

## MODERN SLAVERY STATEMENT 2023 (2022 FINANCIAL YEAR)

Our Modern Slavery Act Statement details the steps taken in the 2022 financial year and articulates how we continue to take action to prevent modern slavery taking place across our business and value chain.

### 1 CONTEXT

#### BUSINESS AND VALUE CHAIN

Chanel is a private company and a world leader in creating, developing, manufacturing, and distributing luxury products ("Chanel"). Founded by Gabrielle Chanel at the beginning of the last century, Chanel is dedicated to creating innovative and desirable products of the finest quality and to the highest level of craftsmanship. Through its three business activities (Fashion, Fragrance & Beauty and Watches & Fine Jewellery), it offers a broad range of high-end creations, including Haute Couture, ready-to-wear, leather goods, fashion accessories, eyewear, fragrances, makeup, skincare, fine jewellery and watches.

Chanel's core values remain historically grounded in exceptional creation. Chanel invests in the excellence of its products and favours a long-term approach to ensure the longevity of the CHANEL brand, promoting culture, art, creativity, and 'savoir-faire' throughout the world and investing significantly in people, R&D, sustainable development and innovation. At the end of 2022, Chanel employed more than 32,000 people across the world.

Chanel's value chain revolves around two pillars: 'Direct Procurement', which includes the supply of raw materials, components, and finished goods for the manufacture of products by its three business activities; and 'Indirect Procurement', which includes all other goods and services used for the promotional, marketing, distribution and operational activities of the company. The breakdown of suppliers for each of these activities is as follows:

- The Fashion business carries out six activities: Haute Couture, Ready-To-Wear, Leather Goods, Shoes, Fashion Accessories and Eyewear. It partners with over 2,000 suppliers, of which approximately 15% are direct suppliers (tier 1), mostly located in France and Italy.
- The Fragrance & Beauty business has over 584 suppliers, of which approximately 58% are direct suppliers (tier 1), supporting its sourcing and manufacturing activities in the following categories: raw materials, packaging, event packaging and sub-contracting.
- The Watches & Fine Jewellery business carries out manufacturing activities in the following three categories: watches, precious jewellery and high jewellery. It has over 400 suppliers, of which approximately 30% are direct suppliers (tier 1) providing gold and other precious metals, diamonds, pearls and other gemstones.
- Indirect Procurement includes a broad range of activities from promotional, marketing, distribution, printing, boutique construction and general services, to maintenance, information technology contracts, transportation and logistics, meeting and events, professional services, real estate, and equipment. It partners with over 20,000 suppliers globally.

## HUMAN RIGHTS IN THE VALUE CHAIN

In line with its commitment to be a human-driven company, Chanel believes work is a fundamental means of securing and enhancing dignity and respect for the individual. Chanel is committed to respecting human rights at work across its whole value chain, as defined by the International Labour Organization's (ILO) eleven fundamental conventions<sup>1</sup>. This commitment is rooted in its responsible sourcing and procurement decisions and practices, and is shared with Chanel business partners. Beyond expecting suppliers to comply with Human Rights Due Diligence standards, Chanel aims to support them in progressively strengthening their own labour management policies and practices. It considers its close and often long-standing relationships with them an essential asset to work towards that objective.

## 2 POLICIES AND GOVERNANCE

### POLICIES

In line with Chanel's commitment to promoting ethical business practices within its organisation and throughout its value chain, the company has designed two main policies:

- *Ethics@Chanel*, the company's internal code of conduct, provides the global ethical principles to be followed by all Chanel employees, reflecting the company's core values and expectations. This includes compliance with all applicable labour and employment-related laws, rules and regulations in every location in which it does business and across its value chain, notably relating to wages and hours worked, equal employment opportunity, non-discrimination, immigration and work authorisation, privacy, collective bargaining, child labour, or forced labour. Throughout 2022, work has been undertaken to reengage our employees with our ethical values and relaunch our code of conduct under the new name of *Our Ethics in 2023*.
- The company's Responsible Procurement Policy, in alignment with *Ethics@Chanel*, sets out the standards the company expects its business partners and suppliers to uphold in terms of general compliance with applicable laws, rules and regulations and regarding issues related to all applicable labour and employment-related laws listed above, as well as to human rights, the environment or anti-corruption, among others. Acknowledging that local labour laws can sometimes be less stringent than the international standards that protect human rights at work, the Responsible Procurement Policy also references the minimum requirements of the ILO's eleven fundamental conventions and other relevant reference standards.

The Corporate Sustainability and Legal and Compliance departments are jointly in charge of designing the above policies and are supported in their deployment by specialist teams involved in the business and regional activities of Chanel.

### GOVERNANCE ON SUSTAINABILITY ISSUES

Senior leaders at Chanel are committed to the company's sustainability agenda, which includes a commitment to acting ethically and with integrity in everything we do and to building a resilient and sustainable business.

- Sustainability, which includes business ethics, is one of five performance drivers of the company, with Sustainability performance impacting both bonus packages and financial results.
- To ensure sustainability is truly embedded into Chanel's core business strategy, it is frequently discussed at the Executive Committee and Board.
- Internal audit and supplier sustainability auditing methodology, programme of work and action plan follow-ups are reported to the Audit Committee, a sub-committee of the Board.
- Global and Local Compliance Committees manage the governance of, and any non-compliance with, matters included under *Ethics@Chanel*.

### 3 DUE DILIGENCE PRACTICES

The United Nations Guiding Principles for Business and Human Rights (UNGPs) continue to inform Chanel's Human Rights Due Diligence approach, through which it continuously monitors and addresses social issues in its value chain. It includes, but is not limited to, the processes, practices and programmes described below.

#### INTERNAL COMPLIANCE PROCESSES

- Compliance screening of new suppliers globally by the Finance, Legal and Compliance teams for financial solidity, sanctions, politically exposed persons, criminal activities such as corruption issues, regulatory enforcement actions and any other reputational/media issues. In 2022, Chanel screened approximately 2,000 new or potential suppliers across the three business activities. In the event of an alert, the teams will conduct a deep analysis with support from external experts, where appropriate, to validate the reason for the alert and, if confirmed, a recommendation is made to restrict or cease the relationship with the supplier or otherwise implement the required mitigation actions.
- Annual Compliance risk reviews with each business and regional activity by Legal & Compliance, together with HR, Finance, and other members of management. These reviews cover any regulatory or ethical compliance issues in the business and are informed in particular by the findings of the Audit committees held by the business, regional business activities and related sustainability issues.
- Implementation of contractual compliance clauses as part of the procurement process by the Legal department, requiring third parties to comply with all relevant laws and regulations, and in particular those on wages, working hours, child labour, forced labour, equal employment opportunity, discrimination and harassment, freedom of association, as well as health & safety, anti-corruption or protection of the environment.
- Continuous and regular training of Chanel employees on the content of *Ethics@Chanel* policy since 2015. This is also part of any new employee's onboarding plan. In 2022, 126 in-person training sessions were conducted and approximately 18,400 people were trained through e-learning training, worldwide.
- Due diligence practices are also implemented directly by the business activities and regional teams, in order to guarantee their sectorial and geographical relevance.

For its Watches & Fine Jewellery activities, Chanel has been certified under the Code of Practices standard of the Responsible Jewellery Council (RJC) since 2011. The RJC is a non-profit organisation which aims to promote ethical, social and environmental practices that respect human rights across the jewellery supply chain, from mine to retail. This certification is voluntary and is renewable every three years.

In 2021, Chanel's certification was renewed under the new Code of Practices 2019, with an extended scope to a full certification of Chanel Ltd. Initially applied to diamonds, gold and metals from platinum mines, this new version of the standard now includes coloured gemstones and silver. The updated practices also include reinforced requirements on Human Rights Due Diligence in supply chains and compliance with the OECD guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRAs) and the five-steps framework for due diligence<sup>2</sup>. As part of the certification process, the company policies and practices were reviewed and audited by an external third party.

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## RESPONSIBLE PROCUREMENT

Purchasing raw materials certified by third parties for their sustainability performance is one of the levers of the Company's responsible sourcing strategy.

The Fashion business has continued to work on its key raw material supply chains, to ensure the highest sustainability standards are achieved. For example, for cotton, silk and cashmere, among others, Chanel has undertaken certification processes aligned with internationally recognised fair trade standards, such as Fair For Life.

Since 2014, the Laboratory of Fragrance Creation and Development has been purchasing vetiver essential oil from a producer cooperative in Haiti, certified according to a fairly traded standard. Through a premium that is placed upon its purchase of this raw material, Chanel contributes to a local development fund managed by the producer community, made up of around 500 vetiver farmers and their relatives. The fund has financed different actions at a local level since 2020, including developing administrative capacity building of the board of the cooperative.

Training buyers and purchasers is another important driver of Chanel's responsible sourcing approach. It delivers tailored courses to teams to provide them with a practical understanding of the main social issues which could expose workers in their purchasing categories.

In 2022, specific training was provided to 30 buyers of the Fragrance & Beauty business on assessing major human rights and environmental risks, and supplier engagement on social and labour management issues.

## RAW MATERIAL TRACEABILITY

Traceability is at the core of Chanel's ability to source ingredients and materials of exceptional and unique quality, crafted by extraordinary know-how and skills. It is also an essential prerequisite to ensuring fair and sustainable conditions for production, and the first step of the risk management approach Chanel implements in its supply chain.

The Fragrance & Beauty business has selected the Transparency One platform to map its entire portfolio of cosmetic raw materials and packaging components. By November 2021, all tier 1 suppliers of these categories were invited to register on the platform and to begin mapping their supply chains. By the end of 2022, more than 1,750 suppliers had been mapped (including up to 255 tier 4 suppliers) and more than 16,800 products and components are now included.

## SUPPLY CHAIN RISK ASSESSMENT

As the external and internal risk landscape continues to evolve, Chanel continues to strengthen its integrated risk management framework under the mandate of the Audit Committee of the Chanel Limited Board and Global Leadership Team. This allows Chanel to continuously adapt its capacity to identify, assess, manage, and monitor key risks, including labour rights risks in our value chain, helping to lead the organisation in making well-informed decisions.

Under the integrated risk management framework, Chanel conducts complementary sustainability risk mappings using a common set of core criteria, in consideration of:

- External risk by country and sector of activity on criteria such as health and safety, environmental pollution, respect of human rights or corruption, based on external reference databases; and
- Risks linked to the supplier's activity and to the business relationship.

The risk mapping covers all suppliers with an established business relationship (tier 1) with Chanel, who are required to provide extensive information regarding the traceability of their own supply chain (tier 2, tier 3, etc.).

Given that sourcing issues are often complex, local, and specific in nature, both Direct Procurement and Indirect Procurement complement the analysis with specific criteria and tools tailored to the issues they identify in their supply chains. The results of these sectorial risk mappings directly inform decision-making and shape priorities for the sustainable sourcing strategies of the business.

In 2022, the Fashion business initiated the development of a tool dedicated to the assessment of sustainability risks for its raw materials, covering vegetal and man-made fibres, animal raw materials and metals. The tool notably covers human rights risks, using external references and databases (such as the Social Hotspot Database, Food Agricultural Organisation Stats, Global Forest Watch, etc.).

The Fragrance & Beauty business also initiated in 2022 a collaboration with the Fair Wage Network to conduct living wage risk mapping within a part of its supply chain. A living wage can be defined as a remuneration sufficient to afford a decent standard of living for the worker and her/his family, covering, for instance, food, water, housing, or health care. Living Wages are an enabling right which secures the realisation of other human rights and lessens the exposure of workers to the risk of becoming victims of modern slavery. The living wage risk assessment was conducted on all direct industrial supply chains and at the source of strategic raw material supply chains. Its results allowed for the Fragrance & Beauty business to prioritise action and its supplier engagement approach on living wages.

## SUPPLIER EVALUATION

To strengthen the monitoring of environmental, social and ethical issues that can occur in its supply chain, Chanel has continued to partner with the EcoVadis platform in 2022.

The objective of the EcoVadis rating methodology is to measure the quality of an individual supplier's sustainability management system through its policies and programmes, including on social and labour management issues. It takes into account the material industry issues and the size and geographical span of the supplier's operations.

Its ratings are based on supporting documentation provided by the supplier, and information published by NGOs, trade unions, international organisations, or local authorities. The EcoVadis performance ratings are progressively included as one criterion among others in Chanel's supplier risk assessment tool and in supplier annual performance reviews.

In 2022, 65% of all direct suppliers of the Fragrance & Beauty business (raw material, packaging, event packaging and subcontracting) were members of the EcoVadis platform and shared their assessment results with Chanel.

## SUPPLIER AUDITING

### *METHODOLOGY*

Chanel has structured a dedicated Responsible Supplier Program team responsible for auditing suppliers' compliance with all applicable local laws and regulations, and with the standards outlined in the company's Responsible Procurement Policy.

The Responsible Supplier Program team is comprised of internal auditors and an extended team of external auditors to ensure there is appropriate geographical coverage, respect for cultural and supplier contexts, and that proficiency of the languages spoken by workers interviewed is maintained. Internal and external auditors regularly exchange information to ensure consistency in their audit approach, risk ranking, and knowledge sharing. The auditors are also supported by external partners who provide expertise on local or sectorial-specific regulations and social and environmental issues.

In 2022, the Responsible Supplier Program team was reorganised to report to the Global Head of Internal Audit & Supplier Sustainability Assessments. The team's mandate and resources were also reinforced to better support the business and regional activities in monitoring the environmental, social and governance risks in their value chain. The supplier audits are conducted in accordance with internationally recognised issue-based standards (e.g., ILO's eleven fundamental conventions, SA8000 or ISO 45001 certifications related to social and occupational health and safety management, etc.), industry specific standards (e.g., Leather Working Group, Responsible Jewellery Council, etc.), and are structured across four pillars:

1. Health and safety: employee well-being and working conditions;
2. Human rights: including, but not limited to, wages and insurance, equality policies and non-discrimination as well as the absence of child labour, forced labour, or prison labour;
3. Environment: water, air or soil pollution prevention, waste management, and impacts on biodiversity
4. Business ethics and governance: including regulatory compliance, anti-corruption, anti-money laundering and sanctions, data privacy and intellectual property issues

The audit methodology<sup>3</sup> is under continuous review to incorporate new themes that have been identified during supplier audits conducted across the year, or in response to new evolving regulations.

Since 2021, Chanel's Laboratory of Fragrance Creation and Development has reviewed its supply chain audit approach in order to better capture the social and environmental impacts of the agriculture sector, and the possible mitigation actions to deliver impact on the ground. The improved auditing tool was submitted for review by several external expert organisations. In 2022, eight natural perfume ingredient supply-chains were audited at farm level with the new tool and are currently undergoing a corrective action plan.

The on-site audits include exchanges with the supplier's management teams, as well as worker interviews, documentation reviews, and facility inspections.

All identified non-compliances are shared with the supplier during a closing meeting to support a constructive discussion on the way forward. An audited site can be either considered as "qualified" and will be re-audited with a secondary level priority to keep this qualification, or "in progress" and a corrective action plan will be requested, along with a prioritised follow-up audit.

The Responsible Supplier Program team works in close partnership with the Purchasing, Legal and Compliance, and Sustainability functions in the business areas and regional activities, and at corporate level.

In very rare cases of unacceptable or non-remediable practices, or in the event that a supplier is not willing to implement the necessary corrective action plans to meet internationally recognised standards, Chanel can consider terminating the business relationship; however, this is considered only as a last resort.

#### *SUPPLIER AUDITS PERFORMED IN 2022*

The Covid-19 pandemic has had an impact on travel and audit capacity since 2020 and the Responsible Supplier Program team has reacted to this by adapting and developing new methodologies that work effectively within new operating conditions, such as piloting remote audits, during which a member of the Responsible Supplier Program team virtually guides an on-site third-party auditor in real-time.

With the support of these new approaches, Chanel continues to expand its audit skills and capacity with 272 audits conducted in 2020, 541 audits in 2021, and 617 audits in 2022. The audits conducted in 2022 covered 31 geographical areas and 13 types of activities: cosmetics, cutting and assembling, furniture and displays, glass, jewellery manufacturing, leather, metal, plastic, precious stones, printing, services, textiles, wood and paper.

#### *GOVERNANCE OF SUPPLIER AUDITS*

In 2022, the Fashion, Fragrance & Beauty, and Watches & Fine Jewellery business activities and Indirect Procurement Teams held 15 steering committees. These committees focused on reviewing the supplier audit plan, reviewing all audit results, and the corrective actions plans agreed on with suppliers to mitigate identified risks.

#### *INTERNAL CAPACITY BUILDING*

In 2022, the onboarding process of the local external auditors was strengthened through a new training module dedicated to sustainability criteria.

As part of their continuous professional development, the Responsible Supplier Program team also participated in the Association of Professional Social Compliance Auditors (APSCA) recognized training courses which focused on performing social audits and conducting worker interviews. They also participated in digital workshops delivered by the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) on the development and management of sustainability systems, and on emerging topics and technical innovations from the field.

## **GRIEVANCE MECHANISMS**

Chanel employees are encouraged to make any grievance reports directly to their manager, Human Resources Director or Compliance Officer, fostering open communication without fear of retaliation for reporting in good faith.

In addition, in 2017, the Chanel Ethics and Compliance Helpline was set up to offer all employees the possibility to report any concerns or breaches related to the *Ethics@Chanel* policy, at local and global level, including on issues related to working conditions and well-being in the workplace. A dedicated web page is available in 20 languages and is accessible to all employees in a secure and anonymous manner, in accordance with local regulations and practices. This Helpline is administered by the Chief Compliance Officer and the Compliance Officers of each region. The credibility of each allegation is assessed by the Compliance Committees and is investigated in accordance with Chanel's internal investigation policy on a case-by-case basis. Each allegation is investigated and followed up by the Compliance Committees. A summary at the global level is also reported and discussed at the Global Compliance Steering Committee. If the investigation confirms the reported allegations, the Compliance Committees make a recommendation to the relevant department to take appropriate disciplinary sanctions and/or corrective action.

## SUPPLIER LEARNING

An essential commitment of Chanel's responsible sourcing approach is to support suppliers in addressing the social issues they may face in their value chain. Chanel's supplier engagement journey begins with a common understanding of identified issues through technical trainings designed specifically for Chanel's suppliers.

In 2022, the Fashion business organised a dedicated suppliers' forum, bringing together over 200 of its main tier 1 and tier 2 suppliers to share its vision and orientations regarding traceability and sustainability topics.

The Fragrance & Beauty business also connects with its strategic business partners every year through its Supplier Academy, which is open to all Direct Procurement suppliers (for raw materials, sub-contracting, packaging and event packaging). In 2021, a training module was delivered on the specifics of Human rights Due Diligence (HRDD) in the business context of Small and Medium Enterprises (SMEs). In 2022, a new training module dedicated to the topic of fair wages was delivered to more than 75 suppliers and 200 people, as well as to 40 Chanel buyers.

## SOCIAL IMPACT PROGRAMMES

To progressively address structural social issues in its value chain, Chanel collaborates with external local third parties or organisations to conduct in-depth root cause analysis of identified issues and design targeted social impact programmes, including to improve local working conditions.

Following a Human Rights Impact Assessment (HRIA) conducted at the source of Chanel's green coffee supply chain in 2021, a social impact project was designed to improve working conditions for seasonal workers on plantations. The project, led by Chanel's NGO partner, Human Resources Without Borders (HRWB), was co-designed with its supplier and based on interviews with the community of coffee producers, their families, and other local institutional partners, such as representatives of the Ministry of Labour of Costa Rica. In 2022, workshops were held in the coffee community around themes such as the socio-economic challenges of coffee production, health and safety in the production of coffee, or the attractiveness of the coffee production sector for youth employment. Proposals identified in the workshops led to the design of experimental projects.

## EXTERNAL PARTNERSHIPS FOR GREATER IMPACT

Chanel seeks to continuously improve its Social Sustainability approach, methodology, practices and programmes through ongoing dialogue with external actors, from other companies and industry peers to civil society organisations. Below are some examples of partnerships the company is engaged in:

### *WATCH & JEWELLERY INITIATIVE 2030*

In 2022, Chanel joined the Watch & Jewellery Initiative 2030, a collaborative initiative open to industry players focused on three key areas: building climate resilience, preserving resources and fostering inclusiveness. Members of the Initiative are working to ensure inclusive and responsible value chains, in respect of human rights and labour laws.



### *HUMAN RESOURCES WITHOUT BORDERS (HRWB)*

HRWB is an NGO officially recognised by the French Ministry of European and Foreign Affairs as a key operational partner in the context of France's ambition to become a pathfinder country<sup>4</sup> to reach the objectives of Target 8.7 of the 2030 Agenda for Sustainable Development Goals. Target 8.7 consists of a commitment to take immediate and effective measures to eradicate forced labour, modern slavery, human trafficking and child labour.

Chanel has engaged in a multi-year partnership agreement with HRWB to collaborate on its Human Rights Due Diligence approach in its value chains. For example, developing and finetuning the human rights criteria of the Supplier Risk Assessment tool used by its buyers and internal auditors, including country-specific human rights risk profiles. HRWB is also a key partner in some of the operational social impact programmes described above.

### *SHIFT'S BUSINESS LEARNING PROGRAMME*

Chanel is a member of Shift and participates in the organisation's Business Learning Programme (BLP). Shift is a leading centre of expertise on the UN Guiding Principles on Business and Human Rights. It advises and supports individual companies across different industries and geographical regions on improved business practices on human rights. Shift started supporting Chanel in 2020, assessing the specific human rights impacts of its Indirect Procurement activity complementing the supply chain risk assessment tool and, in 2021, assisted the company in assessing ways to improve its social auditing practices.

### *FAIR WAGE NETWORK*

Fair Wage Network is a recognised organisation on fair wages, dedicated to advancing wage practices within global value chains. Chanel has an ongoing partnership with Fair Wage Network to implement its Fair Wage approach in its value chain, from designing the appropriate methodology to engaging with strategic suppliers as well as providing them access to useful expertise, data and tools.

Looking forward, Chanel will continue to refine and strengthen its Human rights Due Diligence approach, methodology, processes, and practices. Below are a few examples of the workstreams the company is focusing on in the upcoming years.

- Updating and relaunching of *Our Ethics*;
- Expanding the usage of its responsible purchasing practices, tools and trainings;
- Strengthening the integration of human rights and labour rights-related risks to Chanel's risk management framework;
- Deepening the company's analysis of the labour rights risks posed to vulnerable workers through HRIAs (Human Rights Impact Assessments) and other forms of analysis;
- Reinforcing its operational collaboration with business partners to move forward on shared social goals in Chanel's value chain.

As Chanel progresses its sustainable business transformation, we will continue to work with suppliers and external expert partners to respect, protect and advance the human rights of workers and improve labour management practices in our value chain, with the aim that everyone across our business and value chain is treated with dignity and respect and has the opportunity to thrive.

Leena Nair, Global Chief Executive Officer  
Approved by the Board of Chanel Limited