Net impact on the value of inventory as of December 31	**58**	**93**	**120**

See Notes 1.11 and 1.19 on the method of marking harvests to market.

Note 12. Trade accounts receivable

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Trade accounts receivable, nominal amount	3,914	2,880	3,539
Provision for impairment	(127)	(124)	(89)
Net amount	**3,787**	**2,756**	**3,450**

The change in trade accounts receivable for the fiscal years presented breaks down as follows:

(EUR millions)			2021	2020	2019
	Gross	Impairment	Net	Net	Net
As of January 1	**2,880**	**(124)**	**2,756**	**3,450**	**3,222**
Changes in gross receivables	613	-	613	(528)	121
Changes in provision for impairment	-	(16)	(16)	(41)	(10)
Changes in the scope of consolidation	260	(6)	254	1	50
Translation adjustment	167	(3)	164	(148)	72
Reclassifications	(6)	22	16	22	(5)
As of December 31	**3,914**	**(127)**	**3,787**	**2,756**	**3,450**

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.

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

As of December 31, 2021, the breakdown of the nominal amount of trade accounts receivable and of provisions for impairment by age was as follows:

(EUR millions)		Nominal amount of receivables	Impairment	Net amount of receivables
Not due:	– Less than 3 months	3,400	(39)	3,361
	– More than 3 months	154	(13)	141
		3,554	**(52)**	**3,502**
Overdue:	– Less than 3 months	238	(10)	228
	– More than 3 months	122	(65)	58
		360	**(75)**	**286**
Total		**3,914**	**(127)**	**3,787**

The present value of trade accounts receivable is identical to their carrying amount.

Note 13. Other current assets

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Current available for sale financial assets[(a)]	4,632	1,820	1,855
Derivatives[(b)]	260	972	180
Tax accounts receivable, excluding income taxes	1,212	958	1,057
Advances and payments on account to vendors	316	209	254
Prepaid expenses	504	387	455
Other receivables	1,467	579	591
Total	**8,391**	**4,925**	**4,392**

(a) See Note 14.
(b) See Note 23.

Note 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:

(EUR millions)	2021	2020	2019
As of January 1	**1,820**	**1,855**	**3,381**
Acquisitions	1,940	636	231
Disposals at net realized value and repayments of term deposits[(a)]	(417)	(936)	(2,199)
Changes in market value[(b)]	972	142	442
Changes in the scope of consolidation[(c)]	290	-	-
Translation adjustment	22	(7)	-
Reclassifications and other	5	130	-
As of December 31	**4,632**	**1,820**	**1,855**
Of which: Historical cost of current available for sale financial assets	*2,812*	*1,149*	*1,094*

(a) Disposals at net realized value and repayments of term deposits in 2019 mainly consisted of term deposits with an initial maturity of more than three months.
(b) Recognized within "Net financial income/(expense)" for current available for sale financial assets held by the LVMH group, and within "Revaluation reserves" for the current available for sale financial assets of companies at the Financière Agache sub-consolidation level.
(c) Impact of the merger of Le Peigné into Financière Agache. See Note 2.

See also Note 9.

Note 15. Cash and change in cash

15.1 Cash and cash equivalents

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Term deposits (less than 3 months)	1,828	13,546	879
SICAV and FCP funds	477	1,943	413
Ordinary bank accounts	6,044	4,978	5,059
Cash and cash equivalents per balance sheet	**8,348**	**20,468**	**6,351**

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:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	8,348	20,468	6,351
Bank overdrafts	(203)	(156)	(176)
Net cash and cash equivalents per cash flow statement	**8,144**	**20,311**	**6,175**

15.2 Change in working capital

The change in working capital breaks down as follows for the fiscal years presented:

(EUR millions)	Notes	2021	2020	2019
Change in inventories and work in progress	11	(1,616)	(607)	(1,622)
Change in trade accounts receivable	12	(613)	528	(121)
Change in balance of amounts owed to customers	22.1	27	(10)	9
Change in trade accounts payable	22.1	1,577	(558)	463
Change in other receivables and payables		1,002	235	98
Change in working capital[(a)]		**377**	**(413)**	**(1,173)**

(a) Increase/(Decrease) in cash and cash equivalents.

15.3 Operating investments

Operating investments comprise the following elements for the fiscal years presented:

(EUR millions)	Notes	2021	2020	2019
Purchase of intangible assets	3	(580)	(480)	(528)
Purchase of property, plant and equipment	6	(2,678)	(1,984)	(2,899)
Change in accounts payable related to fixed asset purchases		221	(55)	163
Initial direct costs	7	(37)	(7)	(64)
Net cash used in purchases of fixed assets		**(3,074)**	**(2,526)**	**(3,328)**
Net cash from fixed asset disposals		461	52	29
Guarantee deposits paid and other cash flows related to operating investments		(37)	(3)	(33)
Operating investments[(a)]		**(2,651)**	**(2,477)**	**(3,332)**

(a) 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:

(EUR millions)	2021	2020	2019
Interim and final dividends paid by Financière Agache SA	(200)	(63)	(166)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(2,474)	(1,723)	(2,507)
Tax paid related to interim and final dividends paid	(226)	(235)	(167)
Interim and final dividends paid	**(2,901)**	**(2,021)**	**(2,840)**

Other equity-related transactions comprise the following elements for the fiscal years presented:

(EUR millions)	Notes	2021	2020	2019
Capital increases of subsidiaries subscribed by minority interests		7	40	57
Acquisitions and disposals of Financière Agache treasury shares	16.3	-	-	-
Other equity-related transactions		**7**	**40**	**57**

Note 16. Equity

16.1 Equity

(EUR millions)	Notes	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Share capital	16.2	52	51	51
Share premium account	16.2	1,124	442	442
Financière Agache treasury shares	16.3	(0)	(6)	(6)
Cumulative translation adjustment	16.5	600	(292)	354
Revaluation reserves		2,343	3,046	2,588
Other reserves		10,405	8,456	5,668
Net profit, Group share		4,906	1,913	2,786
Equity, Group share		**19,429**	**13,609**	**11,883**

16.2 Share capital and share premium account

As of December 31, 2021, the share capital of Financière Agache SA consisted of 3,228,662 fully paid-up shares (3,173,352 as of both December 31, 2020 and December 31, 2019), with a par value of 16 euros per share, including 3,053,162 shares with double voting rights (3,169,676 as of December 31, 2020 and 3,169,653 as of December 31, 2019). Double voting rights are attached to registered shares held for more than two years.

On March 16, 2022, the number of shares outstanding of Financière Agache SA was increased by 129,787 new shares in consideration for the contribution of LVMH SE shares by Agache SE. See also Note 34.

16.3 Financière Agache treasury shares

The impact of Financière Agache treasury shares on the Group's net equity breaks down as follows for the fiscal years presented:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Financière Agache treasury shares	**(0)**	**(6)**	**(6)**

16.4 Dividends paid by the parent company, Financière Agache SA

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, 2021, the distributable amount was 17,738 million euros; after taking into account the proposed dividend distribution in respect of the 2021 fiscal year, it was 17,248 million euros.

(EUR millions, except for data per share in EUR)	**2021**	**2020**	**2019**
Interim dividend for the current fiscal year (2021: 62.0 euros; 2020: 20.0 euros; 2019: 52.5 euros)	200	63	166
Impact of treasury shares	(0)	(0)	(0)
Gross amount disbursed for the fiscal year	**200**	**63**	**166**
Final dividend for the previous fiscal year	-	-	-
Impact of treasury shares	-	-	-
Gross amount disbursed for the previous fiscal year	**-**	**-**	**-**
Total gross amount disbursed during the fiscal year[(a)]	**200**	**63**	**166**

(a) Excluding the impact of tax regulations applicable to the recipient.

The final dividend for fiscal year 2021, as proposed at the Shareholders' Meeting of April 27, 2022, is 146.00 euros per share, representing a total of 490 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:

(EUR millions)	**Dec. 31, 2021**	**Change**	**Dec. 31, 2020**	**Dec. 31, 2019**
US dollar	320	674	(354)	145
Swiss franc	406	83	323	316
Japanese yen	32	(9)	41	51
Hong Kong dollar	231	114	117	160
Pound sterling	11	57	(46)	(31)
Other currencies	(267)	(79)	(188)	(93)
Foreign currency net investment hedges[(a)]	(133)	52	(185)	(194)
Total, Group share	**600**	**892**	**(292)**	**354**

(a) Including: -63 million euros with respect to the US dollar (-51 million euros as of December 31, 2020 and -60 million euros as of December 31, 2019), -51 million euros with respect to the Hong Kong dollar (-48 million euros as of both December 31, 2020 and December 31, 2019) and -99 million euros with respect to the Swiss franc (-86 million euros as of both December 31, 2020 and December 31, 2019). 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 short-term negotiable debt securities programs, while continuing to represent a reasonable cost for the Group.

Note 17. Bonus share and similar plans

There were no stock option plans, bonus share plans or similar plans set up by Financière Agache SA as of December 31, 2021 nor in any of the other fiscal years presented.

Expense for the fiscal year

The expense recognized for the fiscal year for bonus share and performance share plans breaks down as follows:

(EUR millions)	**2021**	**2020**	**2019**
Expense for the fiscal year	**132**	**62**	**75**

See Note 1.30 regarding the method used to determine the accounting expense.

For LVMH

The following table presents the LVMH closing share price the day before the grant date of the 2021 plans and the average unit value of provisionally allocated bonus shares in fiscal year 2021:

Plan commencement date	**LVMH closing share price the day before the grant date of the plans**	**Average unit value of provisionally allocated bonus shares**
January 26, 2021	501.9	493.0
April 15, 2021	611.8	598.9
July 26, 2021	674.0	661.7
October 28, 2021	664.3	637.9

For Christian Dior

No share purchase option, bonus share or performance share plans involving Christian Dior shares were set up in fiscal year 2021.

Note 18. Minority interests

(EUR millions)	**2021**	**2020**	**2019**
As of January 1	**24,930**	**24,787**	**22,380**
Minority interests' share of net profit	7,706	3,040	4,888
Dividends paid or to be distributed to minority interests	(2,494)	(1,731)	(2,511)
Impact of changes in control of consolidated entities	373	(11)	26
Impact of acquisition and disposal of minority interests' shares[(a)]	(1,998)	(32)	(48)
Capital increases subscribed by minority interests	15	54	70
Minority interests' share in gains and losses recognized in equity	1,472	(1,106)	146
Minority interests' share in expenses related to bonus share and similar plans	80	36	42
Impact of changes in minority interests with purchase commitments	(180)	(107)	(206)
As of December 31	**29,904**	**24,930**	**24,787**

(a) See Note 2.

The change in minority interests' share in gains and losses recognized in equity, including the tax impact, breaks down as follows:

(EUR millions)	Cumulative translation adjustment	Available for sale financial assets	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
As of December 31, 2018	**462**	**-**	**(91)**	**918**	**(97)**	**1,192**
Changes during the fiscal year	190	-	18	20	(83)	146
Changes due to purchase and proceeds from sale of minority interests	-	-	-	(1)	-	(1)
As of December 31, 2019	**652**	**-**	**(73)**	**937**	**(180)**	**1,337**
Changes during the fiscal year	(1,021)	-	(75)	-	(10)	(1,106)
Changes due to purchase and proceeds from sale of minority interests	-	-	-	-	-	-
As of December 31, 2020	**(369)**	**-**	**(148)**	**937**	**(190)**	**230**
Changes during the fiscal year	1,327	17	(17)	28	117	1,472
Changes due to purchase and proceeds from sale of minority interests	(28)	1	4	(28)	4	(47)
As of December 31, 2021	**930**	**18**	**(161)**	**937**	**(69)**	**1,655**

Minority interests are essentially composed of the following:

- LVMH SE shareholders, excluding controlling interests (Christian Dior SE and Financière Agache), i.e. 55% of shares as of December 31, 2021. They were paid a total of 2,006 million euros in dividends during the fiscal year.
- Christian Dior SE shareholders other than Financière Agache (i.e. 4% of shares as of December 31, 2021). They were paid a total of 60 million euros in dividends during the fiscal year.
- Minority interests also include 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 1.14 and 21.

Dividends paid to Diageo during fiscal year 2021 amounted to 143 million euros in respect of fiscal year 2020. Net profit attributable to Diageo for fiscal year 2021 was 432 million euros, and its share in accumulated minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,775 million euros as of December 31, 2021. As of that date, the condensed consolidated balance sheet of Moët Hennessy was as follows:

(EUR billions)	Dec. 31, 2021
Property, plant and equipment and intangible assets	5.0
Other non-current assets	0.9
Non-current assets	**5.9**
Inventories and work in progress	6.2
Other current assets	1.5
Cash and cash equivalents	2.2
Current assets	**9.9**
Total assets	**15.8**

(EUR billions)	Dec. 31, 2021
Equity	11.0
Non-current liabilities	1.8
Equity and non-current liabilities	**12.8**
Short-term borrowings	0.9
Other current liabilities	2.1
Current liabilities	**3.0**
Total liabilities and equity	**15.8**

Dividends paid to Mari-Cha Group Ltd during the fiscal year amounted to 64 million euros. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2021 was a loss of 33 million euros, and its share in accumulated minority interests as of December 31, 2021 came to 1,275 million euros.

Note 19. Borrowings

19.1 Net financial debt

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Bonds and Euro Medium-Term Notes (EMTNs)	11,932	13,986	5,260
Bank borrowings	1,421	1,126	1,694
Other borrowings and credit facilities	140	709	571
Long-term borrowings	**13,492**	**15,820**	**7,525**
Bonds and Euro Medium-Term Notes (EMTNs)	3,192	1,444	1,854
Bank borrowings	462	440	478
Short-term negotiable debt securities[a]	5,149	9,344	5,576
Other borrowings and credit facilities	847	433	445
Bank overdrafts	203	156	176
Accrued interest	62	53	26
Short-term borrowings	**9,915**	**11,870**	**8,555**
Gross borrowings	**23,407**	**27,690**	**16,080**
Interest rate risk derivatives	(6)	(68)	(15)
Foreign exchange risk derivatives	(64)	317	47
Gross borrowings after derivatives	**23,338**	**27,939**	**16,112**
Current available for sale financial assets[b]	(4,632)	(1,820)	(1,855)
Non-current available for sale financial assets used to hedge financial debt	-	-	(130)
Cash and cash equivalents[c]	(8,348)	(20,468)	(6,351)
Net financial debt	**10,357**	**5,651**	**7,775**

(a) NEU CP, euro- and US dollar-denominated commercial paper.
(b) See Note 14.
(c) 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:

(EUR millions)	Dec. 31, 2020	Impact on cash[a]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassifications and Other	Dec. 31, 2021
Long-term borrowings	15,820	(230)	243	(94)	960	(3,207)	13,492
Short-term borrowings	11,870	(6,381)	619	(6)	581	3,232	9,915
Gross borrowings	**27,690**	**(6,611)**	**862**	**(100)**	**1,541**	**25**	**23,407**
Derivatives	249	(4)	-	(315)	-	-	(70)
Gross borrowings after derivatives	**27,939**	**(6,615)**	**862**	**(415)**	**1,541**	**25**	**23,338**

(a) Including 724 million euros in respect of proceeds from borrowings, 6,813 million euros in respect of repayment of borrowings, and 279 million euros in respect of the decrease in accounts payable to affiliated companies.

In December 2021, Financière Agache SA issued 60 million euros in bonds maturing in December 2028. These bond are redeemable at par and pay a coupon of 0.861%.

During the fiscal year, Christian Dior repaid the 350 million euro bond issued in 2016, in advance of its scheduled maturity in June 2021.

In addition, LVMH repaid the 300 million euro bond issued in 2019. The remaining cash-settled convertible bonds issued in 2016, with an initial face value of 750 million US dollars, were also redeemed, in the amount of 156 million US dollars. An amount of 594 million US dollars was redeemed early at the end of 2020, following the exercise of the conversion clause by bondholders. See Note 19 to the 2020 consolidated financial statements for details on the repayment of these bonds. Lastly, LVMH completed the redemption of the 650 million euro bond issued in 2014. The associated hedging swaps were unwound on redemption.

Tiffany's bond debt was recognized at its market value at the date of consolidation, i.e. 940 million euros. It comprised four issues in US dollars for a total nominal amount of 800 million US dollars, and an issue of 10 billion Japanese yen.

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. See Note 19.2 below for details on these bond issues.

In 2017, as part of the simplified public offer for Christian Dior, Semyrhamis, a wholly owned subsidiary of Financière Agache, subscribed 9.0 billion euros in syndicated loans, with initial maturities (before any extensions requested by the borrower) of between eighteen months and five years. Following the December 2019 distribution by Christian Dior of an exceptional interim dividend attributable to the net cash surplus resulting from the 2017 sale of the Christian Dior Couture segment, at the end of 2019 Semyrhamis made 4.8 billion euros in advance loan payments, in addition to the amounts due during the fiscal year, which came to 0.8 billion euros.

During the 2019 fiscal year, Christian Dior repaid the 500 million euro bond issued in 2014.

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.

The market value of gross borrowings, based on market data and commonly used valuation models, was 22,611 million euros as of December 31, 2021 (28,122 million euros as of December 31, 2020 and 16,143 million euros as of December 31, 2019), including 9,876 million euros in short-term borrowings (11,835 million euros as of December 31, 2020 and 8,563 million euros as of December 31, 2019) and 12,735 million euros in long-term borrowings (16,286 million euros as of December 31, 2020 and 7,579 million euros as of December 31, 2019).

As of December 31, 2021, 2020 and 2019, no financial debt was recognized using the fair value option. See Note 1.23.

19.2 Bonds and EMTNs

Nominal amount *(in currency)*	**Year issued**	**Maturity**	**Initial effective interest rate**[a] *(%)*	**Dec. 31, 2021** *(EUR millions)*	**Dec. 31, 2020** *(EUR millions)*	**Dec. 31, 2019** *(EUR millions)*
EUR 60,000,000	2021	2028	0.953	60	-	-
GBP 850,000,000	2020	2027	1.125	984	970	-
EUR 1,250,000,000	2020	2024	-	1,251	1,251	-
EUR 1,250,000,000	2020	2026	-	1,245	1,244	-
EUR 1,750,000,000	2020	2028	0.125	1,737	1,734	-
EUR 1,500,000,000	2020	2031	0.375	1,488	1,487	-
GBP 700,000,000	2020	2023	1.000	832	788	-
EUR 1,500,000,000	2020	2025	0.375	1,496	1,494	-
EUR 1,750,000,000	2020	2022	Floating	1,750	1,754	-
EUR 700,000,000	2019	2023	0.260	699	698	697
EUR 300,000,000	2019	2021	0.030	-	300	300
EUR 1,200,000,000	2017	2024	0.820	1,202	1,206	1,203
EUR 120,000,000[b]	2017	2022	1.160	120	120	120
EUR 800,000,000	2017	2022	0.460	800	801	800
GBP 400,000,000	2017	2022	1.090	477	449	469
EUR 1,250,000,000	2017	2020	0.130	-	-	1,249
USD 750,000,000[c]	2016	2021	1.920	-	127	659
EUR 350,000,000	2016	2021	0.860	-	350	349
EUR 650,000,000	2014	2021	1.120	-	656	662
EUR 600,000,000	2013	2020	1.890	-	-	605
Other				984	-	-
Total bonds and EMTNs				**15,124**	**15,429**	**7,114**

(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 50 million euro bond issued in August 2017 at an initial effective interest rate of 1.32% and a 70 million euro tap issue carried out in December 2017 at an initial effective interest rate of 1.05%.
(c) 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.

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, 2022	3,252	6,663	9,915	(685)	627	(58)	2,566	7,291	9,857
	December 31, 2023	1,654	217	1,871	(836)	823	(13)	818	1,040	1,859
	December 31, 2024	2,784	1,050	3,834	(300)	296	(5)	2,483	1,346	3,829
	December 31, 2025	1,530	-	1,530	-	-	-	1,530	-	1,530
	December 31, 2026	1,354	-	1,354	4	-	4	1,358	-	1,358
	December 31, 2027	1,053	-	1,053	(985)	987	2	68	987	1,055
	Thereafter	3,850	-	3,850	-	-	-	3,850	-	3,850
Total		**15,476**	**7,931**	**23,407**	**(2,802)**	**2,733**	**(70)**	**12,674**	**10,664**	**23,338**

See Note 23.3 regarding the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2022 is as follows:

(EUR millions)	**Falling due in 2022**
First quarter	7,000
Second quarter	1,987
Third quarter	180
Fourth quarter	748
Total	**9,915**

19.4 Breakdown of gross borrowings by currency after derivatives

(EUR millions)	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2019**
Euro	20,324	23,971	10,934
US dollar	3,156	3,407	3,666
Swiss franc	696	80	48
Japanese yen	453	762	622
Other currencies	(1,290)	(282)	843
Total [(a)]	**23,338**	**27,939**	**16,112**

(a) The amounts presented above include the impact of swaps to convert Group-level financing into subsidiaries' functional currencies, whether these subsidiaries are borrowers or lenders in the currency concerned.

19.5 Undrawn confirmed credit lines and covenants

As of December 31, 2021, undrawn confirmed credit lines totaled 16.1 billion euros. This amount exceeded the outstanding portion of the short-term negotiable debt securities programs (euro- and US dollar-denominated commercial paper), which totaled 5.1 billion euros as of December 31, 2021.

In connection with certain credit lines, the Group may undertake to maintain certain financial ratios. As of December 31, 2021, no significant credit lines were concerned by these provisions.

19.6 Sensitivity

On the basis of debt as of December 31, 2021:

- an instantaneous 1-point increase in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 92 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 415 million euros after hedging;
- an instantaneous 1-point decrease in these same yield curves would lower the cost of net financial debt by 92 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 415 million euros after hedging.

19.7 Guarantees and collateral

As of December 31, 2021, borrowings secured by collateral were less than 350 million euros.

Note 20. Provisions and other non-current liabilities

Non-current provisions and other liabilities comprise the following:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Non-current provisions	1,788	1,473	1,457
Uncertain tax positions	1,363	1,142	1,169
Derivatives[(a)]	45	146	713
Employee profit sharing	105	86	96
Other liabilities	656	438	374
Non-current provisions and other liabilities	**3,957**	**3,286**	**3,809**

(a) See Note 23.

Provisions concern the following types of contingencies and losses:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Provisions for pensions, medical costs and similar commitments	915	784	812
Provisions for contingencies and losses	873	690	646
Non-current provisions	**1,788**	**1,473**	**1,457**
Provisions for pensions, medical costs and similar commitments	17	9	8
Provisions for contingencies and losses	582	504	408
Current provisions	**599**	**513**	**416**
Total	**2,387**	**1,987**	**1,873**

Provisions changed as follows during the fiscal year:

(EUR millions)	Dec. 31, 2020	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other[(a)]	Dec. 31, 2021
Provisions for pensions, medical costs and similar commitments	793	130	(137)	(3)	304	(155)	932
Provisions for contingencies and losses	1,194	646	(299)	(160)	19	55	1,456
Total	**1,987**	**776**	**(436)**	**(163)**	**323**	**(100)**	**2,387**

(a) Including the impact of translation adjustment and change in revaluation reserves.

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

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 include 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 Treatments.

Note 21. Purchase commitments for minority interests' shares

As of December 31, 2021, 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%), and distribution subsidiaries in various countries, mainly in the Middle East.

Note 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)	**2021**	**2020**	**2019**
As of January 1	**5,100**	**5,815**	**5,207**
Change in trade accounts payable	1,577	(558)	335
Change in amounts owed to customers	27	(10)	9
Changes in the scope of consolidation	243	-	216
Translation adjustment	226	(160)	56
Reclassifications	(85)	14	(8)
As of December 31	**7,088**	**5,100**	**5,815**

Changes in the scope of consolidation mainly resulted from the acquisition of Tiffany. See Note 2.

22.2 Current provisions and other liabilities

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Current provisions[a]	599	513	416
Derivatives[b]	196	604	138
Employees and social security	2,244	1,530	1,788
Employee profit sharing	226	116	123
Taxes other than income taxes	1,105	823	753
Advances and payments on account from customers	1,079	723	559
Provisions for product returns[c]	648	463	399
Deferred payment for non-current assets	907	538	770
Deferred income	398	354	275
Other liabilities	1,780	1,036	1,098
Total	**9,182**	**6,701**	**6,316**

(a) See Note 20.
(b) See Note 23.
(c) See Note 1.28.

Note 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 at each sub-consolidation level.

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.

This organization relies on information systems that allow transactions to be checked quickly.

Hedging decisions are made according to an established process that includes regular presentations to the management bodies concerned and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

23.2 Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

(EUR millions)			Notes	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Interest rate risk	Assets:	Non-current		4	57	20
		Current		31	33	12
	Liabilities:	Non-current		(25)	(10)	(4)
		Current		(5)	(12)	(14)
			23.3	**6**	**68**	**15**
Foreign exchange risk	Assets:	Non-current		51	52	68
		Current		220	674	165
	Liabilities:	Non-current		(20)	(136)	(15)
		Current		(183)	(330)	(124)
			23.4	**69**	**261**	**93**
Other risks	Assets:	Non-current		-	-	694
		Current		9	266	3
	Liabilities:	Non-current		-	-	(694)
		Current		(8)	(263)	-
			23.5	**1**	**3**	**3**
Total	Assets:	Non-current	10	55	110	782
		Current	13	260	972	180
	Liabilities:	Non-current	20	(45)	(146)	(713)
		Current	22	(196)	(604)	(138)
				75	**332**	**110**

23.3 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, 2021 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value[(a)(b)]			
	Less than 1 year	From 1 to 5 years	More than 5 years	Total	Future cash flow hedges	Fair value hedges	Not allocated	Total
Euro interest rate swaps, floating-rate payer	676	2,145	-	2,821	-	-	-	-
Euro interest rate swaps, fixed-rate payer	343	-	-	343	-	-	(2)	(2)
Foreign currency swaps, euro-rate payer	476	1,845	-	2,321	-	-	9	9
Foreign currency swaps, euro-rate receiver	14	133	-	147	-	-	(1)	(1)
Total					**-**	**-**	**6**	**6**

(a) Gain/(Loss).
(b) See Note 1.11 regarding the methodology used for market value measurement.

23.4 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 foreign exchange risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies, and are allocated to either trade receivables or payables (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (hedges of future cash flows).

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, 2021 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation (a)				Market value (b) (c)				
	2021	**2022**	**Thereafter**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Foreign currency net investment hedges**	**Not allocated**	**Total**
Options purchased									
Call USD	56	570	-	626	7	-	-	-	7
Put JPY	-	39	-	39	1	-	-	-	1
Put CNY	96	566	-	662	-	-	-	-	-
Other	-	83	-	83	8	-	-	-	8
	152	**1,258**	**-**	**1,409**	**16**	**-**	**-**	**-**	**16**
Collars									
Written USD	153	5,152	343	5,648	(5)	-	-	-	(5)
Written JPY	19	1,198	74	1,291	38	1	-	-	39
Written GBP	22	509	27	559	3	-	-	-	3
Written HKD	-	290	23	312	-	-	-	-	-
Written CNY	146	3,536	255	3,938	(50)	(5)	-	-	(55)
	340	**10,685**	**722**	**11,747**	**(15)**	**(4)**	**-**	**-**	**(19)**
Forward exchange contracts									
USD	82	(104)	-	(22)	7	-	-	-	7
ZAR	2	-	-	2	-	-	-	-	-
MYR	-	21	-	21	-	(1)	-	-	(1)
BRL	14	57	-	72	-	(1)	-	-	(1)
Other	9	283	-	292	7	(6)	-	-	1
	108	**257**	**-**	**364**	**14**	**(7)**	**-**	**-**	**7**
Foreign exchange swaps									
USD	41	(1,139)	-	(1,098)	-	66	(7)	-	58
GBP	25	(182)	(1,567)	(1,724)	-	13	-	-	13
JPY	38	179	347	565	-	13	-	-	13
CNY	5	(1,204)	9	(1,190)	-	9	-	-	9
Other	13	(337)	21	(303)	-	(10)	(18)	-	(28)
	123	**(2,684)**	**(1,190)**	**(3,751)**	**-**	**90**	**(26)**	**-**	**65**
Total	**723**	**9,516**	**(468)**	**9,770**	**15**	**79**	**(26)**	**-**	**69**

(a) Sale/(Purchase).
(b) See Note 1.11 regarding the methodology used for market value measurement.
(c) Gain/(Loss).

23.5 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 subscribed to financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. The last of these instruments matured during the fiscal year, as the convertible bonds they had backed were redeemed during the fiscal year. See also Note 19. As of December 31, 2021, equity-based derivatives with a nominal amount of 256 million euros maturing in 2022 were recognized for a positive value of 1 million euros.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as silver, gold and platinum. 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, precious metals may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of these metals. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2021 have a market value of 1 million euros. Considering nominal values of 370 million euros for those financial instruments, a uniform 1% change in their underlying assets' prices as of December 31, 2021 would have a net impact on the Group's consolidated reserves of 3 million euros. These instruments will mature in 2022 and 2023.

23.6 Financial assets and liabilities recognized at fair value by measurement method

(EUR millions)	December 31, 2021			December 31, 2020			December 31, 2019		
	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:[(a)]									
Published price quotations	4,875		8,348	2,098	-	20,468	2,084	-	6,351
Valuation model based on market data	181	315	-	181	1,082	-	467	962	-
Private quotations	3,366		-	1,191	-	-	585	-	-
Assets	**8,422**	**315**	**8,348**	**3,470**	**1,082**	**20,468**	**3,136**	**962**	**6,351**
Valuation based on:[(a)]									
Published price quotations		-			-			-	
Valuation model based on market data		240			751			852	
Private quotations		-			-			-	
Liabilities		**240**			**751**			**852**	

(a) See Note 1.11 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, 2021, December 31, 2020 and December 31, 2019.

The amount of financial assets valued on the basis of private quotations changed as follows in the fiscal year ended December 31, 2021:

(EUR millions)	**2021**
As of January 1	**1,191**
Acquisitions	1,178
Disposals (at net realized value)	(165)
Gains and losses recognized in income statement	90
Gains and losses recognized in revaluation reserves	994
Changes in the scope of consolidation	81
Translation adjustment	31
Reclassifications	(35)
As of December 31	**3,366**

23.7 Impact of financial instruments on the consolidated statement of comprehensive gains and losses

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[(a)]**						**Interest rate risk[(b)]**			**Total[(c)]**
	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	-	856	-	856	-	856	39	(3)	36	892
Changes in consolidated gains and losses	(512)	-	(59)	(571)	(143)	(714)	11	2	13	(701)

(a) See Notes 1.10 and 1.24 on the principles of fair value adjustments to foreign exchange risk hedging instruments.
(b) See Notes 1.23 and 1.24 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 foreign exchange hedges were recognized during the fiscal year.

23.8 Sensitivity analysis

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 2022; the amount will depend on exchange rates at that date. The impact on net profit for fiscal year 2021 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 2021, 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	134	(14)	20	-	-	-	6	(1)
– conversion of net profit of entities outside the eurozone	240	(240)	37	(37)	19	(19)	34	(34)
Impact on net profit	**374**	**(254)**	**57**	**(37)**	**19**	**(19)**	**40**	**(35)**

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2021, mainly comprising options and collars.

As of December 31, 2021, forecast cash collections for 2022 in US dollars and Japanese yen were 80% and 81% hedged, respectively. For the hedged portion, due to the optional nature of the hedging instruments, the exchange rate upon sale will be more favorable than 1.19 EUR/USD for the US dollar and 129 EUR/JPY for the Japanese yen.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2021 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	1,614	(1,614)	79	(79)	340	(340)	(1)	1
Change in market value of net investment hedges, after tax	(314)	195	(11)	73	(52)	43	(19)	13
Net impact on equity, excluding net profit	**1,300**	**(1,419)**	**68**	**(6)**	**288**	**(297)**	**(20)**	**14**

23.9 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. 9.9 billion euros, lower than the 13.0 billion euro balance of cash and cash equivalents and current available for sale financial assets; or in relation to the outstanding amount of its short-term negotiable debt securities programs, i.e. 5.1 billion euros. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 16.1 billion euros.

The Group's liquidity is based on the amount of its investments, its capacity to secure 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, 2021, at nominal value and with interest, excluding discounting effects:

(EUR millions)	**2022**	**2023**	**2024**	**2025**	**2026**	**More than 5 years**	**Total**
Bonds and EMTNs	3,253	1,619	2,729	1,537	1,352	4,880	15,369
Bank borrowings	478	162	1,148	23	22	69	1,902
Other borrowings and credit facilities	854	140	-	-	-	-	994
Short-term negotiable debt securities	5,149	-	-	-	-	-	5,149
Bank overdrafts	203	-	-	-	-	-	203
Gross borrowings	**9,937**	**1,921**	**3,876**	**1,560**	**1,374**	**4,949**	**23,617**
Other current and non-current liabilities[(a)]	7,989	129	69	37	137	52	8,413
Trade accounts payable	7,088	-	-	-	-	-	7,088
Other financial liabilities	**15,077**	**129**	**69**	**37**	**137**	**52**	**15,501**
Total financial liabilities	**25,014**	**2,050**	**3,945**	**1,597**	**1,511**	**5,001**	**39,118**

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 7,989 million euros and to "Other non-current liabilities" for 425 million euros (excluding derivatives and deferred income of 396 million euros as of December 31, 2021).

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 23.4 regarding foreign exchange derivatives, and Note 23.3 regarding interest rate risk derivatives.

Note 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, Bvlgari and Tiffany 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 and Tiffany.

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.

Tiffany has been consolidated within the Watches and Jewelry business group since the date of acquisition of the controlling interest in January 2021.

24.1 Information by business group

Fiscal year 2021

(EUR millions)	**Wines and Spirits**	**Fashion and Leather Goods**	**Perfumes and Cosmetics**	**Watches and Jewelry**	**Selective Retailing**	**Other and holding companies**	**Eliminations and not allocated**[a]	**Total**
Sales outside the Group	5,965	30,844	5,711	8,872	11,680	1,146	-	64,219
Intra-Group sales	9	52	897	92	74	27	(1,150)	-
Total revenue	**5,974**	**30,896**	**6,608**	**8,964**	**11,754**	**1,173**	**(1,150)**	**64,219**
Profit from recurring operations	1,863	12,842	684	1,679	534	(461)	(27)	17,113
Other operating income and expenses	(26)	(47)	(17)	(4)	(53)	152	-	6
Depreciation, amortization and impairment expenses	(226)	(2,142)	(443)	(860)	(1,399)	(294)	113	(5,251)
Of which: Right-of-use assets	*(32)*	*(1,291)*	*(149)*	*(410)*	*(836)*	*(89)*	*110*	*(2,698)*
Other	*(195)*	*(851)*	*(294)*	*(449)*	*(563)*	*(205)*	*3*	*(2,554)*
Intangible assets and goodwill[b]	12,732	7,835	2,134	19,726	3,348	2,470	-	48,245
Right-of-use assets	153	6,749	556	1,922	4,142	841	(665)	13,699
Property, plant and equipment	3,450	3,893	752	1,730	1,667	8,097	(8)	19,582
Inventories	6,278	3,374	831	3,949	2,410	329	(335)	16,837
Other operating assets	1,597	2,807	1,281	1,409	747	1,065	21,598[c]	30,504
Total assets	**24,211**	**24,658**	**5,555**	**28,737**	**12,313**	**12,802**	**20,590**	**128,867**
Equity	-	-	-	-	-	-	49,333	49,333
Lease liabilities	164	6,894	594	1,985	4,362	931	(656)	14,275
Other liabilities	1,843	6,800	2,770	2,471	3,050	2,019	46,306[d]	65,259
Total liabilities and equity	**2,007**	**13,694**	**3,364**	**4,456**	**7,412**	**2,950**	**94,982**	**128,867**
Operating investments[e]	(328)	(1,131)	(290)	(458)	(370)	(75)	1	(2,651)

Fiscal year 2020

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated[(a)]	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)	-
Total revenue	**4,755**	**21,207**	**5,248**	**3,356**	**10,155**	**868**	**(938)**	**44,651**
Profit from recurring operations	1,388	7,188	80	302	(203)	(532)	71	8,294
Other operating income and expenses	(43)	(68)	(20)	(3)	(87)	(111)	-	(332)
Depreciation, amortization and impairment expenses	(253)	(2,069)	(460)	(475)	(1,549)	(313)	117	(5,002)
Of which: Right-of-use assets	*(34)*	*(1,226)*	*(145)*	*(254)*	*(941)*	*(93)*	*117*	*(2,575)*
Other	*(219)*	*(843)*	*(315)*	*(221)*	*(608)*	*(220)*	-	*(2,427)*
Intangible assets and goodwill[(b)]	9,909	7,378	2,056	5,752	3,153	2,594	-	30,843
Right-of-use assets	162	5,730	503	1,151	4,699	888	(618)	12,515
Property, plant and equipment	3,232	3,482	709	577	1,723	7,910	(8)	17,626
Inventories	6,040	2,726	742	1,641	2,111	275	(281)	13,255
Other operating assets	1,306	1,919	1,151	672	696	1,619	29,409[(c)]	36,772
Total assets	**20,650**	**21,235**	**5,161**	**9,794**	**12,383**	**13,286**	**28,502**	**111,009**
Equity	-	-	-	-	-	-	38,540	38,540
Lease liabilities	170	5,766	516	1,117	4,912	959	(611)	12,828
Other liabilities	1,608	4,885	2,164	1,252	2,338	1,684	45,710[(d)]	59,642
Total liabilities and equity	**1,778**	**10,651**	**2,680**	**2,369**	**7,250**	**2,643**	**83,638**	**111,009**
Operating investments[(e)]	(320)	(827)	(280)	(210)	(410)	(429)	-	(2,477)

Fiscal year 2019

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated[(a)]	Total
Sales outside the Group	5,547	22,164	5,738	4,286	14,737	1,200	-	53,671
Intra-Group sales	28	73	1,097	120	54	16	(1,388)	-
Total revenue	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,215**	**(1,388)**	**53,671**
Profit from recurring operations	1,729	7,344	683	736	1,395	(369)	(32)	11,487
Other operating income and expenses	(7)	(20)	(27)	(28)	(15)	(135)	-	(231)
Depreciation, amortization and impairment expenses	(191)	(1,856)	(431)	(477)	(1,408)	(251)	98	(4,517)
Of which: Right-of-use assets	*(31)*	*(1,146)*	*(141)*	*(230)*	*(872)*	*(85)*	*98*	*(2,408)*
Other	*(160)*	*(710)*	*(290)*	*(247)*	*(536)*	*(166)*	-	*(2,109)*
Intangible assets and goodwill[(b)]	9,622	7,446	2,118	5,723	3,470	2,648	-	31,027
Right-of-use assets	116	5,239	487	1,196	5,012	824	(465)	12,409
Property, plant and equipment	3,142	3,627	773	610	1,919	7,865	(7)	17,929
Inventories	5,818	2,884	830	1,823	2,691	238	(375)	13,910
Other operating assets	1,547	2,028	1,518	740	895	1,319	14,583[(c)]	22,630
Total assets	**20,245**	**21,224**	**5,726**	**10,092**	**13,987**	**12,894**	**13,736**	**97,905**
Equity	-	-	-	-	-	-	36,670	36,670
Lease liabilities	118	5,191	481	1,141	5,160	888	(434)	12,545
Other liabilities	1,727	4,719	2,321	1,046	2,938	1,691	34,248[(d)]	48,690
Total liabilities and equity	**1,845**	**9,910**	**2,802**	**2,187**	**8,098**	**2,579**	**70,484**	**97,905**
Operating investments[(e)]	(325)	(1,199)	(378)	(296)	(659)	(475)	-	(3,332)

(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.

24.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2021	2020	2019
France	4,115	3,333	4,726
Europe (excl. France)	9,860	7,337	10,203
United States	16,591	10,647	12,613
Japan	4,384	3,164	3,878
Asia (excl. Japan)	22,365	15,366	16,189
Other countries	6,904	4,804	6,062
Revenue	**64,219**	**44,651**	**53,671**

Operating investments by geographic region are as follows:

(EUR millions)	2021	2020	2019
France	1,037	1,001	1,277
Europe (excl. France)	523	444	687
United States	313	336	453
Japan	82	134	133
Asia (excl. Japan)	488	342	534
Other countries	207	220	248
Operating investments	**2,651**	**2,477**	**3,332**

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:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	1,510	6,738	1,550	1,883	2,337	215	(274)	13,959
Second quarter	1,195	7,125	1,475	2,140	2,748	280	(257)	14,706
Third quarter	1,546	7,452	1,642	2,137	2,710	330	(305)	15,512
Fourth quarter	1,723	9,581	1,941	2,804	3,959	348	(314)	20,042
Total for 2021	**5,974**	**30,896**	**6,608**	**8,964**	**11,754**	**1,173**	**(1,150)**	**64,219**
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
Total for 2020	**4,755**	**21,207**	**5,248**	**3,356**	**10,155**	**868**	**(938)**	**44,651**
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 [a]	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	324	(375)	15,273
Total for 2019	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,215**	**(1,388)**	**53,671**

(a) Including the entire revenue of Belmond for the period from April to September 2019.

Note 25. Revenue and expenses by nature

25.1 Breakdown of revenue

Revenue consists of the following:

(EUR millions)	**2021**	**2020**	**2019**
Revenue generated by brands and trade names	63,920	44,421	53,302
Royalties and license revenue	105	96	110
Income from investment property	15	14	20
Other revenue	179	119	239
Total	**64,219**	**44,651**	**53,671**

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 74% in fiscal year 2021 (70% in 2020 and 2019), i.e. 47,624 million euros in 2021 (31,461 million euros in 2020 and 37,356 million euros in 2019).

25.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	**2021**	**2020**	**2019**
Advertising and promotion expenses	7,291	4,869	6,265
Personnel costs	10,545	8,538	9,423
Research and development expenses	147	139	140

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, 2021, a total of 5,556 stores were operated by the Group worldwide (5,003 in 2020, 4,915 in 2019), particularly by Fashion and Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

(EUR millions)	**2021**	**2020**	**2019**
Salaries and social security contributions	10,268	8,410	9,180
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans[a]	145	66	167
Expenses related to bonus share and similar plans[b]	132	62	75
Total	**10,545**	**8,538**	**9,423**

(a) See Note 30.
(b) See Note 17.

The average full-time equivalent workforce broke down as follows by job category during the fiscal years presented:

(in number and as %)	**Dec. 31, 2021**	**%**	**Dec. 31, 2020**	**%**	**Dec. 31, 2019**	**%**
Executives and managers	35,877	23	33,298	22	30,883	21
Technicians and supervisors	15,688	10	14,760	10	14,774	10
Administrative and sales staff	78,297	50	76,197	51	81,376	55
Production workers	28,093	18	24,089	16	20,682	14
Total	**157,955**	**100**	**148,344**	**100**	**147,715**	**100**

25.3 Statutory Auditors' fees

The amount of fees paid to the Statutory Auditors of Financière Agache and members of their networks recorded in the consolidated income statement for the 2021 fiscal year breaks down as follows:

(EUR millions, excluding VAT)			2021
	Ernst & Young et Autres	Mazars	Total
Audit-related fees	**10**	**12**	**22**
Tax services	2	NS	2
Other	4	NS	4
Non-audit-related fees	**6**	**NS**	**6**
Total	**16**	**12**	**28**

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 lessors concerning the revenue of certain stores, and specific checks run at the Group's request, mainly in countries where statutory audit is not required.

Note 26. Other operating income and expenses

(EUR millions)	2021	2020	2019
Net gains/(losses) on disposals	11	(21)	-
Restructuring costs	-	(6)	(57)
Remeasurement of shares acquired prior to their initial consolidation	119	-	-
Transaction costs relating to the acquisition of consolidated companies	(18)	(35)	(45)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(89)	(235)	(26)
Other items, net	(16)	(35)	(104)
Other operating income and expenses	**6**	**(332)**	**(231)**

Shares acquired prior to their initial consolidation were remeasured following the additional stakes acquired leading to the acquisition of a controlling interest in Off-White and Officine Universelle Buly. See Note 2.

Impairment and amortization expenses recorded are mostly for brands and goodwill. In 2020 and 2019, "Transaction costs relating to the acquisition of consolidated companies" mainly related to the acquisition of Tiffany (see Note 2).

Note 27. Net financial income/(expense)

(EUR millions)	2021	2020	2019
Borrowing costs	(16)	(118)	(243)
Income from cash, cash equivalents, current available for sale financial assets, and receivables	57	56	65
Fair value adjustment of borrowings and interest rate hedges	(3)	4	(2)
Cost of net financial debt	**37**	**(59)**	**(180)**
Interest on lease liabilities	**(242)**	**(281)**	**(290)**
Income/(loss) from non-operating joint ventures and associates	**12**	**17**	**41**
Dividends received from non-current available for sale financial assets	10	12	9
Cost of foreign exchange derivatives	(212)	(255)	(235)
Fair value adjustment of available for sale financial assets	500	(3)	70
Other items, net	(54)	(42)	(29)
Other financial income and expenses	**244**	**(287)**	**(186)**
Net financial income/(expense)	**51**	**(610)**	**(615)**

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	2021	2020	2019
Income from cash and cash equivalents	31	39	33
Income from receivables and current available for sale financial assets	26	16	32
Income from cash, cash equivalents, current available for sale financial assets, and receivables	**57**	**56**	**65**

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2021	2020	2019
Hedged financial debt	82	(39)	(3)
Hedging instruments	(80)	40	3
Unallocated derivatives	(5)	3	(1)
Fair value adjustment of borrowings and interest rate hedges	**(3)**	**4**	**(2)**

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	2021	2020	2019
Cost of commercial foreign exchange derivatives	(196)	(234)	(230)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	3	(20)	5
Cost and other items related to other foreign exchange derivatives	(19)	(1)	(11)
Cost of foreign exchange derivatives	**(212)**	**(255)**	**(235)**

Note 28. Income taxes

28.1 Breakdown of the income tax expense

(EUR millions)	2021	2020	2019
Current income taxes for the fiscal year	(5,363)	(2,631)	(3,351)
Current income taxes relating to previous fiscal years	(20)	(13)	12
Current income taxes	**(5,383)**	**(2,644)**	**(3,339)**
Change in deferred income taxes	913	329	383
Impact of changes in tax rates on deferred income taxes	(87)	(85)	(10)
Deferred income taxes	**826**	**245**	**373**
Total tax expense per income statement	**(4,558)**	**(2,400)**	**(2,966)**
Tax on items recognized in equity	**(205)**	**(166)**	**(31)**

28.2 Breakdown of the net deferred tax asset/(liability)

The net deferred tax asset/(liability) broke down as follows:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets	3,158	2,328	2,278
Deferred tax liabilities	(6,649)	(5,152)	(5,124)
Net deferred tax asset/(liability)	**(3,491)**	**(2,824)**	**(2,846)**

28.3 Breakdown of the difference between statutory and effective tax rates

The effective tax rate is as follows:

(EUR millions)	2021	2020	2019
Profit before tax	17,170	7,352	10,640
Of which: Joint ventures and associates subject to corporate income tax	12	17	41
Taxable profit before tax	**17,158**	**7,335**	**10,599**
Total tax expense	(4,558)	(2,400)	(2,966)
Effective tax rate	**26.6%**	**32.7%**	**28.0%**

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:

(as % of income before tax)	2021	2020	2019
French statutory tax rate	**28.4**	**32.0**	**34.4**
Changes in tax rates	0.5	1.1	(0.1)
Differences in tax rates for foreign companies	(3.0)	(6.0)	(8.9)
Tax losses and tax loss carryforwards, and other changes in deferred tax	(3.2)	0.9	(0.2)
Differences between consolidated and taxable income, and income taxable at reduced rates	2.3	2.5	(0.0)
Tax on distribution[(a)]	1.6	2.2	2.8
Effective tax rate of the Group	**26.6**	**32.7**	**28.0**

(a) Tax on distribution is mainly related to intra-Group dividends.

The Group's effective tax rate was 26.6% in 2021, compared with 32.7% in 2020 and 28.0% in 2019.

Aside from exceptional, non-recurring items in 2020 related to the Covid-19 pandemic, in fiscal year 2021 the Group recorded positive non-recurring effects related to changes in deferred tax, mainly in connection with the Group's application of specific tax measures in Italy. An Italian law made it possible to revalue fixed assets at the Company's discretion in exchange for the payment of a 3% tax on the revalued amount for certain assets, and without any tax due for hotel-sector assets; the deferred tax liabilities historically recognized in connection with these revalued assets were taken to the income statement.

In 2020, the effective tax rate (32.7%) resulted from the unusual situation arising from the Covid-19 pandemic, with the accounting expenses that did not give rise to a deduction in the income tax computation remaining stable, while business performance was much lower.

28.4 Sources of deferred tax

In the income statement[a]

(EUR millions)	2021	2020	2019
Valuation of brands	350	(6)	32
Other revaluation adjustments	245	17	11
Gains and losses on available for sale financial assets	(125)	47	(15)
Gains and losses on hedges of future foreign currency cash flows	(9)	3	-
Provisions for contingencies and losses	121	77	182
Intra-Group margin included in inventories	120	(101)	118
Other consolidation adjustments	157	143	9
Losses carried forward	(30)	65	36
Total	**826**	**245**	**373**

(a) Income/(Expenses).

Change in deferred tax recognized in equity[a]

(EUR millions)	2021	2020	2019
Fair value adjustment of vineyard land	(12)	3	(11)
Gains and losses on available for sale financial assets	(274)	(44)	(59)
Gains and losses on hedges of future foreign currency cash flows	160	(121)	(11)
Gains and losses on employee benefit commitments	(58)	6	39
Total	**(184)**	**(156)**	**(41)**

(a) Gains/(Losses).

In the balance sheet[a]

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Valuation of brands	(5,052)	(3,597)	(3,640)
Fair value adjustment of vineyard land	(595)	(580)	(585)
Other revaluation adjustments	(439)	(716)	(720)
Gains and losses on available for sale financial assets	(537)	(137)	(139)
Gains and losses on hedges of future foreign currency cash flows	77	(78)	40
Provisions for contingencies and losses	945	719	693
Intra-Group margin included in inventories	936	802	921
Other consolidation adjustments	1,052	616	507
Losses carried forward	122	148	77
Total	**(3,491)**	**(2,824)**	**(2,846)**

(a) Asset/(Liability).

28.5 Losses carried forward

As of December 31, 2021, unused tax loss carryforwards and tax credits for which no assets were recognized (deferred tax assets or receivables) represented potential tax savings of 565 million euros (590 million euros as of December 31, 2020 and 623 million euros as of December 31, 2019).

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 consolidating parent company is liable.

  Financière Agache and its French subsidiaries in which it has an ownership interest of more than 95%, including Christian Dior, are part of a tax consolidation group, the parent company of which is Agache SE.

  LVMH SE and most of its French subsidiaries in which it has an ownership interest of more than 95% comprise another tax consolidation group, the consolidating parent company of which is LVMH SE. This tax consolidation system generated current tax savings of 91 million euros in 2021 (compared with tax savings of 251 million euros in 2020 and 138 million euros in 2019).
- The other tax consolidation systems in place, notably in the United States, generated current tax savings of 36 million euros in fiscal year 2021 (93 million euros in 2020 and 61 million euros in 2019).

Note 29. Earnings per share

	2021	2020	2019
Net profit, Group share *(EUR millions)*	**4,906**	**1,913**	**2,786**
Impact of dilutive instruments on the subsidiaries *(EUR millions)*	(2)	(2)	(4)
Net profit, diluted Group share *(EUR millions)*	**4,904**	**1,910**	**2,782**
Average number of shares outstanding during the fiscal year	3,177,961	3,173,352	3,173,352
Average number of Financière Agache treasury shares owned during the fiscal year	(3,619)	(3,619)	(3,619)
Average number of shares on which the calculation before dilution is based	**3,174,342**	**3,169,733**	**3,169,733**
Basic Group share of net earnings per share *(EUR)*	**1,545.47**	**603.35**	**878.90**
Average number of shares outstanding on which the above calculation is based	3,174,342	3,169,733	3,169,733
Dilutive effect of stock option, bonus share and performance share plans	-	-	-
Average number of shares outstanding after dilution	**3,174,342**	**3,169,733**	**3,169,733**
Diluted Group share of net earnings per share *(EUR)*	**1,544.78**	**602.69**	**877.64**

All of the instruments that may dilute earnings per share were taken into consideration when determining the dilutive effect.

On March 16, 2022, the number of shares outstanding of Financière Agache SA was increased by 129,787 new shares in consideration for the contribution of LVMH SE shares by Agache SE. See also Note 34.

No other events occurred between March 16, 2022 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.

Note 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)	**2021**	**2020**	**2019**
Service cost	130	106	112
Net interest cost	15	8	12
Actuarial gains and losses	-	-	(2)
Changes in plans	(1)	(48)	46
Total expense for the fiscal year for defined-benefit plans	**145**	**66**	**167**

No significant events concerning provisions for pensions and other benefit commitments occurred during the fiscal year, aside from the impact of the integration of Tiffany, which led to an additional net recognized commitment of 315 million euros in respect of defined-benefit pension plans in force in the United States. See also Note 1.2 on the effect of the April 2021 IFRIC agenda decision on attributing benefits to periods of service.

30.2 Net recognized commitment

(EUR millions)	Notes	**Dec. 31, 2021**	**Dec. 31, 2020**	**Dec. 31, 2019**
Benefits covered by plan assets		2,656	1,894	1,867
Benefits not covered by plan assets		472	250	250
Defined-benefit obligation		**3,128**	**2,144**	**2,117**
Market value of plan assets		**(2,299)**	**(1,397)**	**(1,340)**
Net recognized commitment		**829**	**747**	**777**
Of which: Non-current provisions	20	*915*	*784*	*812*
Current provisions	20	*17*	*9*	*8*
Other assets		*(103)*	*(45)*	*(43)*
Total		**829**	**747**	**777**

30.3 Breakdown of the change in the net recognized commitment

(EUR millions)	**Defined-benefit obligation**	**Market value of plan assets**	**Net recognized commitment**
As of December 31, 2020	**2,144**	**(1,397)**	**747**
Service cost	130	-	130
Net interest cost	49	(34)	15
Payments to recipients	(140)	101	(40)
Contributions to plan assets	-	(111)	(111)
Employee contributions	10	(10)	-
Changes in scope and reclassifications	958	(644)	314
Changes in plans	(1)	-	(1)
Actuarial gains and losses, of which:	(140)	(112)	(252)
– *Experience adjustments*[(a)]	*(64)*	*(112)*	*(176)*
– *Changes in demographic assumptions*[(a)]	*2*	-	*2*
– *Changes in financial assumptions*[(a)]	*(78)*	-	*(78)*
Translation adjustment	118	(91)	27
As of December 31, 2021	**3,128**	**(2,299)**	**829**

(a) (Gains)/Losses.

Actuarial gains and losses resulting from experience adjustments related to the four previous fiscal years were as follows:

(EUR millions)	**2017**	**2018**	**2019**	**2020**
Experience adjustments on the defined-benefit obligation	4	4	31	(12)
Experience adjustments on the market value of plan assets	(49)	41	(82)	(67)
Actuarial gains and losses resulting from experience adjustments[(a)]	**(45)**	**45**	**(51)**	**(79)**

(a) (Gains)/Losses.

The actuarial assumptions applied to estimate commitments for the fiscal years presented in the main countries concerned were as follows:

(as %)	**December 31, 2021**					**December 31, 2020**					**December 31, 2019**				
	France	**United States**	**United Kingdom**	**Japan**	**Switzerland**	**France**	**United States**	**United Kingdom**	**Japan**	**Switzerland**	**France**	**United States**	**United Kingdom**	**Japan**	**Switzerland**
Discount rate[(a)]	0.70	2.89	1.74	1.00	0.06	0.44	2.49	1.43	1.00	0.05	0.46	2.99	2.05	0.50	0.10
Future salary	1.96	3.59	N/A	2.07	1.75	2.75	4.10	N/A	2.00	1.69	2.75	4.39	N/A	1.87	1.79

(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 6.50% for 2022, after which it is assumed to decline progressively to reach 4.75% in 2025.

A 0.5-point increase in the discount rate would result in a 250 million euro reduction in the amount of the defined-benefit obligation as of December 31, 2021; a 0.5-point decrease in the discount rate would result in a 255 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)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Supplementary pensions	2,601	1,627	1,597
Retirement bonuses and similar benefits	351	432	427
Medical costs of retirees	133	45	54
Long-service awards	33	33	32
Other	10	7	7
Defined-benefit obligation	**3,128**	**2,144**	**2,117**

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
France	746	833	887
Europe (excl. France)	647	614	581
United States	1,514	506	454
Japan	164	137	144
Asia (excl. Japan)	49	47	44
Other countries	8	7	7
Defined-benefit obligation	**3,128**	**2,144**	**2,117**

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2021 are as follows:

- In France:

  these commitments include the commitment to the Group's senior executives and members of LVMH's 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, Tiffany in particular. Most of the commitment concerns qualified pension plans as defined in the United States Internal Revenue Code.

30.5 Breakdown of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

(as % of market value of related plan assets)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Shares	30	22	19
Bonds:			
– Private issues	28	32	35
– Public issues	13	9	8
Cash, investment funds, real estate and other assets	29	37	38
Total	**100**	**100**	**100**

These assets do not include any debt securities issued by Group companies, nor any LVMH or Christian Dior shares for significant amounts.

The Group plans to increase the related plan assets in 2022 by paying in approximately 111 million euros.

Note 31. Off-balance sheet commitments

31.1 Purchase commitments

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Grapes, wines and eaux-de-vie	2,843	2,725	2,840
Other purchase commitments for raw materials	759	250	211
Industrial and commercial fixed assets	715	428	674
Investments in joint venture shares and non-current available for sale financial assets	633	13,459	14,763

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 and December 31, 2019, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. ("Tiffany"), for a total of 16.1 billion US dollars. The acquisition was completed on January 7, 2021. See also Note 2.1.

As of December 31, 2021, the maturity schedule of these commitments was as follows:

(EUR millions)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Grapes, wines and eaux-de-vie	833	1,759	252	2,843
Other purchase commitments for raw materials	564	195	-	759
Industrial and commercial fixed assets	369	191	155	715
Investments in joint venture shares and non-current available for sale financial assets	558	75	-	633

31.2 Collateral and other guarantees

As of December 31, 2021, these commitments broke down as follows:

(EUR millions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Securities and deposits	415	444	371
Other guarantees	162	169	163
Guarantees given	**577**	**613**	**534**
Guarantees received	**(65)**	**(47)**	**(53)**

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	402	5	8	415
Other guarantees	84	71	7	162
Guarantees given	**486**	**77**	**14**	**577**
Guarantees received	**(37)**	**(26)**	**(2)**	**(65)**

31.3 Other commitments

The Group is not aware of any significant off-balance sheet commitments other than those described above.

Note 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, personal data protection, the protection of intellectual property rights, the protection of selective retailing networks, consumer protection, 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.

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.

Note 33. Related-party transactions

33.1 Relations of the Financière Agache group with Agache and its subsidiaries

The Financière Agache group is consolidated in the accounts of Agache SE.

Agache SE, which has specialist teams, provides assistance to the Financière Agache group, primarily in the areas of financial engineering, strategy, development, and corporate and real estate law. Agache SE also leases office premises to the Financière Agache group.

Conversely, Agache leases office space from the Financière Agache group, and the Financière Agache group also provides Agache with various forms of administrative assistance.

Transactions between the Financière Agache group and Agache and its subsidiaries may be summarized as follows:

(EUR millions)	**2021**	**2020**	**2019**
– Interest billed by Agache and its subsidiaries to the Financière Agache group[(a)]	(3)	(7)	(15)
Balance of loans granted to the Financière Agache group and accrued interest not yet due[(b)]	(779)	(709)	(572)
– Tax consolidation expense[(a)]	(62)	(30)	(117)
Balance of tax consolidation accounts[(b)]	(34)	41	(90)
– Other amounts billed and sales by Agache and its subsidiaries to the Financière Agache group[(a)]	(5)	(5)	(7)
Amount payable outstanding as of December 31[(b)]	1	-	-
– Interest billed by the Financière Agache group to Agache and its subsidiaries[(a)]	1	-	4
Balance of loans granted by the Financière Agache group and accrued interest not yet due[(b)]	1,372	-	4
– Other amounts billed and sales by the Financière Agache group to Agache and its subsidiaries[(a)]	16	9	6
Amount receivable outstanding as of December 31[(b)]	3	2	-

(a) Income/(Expense).
(b) Asset/(Liability).

33.2 Relations of the Financière Agache group 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 13% of shared costs in 2021 (14% in 2020 and 2019), 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 19 million euros for 2021 (22 million euros in 2020 and 25 million euros in 2019).

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 corporate giving 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.

33.4 Executive bodies

The total compensation paid to the members of the Board of Directors in respect of their functions within the Group breaks down as follows:

(EUR millions)	**2021**	**2020**	**2019**
Gross compensation, employer social security contributions and benefits in kind	3	5	6
Post-employment benefits	-	7	10
Other long-term benefits	-	-	-
End-of-contract bonuses	-	-	-
Cost of bonus share and similar plans	3	4	5
Total	**6**	**16**	**21**

The commitment recognized as of December 31, 2021 for post-employment benefits net of related plan assets was 12.5 million euros (16 million euros as of December 31, 2020 and 17 million euros as of December 31, 2019).

Note 34. Subsequent events

The Group is paying very close attention to the evolving situation in Ukraine and the surrounding area. Its primary concern has been to ensure the safety of its 150 employees in Ukraine and to provide them with all necessary financial and operational assistance. The Group has also announced the temporary closure of its stores in Russia, starting March 6, while continuing to pay its employees' wages and providing them with specific support. Assets held by the Group in Russia and Ukraine primarily relate to fixtures and fittings at stores (mainly Sephora) and right-of-use assets under store leases. These assets comprise non-material amounts with respect to the Group's total assets. The consequences of the conflict on the Group's business activities, in terms of the direct impact in the affected countries and the impact of sanctions imposed by the European Union on Russia and certain Russian nationals, as well as sanctions imposed by Russia in response, cannot be accurately assessed at this time but should be relatively contained, as Russia and Ukraine account for a limited proportion of the Group's operations.

Financière Agache SA informed the AMF that on March 16, 2022 it had individually exceeded the thresholds of 5% of the share capital and voting rights of LVMH SE, and that it individually held 5.53% of that company's share capital and 5.44% of its voting rights. These thresholds were crossed due to the contribution by Agache SE of 9,255,405 LVMH shares to Financière Agache SA.

No other significant subsequent events occurred between December 31, 2021 and April 5, 2022, the date at which the financial statements were approved for publication by the Board of Directors.

7. Consolidated companies

Company	Registered office	Ownership interest as of December 31, 2021
Financière Agache SA	Paris, France	Parent company
Christian Dior SE and its subsidiaries	Paris, France	96%
LVMH SE and its subsidiaries	Paris, France	43%
Hermiole SAS	Paris, France	100%
Coromandel SAS	Paris, France	100%
Montaigne Services SNC	Paris, France	100%
Semyrh SAS	Paris, France	100%
Poseidon Financial Sponsor SAS	Paris, France	95%
Poseidon Entrepreneurs Financial Sponsor SAS	Paris, France	93%
Agache Développement SA	Paris, France	100%
Aglaé Ventures II SAS	Paris, France	99%
Aglaé Management SAS	Paris, France	100%
Transept SAS	Paris, France	100%
Markas Holding BV	Baarn, Netherlands	100%
Westley International SA and its subsidiaries	Luxembourg	100%
Lagardère Capital SAS[(a)(b)]	Paris, France	Removed from the scope of consolidation
Le Peigné SA and its subsidiaries[(a)(c)]	Brussels, Belgium	Removed from the scope of consolidation

(a) Joint venture or associate.
(b) Company removed from the scope of consolidation on October 13, 2021. The ownership interest had been 27%. See Note 2.
(c) Company merged into Financière Agache on November 30, 2021; the ownership interest had been 40%. See Note 2.

8. Companies not included in the scope of consolidation

Company	Registered office	Ownership interest
JGPG SAS	Paris, France	100%
Semyrh-Europe	Luxembourg	100%
Sévrilux SNC	Paris, France	100%
Poseidon Asia Financial Sponsor	Paris, France	81%
CD Investissements	Paris, France	96%
FJG Patrimoine	Paris, France	96%
Société d'Exploitation Hôtelière de Saint-Tropez	Paris, France	43%
Société Nouvelle de Libraire et de l'Edition	Paris, France	43%
Samos 1850	Paris, France	43%
BRN Invest NV	Baarn, Netherlands	43%
Toiltech	Paris, France	39%
Sephora Macau Limited	Macao, China	43%
Parfumerie Amicale	Paris, France	43%
Les Beaux Monts	Paris, France	39%
Sofpar 116	Paris, France	43%
Sofpar 125	Paris, France	43%
Tina	Paris, France	43%
Sofpar 132	Paris, France	43%
Nona Source	Paris, France	43%
Sofpar 135	Paris, France	43%
Sofpar 136	Paris, France	43%
Sofpar 137	Paris, France	43%
Sofpar 138	Paris, France	43%
Sofpar 139	Paris, France	43%
Sofpar 141	Paris, France	43%
Sofpar 142	Paris, France	43%
Sofpar 144	Paris, France	43%
Sofpar 145	Paris, France	43%
Sofpar 146	Paris, France	43%
Sofpar 147	Paris, France	43%
Sofpar 148	Paris, France	43%
Sofpar 149	Paris, France	43%
LVMH Holdings Inc.	New York, USA	43%
Prolepsis Investment Ltd	Paris, France	43%
Innovación en Marcas de Prestigio SA	Paris, France	28%
Feelunique Holding Limited	St. Helier, Jersey	43%
MS 33 Expansion	Paris, France	43%
Shinsegae International Co. Ltd LLC	Paris, France	21%
Crystal Pumpkin	Florence, Italy	43%
Jade Creaction	Albergaria-a-Velha, Portugal	24%
Groupement Forestier des Bois de la Celle	Cognac, France	28%
Augesco	Paris, France	22%
Hugo	Paris, France	43%
Folio St. Barths	New York, USA	43%

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.

9. Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of Financière Agache SA,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Financière Agache SA for the fiscal year ended December 31, 2021.

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, 2021 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.

II. 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, 2021 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014.

III. 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, 2021, the value of the Group's fixed assets totaled 88 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 – intangible assets in particular – 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 Note 1.7 to the consolidated financial statements, while the Covid-19 pandemic continues to affect some of the Group's operations and makes it more difficult to assess their outlook, in particular due to the decrease in business travel and tourism, as detailed in Note 5.

Our response

The Group tests these assets for impairment, as described in Notes 1.17 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, expected between 2022 and 2024, where applicable; 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 depends among other factors on its ability to identify new trends as well as 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 1.19 to the consolidated financial statements.

We considered the valuation of inventories and work in progress 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, as indicated in Note 1.7 to the consolidated financial statements. Furthermore, inventories are present at a large number of subsidiaries, and determining this impairment depends in particular on estimated returns and 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 in order to assess the resulting impairment amounts. Where applicable, we assessed the assumptions made for the recognition of non-recurring impairment.

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 1.22 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 provisions for contingencies, losses and uncertain tax positions 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 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.

Acquisition of Tiffany

Risk identified

On January 7, 2021, LVMH acquired Tiffany & Co. ("Tiffany") under the terms set out in Note 2.1 to the consolidated financial statements. 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, equivalent to 13.1 billion euros as of the acquisition date. The transaction was funded through a number of bond issues in 2020, for a total amount of 10.7 billion euros, together with US dollar-denominated commercial paper for the remainder.

In accordance with IFRS 3, the Group identified and revalued the assets acquired and liabilities assumed, in particular the Tiffany brand in the amount of 5.9 billion euros, measured primarily using the relief-from-royalty method and secondarily using the excess earnings method. This acquisition resulted in the recognition of 6.8 billion euros in net assets acquired and final goodwill of 6.8 billion euros.

We considered the allocation of the purchase price paid for Tiffany to constitute a key audit matter due to:

- the significant amount of the assets and liabilities recognized in the consolidated financial statements, and of the resulting goodwill;
- the level of judgment required to identify the assets acquired and the liabilities assumed and the estimates used to measure their fair value.

Our response

In the context of our audit, our work consisted in particular in:

- assessing the reasonableness of the method used to identify the assets acquired and liabilities assumed;
- performing specific audit procedures on the significant accounts of the opening balance sheet covering the main entities of the Tiffany group;
- assessing the revaluations of assets and liabilities from Tiffany's financial statements at the date of acquisition of the controlling interest, prepared and presented in accordance with the accounting policies applied by LVMH;
- analyzing the measurement methods used by LVMH to determine the fair value of the assets acquired and liabilities assumed, with our valuation experts, in particular:
  - assessing the key assumptions of the methods used to measure the brand, as described in Note 2.1 to the consolidated financial statements, by comparing them with source data and market data,
  - assessing the assumptions used to measure assets and liabilities at their fair value,
  - running arithmetic checks on the various measurements made of the assets acquired and liabilities assumed;
- analyzing the overall consistency of the final purchase price allocation and the remaining amount arising from it.

Lastly, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

IV. Specific verifications

In accordance with professional standards applicable in France, we also performed the specific verifications required by laws and regulations of the information provided in the Board of Directors' report on Group management.

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.

V. 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 the professional standards governing the procedures to be carried out by the Statutory Auditor on parent company and consolidated financial statements presented in the European Single Electronic Format, we also checked compliance with this format as defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 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*), prepared under your Chief Financial Officer's responsibility under delegation from the Chairman and Chief Executive Officer. As this concerned consolidated financial statements, our work included checking the compliance of the tags used for these accounts with the format defined by the aforementioned regulation.

On the basis of our work, we concluded that the presentation of the consolidated financial statements to be included in the Annual Financial Report complies, in all material respects, with the European Single Electronic Format.

It is not our responsibility to check that the consolidated financial statements actually included by your Company in the Annual Financial Report filed with the AMF correspond to those on which we performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Financière Agache SA by the shareholders at your Shareholders' Meetings held on June 27, 1997 (for Mazars) and June 24, 2009 (for Ernst & Young et Autres).

As of December 31, 2021, Mazars was in the twenty-fifth consecutive year of its engagement (including twenty-three years since company securities were admitted to trading on a regulated market) and Ernst & Young et Autres was in its thirteenth year.

Ernst & Young Audit previously served as Statutory Auditor beginning in 1992.

VI. 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 accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

VII. 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 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 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, April 8, 2022

The Statutory Auditors

French original signed by

Mazars		Ernst & Young et Autres
Loïc Wallaert	Guillaume Machin	Gilles Cohen

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.

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1. Income statement

Income/(Expenses) *(EUR millions)*	Notes	12/31/2021 [a]	12/31/2020 [b]
Financial income from subsidiaries and investments		1,672.8	11,472.2
Investment portfolio: Impairment and provisions		0.6	(7.9)
Gains and losses on disposal		9.0	-
Other		(0.5)	(1.6)
Income from managing subsidiaries and investments	4.1	**1,682.0**	**11,462.7**
Income from managing investments	4.2	(3.3)	57.3
Proceeds/(cost) of net financial debt	4.3	(9.5)	(19.0)
Foreign exchange gains and losses	4.4	(0.4)	(3.6)
Other financial income and expenses		-	-
NET FINANCIAL INCOME/(EXPENSE)	4	**1,668.8**	**11,497.3**
Services provided and other income	5	0.3	0.1
Personnel costs	6	(0.1)	(0.1)
Other net management charges	7	(4.0)	(1.4)
OPERATING PROFIT/(LOSS)		**(3.9)**	**(1.4)**
RECURRING PROFIT BEFORE TAX		**1,664.9**	**11,495.9**
NET EXCEPTIONAL INCOME/(EXPENSE)		**(0.0)**	**1.6**
Income tax income/(expense)	8	(44.3)	(20.7)
NET PROFIT		**1,620.6**	**11,476.8**

(a) After taking into account the merger by absorption of Le Peigné by Financière Agache on November 30, 2021.
(b) After taking into account the merger by absorption of Semyrhamis by Financière Agache on December 15, 2020, with retroactive effect as of January 1, 2020.

2. Balance sheet

ASSETS

(EUR millions)	Notes			12/31/2021 (a)	12/31/2020 (b)
		Gross	Depreciation, amortization and impairment	Net	Net
Property, plant and equipment		0.7	0.3	0.4	0.4
Intangible assets and property, plant and equipment	9	**0.7**	**0.3**	**0.4**	**0.4**
Equity investments	10	17,599.0	85.9	17,513.1	16,886.3
Receivables from equity investments	11	1,454.0	-	1,454.0	74.6
Other non-current financial assets	12	347.5		347.5	229.9
Non-current financial assets		**19,400.5**	**85.9**	**19,314.6**	**17,190.8**
NON-CURRENT ASSETS		**19,401.2**	**86.2**	**19,315.0**	**17,191.2**
Receivables	13	9.4	-	9.4	36.9
Short-term investments	18.5	1,292.4	46.6	1,245.8	691.5
Cash and cash equivalents		184.9	-	184.9	100.0
CURRENT ASSETS		**1,486.7**	**46.6**	**1,440.1**	**828.4**
Prepayments and accrued income		0.6	-	0.6	0.4
TOTAL ASSETS		**20,888.4**	**132.8**	**20,755.6**	**18,019.9**

LIABILITIES AND EQUITY

(EUR millions)	Notes	12/31/2021 (a)	12/31/2020 (b)
		Before appropriation	Before appropriation
Share capital (of which, fully paid up: 51.7)		51.7	50.8
Share premium account		1,123.8	441.9
Reserves and revaluation adjustments		601.2	601.2
Retained earnings		14,654.5	3,241.1
Net profit for the fiscal year		**1,620.6**	**11,476.8**
Interim dividend		(200.2)	(63.5)
EQUITY	14	**17,851.5**	**15,748.3**
PROVISIONS FOR CONTINGENCIES AND LOSSES	15	**18.1**	**1.0**
Borrowings	16	2,853.7	2,268.2
Other debt	17	30.6	1.6
OTHER LIABILITIES		**2,884.3**	**2,269.8**
Accruals and deferred income		1.7	0.8
TOTAL LIABILITIES AND EQUITY		**20,755.6**	**18,019.9**

(a) After taking into account the merger by absorption of Le Peigné by Financière Agache on November 30, 2021.
(b) After taking into account the merger by absorption of Semyrhamis by Financière Agache on December 15, 2020, with retroactive effect as of January 1, 2020.

3. Cash flow statement

(EUR millions)		12/31/2021 [(a)]	12/31/2020 [(b)]
I – OPERATING ACTIVITIES			
Net profit		1,620.6	11,476.8
Net depreciation, amortization, impairment and provisions		0.0	0.0
Net short-term provisions		46.8	11.4
Net gain/(loss) on disposals		(9.0)	(1.6)
Cash from operations before changes in working capital		**1,658.4**	**11,486.6**
Change in current assets		26.7	(36.4)
Change in short-term investments		(584.1)	(621.3)
Change in current liabilities		30.0	(17.7)
Change in working capital		**(527.4)**	**(675.3)**
Net cash from operating activities	**I**	**1,131.0**	**10,811.3**
II – INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		89.0	1.7
Purchase of property, plant and equipment		-	-
Acquisitions of equity investments		(706.8)	(11,913.5)
Change in other non-current financial assets		(1,497.0)	(207.1)
Net cash from/(used in) investing activities	**II**	**(2,114.8)**	**(12,118.9)**
III – FINANCING ACTIVITIES			
Contribution to equity (dividends paid)		0.1	0.2
Capital increase		682.7	-
Change in borrowings		493.0	1,035.8
Change in receivables from the Group		0.6	(0.6)
Change in payables to the Group		92.5	389.7
Net cash from/(used in) financing activities	**III**	**1,268.8**	**1,425.1**
IV – DIVIDENDS PAID DURING THE FISCAL YEAR	IV	(200.2)	(63.5)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**I + II + III + IV**	**84.9**	**54.0**
Cash and cash equivalents at beginning of fiscal year		**99.9**	**45.8**
Cash and cash equivalents at end of fiscal year		**184.8**	**99.9**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**84.9**	**54.0**

(a) After taking into account the merger by absorption of Le Peigné by Financière Agache on November 30, 2021.
(b) After taking into account the merger by absorption of Semyrhamis by Financière Agache on December 15, 2020, with retroactive effect as of January 1, 2020.

The cash flow statement breaks down the changes in cash from one fiscal year to the next (after deducting bank overdrafts) as well as cash equivalents comprised of short-term investments, net of any impairment.

4. Notes to the parent company financial statements

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Amounts are expressed in millions of euros unless otherwise indicated.

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

Note 1. Business activity and key events during the fiscal year

Financière Agache SA, a subsidiary of Agache SE, directly controls Christian Dior SE and indirectly (via Christian Dior SE) controls LVMH Moët Hennessy Louis Vuitton SE. The Company also holds a diversified portfolio of financial investments.

During the first half of 2021, a public delisting offer *(offre publique de retrait)* followed by a squeeze-out *(retrait obligatoire)* was carried out on the shares in Financière Agache SA not held by the group composed of the majority shareholders. Settlement and delivery of this offer took place in early July.

On June 30, 2021, Aglaé Management SAS, a wholly owned subsidiary of Financière Agache, received authorization from the AMF (Autorité des Marchés Financiers) to operate as an asset management company for alternative investment funds (AIFs).

Under the shareholders' agreement with Lagardère Capital, on September 1, 2021 Financière Agache exercised its option of disposing of its stake in this company in return for Lagardère SA shares held by Lagardère Capital in the amount of the value of its stake in the latter company. By doing so, Financière Agache increased its stake in listed company Lagardère SA from 7.75% to 9.97%. The shareholders' agreement as well as the group composed of Arnaud Lagardère and Lagardère SAS, LM Holding SAS, Lagardère Capital SAS and Arjil Commanditée – Arco SA along with Agache SE and Financière Agache SA, was discontinued.

On November 30, 2021, Financière Agache SA absorbed Belgian company Le Peigné SA, a subsidiary in which it owned a 40% stake. This transaction generated a merger gain of 406.3 million euros, resulting from the positive difference between the share of the amount of net assets transferred by Le Peigné (1,168.9 million euros) and the net carrying amount of the Le Peigné shares previously held by Financière Agache (65.4 million euros). Financière Agache carried out a 2.7 million euro capital increase combined with a merger premium of 694.4 million euros in consideration for the 60% stake not held in Le Peigné SA, and retired its own shares included in the assets contributed by Le Peigné.

Financial income from subsidiaries and other investments totaled 1,672.8 million euros as of December 31, 2021, compared with 11,472.2 million euros as of December 31, 2020. In 2020, a merger gain (resulting from the merger by absorption of Semyrhamis SA) was recognized for 10,640.1 million euros.

Net financial income totaled 1,668.8 million euros as of December 31, 2021, compared with 11,497.3 million euros as of December 31, 2020.

Net profit was 1,620.6 million euros as of December 31, 2021, compared with 11,476.8 million euros as of December 31, 2020.

Note 2. Accounting policies and methods

2.1 General framework and changes in accounting policies

The parent company financial statements have been prepared in accordance with Regulation 2014-03 dated June 5, 2014 (amended by Regulation 2016-07 dated November 4, 2016) and Regulation 2015-05 dated July 2, 2015 of the Autorité des Normes Comptables, France's accounting standards authority, in accordance with the same accounting principles and methods as those used for the previous fiscal year.

General accounting conventions have been applied observing the principle of prudence in conformity with the basic assumptions of going concern, consistency of accounting methods, and accrual basis, and in conformity with the general rules for the preparation and presentation of parent company financial statements; it should be noted that the presentation of the income statement was modified in 2019.

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 managing subsidiaries and investments; the cost of net financial debt relating, in essence, to the holding of these investments; and other items mainly related to managing investments and foreign exchange gains and losses. Net income from managing subsidiaries and investments includes all portfolio management items: dividends, changes in impairment of securities, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of securities.

"Operating profit/(loss)" includes services provided and other income, personnel costs and other net management charges.

"Net exceptional income/(expense)" comprises only those transactions that, due to their nature, may not be included in "Net financial income/(expense)" or "Operating profit/(loss)".

The accounting items recorded have been evaluated using the historical cost method.

2.2 Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives provided below.

The estimated useful lives are as follows:

- Buildings: 20 to 50 years;
- General installations, fixtures and fittings: 4 to 10 years.

2.3 Non-current financial assets

Equity investments and other long-term investments are stated at acquisition cost (excluding incidental costs) or at contribution value. If their value in use as of the fiscal year-end is lower than the carrying amount, a provision is recorded in the amount of the difference.

For investments in listed companies, the value in use is generally estimated on the basis of market capitalization, the share of the company's net asset value and/or discounted forecast cash flows.

The value in use of unlisted investments is generally estimated on the basis of the share of the net asset value of the companies concerned, market comparables and/or discounted forecast cash flows.

Gains or losses on sales of equity investments are calculated according to the weighted average cost method and disclosed under "Income from managing subsidiaries and investments" in "Net financial income/(expense)".

Loans, deposits and other long-term receivables are measured at their face value. Where applicable, these items are reviewed for impairment and provisions are recognized to write them down to their net realizable value at the fiscal year-end.

2.4 Receivables and payables

Receivables and payables are recorded at their face value. Impairment is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

2.5 Short-term investments

Short-term investments are recorded at acquisition cost. Impairment is recorded within "Net financial income/(expense)" if their acquisition cost is higher than their market value determined as follows:

- Listed securities: Average share price during the last month of the fiscal year, translated, where applicable, at year-end exchange rates.
- Other securities: Estimated realizable value or liquidation value, translated, where applicable, at year-end exchange rates.

This calculation is performed on a line-by-line basis, without offsetting any unrecognized capital gains and losses.

Gains or losses on sales of short-term investments are recognized in "Net financial income/(expense)" and calculated using the FIFO method.

2.6 Equity

In accordance with the recommendations of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)*, interim dividends are recorded as a deduction from equity.

2.7 Provisions for contingencies and losses

When closing out its interim and annual financial statements, the Company establishes a provision for definite and likely contingencies and losses, observing the principle of prudence.

2.8 Income from equity investments

Amounts distributed by subsidiaries and other investments are recognized as of the date that they accrue to the shareholders or partners.

2.9 Foreign currency transactions

During the period, foreign currency transactions are translated into euros using the exchange rates prevailing on the transaction dates.

Payables, receivables, cash and cash equivalents, and short-term investments in foreign currencies are revalued on the balance sheet at fiscal year-end exchange rates.

Gains or losses on transactions regarded as elements of the same overall foreign exchange position by currency (realized or resulting from the revaluation of positions at the period-end) are recorded in the income statement as a single net amount.

The difference resulting from the revaluation of payables and receivables in foreign currencies at the fiscal year-end that cannot be regarded as elements of the same overall foreign exchange position is recorded under "Translation adjustment". Provisions are recorded for unrealized foreign exchange losses unless they are hedged.

2.10 Net financial income/(expense)

Due to its type of activity, the Company records sales of investments according to the following principles:

- Gains or losses on sales of equity investments are calculated according to the weighted average cost method.
- Gains or losses on sales of short-term investments are calculated using the FIFO method.

2.11 Gains and losses on options and forward contracts

a) On hedges

Gains and losses are recorded in the income statement and matched against the income and expenses arising from the hedged item.

b) On other transactions

A provision for contingencies is recorded if the market value of the instrument results in the calculation of an unrealized loss for the Company compared to the initial value of the instrument. Unrealized gains are not recognized.

Note 3. Subsequent events

As of the date on which the financial statements were approved for publication, no subsequent events had occurred that would call into question the assumptions used in preparing the financial statements for the period ended December 31, 2021.

Note 4. Net financial income/(expense)

4.1 Income from managing subsidiaries and investments

The income from managing subsidiaries and investments breaks down as follows:

(EUR millions)	12/31/2021	12/31/2020
Dividends received from French companies	1,266.5	832.1
Merger gains	406.3	10,640.1
Financial income from subsidiaries and investments	**1,672.8**	**11,472.2**
Changes in impairment	0.0	(7.0)
Changes in provisions for contingencies and losses	0.6	(0.9)
Impairment and provisions related to subsidiaries and investments	**0.6**	**(7.9)**
Gains and losses on disposal	9.0	-
Other	**(0.5)**	**(1.6)**
Income from managing subsidiaries and investments	**1,682.0**	**11,462.7**

See also Note 15 concerning the change in impairment and provisions.

4.2 Income from managing investments

Income from managing investments breaks down as follows:

(EUR millions)	12/31/2021	12/31/2020
Income	19.3	3.4
Changes in impairment	(29.9)	(4.4)
Gains and losses on disposal	31.2	59.5
Other income/(expenses)	(23.8)	(1.2)
Income from managing investments	**(3.3)**	**57.3**

See also Note 15 concerning the change in impairment and provisions.

4.3 Cost of net financial debt

The cost of net financial debt, including the impact of interest rate hedging instruments, breaks down as follows:

(EUR millions)	12/31/2021	12/31/2020
Interest on borrowings	(15.5)	(20.3)
Financial income and revenue	4.0	1.5
Proceeds/(cost) of non-Group net financial debt	**(11.5)**	**(18.8)**
Intra-Group interest expense	(1.7)	(1.2)
Intra-Group interest income	3.7	1.0
Proceeds/(cost) of intra-Group net financial debt	**2.0**	**(0.2)**
Proceeds/(cost) of net financial debt	**(9.5)**	**(19.0)**

4.4 Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

(EUR millions)	12/31/2021	12/31/2020
Foreign exchange gains	2.9	-
Foreign exchange losses		(8.6)
Changes in provisions for unrealized foreign exchange losses	(0.7)	0.8
Other	(2.6)	4.1
Foreign exchange gains and losses	**(0.4)**	**(3.6)**

See also Note 15 concerning changes in provisions.

Note 5. Services provided and other income

Services provided and other income consists of rental income.

Note 6. Personnel costs

Personnel costs included gross compensation and employer social security contributions.

Average headcount during the fiscal year

Category	Executives and managers	Other employees	Total
Number	0.58	-	0.58

Note 7. Other net management charges

Other net management charges are mainly comprised of support services and fees.

Note 8. Income taxes

8.1 Breakdown of corporate income tax

Corporate income tax breaks down as follows:

(EUR millions)	**Pre-tax**	**Tax (expense)/ income**	**Post-tax**
Recurring profit	1,664.9	(44.3)	1,620.6
Net exceptional income/(expense)	(0.0)	-	(0.0)
	1,664.9	**(44.3)**	**1,620.6**

8.2 Tax position

Since 2004, Financière Agache SA has been a member of the tax consolidation group of which Agache SE is the consolidating parent company.

Financière Agache calculates and recognizes its tax expense as if it were individually subject to tax, and remits this amount to the consolidating parent company.

Note 9. Intangible assets and property, plant and equipment

(EUR millions)	**12/31/2021**
Carrying amount of fixed assets as of December 31, 2020	**0.4**
Additions	-
Disposals and retirements	-
Net change in depreciation/amortization	(0.0)
Carrying amount of fixed assets as of December 31, 2021	**0.4**

Note 10. Equity investments

(EUR millions)	**12/31/2021**	**12/31/2020**
Gross amount of equity investments	17,599.0	16,972.2
Impairment	(85.9)	(85.9)
Carrying amount of equity investments	**17,513.1**	**16,886.3**

The investment portfolio is presented in the “Subsidiaries and equity investments” table.

The change in the gross amount of equity investments mainly resulted from contributions related to the merger by absorption of Le Peigné for 595.4 million euros.

The methods used to calculate the impairment of equity investments are described in Note 2.3.

The change in impairment of the investment portfolio is broken down in Note 15.

Note 11. Receivables from equity investments

The balance of receivables from equity investments breaks down as follows:

(EUR millions)	December 31, 2021			Gross amounts by maturity		Of which: Related companies
	Gross	Impairment	Net	Up to 1 year	More than 1 year	
Receivables from equity investments	1,454.0	-	1,454.0	758.5	695.5	*1,454.0*
Total	**1,454.0**	**-**	**1,454.0**	**758.5**	**695.5**	***1,454.0***

Receivables from equity investments comprise advances granted to Group companies under bilateral medium-term agreements. They mainly resulted from advances provided by Le Peigné (a subsidiary absorbed in 2021).

Note 12. Other non-current financial assets

(EUR millions)	12/31/2021	12/31/2020
Other long-term investments	347.0	229.4
Other non-current financial assets	0.5	0.5
Impairment	-	-
Carrying amount of other non-current financial assets	**347.5**	**229.9**

The methods used to calculate the impairment of other non-current financial assets are described in Note 2.3.

The change in impairment of the investment portfolio is broken down in Note 15.

Note 13. Receivables

Receivables break down as follows:

(EUR millions)	12/31/2021			12/31/2020
	Gross	Impairment	Net	Net
Receivables from related companies	-	-	-	32.8
Of which: Tax consolidation current accounts	*-*	*-*	*-*	*32.2*
Other receivables	9.4	-	9.4	4.1
Total	**9.4**	**-**	**9.4**	**36.9**

All these receivables mature within one year.

Note 14. Equity

14.1 Share capital

As of December 31, 2021, the share capital consisted of 3,228,662 fully paid-up shares, each with a par value of 16 euros per share, including 3,053,162 shares with double voting rights.

14.2 Change in equity

(EUR millions)	
Equity as of 12/31/2020 (prior to appropriation of net profit)	**15,748.3**
Capital increase	2.7
Capital reduction	(1.8)
Merger premium	681.8
Net profit for the fiscal year ended 12/31/2021	1,620.6
Impact of treasury shares	0.1
Interim dividends for the fiscal year ended 12/31/2021	(200.2)
Equity as of 12/31/2021 (prior to appropriation of net profit)	**17,851.5**

The appropriation of net profit for fiscal year 2020 was approved at the Ordinary Shareholders' Meeting of April 26, 2021.

The impact of the merger by absorption of Le Peigné (a 40%-owned subsidiary) on equity are described among the key events during the fiscal year (Note 1).

Note 15. Changes in impairment and provisions

Changes in asset impairment and provisions for contingencies and losses during the fiscal year break down as follows:

(EUR millions)	12/31/2020	Increases	Decreases	12/31/2021
Equity investments	85.9	1.6	1.6	85.9
Short-term investments	6.8	49.9[(a)]	10.1	46.6
Asset impairment	**92.7**	**51.6**	**11.8**	**132.5**
Subsidiaries	1.0	0.3	1.0	0.3
Other provisions for contingencies	-	17.7	-	17.7
Provisions for contingencies and losses	**1.0**	**18.1**	**1.0**	**18.1**
Total	**93.7**	**69.7**	**12.7**	**150.6**

(a) This amount includes 9.9 million euros arising from the merger by absorption of Le Peigné SA (see Note 1).

Changes in impairment of equity investments and provisions for contingencies related to subsidiaries mainly reflect changes in the net assets of the subsidiaries concerned.

Note 16. Gross borrowings

16.1 Gross borrowings

Gross borrowings break down as follows:

(EUR millions)	12/31/2021	12/31/2020
Bonds	180.6	120.6
Bank loans and borrowings	1,213.9	988.9
Miscellaneous loans and borrowings	1,459.2	1,158.7
Gross borrowings	**2,853.7**	**2,268.2**

Miscellaneous loans and borrowings include short-term negotiable debt securities outstanding (NEU CP and other euro-denominated commercial paper) in the amount of 977.0 million euros, and borrowings from affiliated companies amounting to 482.2 million euros (of which 342.6 million euros was contributed as part of the merger with Le Peigné).

As is normal practice for credit facilities, Financière Agache SA has signed commitments to maintain a minimum level of ownership interest and voting rights for some of its subsidiaries.

16.2 Bonds

(EUR millions)	Nominal interest rate	Issue price *(as % of the par value)*	Maturity	Par value as of December 31, 2021	Accrued interest	Total
EUR 120,000,000 - 2017	1.204%	100.604%	2022	120	0.6	120.6
EUR 60,000,000 - 2021	0.861%	100.000%	2028	60	0.0	60.0
Total				**180**	**0.6**	**180.6**

In December 2021, Financière Agache SA issued a bond with a face value of 60 million euros and a nominal interest rate of 0.861%, maturing in 2028.

16.3 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:

(EUR millions)	Total	Amount			*Of which: Accrued expenses*
		Less than 1 year	From 1 to 5 years	More than 5 years	
Bonds	180.6	120.6	-	60.0	*0.6*
Bank loans and borrowings	1,213.9	85.9	1,128.0	-	*0.1*
Miscellaneous loans and borrowings	1,459.2	1,319.5	139.7	-	*0.0*
Gross borrowings	**2,853.7**	**1,526.0**	**1,267.7**	**60.0**	***0.8***

16.4 Guarantees and collateral

As of December 31, 2021, financial debt was not subject to any guarantees or collateral.

Note 17. Other debt and other liabilities

(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	1.9	1.9	-	-	*0.8*	*0.6*
Tax and social security liabilities	2.9	2.9	-	-	*0.1*	-
Other debt	25.8	25.8	-	-	*24.8*	*24.8*
Deferred income	1.7	1.7	-	-	-	*0.7*
Other debt and other liabilities	**32.3**	**32.3**	**-**	**-**	***25.6***	***26.1***

Note 18. Other information

18.1 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 material amounts or under conditions other than normal market conditions.

18.2 Financial commitments

Investment commitments granted

As of December 31, 2021, Financière Agache SA had 118.7 million euros in investment commitments in funds.

Commitments relating to forward financial instruments

Foreign exchange hedging

As part of its financing and foreign exchange hedging policy, Financière Agache SA uses forward sales of foreign currencies against the euro. As of December 31, 2021, open hedging transactions were as follows:

Type of hedge *(EUR millions)*	Type of item hedged	Currency	Nominal amount[(a)]	Market value[(b)]
Forward exchange contract	Investments	USD	346.0	1.5
Forward exchange contract	Investments	CHF	0.0	(0.0)
Forward exchange contract	Investments	GBP	44.0	(0.7)
Forward exchange contract	Investments	HKD	27.5	0.0

(a) Sale/(Purchase).
(b) Gain/(Loss).

Commitments received

Financière Agache SA has access to confirmed credit lines entered into with banks, of which the undrawn amount available totaled 2,946 million euros as of December 31, 2021.

18.3 Identity of the consolidating parent company

Company name	SIREN	Registered office
Agache	314,685,454	41 avenue Montaigne 75008 Paris (France)

18.4 Subsidiaries and equity investments

(EUR millions)	Carrying amount of shares held		Loans and advances provided by the Company and not yet repaid	Amount of deposits and sureties granted by the Company	Dividends received by the Company during the fiscal year
	Gross	Net			
A. Details on subsidiaries and equity investments					
1. Subsidiaries (more than 50% held)					
– Agache Développement	18.9	1.6	-	-	-
– Aglaé Management	2.5	2.5	-	-	-
– Aglaé Ventures II	79.2	79.2	-	-	-
– Christian Dior	16,042.0	16,042.0	-	-	1,203.4(a)
– Coromandel	52.5	52.5	-	-	-
– Hermiole	63.0	62.5	-	-	-
– Markas Holding	18.5	1.5	-	-	-
– Montaigne Services	4.5	0.0	-	-	-
– Poseidon Asia Financial Sponsor	0.0	0.0	-	-	-
– Poseidon Financial Sponsor	27.5	27.5	-	-	-
– Poseidon Entrepreneurs Financial Sponsor	14.1	14.1	-	-	-
– Transept	3.0	0.5	77.2	-	-
– Westley International	52.1	8.1	-	-	-
2. Equity investments (between 10% and 50% held)					
– LC Investissements	109.1	109.1	-	-	-
– Rangiroa Capital	11.5	11.5	-	-	-
3. Other					
– LVMH Moët Hennessy Louis Vuitton	1,100.4	1,100.4	-	-	63.1(a)
– Other	0.2	0.1	-	-	-
B. General information on other subsidiaries and equity investments(b)					
1. French subsidiaries and equity investments	342.4	342.4			
2. Foreign subsidiaries and equity investments	4.6	4.6			
Total	**17,946.0**	**17,860.1**	**77.2**	**-**	**1,266.5**

(a) Including dividends on shares in subsidiaries recognized as income from short-term investments.
(b) Shares recognized as long-term investments.

18.5 Securities

(EUR millions)	Carrying amount as of 12/31/2021
Shares	902.4
Bonds	5.3
Professional private equity investment funds (FPCI)	4.1
Hedge funds and private equity funds	333.9
Short-term investments	**1,245.8**

5. Company results and other significant components over the last five fiscal years

(EUR millions, except earnings per share, expressed in euros)	2017	2018	2019	2020	2021
1. Share capital					
Share capital	50.8	50.8	50.8	50.8	51.7
Number of ordinary shares outstanding	3,173,352	3,173,352	3,173,352	3,173,352	3,228,662
Maximum number of future shares to be created through exercise of share subscription options	-	-	-	-	-
2. Operations and profit for the fiscal year					
Revenue before taxes	-	-	-	-	-
Profit before taxes, depreciation, amortization, impairment and movements in provisions	70.0	139.3	666.6	11,508.9	1,711.8
Income taxes	4.0	8.4	25.4	20.7	44.3
Profit after taxes, depreciation, amortization, impairment and movements in provisions	181.5	150.1	662.7	11,476.8	1,620.6
Profit distributed as dividends[(a)]	317.3	222.1	166.6	63.5	200.2
3. Earnings per share *(EUR)*					
Earnings per share before taxes and before depreciation, amortization, impairment and movements in provisions	22.1	43.9	210.1	3,626.7	530.2
Earnings per share after taxes, depreciation, amortization, impairment and movements in provisions	57.2	47.3	208.8	3,616.6	501.9
Gross dividend distributed per share[(b)]	100.0	70.0	52.5	20.0	62.0
4. Employees					
Average number of employees	0	0	0	0	1
Total payroll	0.0	0.0	0.0	0.0	0.0
Amounts paid in respect of employee benefits	0.0	0.0	0.0	0.0	0.0

(a) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of Financière Agache treasury shares held as of the distribution date. For fiscal year 2021, amount proposed at the Shareholders' Meeting of April 27, 2022.
(b) Excluding the impact of tax regulations applicable to recipients.

6. Statutory Auditors' report on the parent company financial statements

To the Shareholders' Meeting of Financière Agache SA,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying parent company financial statements of Financière Agache SA for the fiscal year ended December 31, 2021.

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, 2021 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.

II. 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, 2021 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014.

III. 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 are required to 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.

We determined that there were no key audit matters to disclose in our report.

IV. 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. 441-6 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 and L. 22-10-10 of the French Commercial Code.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the Management Report.

V. 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 the professional standards governing the procedures to be carried out by the Statutory Auditor on parent company and consolidated financial statements presented in the European Single Electronic Format, we also checked compliance with this format as defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 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)*, prepared under your Chief Financial Officer's responsibility under delegation from the Chairman and Chief Executive Officer.

On the basis of our work, we concluded that the presentation of the parent company financial statements to be included in the Annual Financial Report complies, in all material respects, with the European Single Electronic Format.

It is not our responsibility to check that the parent company financial statements actually included by your Company in the Annual Financial Report filed with the AMF correspond to those on which we performed our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Financière Agache SA by the shareholders at your Shareholders' Meetings held on June 27, 1997 (for Mazars) and June 24, 2009 (for Ernst & Young et Autres).

As of December 31, 2021, Mazars was in the twenty-fifth consecutive year of its engagement (including twenty-three years since Company securities were admitted to trading on a regulated market) and Ernst & Young et Autres was in its thirteenth year.

Ernst & Young Audit previously served as Statutory Auditor beginning in 1992.

VI. 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 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 accounting and financial reporting procedures.

The parent company financial statements have been approved by the Board of Directors.

VII. 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 *(Code de commerce)*, 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, April 8, 2022

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert Guillaume Machin

ERNST & YOUNG et Autres

Gilles Cohen

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.

7. Statutory Auditors' special report on related-party agreements

To the Shareholders' Meeting of Financière Agache SA,

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 type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

I. 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, which received prior approval from your Board of Directors on December 21, 2021.

With Agache SE (formerly Groupe Arnault)

Persons concerned

Nicolas Bazire and Florian Ollivier, Directors.

Nature and purpose

Assistance agreement

Your Company does not have any employees of its own. The assistance agreement entered into with Agache SE provides for the sharing of skills as well as certain costs, thus reducing expenses.

Conditions

Your Company entered into an assistance agreement with Agache SE on November 27, 1995. This agreement, amended on October 23, 2009, sets out the billing terms applicable. For fiscal year 2021, on December 21, 2021 your Board of Directors authorized an additional 500,000 euros excluding VAT to be billed in respect of this agreement due to the volume of services provided by Agache SE in 2021, with regard to the following matters in particular:

- public offer concerning the Company's minority shareholders;
- merger by absorption of Le Peigné SA by the Company;
- AMF authorization obtained by Aglaé Management SAS,

Under this agreement, your Company paid Agache SE a total of 825,018.44 euros including VAT (687,515.37 euros excluding VAT) in respect of fiscal year 2021.

II. Agreements previously approved at a Shareholders' Meeting

We hereby inform you that we were not informed of any agreements or commitments previously approved at a Shareholders' Meeting that remained in effect during the fiscal year under review.

Courbevoie and Paris-La Défense, April 8, 2022

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres
Loïc Wallaert	Guillaume Machin	Gilles Cohen

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Statement by the person responsible for the Annual Financial Report

We declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Annual Report 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 3 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, April 25, 2022

Florian OLLIVIER

Chairman and Chief Executive Officer

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