

LVMH GROUP

Corporate Governance

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LVMH

Company informations

LVMH, from its full name, Louis Vuitton Moët Hennessy, is a French founded and based company.

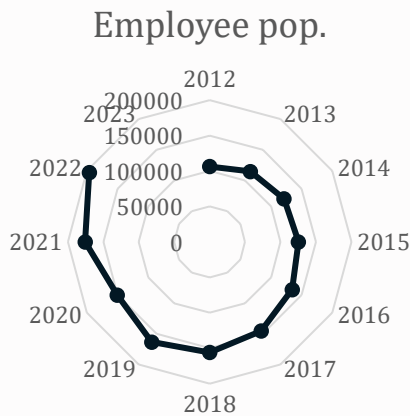
LVMH operates in several business sectors, primarily : Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewellery and Selective Retailing.



42 240 000 000 (42,240 billions of Euros), operating in 81 countries in 6 different industries LVMH and its Maisons are committed to exemplary ethics, social and environmental responsibility, with at least 5664 PoS in 2022.

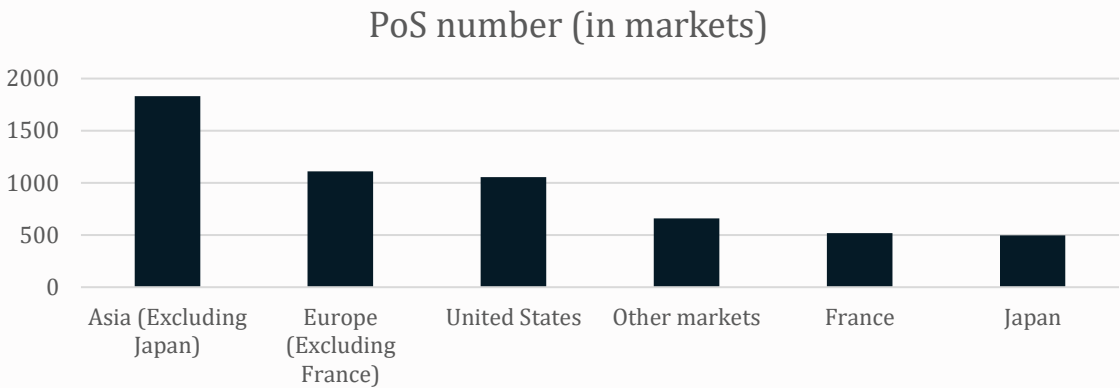
See graphs

LVMH Moët Hennessy Louis Vuitton SE is a publicly listed company. It is listed on the Euronext Paris Eurolist. The stock symbol for LVMH is MC. In addition, LVMH is included in the principal French and European indices used by fund managers such as: CAC 40, DJ-Euro Stoxx 50, MSCI Europe, FTSE Eurotop 100.



Source : Number of employee 2012-22

LVMH Moët Hennessy Louis Vuitton SE is a limited company. In fact, it's a Société Européenne (SE), which is a type of public limited-liability company that allows a company to operate in all EU countries. The "SE" at the end of the company's name stands for Societas Europaea, which is Latin for "European Company". The structure is designed to make it easier for companies to do business throughout the European Union.



Source : Number of stores of the LVMH Group worldwide in 2022

Company informations: Key indicators Source : LVMH 2022 Annual report

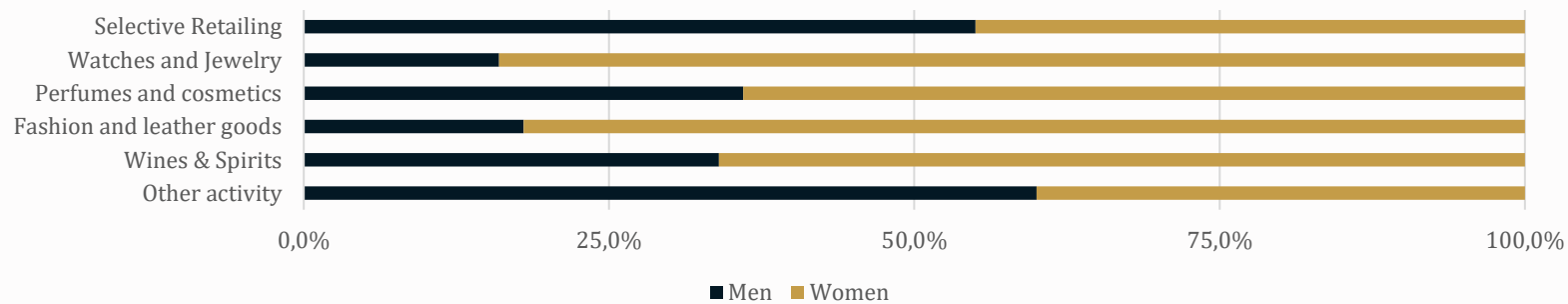
37 YEARS
Average employee age

196 006
employees

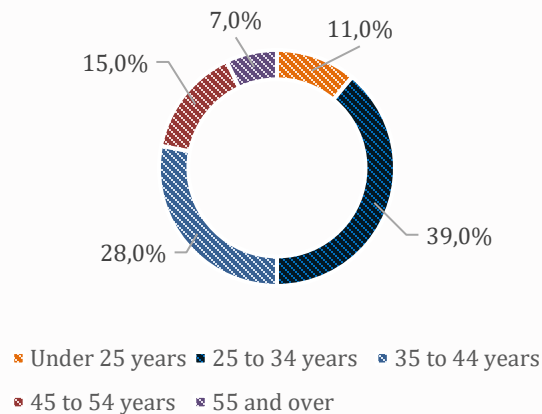
71%
Women

60 772
Hiring

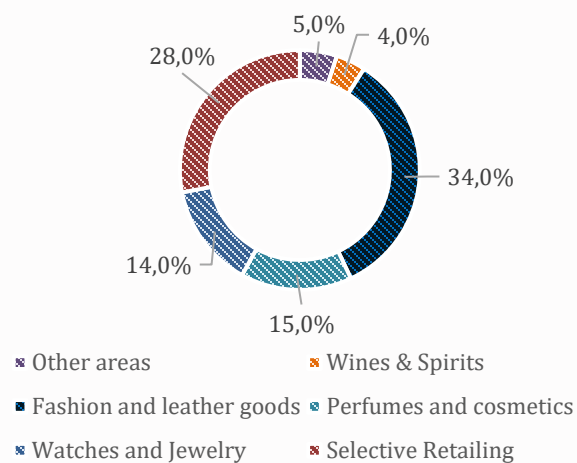
Male/female breakdown by activity



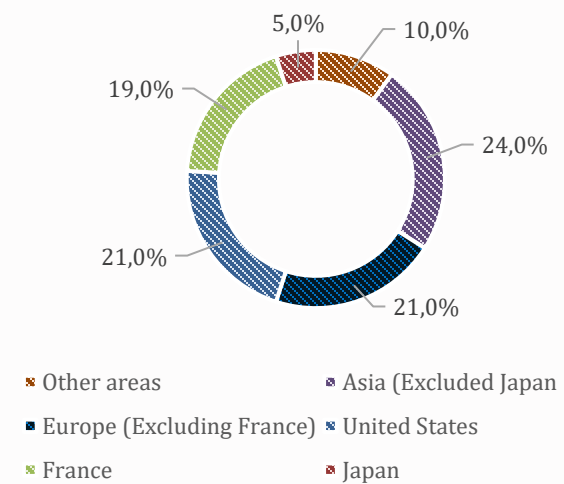
Workforce by age



Workforce by activity



Workforce by region



Shareholding structure

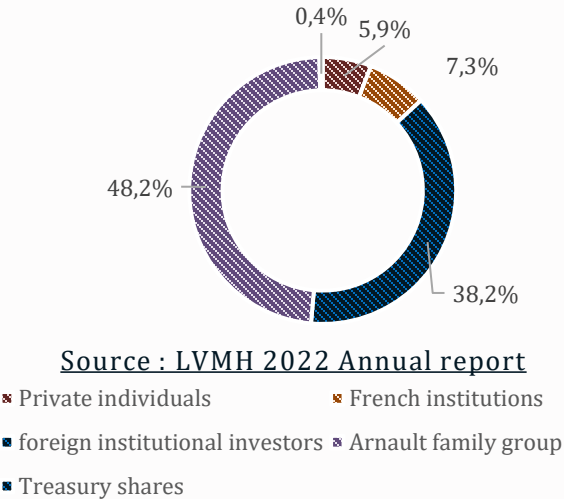
LVMH share Listing: Eurolist by Euronext ParisMarket capitalization: €342 billions at 12/31/2022 (1st rank on the Paris stock exchange)Number of shares: 503,257,339 on 12/31/2022Included in the following indices: CAC 40, Dow Jones Euro Stoxx 50, MSCI Europe, FTSE Eurotop 100, Global Dow and FTSE4Good.



The Bernard Arnault family, which includes Bernard Arnault, his spouse, and their five offspring, is the principal shareholder of LVMH, possessing 48.4% of the corporation.

- The Arnault family’s ownership of LVMH SE is primarily through Christian Dior SE, which they almost entirely own. A lesser portion is directly owned by the family members and other entities they control.
- Despite their ownership stake, the Arnault family has a significantly higher voting power due to a French regulation that grants double voting rights to long-term shareholders.

Structure Capital (December 2022)



Source : LVMH Interim Financial Report 2022

Share capital and voting rights				
	Number of shares	Number of voting rights	% of share capital	% of voting rights
Arnault family group	242 246 689,00	466 826 285,00	47,99%	63,73%
Other	262 510 650,00	265702595,00	52,01%	36,27%
Total	504 757 339,00	732 528 880,00	100%	100%

Corporate governance model: Open « entrepreneurial » autocracy

POWER



Partially held by minority shareholders who do not exercise other powers. Implying that the control is autocratic, and open to external shareholders.

LVMH Moët Hennessy Louis Vuitton SE appears to follow the model of “Open ‘entrepreneurial’ autocracy”. This is because the company is largely controlled by Bernard Arnault and his family, who own a significant portion of the company’s shares and voting rights. However, LVMH is also a publicly traded company with a diverse set of shareholders, which introduces elements of openness into its governance structure. Please note that this is a simplified categorization and may contain elements from different models.

LVMH

Board type: One-tier board

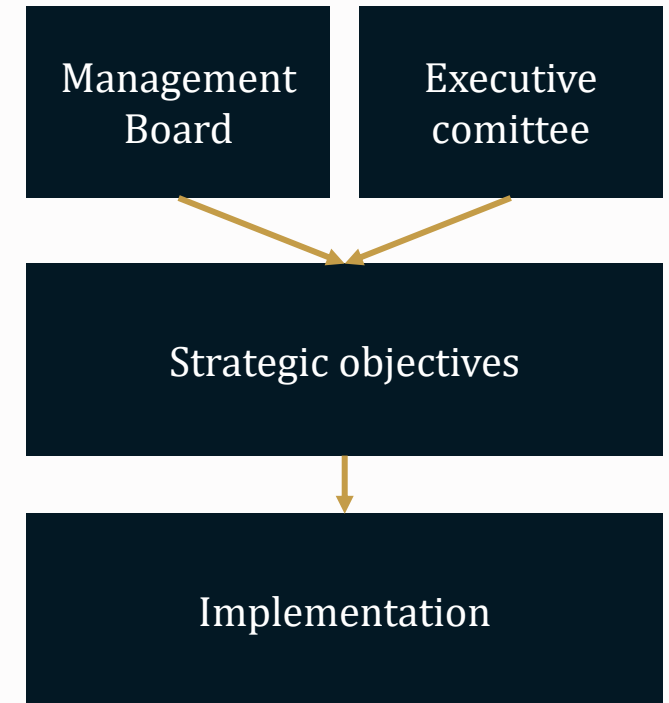
LVMH operates under a one-tier board system, which is common in many countries including France. This system consists of a single Board of Directors, which is responsible for all aspects of the company's governance.

The Board of Directors is the primary decision-making body of LVMH. Its priority objectives are to increase the value of the company and defend its social interest. The board's principal missions are to adopt the major strategies of the company and the Group, monitor the implementation of those strategies, verify the fair and accurate presentation of information about the company and the Group, and protect its corporate assets.

In addition to the Board of Directors, LVMH also has an Executive Committee. Composed of operational and functional group directors, the Executive Committee defines strategic objectives within the framework determined by the Board of Directors and coordinates their implementation.

As for whether this is the best structure for LVMH, it's important to note that there's no one-size-fits-all answer to this question. The effectiveness of a corporate governance structure can depend on many factors, including the size and complexity of the company, its ownership structure, and its business environment, objectives, information's transfer flow, etc.

In the case of LVMH, given its size, complexity, and family ownership structure, a one-tier board system with a strong executive committee could be effective. This structure allows for clear decision-making authority and accountability while also providing a mechanism for input and oversight from a diverse group of directors. However, it's also crucial that this structure is complemented by strong internal controls and transparency mechanisms to ensure accountability and protect the interests of all shareholders.



Executives in LVMH

Board of Directors

Bernard Arnault Chairman & CEO
Antonio Belloni (1) Chief Operating Officer
Antoine Arnault
Delphine Arnault (1) (8)
Dominique Aumont Director representing employees
Nicolas Bazire
Marie-Véronique Belloeil-Melkin Director representing employees
Sophie Chassat (2) (7)
Charles de Croisset (2) (6) (7)
Lead director Clara Gaymard (2) (6)
Marie-Josée Kravis (1) (2) (7)
Laurent Mignon (2) (3)
Marie-Laure Sauty de Chalon (1) (2) (6) (8)
Yves-Thibault de Silguy (2) (5) (6) (8)
Natacha Valla (1) (2) (4)
Hubert Védrine (2) (8)

Referees/Advisory Board Member

Yann Arthus-Bertrand
Diego Della Valle (3)
Lord Powell of Bayswater (1)

General secretary

Marc-Antoine Jamet

Statutory Auditors

Deloitte & Associés represented by Guillaume Troussicot and Bénédicte Sabadie
Mazars represented by Isabelle Sapet and Simon Beillevaire

Governance and compensation committee

Natacha Valla Chairman
Sophie Chassat
Charles de Croisset
Marie-Josée Kravis

Ethical and sustainable development committee

Yves-Thibault de Silguy Chairman
Delphine Arnault
Marie-Laure Sauty de Chalon
Hubert Védrine

Executive committee



Bernard ARNAULT
Chief Executive Officer



Antonio BELLONI
Chief Operating Officer



Delphine ARNAULT
Christian Dior Couture



Nicolas BAZIRE
Development and Acquisitions



Christopher de LAPUENTE
Selective distribution



Stéphane BIANCHI
Watches and Jewelry



Michael BURKE
Chairman's Advisor



Philippe SCHAUS
Wines and Spirits



Jean-Baptiste VOISIN
Strategy



Stéphane RINDERKNECH
Hotel excellence and Beauty



Sidney TOLEDANO
Fashion Group



Chantal GAEMPERLE
Human Resources and
Synergies



Pietro BECCARI
Louis Vuitton

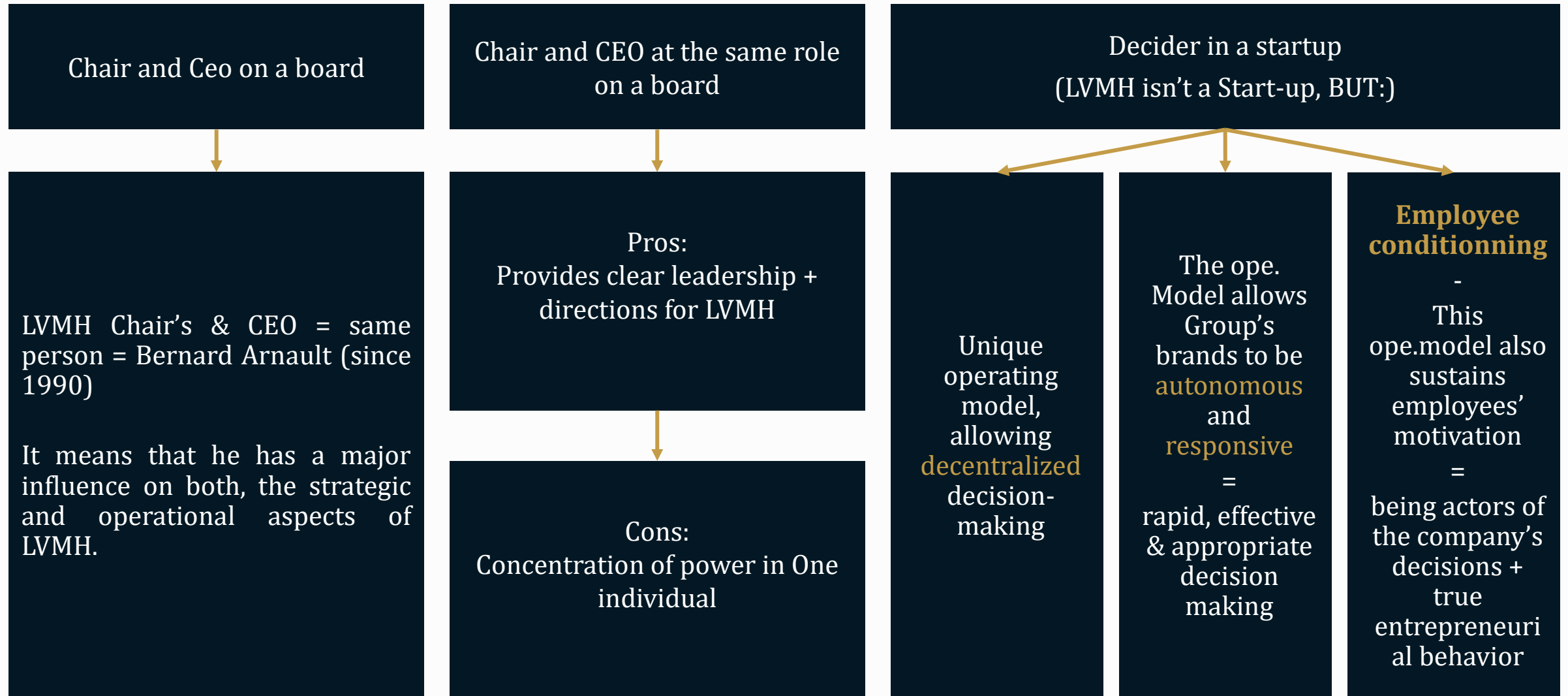


Jérôme SIBILLE
General Administration &
Legal Affairs

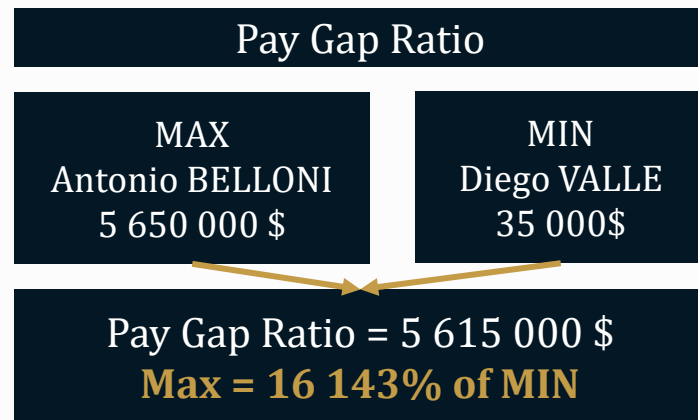


Jean-Jacques GUIONY
Finance

One-tier board: Functions' separation



Compensation focus

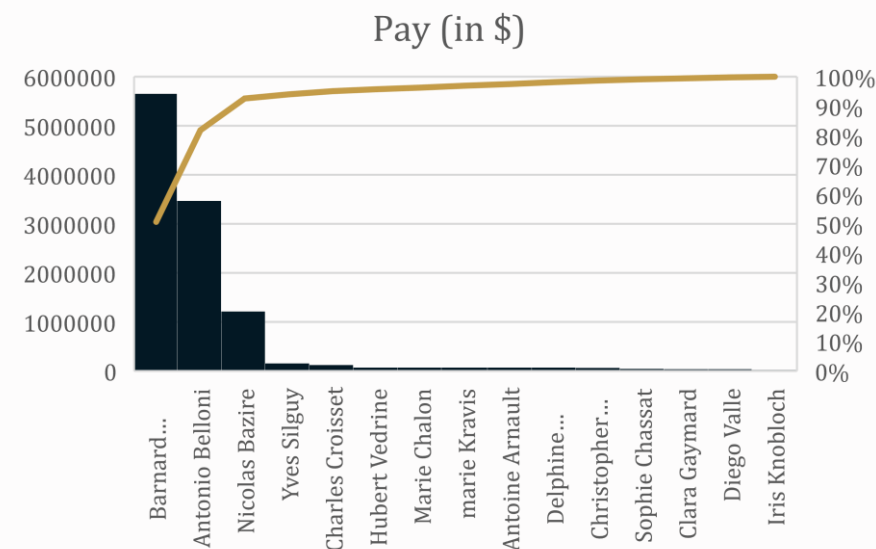


Bernard Arnault serves as the Chairman and Chief Executive Officer of LVMH. His total compensation at LVMH is seen between 3,5 and 4 millions in cash, taking into accounts its salary, its variable (See notes), the charges, its advantages and its directors' fees/tokens (I couldn't find any precise and 100% trustworthy information on its actions and shares revenues (not only the LVMH, but all the investment he's doing next to its main job)).

There is 2 types of variables' calculation, and it's capped at 250% of the fixed portion for the Chairman and Chief Executive Officer and at 150% of the fixed portion for the Group Managing Director.

- Non-senior-executive company officers: The Shareholders' Meeting sets maximum aggregate amount that may be awarded to Directors to compensate them for their duties. The compensation is stated as a number of units, with the amount of each unit corresponding to the sum allotted by the Shareholders' Meeting divided by the number of units to be paid out, subject to a cap of 22,500 euros.
- Senior-executive company officers: The Board of Directors determines the fixed, variable and exceptional compensation of the Chairman and Chief Executive Officer. For the Chairman and Chief Executive Officer, these quantifiable and qualitative targets are weighted at 60% and 40%, respectively. Exceptional components of their compensation is subject to prior approval of the amount at an Ordinary Shareholders' Meeting.

Overall, it appears that LVMH has a structured approach to compensation, with checks and balances in place to ensure reasonableness and alignment with performance. The board and shareholders both have significant influence over the compensation components.

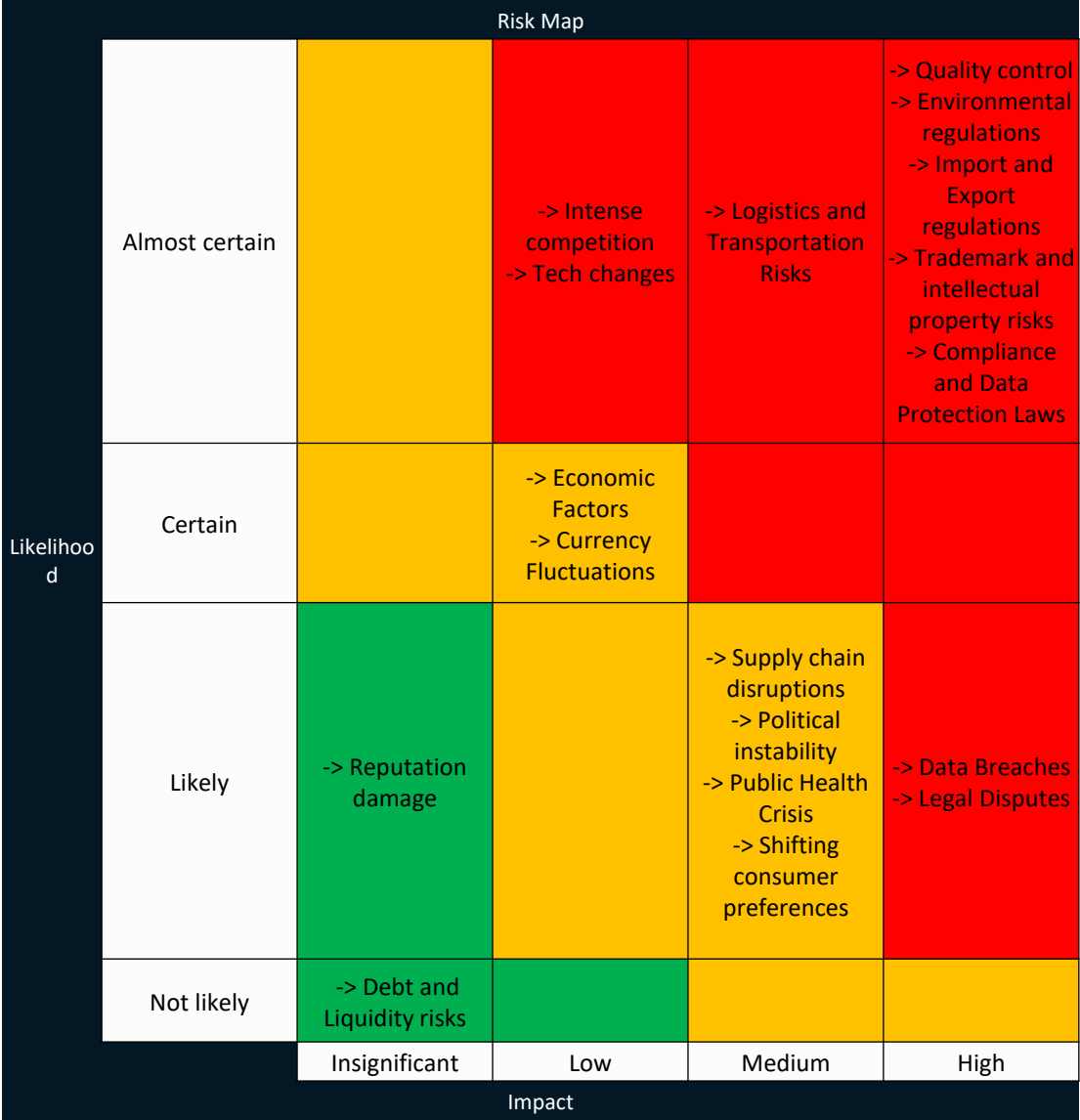


Risks

According to me and the researchs I made, I think there are several sector, in a company, that could lead to risks if not managed correctly. Here are the ones :

- 1. Market Risk ;
- 2. Competition ;
- 3. Supply Chain and Operational Risks ;
- 4. Regulatory and Legal Risks ;
- 5. Brand Reputation ;
- 6. **Cybersecurity and Data Privacy ;**
- 7. Geopolitical Risks ;
- 8. **Environmental and Social Risks ;**
- 9. **Natural Disasters ;**
- 10. Pandemic Risk ;
- 11. Financial Risks ;
- 12. Technology Disruption.

The alignment of compensation with the nature of risks is a fundamental aspect of corporate governance. Compensation committees and boards of directors must carefully assess the company's risk profile, industry dynamics, and regulatory environment to design executive compensation packages that encourage responsible risk management while incentivizing long-term value creation. Additionally, ongoing evaluation and adjustment of compensation practices may be necessary to adapt to changing risk landscapes.

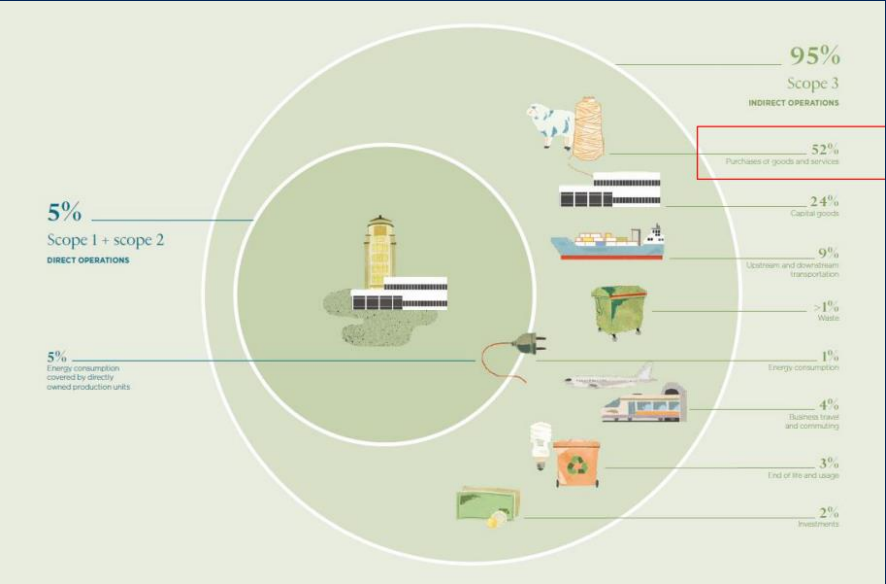


CSR and ESG

ESG and CSR Actions: LVMH has a strong commitment to ESG and CSR. The company has a comprehensive strategy, LVMH has a partnership with UNESCO’s Man and the Biosphere program and is working on projects such as regenerative agriculture for the Wines & Spirits sector. The company also has a LIFE 360 program that focuses on improving the environmental performance of all products, applying the highest standards across procurement chains, improving the environmental performance indicators of all sites, and reducing CO2 emissions.

Diversity, Equity, Inclusion: LVMH has a global Diversity & Inclusion roadmap. The company aims to have 50% women in key positions (already 71% of women in the company for all level), along with equal pay, and increasing the proportion of people with disabilities, etc. LVMH also has initiatives such as creating a Diversity and Inclusion department in the United States, joining the International Labor Organization Global Business and Disability Network, and dedicating 15% of shelf space to brands from Black-owned businesses.

LVMH Carbon Accounting by Business Group		
	Scope 1 + Scope 2	Scope 3
Wines and Spirits	8,00%	11,00%
Fashion & Leather Goods	41,00%	52,00%
Perfumes & Cosmetics	5,00%	10,00%
Watches & Jewelry	4,00%	15,00%
Selective Retailing	34,00%	6,00%
Other activities	6,00%	6,00%
Total Emissions (tCO2eq)	329420,00	6135000,00



Climate and Biodiversity: LVMH is committed to fighting climate change and protecting biodiversity. The company aims to use 100% renewable energies by 2025, reduce the carbon footprint of packaging thanks to recyclable materials, etc. In terms of biodiversity, LVMH aims to have a positive net contribution to biodiversity by limiting the activity’s impact on ecosystems.

Greenwashing Concerns: While LVMH has made significant commitments to environmental and social welfare. Some have raised concerns about “greenwashing”, a practice where companies give a false impression of their environmental friendliness. For instance, LVMH had to abandon a research center project at Polytechnique due to opposition from students who did not want to serve as a greenwashing tool.

Conclusion 1

Management Board

The Executive Committee of LVMH is composed of a mix of executive, operational, and functional directors. It includes Bernard Arnault (Chairman and CEO), Antonio Belloni (Group Managing Director) and others. This composition ensures a diverse range of perspectives and expertise in the decision-making process.

Supervisory Board

The Board of Directors of LVMH includes Bernard Arnault (Chairman & CEO), Antonio Belloni (Group Managing Director), Antoine Arnault and Delphine Arnault (family), and others. The board also includes independent directors, which helps ensure objectivity and balance in board decisions.

Board Comittees

LVMH has several committees within the Board of Directors, including the Performance Audit Committee, Governance and Compensation Committee, and Ethical and Sustainable Development Committee². These committees are composed of a mix of board members, with independent directors playing key roles. This structure allows for specialized focus on important areas like performance, governance, etc..

Conclusion 2

Variable components of compensation

The variable components of the compensation for the CEO and Chairman at LVMH are capped at 250% of the fixed portion. This ensures that the variable pay, which is typically linked to performance, does not excessively inflate the total compensation. It's a common practice in many companies to have a significant portion of executive compensation tied to performance, as it aligns the interests of the executives with those of the shareholders.

CSR/ESG Actions

LVMH has made significant commitments to environmental and social welfare. However, it's important to critically evaluate these actions. Some have raised concerns about “greenwashing”, a practice where companies give a false impression of their environmental friendliness. For instance, LVMH had to abandon a research center project at Polytechnique due to opposition from students who did not want to serve as a greenwashing tool. It's crucial for companies to ensure their actions align with their commitments and for consumers and stakeholders to hold companies accountable.

Risk map

The risk map provided earlier gives a simplified overview of the main risks faced by LVMH, including market risk, climate and biodiversity risks, and cybersecurity risks. However, the actual risk profile of LVMH could be more complex and encompass other factors not mentioned here. The company likely has a more detailed and comprehensive risk map internally.

LVMH corporate governance’s point of view

I can say that the corporate governance structure at LVMH seems, after a deep analysis, to be well-organized, with a clear division of roles and responsibilities among the board of directors, executive committee, and various board committees. The company also seems to have checks and balances in place to ensure reasonableness and alignment with performance in executive compensation.

Self evaluation

Being a group made up of just me, I don't think this part of the work is the most relevant, at least not in terms of my situation. However, I think I worked efficiently, in a coordinated and rigorous way, identifying the various strategic points to be studied during the Governance study of a large group, and then carrying out the information feedback phase in the best possible way. Timelines were respected, and the work spread out over time.

How to improve the corporate governance of LVMH Group:

- **Enhancing Board Diversity:** A diverse board brings together individuals with different backgrounds, experiences, and perspectives. This diversity can lead to more innovative solutions, better decision-making and objectives more in the actual and next era. For example, a board that includes members with different professional backgrounds, and different age population can provide a wider range of expertise and insights. Similarly, gender and ethnic diversity can lead to a broader understanding of the market and customer base.
- **Strengthen Shareholder Rights:** Shareholders are the owners of the company, and their rights are crucial in corporate governance. These rights include voting for the board of directors, approving major corporate actions, and accessing information about the company. Protecting these rights, especially for minority shareholders, ensures fairness and can prevent potential conflicts.
- **Improve Transparency:** Transparency in corporate governance refers to the regular and comprehensive disclosure of information about the company's performance, governance structure, and social and environmental impact. This can increase trust among stakeholders and shareholders, and enable them to make informed decisions.
- **Promote Ethical Conduct:** Ethical conduct in an organization is about adhering to a strong code of conduct that outlines expectations of fair treatment and ethical behavior. It boosts morale, reduces misconduct, increases productivity, and improves compliance. This not only helps in building a positive work environment but also enhances the company's reputation.
- **Engage with Stakeholders:** Stakeholder engagement involves regular interaction with all stakeholders including shareholders, employees, customers, and the community. It helps in understanding their needs and expectations, which can provide valuable insights for decision-making.

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