

CHANEL LIMITED

GENDER PAY GAP REPORT 2019/2020

Introduction

At Chanel, we strongly believe that the diversity of our talent across the full spectrum of human differences is essential to provide us with different perspectives and diversity of thought, which is needed for effective decision-making, to help us remain relevant and current in a constantly changing world.

As a luxury company created by a woman and dedicated to the empowerment of women, we are proud to support women in fulfilling their careers and providing them with financial independence. We design products for women and, through our workforce, our supply chain and our Foundation, support their employment in all the different markets in which we operate. Because of the nature of our business and the products we sell, we naturally tend to attract more women than men to work for us.

We have a globally harmonized Diversity & Inclusion (D&I) framework, encompassing three key pillars: Increasing Diversity; Fostering Inclusion; and Creating Accountability/ Demonstrating Commitment. As part of this D&I agenda, we are committed to addressing and reducing the Gender Pay Gap, and to ensuring there is balanced representation of women and men at the senior levels of the company, both globally and locally.

Of note, CHANEL is increasing female representation at the highest levels of the company. In 2020, CHANEL appointed a woman as Global Head of Arts & Culture and in 2021 has appointed a woman as the Chief Sustainability Officer and President of Fondation CHANEL at global level. Both leaders are based in London and members of the company's global Executive Team. Highlighted further below in this report are other initiatives and actions we undertaken to further demonstrate our commitment to ensuring balanced gender representation and to addressing the Gender Pay Gap.

Chanel Limited

As we reported last year, we have undergone a structural change at Chanel Limited, due to a multi-year, staged relocation of our Global Corporate functions from New York and Paris to London.

Consequently, Chanel Limited now comprises two very different populations within one single legal entity.

1. The UK operational activities
2. The Global Corporate headquarter activities, exercised by a population which comprises our most senior executives whose roles have Global reach. In order to reflect the breadth, complexity and specialist nature of their roles, this cohort is structurally more condensed and highly paid than the historical population within the company

Therefore, our current data is comparable to 2019 but not directly comparable versus the previous years.

What is the Chanel Limited Gender Pay Gap?

The Gender Pay Gap Reporting looks at the average difference between men’s and women’s pay across all roles in a company. This should not be confused with equal pay for equal work, which considers the difference in pay between men and women who undertake the same or similar roles.

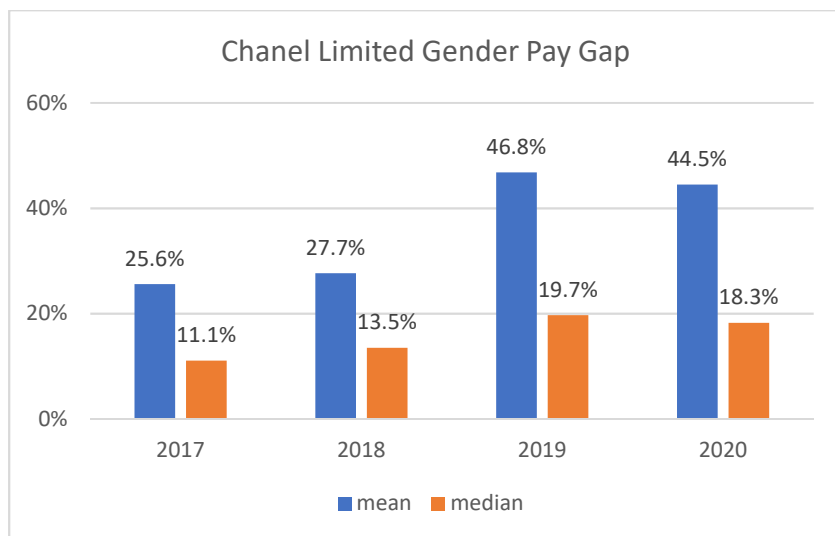


Chart 1: GPG 2017 to 2020

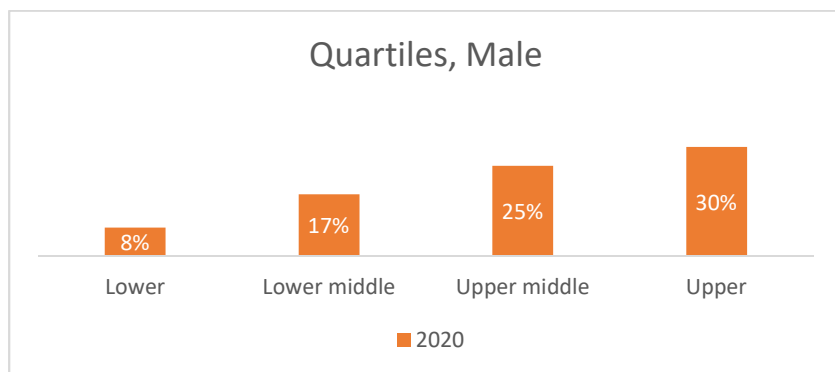


Chart 2: Quartiles, Male employee representation, 2020

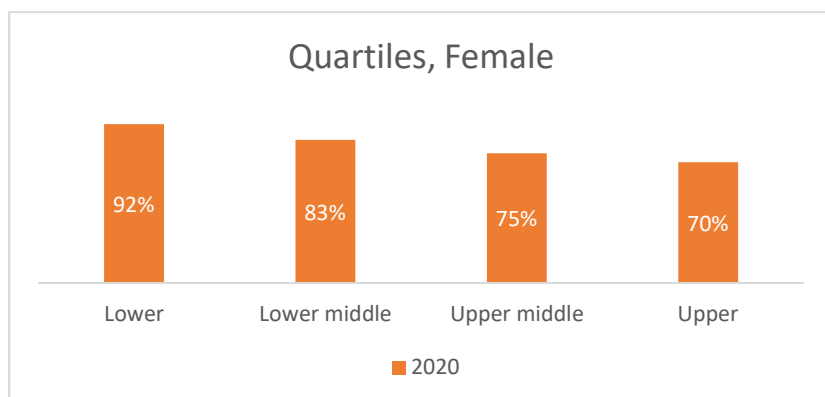


Chart 3: Quartiles, Female employee representation, 2020

The main reasons for our pay gap are that we have more women than men in junior roles or retail positions because of the nature of our business and the products we sell, whereas we still have more men in more senior roles.

We observe however a small reduction in our pay gap figures this year, as a result of more female talent relocating or starting in leadership positions in our Global Corporate functions.

As we stated in our last report, given the quartile composition by gender at the lower and middle employment ranges and the gender dynamic of the retail industry in general, the current imbalance is unlikely to materially change in the foreseeable future (notwithstanding all the initiatives we are driving to achieve our goal of creating an inclusive environment and providing equal opportunities for all such as those listed further below).

Indeed, there was no material change in our quartile composition for 2020 bar a small increase of the percentage of men in the lower middle quartile.

What is the Chanel Limited Gender Bonus Gap?

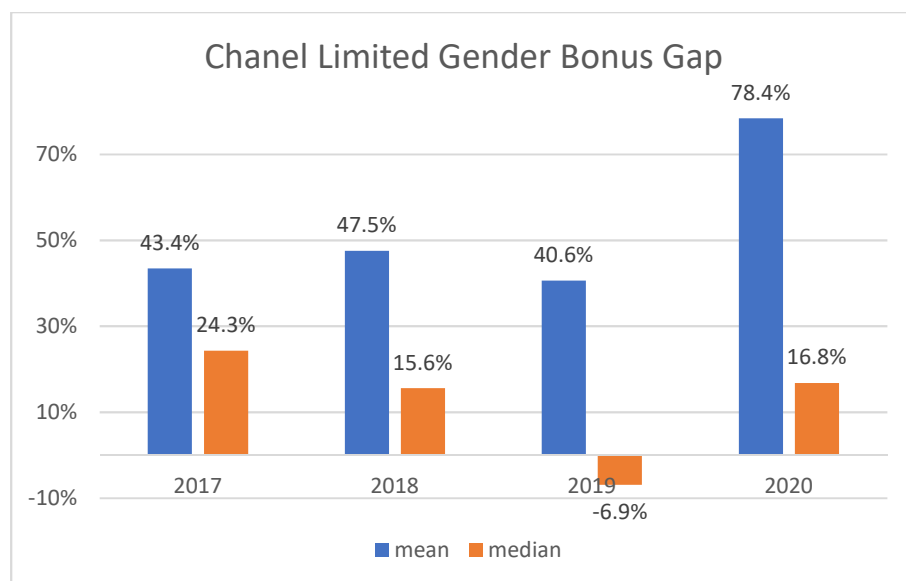


Chart 4: GBG 2017-2020

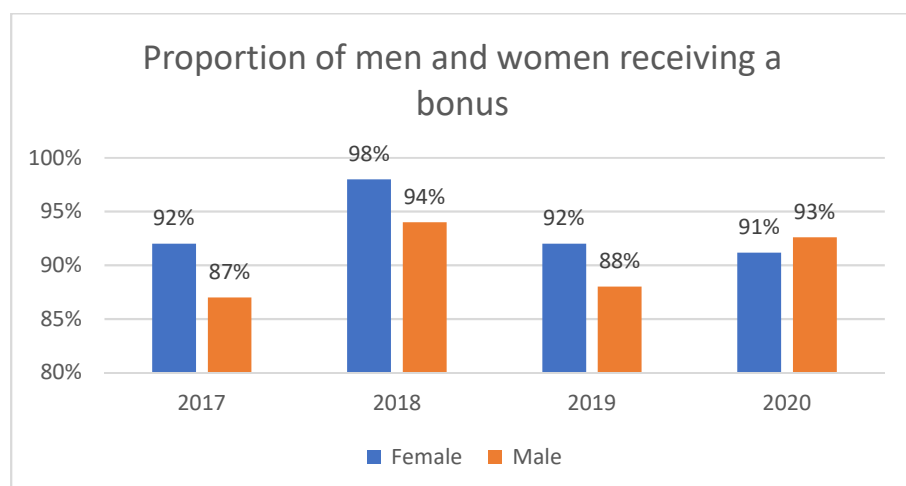


Chart 5: Proportion of men and women receiving a bonus, 2017-2020

Our Gender Bonus Gap increased against the previous years. The reason behind the increase is related to executive compensation schemes for senior members of the team across Chanel Limited that matured during the reporting year. Depending on when these schemes mature, we may expect further fluctuations that may increase or decrease the gap in the future.

Commitment to Diversity and Inclusion

As stated at the outset, we are deeply committed to Diversity & Inclusion by ensuring a leadership engagement; embedding D&I lens in our HR processes and ensuring we are actively listening to employees and acting on their feedback.

- Annual talent reviews which focus on our pipeline development to leadership which ensure we are supporting women in the progression to senior leadership roles. As stated above, our intentional focus is resulting in the increase of women in our leadership levels, including on our global executive team.
- Comprehensive annual pay equity reviews which ensure fairness and equity in the pay of women and men.
- During 2020, we focused on listening and understanding the lived experiences of our employees and establishing a governance structure for driving sustainable change.
- Initiatives included:
 - An Inclusion Diagnostic Survey to measure our employees' perceptions of the behaviours that contribute to, or detract from, greater inclusivity
 - Focus groups for deeper listening and to explore in more depth the key themes identified from the Survey
 - D&I working groups set up to represent our UK operational and Global Corporate populations
- Whilst the results of the Survey showed Chanel performed well across many of the inclusion factors measured, there were also opportunities identified to achieve even greater inclusion and these form the basis of our ongoing work in this area.

Impact of Covid-19 and changing priorities

Like most companies, Chanel UK did not escape the effect of the global pandemic, which materially impacted us financially during 2020 and will continue to do so well into 2021. These impacts led us to realign our people priorities which meant some of the work planned for 2020 was reprioritised.

Our focus considering the pandemic shifted primarily to wellness activities and supporting our people through the uncertainty of lockdowns and new ways of working. One key initiative in this area has been providing awareness and support to our people on the issue of domestic abuse, which has increased in society in terms of both volume and severity due to new ways of working and lockdowns triggered by the pandemic. A Statement of Intent detailing how Chanel can support victims and survivors of domestic abuse will be launched in 2021 and this follows awareness sessions for our people on this important issue which can affect both genders but which most often affects women.

Due to these shifting priorities, we chose not to proceed with a gender balance and equity certification through EDGE as we reported we would do last year.

However, we strengthened our equality agenda by implementing a new Equal Opportunities, Diversity and Inclusion Policy and a Conflict Resolution Policy for UK employees, together with mandatory e-learning reinforcing our strong stance against Bullying and Harassment within the workplace.

Reward and Job Architecture

Despite the challenges of the pandemic, we continued to reinforce our Reward principles which are based around fairness and equal opportunity for all. For example, we continued to pay the voluntary Living Wage as a minimum to all our people, in accordance with the Living Wage Foundation's

guidelines, meaning we were able to give salary increases to our people at the lower pay quartiles. We also recognised and rewarded the teams that drove the business forward during the pandemic and did not furlough our people when the lockdown started in March 2020, nor have we used the furlough scheme at any point subsequently.

In addition, we invested time and resources in maintaining our job classification structure to better align roles across the organisation, linked to the objective criteria which underpin our grading structure.

Finally, we are launching a new Global Job Catalogue which will allow for more transparency and improved data quality and governance, with the establishment of a clear and ongoing review process for job profile maintenance and creation.

The combined positive effects of the aforementioned actions, apart from building trust and commitment within our workforce, also mean that our Reward proposition is increasingly more transparent and objective, therefore removing obstacles that are known to increase the gender pay gap and also ensuring that all employees have equal opportunities to progress.

Focus on Recruitment

As we already mentioned we had a number of female leaders starting in senior positions in the UK and Global Corporate teams this year and we are constantly reviewing our hiring practices in both our customer-facing and corporate roles to create a better balance of gender. In 2021 we have several initiatives planned to support this focus, including unconscious bias training for people managers and introduction of blind CVs, which we anticipate will reinforce inclusive hiring practices as well as day to day management.

We are introducing globally our *Hiring@Our Best* Recruitment Framework which consists of 8 core commitments which embody inclusion throughout the hiring process. These core commitments translate our D&I and talent acquisition ambitions into concrete action.

We will continue building on these practices, which include blind CV screening, use of inclusive language on job descriptions and adverts and other measures to de-bias hiring decisions such as ensuring shortlists include candidates who can bring different perspectives, consistency in interview experiences and more structured feedback processes. This will be supported by resources to enable adoption across the UK, and regularly evaluating our progress against these commitments.

Flexible Working

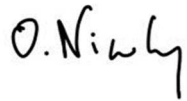
The pandemic changed the ways we work and communicate in the last 12 months.

In our UK operational teams, we continued to adopt a flexible approach to our workforce, aligning this to the changing needs of our people caused by the Covid-19 pandemic and the various national lockdowns and working restrictions that were implemented as a result.

The number of formal flexible working requests received in 2020 increased compared to the previous year, as did the proportion of flexible working requests granted. 80% of formal requests that were completed to a conclusion in 2020 resulted in the requested arrangements being granted in full, rising to 92% in terms of requests that were granted either fully or in part.

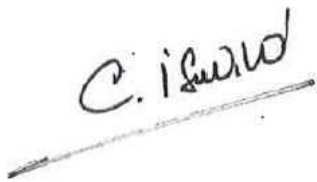
DECLARATION

The calculations, data and assertions contained in this announcement are accurate and apply the methodology provided in The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.



Olivier Nicolay

Managing Director



Claire Isnard

Global Chief People & Organisation Officer