MISSION 1.5°
OUR JOURNEY TOWARDS A LOW-CARBON FUTURE
Climate change is one of the greatest challenges of our time. As a leader in our industry, with a unique position and focused on long-term development, we plan to address this critical issue with focused dedication.

At CHANEL, as a creation-driven company, we aim at designing highly desirable products and experiences for our clients while generating a positive impact on the environment and society. As such, sustainability is a strategic priority for CHANEL and we have ambitious goals. CHANEL Mission 1.5° outlines our plan to reduce our carbon emissions in the next decade and help accelerate the transition to a more sustainable world, addressing the targets set by the Paris Climate Agreement (COP21).

It is an ambitious journey, but we build on a solid understanding of the challenges we are facing and on the concrete results that we have already achieved in the company. In addition to our reduction efforts, we are also committed to mitigating the consequences of climate change by compensating our residual emissions. CHANEL reached carbon neutrality in 2019.

Our strategy sets a path but it is a shared challenge. We know we won’t be able to achieve this on our own. All CHANEL employees have a key role to play but we also need to work in close collaboration with our partners, our suppliers and our peers.

By doing that, we believe that we can use the power of our creativity and our influence to be part of the solution.

Alain Wertheimer, CEO
March 2020
CHANEL Mission 1.5° is our commitment to mobilise and transform our business in line with the Paris Climate Agreement, decarbonising our business and value chain to help limit average global mean temperature increases to 1.5 degrees Celsius above pre-industrial levels. Scientists have made a clear and compelling case that failing to achieve this puts our planet at risk.

In keeping with the timeframe of the United Nations Sustainable Development Goals (SDGs), CHANEL Mission 1.5° is a plan of action for the next decade, setting out what we aim to achieve by 2030.

The ambition builds on existing progress to reduce our impacts. We have been carbon neutral since 2019 and have achieved this by investing in nature-based solutions to balance the emissions across our full footprint (scopes 1, 2 and 3). We already source 41% of our global electricity from renewable sources. We signed up to the Science Based Targets initiative (SBTi) to ensure that the methodology set for our carbon targets, described in this report, is ambitious and externally validated to be in line with the Paris Climate Agreement.

We have called our strategy “CHANEL Mission 1.5°” because a mission requires commitment and dedication, not just warm words. Furthermore, a mission, by definition, has aspects of the unknown. As with any other business, the pathway to reach our targets will become clearer as our journey progresses.

CHANEL is a creation-driven brand. We are passionate about quality and we design our products to ensure their longevity. These same values can be deployed to help us play our part in the protection and preservation of the natural world upon which our societies depend.

CHANEL Mission 1.5° supports SDGs 13 and 15:

- **OUR JOURNEY TOWARDS A LOW-Carbon FUTURE**

  "Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy."

  "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss."

"I commend CHANEL for taking on the 1.5 degree challenge, reducing its own emissions and those of their value chain within the critical decade we are facing. Such corporate leadership will help us achieve the long term global targets."

CHRISTIANA FIGUERES, FOUNDING PARTNER, GLOBAL OPTIMISM & FORMER EXECUTIVE SECRETARY, UNITED NATIONS CLIMATE CONVENTION
WHERE IS CHANEL FOCUSING ACTION?

We are committed first and foremost to cutting CHANEL’s carbon footprint by reducing our own emissions and those generated in our global value chain. To do this, we are transforming our business and will help our partners do the same. At the same time, we consider it our responsibility to help accelerate the transition to a lower carbon and more resilient future by supporting initiatives beyond our operational footprint. We aim to deliver on our ambition for a low-carbon future through two commitments: reduce and accelerate.

REDUCE
We need to reduce the impact of our own operations and our value chain as quickly as possible and have set science-based targets to help us achieve this:

DECREASE
- We aim to decrease our own carbon footprint (scopes 1 and 2) by 50% by 2030, which is equivalent to a 66% reduction per unit sold.
- We aim to decrease emissions from our value chain (scope 3) by 40% per unit sold.

SHIFT
- We want to shift to 100% renewable electricity in our own operations by 2025, with an interim goal of 97% by 2021.
- We have joined RE100 as part of this commitment.

*Both DECREASE targets use 2018 as a baseline and have been approved by the Science Based Targets initiative.

ACCELERATE
Beyond the boundaries of our business, we want to help accelerate the speed of transition to a lower carbon and more resilient world. We will do this through:

BALANCE
- We balance our carbon footprint by investing in nature-based solutions to remove and avoid carbon at least equal to our global emissions, reaching carbon neutrality in 2019.

ADAPT
- We support initiatives that preserve and restore the environment and build the resilience of landscapes and communities to adapt to climate change.

ENABLERS FOR CHANGE
We are working with technology innovators and scientific partners to advance new thinking on climate solutions and to help accelerate the transition to a low-carbon economy.

We have clear guiding lights that inform our approach. This is a shared challenge: we need to work in close collaboration with our partners and suppliers. In addition, each of our employees has a key role to play. We aim for our climate initiatives to deliver benefits for both the environment and society wherever possible.

As an independent company, we are able to take decisions with long-term impact in mind.
TOTAL $70 million

Carbon footprint (tCO₂e)

- Scope 1: 19,600
- Scope 2: 22,200
- Scope 3: 829,000

Our most important priority is the reduction of our carbon emissions. We are committed to making significant cuts to the carbon emitted by our own operations and our global value chain.

In the same timeframe, we also commit to cutting the carbon emissions of our value chain by 40% (per unit sold), compared with 2018, which is equivalent to a 66% reduction per unit sold. This objective has been approved by the Science Based Targets initiative (SBTi) as consistent with reductions required to keep warming to 1.5 degrees Celsius, the most ambitious goal of the Paris Climate Agreement.

By 2030, we will halve emissions from our own operations (such as manufacturing sites, boutiques and offices) compared with 2018, which is equivalent to a 66% reduction per unit sold. This objective has been approved by the Science Based Targets initiative (SBTi) as consistent with reductions required to keep warming to 1.5 degrees Celsius, the most ambitious goal of the Paris Climate Agreement.

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Manufacturing and distribution

We own a number of manufacturing and distribution sites which gives us greater freedom to explore the use of renewable energy and environmental design. Find out more about this on page 14.

Cutting edge architecture

We aim to comply with the most exacting certification standards for our buildings, such as LEED (Leadership in Energy and Environmental Design), BREEAM (Building Research Establishment Environmental Assessment Method) and HQE (Haute Qualité Environnementale). Our Fashion business is undertaking cutting-edge architecture projects at a number of sites in France.

Ateliers de Verneuil, our leather goods manufacturing facility in Verneuil-en-Halatte, is being expanded and will use photovoltaic panels to generate electricity for the highly energy-efficient building. The facades have been designed to take full advantage of the natural light, while the structure itself integrates perfectly into its eco-system with a body of water around the facility and green spaces to promote biodiversity. The project will also lead to additional job opportunities for the local community, with around 500 people working in the facility.

Energy efficiency upgrades are also underway at our distribution site in Vémars. Built in 2013 to meet HQE standards, the renovations and on-going site expansions, both with photovoltaic panels, will increase the building’s energy efficiency so that it complies with the high standards of BEPOS (Bâtiment à Energie Positive), the French certification for positive energy constructions, as well as LEED and BREEAM. We also have a BEPOS-certified building in Pau, France, for the House of ACT3, a manufacturer of fabrics, specialised in the production of the famous CHANEL Tweed. ACT3 is a subsidiary of Lesage. Photovoltaic panels were installed in 2018 and, today, these generate 40% of the electricity used onsite.

Our boutiques

CHANEL boutiques are a physical representation of our brand and it is therefore fitting that our approach to managing energy in our retail environments is exemplary. We are committed to building and renovating our boutiques to the highest environmental standards and to considering the impact of the furniture and fittings within them.

Whenever we build a new boutique, or renovate an existing one, we pursue LEED certification and seek to make our buildings highly energy efficient. The first of our boutiques received LEED certification in 2012 – one of the first for the luxury sector. Since then, over 65 boutiques have been certified, with over 40 more in progress. This represents 40% of the boutiques eligible for LEED certification, a proportion that we will grow over the coming years. We are also pursuing LEED certification for our new office spaces.

ACCELERATING CHANGE

To ensure that we are able to make the capital expenditure needed to drive down our energy use, we are introducing an internal carbon price of $60 per tonne of CO₂, which we are using to assess all major investments. We wanted to set an ambitious price which will increase over time. This effectively acts as an incentive to develop capital projects that will help to reduce our carbon footprint.

In 2016, we created a $45m transition budget to kick-start or accelerate sustainability projects over five years, including climate-related activities that can push us faster and further towards our sustainable business transition. Over the past four years, the fund has supported climate projects in areas including renewable energy, sustainable retail and sourcing collaborations.

CHANEL CURRENTLY HAS 65 BOUTIQUES WITH LEED CERTIFICATION:
14 GOLD
45 SILVER
6 CERTIFIED

“AS A LEADING LUXURY BRAND, CHANEL HAS A REAL OPPORTUNITY TO HELP REDEFINE THE ROLE OF LUXURY IN A LOW CARBON ECONOMY. IT ALL STARTS WITH RAPIDLY REDUCING CARBON EMISSIONS, ACROSS ALL SCOPES OF THE BUSINESS, IN LINE WITH WHAT SCIENCE SAYS IS NEEDED TO MEET THE PARIS AGREEMENT.”

NIGEL TOPPING, HIGH LEVEL CLIMATE ACTION CHAMPION, COP26
CUTTING EMISSIONS IN OUR VALUE CHAIN

The raw materials we use and the transportation of our finished products are the two largest contributors to our scope 3 emissions, together accounting for half our carbon footprint.

Setting high standards for our raw materials

We want to safeguard the planet’s natural resources whilst also protecting the livelihoods of the people working in our value chain. Most of our products are made from natural raw materials that are farmed or cultivated and we are working in collaboration with suppliers of these materials to transition to a more regenerative and low-carbon approach to agriculture.

All three areas of our business face the same challenge: whether we are procuring leather and textile fibres, stones and precious metals or ingredients for our fragrance and beauty products, we need to have a good knowledge of the approaches being used. For our core raw materials, we have a good understanding of our supply chain, all the way to the farmer’s field. For others, we are working to improve traceability to enable us to support these suppliers to evolve their approach to agriculture, breeding or extraction – and the processes that transform the materials for our use. This knowledge allows us to make decisions that can reduce the carbon footprint of our creations.

As an example, leather is one of the key raw materials in our fashion creations but it is known to have a high carbon footprint. We are looking at all aspects of the leather production process to see how efficiencies can be made, including sustainable breeding practices. As we exclusively use leather that is by-product of the food industry, we need to work with all actors in this industry to try to influence change. We are also investing in research and innovation for new materials.

NEW MATERIALS AND INNOVATION

Innovation for new materials.

As an example, leather is one of the key raw materials for our use. This knowledge allows us to make decisions – both economically and environmentally.

Lower Carbon Sugar Beet

The natural alcohol used in CHANEL fragrances is mainly derived from French sugar beet. Through our agroecological programme, we are actively involved in helping the sector in France to innovate new farming techniques that address the economic, ecological, climatic and social challenges it faces. This includes embracing organic approaches to farming and adapting industrial processes to build a sustainable and responsible sector. As part of this, we are supporting those farmers who are pioneers in agroecology and exploring opportunities to certify the carbon savings generated by their activities using the ‘Label Bas-Carbone’. This carbon certification framework generates additional financial revenue and was introduced by the French Ministry for Ecological Transition to reward agricultural practices that reduce greenhouse gas emissions at a local level.

INSETTING IN ACTION

An illustrative example of an insetting project is the work we are doing to support farmers of vetiver in Haiti, a key ingredient in our fragrances. Haiti is one of the least developed countries in the world and is frequently struck by tropical cyclones. Deforestation and soil erosion have left the country vulnerable to severe flooding and CHANEL’s Laboratory of Fragrance Creation and Development is working to support vetiver farmers to encourage ecosystem restoration and protect the wider community from the impacts of climate change. As well as improving the community’s resilience to natural disaster, this will also help to reduce poverty.

INSETTING: CREATING SHARED VALUE WITH SUPPLIERS

We believe that creating shared value with our suppliers is the most effective way to guarantee a more sustainable future. We are keen proponents of regenerative agriculture, which is an approach to farming that actively enriches soils and helps to protect biodiversity, while increasing the livelihoods of individual farmers. We support numerous projects that promote the preservation of local ecosystem health, helping both to reduce carbon emissions and to promote natural carbon capture and storage. This approach also contributes to increasing climate resilience, providing significant, measurable benefits to the communities that surround these farms.

We refer to these as insetting projects – in other words, carbon relevant projects that are within our own value chain. Championing these integrated socio-economic and environmental projects will help us achieve our climate ambitions.

Reducing the carbon footprint of our distribution network

Transporting our finished goods from our manufacturing and distribution sites to our boutiques is a major contributor to our scope 3 emissions, accounting for almost a quarter of our total footprint. We therefore require significant changes in how we approach our logistics in order to meet our carbon reduction target.

At its most simple, this involves working closely with our logistics partners to improve efficiencies through route optimisation and using lower emission vehicles. For instance, we only use electric vehicles for all deliveries in Paris and Nîmes and, in the UK, we are continuing to transition our delivery vans to electric over the next two years. It also means reducing the weight of our shipments (by, for instance, replacing heavy wooden pallets with lighter cardboard boxes) and packing our products more densely to reduce the volume, so that we can make better use of every vehicle journey.

INSETTING: A 1.5° TARGET MAKES AN INVALUABLE CONTRIBUTION TO CLIMATE LEADERSHIP. BY EMBRACING A 40% REDUCTION IN ITS VALUE CHAIN, WHICH REPRESENTS THE MAJORITY OF ITS OVERALL FOOTPRINT, CHANEL IS HELPING NOT ONLY TO SHIFT ITS OWN OPERATIONS, BUT ALSO THE WIDER ECOSYSTEM. CHANEL’S COMMITMENT TO SUPPORT REGENERATIVE AGRICULTURE WILL ALSO HAVE ECHO EFFECTS THAT HELP DELIVER QUALITY PRODUCTS, HEALTHY FOOD SYSTEMS, AND LIVELIHOODS FOR FARMERS. THE NEW STRATEGY DEMONSTRATES THE STEPS THAT ARE NEEDED ON THE PATH TO A NET ZERO ECONOMY THAT WORKS FOR ALL.

Aron Cramer, President & CEO, BSR (Business for Social Responsibility)
Our products
We continually deepen our understanding of the raw materials we use to create our products, so that we can make informed decisions about what we choose.

Our Fragrance and Beauty business, for example, has developed a proprietary environmental impact methodology to assess each ingredient in our formulations. It includes climate criteria in the scoring, which tells us about the footprint of each ingredient. We make similar assessments of the overall formulations.

Our packaging
Packaging represents 5% of our carbon footprint. We are exploring how eco-design and innovation can be used to reduce both the weight and the size of packaging, thus also alleviating the emissions associated with transport. We are inspired by the ways in which circular economy principles can help us on our decarbonisation journey by integrating more recycled content and eliminating waste. We also continue to explore re-usable packaging solutions for our Fragrance and Beauty products. Some of our foundation ranges have been sold as refillable products for many years. In 2019, we set up perfume fountains in some of our standalone boutiques where empty perfume bottles can be refilled. This is available for some of our most popular perfumes, including CHANEL No.5. We will monitor the environmental impact of this initiative as well as consumer engagement.

Lightweight packaging
In 2017, we launched the GABRIELLE CHANEL fragrance in a glass bottle which has a 40% lower carbon footprint during its life cycle than a typical 50ml perfume bottle. This has been achieved by challenging the idea that luxury fragrances require heavy, thick glass bottles; instead our long-standing glass bottle manufacturer created a thin-walled bottle with bevelled lines made from fine glass which has a significantly lighter carbon footprint.

We already use reusable packaging for some of our foundation products.

Marketing, media and events
We are exploring ways to close the loop on our sales and promotional materials by using recycled materials, and recycling them or finding alternative uses for them once they have served their purpose. Our Fragrance and Beauty business has developed Sales and Promotional Materials guidelines for suppliers and partners outlining this approach.

We have launched a best practice guide to facilitate the organisation of responsible events across the three areas of our business. We are engaging in strategic partnerships to reduce the carbon footprint of our events by optimising transportation flows and rethinking how set designs are created, used and reused. Wherever possible, at the end of our shows or events we recover, recycle, re-use and/or repurpose the materials used.

Employee travel
As an international business with many different sites and employees in countries across the world, business travel comprises around 7% of our carbon footprint at present. To help reduce the need to visit other sites and to encourage employees to reduce travel, every desk-based employee has been equipped with high-quality video and teleconferencing tools over the last year, and our global offices have state-of-the-art video conferencing suites. We are also investing in lower emission vehicles for local travel. In 2018, we launched a Car and Mobility Policy. Our French operations are converting the existing car fleet to 100% hybrid or electric vehicles over three years and similar initiatives are being implemented in other regions.

We assess the environmental footprint of each ingredient in our fragrance and beauty formulations.

-40%

The carbon footprint of a GABRIELLE CHANEL perfume bottle is 40% lower than a typical 50ml perfume bottle.
TRANSITIONING TO 100% RENEWABLE ELECTRICITY

We are part of RE100, a collaborative, global initiative uniting more than 200 influential businesses that are committed to using 100% renewable electricity. Together, we are working to increase demand for – and delivery of – renewable energy.

In 2019, 41% of the electricity we used to power our owned and operated facilities across the globe* was from renewable sources. In 2020, we are joining RE100 with an interim target of using 97% renewable electricity by 2021, and aim to achieve 100% by 2025. In a few countries, market conditions make the transition to renewable energy more challenging and we will work with others, and as a member of RE100, to help accelerate the transition to clean energy.

At CHANEL, we have a three-step renewable energy strategy:

1. Maximise our capacity for on-site green power generation by installing renewable energy sources, particularly solar voltaic panels, in all of our new manufacturing and distribution sites, and retrofitting renewable technologies into our existing estates, wherever possible.

2. Choose to purchase green tariffs when we make a direct purchase of electricity, whenever readily available on the market. In France, for instance, 100% of the electricity we procure is via a green tariff.

3. Gradually phase out green tariffs in favour of providing direct financial support (such as Power Purchasing Agreements – PPAs) for new renewable-energy projects at a community level in key regions. This will add new, low-carbon and renewable energy resources and supporting infrastructure to the energy grid, as well as providing access to clean and affordable energy for individuals and families who might otherwise not be able to afford access.

Our commitment to supporting community energy generation is contributing to UN SDG 7 on affordable and clean energy: “Ensure access to affordable, reliable, sustainable and modern energy for all.”

At our distribution site in Piscataway, New Jersey, we have installed solar panels on the rooftop and parking canopies at our distribution site in Piscataway, New Jersey, which are able to generate over 3 million kWh/yr – equivalent to the site’s total annual energy use.

*Corresponding to 437 sites in 38 countries, excluding department stores and airport duty-free shops. About 12% of consumption volumes were estimated.

MANAGING MANUFACTURING AND DISTRIBUTION CENTRES

Our manufacturing and distribution sites tend to be large premises, which make them ideal locations for installing renewable technologies. In our new distribution centre in Shanghai and our manufacturing site in Châtelain, Switzerland, renewable technologies generate, on average, 15% of each site’s electricity requirements. Recently installed solar panels in Vittuone, Italy, are expected to cover 20% of the site’s electricity use, and those at our UK distribution centre meet around 30% of the site’s needs. In the US, we have installed solar panels on the rooftops and parking canopies at our distribution site in Piscataway, New Jersey, which are able to generate over 3 million kWh/yr – equivalent to the site’s total annual energy use.

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ENABLING ACCESS TO CLEAN ENERGY

We have partnered with Sunrun in California to expand access to clean energy to nearly 30,000 low-income residents across California, offering families significant monthly savings on their energy bills. Under the Solar on Multifamily Affordable Housing (SOMAH) incentive scheme and the federal solar investment tax credit, individual low-income tenants will receive solar energy completely free for the next 20 years.

“CHANEL IS TAKING AN AMBITIOUS AND IMPACTFUL APPROACH TO SOURCING 100% RENEWABLE ELECTRICITY GLOBALLY, INCLUDING THROUGH PROJECTS THAT BENEFIT LOCAL COMMUNITIES. WE COMMEND THEIR LEADERSHIP ON CLEAN ENERGY AND URGE OTHERS IN THE LUXURY SECTOR TO FOLLOW SUIT.”

MIKE PEIRCE, CORPORATE PARTNERSHIPS DIRECTOR, THE CLIMATE GROUP
OUR GOALS

- **Balance**: Invest in nature-based solutions to remove and avoid emissions at least equal to our full footprint.
- **Adapt**: Finance projects that enable communities and landscapes to adapt to climate change.

Our commitment to accelerate the transition to a lower carbon world has three focus areas:

Firstly, as of 2019, we are balancing the carbon footprint of our entire value chain by supporting nature-based projects that reduce and avoid carbon emissions.

Secondly, our belief in a fair transition means we are investing in programmes that support communities to adapt to climate change, helping them to thrive and protecting their livelihoods. Over time, it is our ambition to integrate these climate adaptation programmes into our value chain.

Finally, we acknowledge that the transition we are working towards will not come through “business as usual” efficiencies so we are supporting scientific and academic research to identify new solutions, as well as investing in technology to accelerate innovation breakthroughs.

It is not enough to decarbonise our business – we consider it our responsibility to help accelerate a global transition to a low-carbon future. We support a wide range of projects and initiatives that preserve and restore the environment and increase the resilience of communities and landscapes to climate change.

COMMITMENT TWO

ACCELERATE

It is not enough to decarbonise our business – we consider it our responsibility to help accelerate a global transition to a low-carbon future. We support a wide range of projects and initiatives that preserve and restore the environment and increase the resilience of communities and landscapes to climate change.

“RAISING BUSINESS AMBITION ON CLIMATE ACTION HAS NEVER BEEN MORE URGENT. THE WORLD MUST ACCELERATE THE SPEED OF THE TRANSITION TO NET ZERO EMISSIONS. CHANEL SHOWS THROUGH ITS MISSION 1.5° COMMITMENT THAT COMPANIES CAN REDUCE THEIR EMISSIONS AS MUCH AS POSSIBLE AND USE NATURE-BASED SOLUTIONS TO BALANCE THEIR REMAINING EMISSIONS AND ACHIEVE NET ZERO EMISSIONS. CHANEL’S LEADERSHIP GOES BEYOND THE BOUNDARIES OF WHAT THEY CONTROL, AND THEY INVEST IN NATURE-BASED SOLUTIONS BRINGING ADDITIONAL BENEFITS TO VULNERABLE COMMUNITIES.”

MARÍA MENDILUCE, MANAGING DIRECTOR CLIMATE AND ENERGY, WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

FAIR TRANSITION

WE CHOOSE TO SUPPORT PROGRAMMES THAT HELP COMMUNITIES TO ADAPT TO CLIMATE CHANGE, HELPING THEM THRIVE AND PROTECTING LIVELIHOODS.

NATURAL CARBON SINKS

WE ARE INVESTING MORE THAN $55M IN NATURE-BASED SOLUTIONS TO CLIMATE CHANGE. THIS INCLUDES HELPING TO PROTECT AND RESTORE 9,000KM² OF LAND.
We choose certified projects that enlist the local population to protect natural carbon sinks such as forests, mangroves and peatlands. In regions where the landscape has been degraded by human activity, we support projects which aim to restore the natural world through reforestation.

We only support projects that are certified to the highest carbon, biodiversity and community standards (such as the Verified Carbon Standard [VCS] and the Climate, Community and Biodiversity Alliance [CCBA]) and that are delivered by respected project developers and operators. In addition to absorbing carbon, we expect conservation projects to protect and restore biodiversity, improve the living standards of local communities, and contribute to delivering on several Sustainable Development Goals (SDGs). To ensure that we have selected appropriate projects and that they are being delivered as agreed, we conduct our own annual on-site assessments and have worked with our partners to develop rigorous impact monitoring schemes. We also engage with our partners on a five-yearly basis, to ensure they have the long-term financial strength and stability necessary to develop the projects appropriately.

Our planet’s precious forests and marine ecosystems have billions of tonnes of carbon locked up in them. As they grow and flourish, more carbon is absorbed, but if they are destroyed, carbon is released. Protecting and restoring the natural world is therefore one of the most important contributions that we can make to reducing greenhouse gases in our planet’s atmosphere.

Between 2019 and 2024, we are investing more than $55m in a collection of carefully selected projects that protect and preserve the natural world. Our investments will enable the protection and reforestation of 9,000km² of land. These projects more than compensate for the carbon emissions of our operations and value chain, meeting our goal to be carbon neutral from 2019 onwards.

At CHANEL, we are strong advocates of the benefits of natural carbon sinks and have been working with experts in the field to better understand how we can support the natural world to address man-made climate change.

CHANEL plans to make a significant investment in the new Livelihoods Carbon Fund (LCF3) that will be created in 2020 with the purpose to source high-quality certified carbon offsets by investing in community-based solutions for the restoration of natural ecosystems, agroforestry and regenerative agriculture. With a first Carbon Fund launched in 2011, the Livelihoods’ investment funds are supported by private companies committed to generate impact while offsetting their carbon footprint or transforming their supply chains. All Livelihoods Fund investments aim at creating social and environmental value for the communities they partner with.

**GOAL**

**Invest in nature-based solutions to remove and avoid emissions at least equal to our full footprint**

**BALANCE**

We support a growing portfolio of projects. To balance our 2018 scope 1-3 carbon emissions, we chose to support certified projects that protect natural carbon sinks, restore degraded land and help local communities to thrive.

**LIVELIHOODS CARBON FUND**

CHANEL plans to make a significant investment in the new Livelihoods Carbon Fund (LCF3) that will be created in 2020 with the purpose to source high-quality certified carbon offsets by investing in community-based solutions for the restoration of natural ecosystems, agroforestry and regenerative agriculture. With a first Carbon Fund launched in 2011, the Livelihoods’ investment funds are supported by private companies committed to generate impact while offsetting their carbon footprint or transforming their supply chains. All Livelihoods Fund investments aim at creating social and environmental value for the communities they partner with.

**SUMATRA MERANG, INDONESIA**

Restoring 22,000 hectares of degraded peatland forest, protecting an area more than 3.5 times the size of Manhattan. The project reduces the emissions of CO₂ by 400,000 tonnes every year and is developed by PT Global Alam Lestari and Forest Carbon. CHANEL supports the project through a partnership with Ecosphere+. This project targets the Merang biodiversity corridor and it is also working with local communities from nearby villages to improve livelihoods and reduce pressures on the forest. This is a Verified Carbon Standard & Conservation (WRC) project certified under the VCS and CCBA.

**AITY LIMYE, HAITI**

Providing low-income households (including vetiver producers) with improved clean cooking devices and planting vetiver grass. The project is developed by Palmis Energie and Entrepreneurs du Monde in partnership with EcoAct. It protects 335,000 hectares of forest and has avoided the deforestation of more than 12,000 hectares; the project has created 45,000 tonnes of CO₂ every year. This project is a VCS + VCI certified project.

**NEEMA, KENYA**

Conserving and restoring 300,000 hectares of primary rainforest and improving the local population. The project is developed by Wildlife Works and established the emissions of 100,000 tonnes of CO₂ per year. The area has been recognized as a biosphere reserve by UNESCO and includes unique natural and cultural heritage. Project activities aim to reduce deforestation, preserve the area’s natural resources, create social value and empower local communities through bottom-up governance. This project is a REDD+ VCS, CCBA certified project.

**YEDENI, ETHIOPIA**

Implementing a participatory forest management framework that helps local populations to create deforestation. The project is developed by Farm Africa in partnership with EcoAct. The project protects 335,000 hectares of forest and has avoided the deforestation of more than 12,000 hectares; the project has created 2,000,000 tonnes of CO₂ per year. This project is a REDD+ VCS, CCBA certified project.

**AYITI LINYE, HAITI**

Providing low-income households with improved clean cooking devices and planting vetiver grass. The project is developed by Palmis Energie and Entrepreneurs du Monde in partnership with EcoAct. It protects 335,000 hectares of forest and has avoided the deforestation of more than 12,000 hectares; the project has created 45,000 tonnes of CO₂ every year. This project is a VCS + VCI certified project.

**GRAN PAJATEN BIOSPHERE RESERVE, PERU**

Conserving and restoring 300,000 hectares of primary rainforest and improving the local population. The project is developed by Wildlife Works and established the emissions of 100,000 tonnes of CO₂ per year. The area has been recognized as a biosphere reserve by UNESCO and includes unique natural and cultural heritage. Project activities aim to reduce deforestation, preserve the area’s natural resources, create social value and empower local communities through bottom-up governance. This project is a REDD+ VCS, CCBA certified project.

**GOAL**

**Invest in nature-based solutions to remove and avoid emissions at least equal to our full footprint**
Adaptation and resilience funds

CHANEL is committed to invest $25m over the next five years in projects aimed at protecting local communities from the impacts of climate change and within and outside our supply chain. We plan to invest with a focus on building resilience in low income countries in Asia, Africa and Latin America, particularly those from which we source.

In particular, CHANEL is supporting the new purpose-built Landscape Resilience Fund, announced at COP25 in Madrid. The fund is managed by South Pole, a leading provider of global sustainability financing solutions and services and will invest in projects and landscapes being developed together with blue chip environmental NGOs. The Landscape Resilience Fund is a winner of the Global Environment Facility (GEF) Challenge Program for Adaptation Innovation (South Pole with World Wildlife Fund Inc.) and also supported by the European Commission.

Our focus will be in local projects or businesses that reduce the exposure to climate hazards and diversify the income of local communities in climate-affected landscapes. The projects will aim to reduce the vulnerability of smallholder farmers and local populations by improving their knowledge about climate-resilient farming and ecosystem management practices. This enables the production of climate-adapted agricultural goods and the preservation of ecosystems, such as mangroves and forests, that are vital for protecting local communities against the worst impact of climate change such as floods or heat waves. This promotion of climate-resilient agriculture and ecosystems will also have co-benefits for climate change mitigation and biodiversity.

We hope that our engagement in climate adaption will encourage other corporations, notably those that want to build climate resilience in their supply chain, to support the most vulnerable to adapt to the impacts of climate change through this Fund or other adaptation initiatives.

“AS A MEMBER OF THE GLOBAL COMMISSION ON ADAPTATION, STRENGTHENING CLIMATE RESILIENCE IN DEVELOPING COUNTRIES IS AN ISSUE CLOSE TO MY HEART, ONE WHICH IS IN GREAT NEED FOR INNOVATION AND SCALING UP. I VERY MUCH LOOK FORWARD TO SEEING THE RESULTS OF THESE NEW GEF-SUPPORTED PROJECTS, WHICH WILL PAVE THE WAY TO INCREASE PRIVATE INVESTMENT FOR CLIMATE RESILIENCE IN MULTIPLE MARKETS.”

NAOKI ISHI, CEO AND CHAIRPERSON, GLOBAL ENVIRONMENT FACILITY

We plan to invest with a focus on building resilience in low income countries in Asia, Africa and Latin America, particularly those from which we source.
NEW THINKING

We support new thinking to enable and accelerate the changes required to meet our climate commitments.

We seek to engage on projects with the potential to solve some of the issues that we, collectively, must overcome in order to succeed in keeping global mean temperature increases to below 1.5 degrees Celsius.

Support research and the advancement of new technologies

We are working closely with a number of experts and suppliers to find ways to reduce the environmental impacts associated with our raw materials and are investing in new technology and innovative companies that we believe will help to overcome these challenges.

Supporting start-ups

We are constantly on the lookout for companies which are pioneering new ideas and technologies with the potential to accelerate the journey to a low-carbon economy.

We are supporters of the Amsterdam-based start-up Fashion For Good, launched in 2017. It connects brands, producers, retailers, suppliers, non-profit organisations, innovators and funders to work together to make the fashion industry more restorative and regenerative by design. Its Five Goods framework includes Good Energy, which promotes greater use of clean and renewable energy.

Conserving coastal ecosystems

Coastal ecosystems, mangroves, salt marshes and macroalgae are known as ‘blue carbon.’ Between them, they absorb around a third of the carbon dioxide produced by humans, buffering the impacts of global warming. Not only are these ecosystems precious carbon sinks but more than three billion people directly depend on marine and coastal biodiversity for their livelihoods. As the oceans absorb carbon emissions, their temperature increases and they acidify, with serious implications for these coastal ecosystems. It is therefore critically important that they are conserved.

RETHINKING PACKAGING MATERIALS

We have signed a partnership agreement with a Finnish start-up, SULAPAC, which has developed a highly innovative material that is both bio-sourced and biodegradable. Made from FSC certified woodchips from industrial waste streams and plant-based materials, it offers an alternative to controversial fossil-fuel based plastics. This patented material has already won a number of international awards, including the 2017 Luxe Award for Best Eco-friendly Material.

NEW THINKING

Pressure on marine stocks is a global issue, compounded by the effects of climate change. We use both pearl and coral in jewellery and new research is needed to safeguard both of these precious resources by improving understanding of how they develop and grow and how they are impacted by climate change.

In 2019, we signed a scientific partnership agreement with the Institut Français de Recherche pour l’Exploitation de la Mer (Ifremer), to better understand the effects of a changing climate on pearl cultivation. The five-year project will explore how the impacts of climate change, such as warming water temperatures and acidification, affect the oyster population and the growth and cultivation of pearls.

We also have a scientific partnership with the Centre Scientifique de Monaco to better understand the biological mechanisms underlying the formation of the skeleton of precious red coral found in the Mediterranean and to investigate the impact of climate change on its growth.

Our partnership with ENS includes research conducted in maritime environments, specifically in relation to mangroves.

PRESSING PRECIOUS AQUACULTURE

OCEANS AS CARBON SINKS
We are funding a research chair at the Ecole Normale Supérieure (ENS) over the next five years to better understand the links between the carbon cycle and climate change. It has three objectives:

Predict: Analyse the impact of water flow on carbon uptake in the ocean. Mitigate: Understand the ability of ‘blue carbon’ ecosystems to store human-made carbon and whether it could be replicated on land. Adapt: Explore ways to reverse the acidification of the oceans and reduce the impact on ocean ecosystems.

The partnership with ENS includes research conducted in Madagascar into natural carbon capture and storage systems in maritime environments, specifically in relation to mangroves.

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“We are at a crisis point and research into solutions to climate change has never been more urgent. Chanel’s support means we can secure the resources to conduct leading research on the role of the ocean to limit on-going climate change. We have been able to go into the field and conduct new research in places like Madagascar, to explore marine ecosystems and their potential to act as a natural carbon sink.”

Laurent Bory, Head of Geosciences Department, Ecole Normale Supérieure
CHANEL is a private company with a belief that human partnerships are the most powerful way to achieve our goals. This independent yet collaborative spirit inspires the guiding lights for our approach to sustainability.

The role that the business community must play in mitigating climate change is clear: every corporation should strive to minimize its carbon footprint as much as possible, to compensate for any unavoidable emissions and accelerate the journey to a low-carbon economy.

The commitments set out in our CHANEL Mission 1.5° strategy, while stretching and important, are to be expected of a leading global brand like CHANEL. The guiding lights describe how we will approach these goals.

Our fragrances are developed through our close association with flower growers from Grasse in the South of France. We place great importance on historical relationships and have been sourcing some of our most important ingredients from the same family, the Famille Mul, since 1987. Starting with jasmine, the family now supply five of our most important ingredients: jasmine, tuberose, iris, rose and geranium. We have been working closely together for more than four generations to ensure the flowers are being cultivated responsibly and sustainably.

Unlike many large companies, CHANEL is privately owned, meaning we can operate without short-term constraints. This allows us to make long-term investments that improve our environmental footprint. We are free to make decisions to invest throughout our value chain in order to improve the sustainability of our business. We will continue to work with our suppliers over generations to help them cut emissions, manage their resources efficiently and adapt to the impacts of climate change. And we can do this in a way that benefits the whole community.

JOSEPH MUL, FARMER

“CHANEL’S LONG-TERM VISION HAS ENABLED US, OVER SEVERAL DECADES, TO INCREASE THE VARIETY OF FLOWERS THAT WE PRODUCE FOR THE COMPANY AND TO GROW AS A LOCAL EMPLOYER. TODAY, WE EMPLOY 48 FULL TIME STAFF. THIS LONG-TERM COMMITMENT MEANS WE CAN MAKE DECISIONS THAT ARE RIGHT FOR THE SUSTAINABILITY OF THE SUPPLY CHAIN AND FOR THE CLIMATE.”
We believe that women’s empowerment and gender equality are not only a question of equal rights, but are also a key condition to global progress. CHANEL is a signatory to the UN Women Empowerment Principles (WEPs) and, since 2011, our corporate foundation supports the empowerment of women as actors of change in the world. Today, more than 140 projects have been supported. In 2018, Fondation CHANEL and UN Women started a partnership to accelerate women’s economic empowerment and counter climate change through a multi-year program in Asia. It aims at engaging 42,000 women in initiatives to strengthen resilience to climate change, using environmentally sustainable methods and training on new technologies. In 2019, ‘Gender, Climate and Environment’ became one of the key thematic areas of work for the Fondation CHANEL.

One of the harsh realities of climate change is that it hits disadvantaged communities the hardest. We aim to deliver initiatives that can have both an environmental and social impact, to ensure that our climate strategy is as inclusive as possible.

To change the impact that our industry has on the environment, we must work with others, both inside and outside our business, to create a culture of urgency, action and impact. Together, we must reinvent the way we work and embrace new and imaginative solutions.

Our suppliers are a key partner on our mission. We will not be able to achieve our ambitions without their support and commitment. This means going beyond policies on paper and working together to decarbonise our value chain and advance sustainable sourcing practices to the highest standards.

Suppliers often have different definitions and approaches to sustainability data capture and reporting. To address this, our Fragrance and Beauty business worked with ten strategic suppliers to co-design a reporting framework for a series of key environmental and health and safety performance indicators, including carbon emissions and energy use. Together the group agreed on common definitions for metrics and methodological recommendations that meet CHANEL’s expectations regarding the robust and consistent collection and calculation of sustainability data. The reporting framework was tested by suppliers and adapted by the group before being put into wider practice.

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Our employees are increasingly engaged on sustainability issues such as climate change and they are key partners on this mission. We seek to meet their appetite for information, knowledge and support through engagement activities across the business. For example, we discuss our climate strategy with colleagues from across the world through Imagine CHANEL, our employee engagement and induction programme. This programme was set up in 2012 and more than 15,000 CHANEL employees – both new joiners and existing employees – have since participated.

RENEWABLE ENERGY FOR LOW-INCOME FAMILIES

In the US, we are partnering with Sunrun, a leading residential solar energy provider, in bringing solar energy to nearly 30,000 residents in low-income, multi-family accommodation in California for the next 20 years. The investment is expected to finance over 27 megawatts of solar installations in communities which are most impacted by pollution, lack access to clean energy, and where 80% of tenants fall below 60% of the area median income. Under California’s Solar on Multifamily Affordable Housing (SOMAH) incentive programme, the partnership will expand access to clean energy to low-income residents for free, providing critical relief to their energy bills. The partnership with Sunrun will also provide access to training and job opportunities to the local community as solar installation engineers.

CHANEL’S INVESTMENT WILL HELP DISADVANTAGED COMMUNITIES GAIN ACCESS TO CLEAN, RELIABLE SOLAR ENERGY. THIS INNOVATIVE APPROACH TO CORPORATE SOCIAL RESPONSIBILITY WILL MAKE AN IMPACT TODAY AND HOPEFULLY BECOME A MODEL FOR OTHER COMPANIES TO INVEST IN OUR PLANET’S FUTURE.

LYNN JURICH, CO-FOUNDER AND CHIEF EXECUTIVE OFFICER, SUNRUN

ENGAGING OUR EMPLOYEES

Our employees will be the driving force of our transformation and we need to equip them with the knowledge, inspiration and freedom to lead the change. This means reaching staff in every region where we operate, from our corporate offices to our boutiques, and our design studios to our distribution centres.

Galvanising employees

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Our carbon footprint
We worked with external consultants to conduct a corporate-wide carbon footprint. We applied the GHG Protocol Corporate Standard and used the financial control approach to account for the most ambitious scope of responsibility possible.

This exercise highlighted where the hot spots are in our business and we are now working to further improve our data collection systems to ensure we are using evermore reliable data. Inevitably, our data is most accurate for our owned operations and we now wish to improve the reliability of the data we are using to calculate our scope 3 carbon footprint.

Developing Science Based Targets
We have set science-based carbon emission targets to help keep a rise in global temperature to below 1.5 degrees Celsius. These targets will help us manage our progress up until 2030, and we will report on our achievements on an annual basis.

The journey to create these targets has involved people at every level and region of our business, and brings together the different programmes and activities we have engaged in over the last few years. The result is an ambitious climate strategy which spans all three business areas of CHANEL, as well as our value chain.

In November 2019, our targets were independently assessed and approved by the Science Based Targets initiative which champions science-based target setting as a powerful way of boosting companies’ competitive advantage in the transition to the low-carbon economy. It is a collaboration between CDP, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC).

Advancing data collection
We are advancing the ways in which we can measure the impact of our corporate sustainability initiatives. We are developing extra-financial reporting tools to allow us to collect sustainability data at a site level (manufacturing, boutique, office or warehouse) for both internal management and external reporting purposes.

The data we collect will help to inform internal decision making, ensuring we monitor risks and opportunities across our value chain. It will also provide greater transparency in our engagement with stakeholders as we share with them the positive impact we can create.

Sharing progress
We recognise the expectations of our internal and external stakeholders to be updated on the progress we are making against the targets set out in our climate strategy. We will define our approach and share updates on a regular basis. We will also continue to share perspectives on our wider sustainability commitments.

It is our intention that the research projects we support should benefit wider society. We expect that key outcomes and results should be shared with peers and partners so that we can collectively accelerate responses to climate change and leverage innovations.

HOW DOES CHANEL MEASURE ITS IMPACTS?

We recognise the need to continue to measure, manage and report our sustainability performance.

WE WE USE THREE TYPES OF DATA:

<table>
<thead>
<tr>
<th>SPECIFIC DATA</th>
<th>FINANCIAL DATA</th>
<th>GENERIC DATA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased goods, transport, waste</td>
<td>Capital goods, services, media</td>
<td>Use of raw materials, products and of life, maintenance</td>
</tr>
<tr>
<td>When specific data was not collected, baseline data</td>
<td>When specific data was not collected, baseline data</td>
<td>When specific data was not collected, baseline data</td>
</tr>
</tbody>
</table>

“Strengthen the means of implementation and revitalise the global partnership for sustainable development.”

Collaborating with the fashion industry
Sustainability is not a competitive issue. We believe in the power of collaboration and support a number of cross sector or multi-sector partnerships that aim to deliver change. As examples, we joined the Fashion Pact and have already made significant commitments on a number of its focus topics. We are aligned with the Pact’s objectives and support the development of best practices that bear in mind the specific characteristics of each group. We have also joined the Fashion Industry Charter for Climate Action which is an agreement to collectively address the climate impact of the fashion sector across its entire value chain.

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WE ARE MEMBERS OR SUPPORTERS OF THE FOLLOWING COALITIONS AND INITIATIVES:
**HOW DOES CHANEL MANAGE ACCOUNTABILITY?**

We believe governance and transparency are essential to demonstrating accountability and driving our desired results.

Our climate change strategy is part of our wider corporate sustainability programme, in which every employee has a part to play. While sustainability is at the core of the mission of every employee, there are dedicated experts at the global corporate, regional and business levels who support and coordinate the journey of transition for our business. These teams design and deliver programmes and ensure that everybody in our business has the tools to make responsible and sustainable decisions for the company every day.

Given the size and complexity of our sustainability agenda, it requires monitoring at the global corporate, regional and business level through:
- A CSR Committee of the Corporate Board
- A CSR Steering Committee at business and regional level
- A Corporate Sustainability team at corporate level
- A CSR team at business and regional level

**SEEKING FEEDBACK**

We have sought feedback on our climate strategy from both internal stakeholders and external experts. We held roundtable discussions and meetings, at both a global and regional level, in order to ensure that CHANEL Mission 1.5° is both realistic and as ambitious as possible.

“CHANEL’S STRATEGY DEMONSTRATES A BOLD AMBITION TO RESPOND URGENTLY TO THE CLIMATE EMERGENCY. CHANEL IS MAKING HUGE LEAPS INTERNALLY BUT IS ALSO DETERMINED TO LEAD THE MARKET AND SHARE ITS WORK OPENLY - THIS IS AN IMPRESSIVE CULTURAL LEAP FOR SUCH A DISCREET AND PRIVATE COMPANY. AS CHAIR OF THE CSR COMMITTEE, I SEE THE INCREDIBLE DETAIL OF THE PLAN AND WHAT A DIFFERENCE IT IS MAKING TO THE BUSINESS.”

_MARTHA LANE FOX,
CHAIR OF THE CSR COMMITTEE OF THE BOARD_