

## **SECTION 172 STATEMENT AND CORPORATE GOVERNANCE REPORT**

**YEAR ENDED 31 DECEMBER 2022**

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### **SECTION 172(1) STATEMENT**

The directors of the Company, in line with their duties under section 172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company and the Group for the benefit of the Company's shareholder and other stakeholders.

The board of directors of the Company is responsible for setting the high-level strategic agenda, long-term vision, company values and the culture of the Company and the Group. It does so upon recommendation of the Executive Committee, led by the Global CEO. The Board has delegated the day-to-day operations and decision-making to the Executive Committee and ensures that the right leadership, governance and decision-making framework is in place with the Group to run the business.

The Executive Committee, the Global Leadership team and all other senior leaders in the business make decisions with a long-term view in mind, and with the highest ethical standards in line with the internal code of conduct, "Our Ethics", taking into account the likely consequences on all relevant stakeholders of the decisions and actions they take. Where possible, decisions are carefully discussed with affected stakeholders. The Global CEO and Executive Committee members regularly report to the Board on the strategy, performance and key decisions taken, which provides the Board with assurance that proper thought is given to stakeholder interest in the decision-making process throughout the Group and the possibility to challenge these decisions.

The directors also collectively gather information about stakeholder views through dialogue with senior management, day-to-day interactions across the business and other channels established for engagement, such as reports and survey results. As detailed in the Corporate Governance report, the Board receives comprehensive pre-reading materials in advance of each meeting and otherwise as necessary, to enable informed, consistent and appropriate decision-making and to ensure that relevant stakeholder interests are considered.

The Corporate Governance report further describes the corporate governance framework in place for the Board and the Group in managing day-to-day and long-term strategic decisions that promote the success of the Group.

### **ENGAGEMENT WITH STAKEHOLDERS**

#### **Shareholder**

Both at senior management level and at Board level, the Group has an open dialogue with its sole shareholder. Discussions with the shareholder cover a wide range of topics, including risk management, financial performance, strategy, outlook, governance and ethical practices.

#### **People**

The Board is committed to engaging with the Group's people and ensuring learning and development opportunities are in place and that the safety and well-being of the Group's people are carefully considered.

The Group's objective is to create an inclusive culture that nurtures personal growth and contributes to collective progress. In doing this, Chanel nourishes long-term growth by providing people with the time to create meaningful relationships and understand Chanel's culture.

At a global level, Chanel promotes common philosophies around these values and related initiatives and a holistic viewpoint. At a regional level, local leaders and their teams orchestrate the initiatives around the Group's priorities, the sharing of information, enhancing learning and, importantly, obtaining and listening to feedback to understand the experiences of varied populations within the Group.

The Board is regularly briefed on strategic people matters and engages in open dialogue with senior employees.

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#### Customers

Across the three business divisions, the Group is dedicated to building deep and meaningful customer experiences, whether through direct contact in boutiques or through special events, through virtual experiences and through services.

At Chanel, the core of the customer experience is through human interaction. The Group believes that excellence naturally involves forging unique relationships with customers. Across more than 200 fashion boutiques, fashion advisors are at the centre of delivering this experience, accompanying each customer to help them discover the world of CHANEL in their own unique way. In 2022, Chanel rolled out the “in Chanel” app - worldwide which helped strengthen the bond between fashion advisers and clients as part of their digitally enhanced boutique experience.

In the Fragrance & Beauty division, through communication, digital innovations and personalised customer pathways that combine online and physical experiences, Chanel offers customers a luxurious and unique experience throughout the world. At points of sale, the ‘beauty confidants’, true artists of the customer relationship, hold the keys to an experience of incomparable quality for Fragrance & Beauty customers. In 2022, Chanel launched N°1 DE CHANEL its first product line conceived with a global eco-design approach. The culmination of several years of work, the line was developed in consideration of each product’s life cycle – covering the sourcing of its ingredients to packaging end-of-life – with the aim of reducing carbon and other environmental impacts, compared to other Chanel skincare products.

In 2022, the Company’s Watches & Fine Jewellery division re-opened its flagship boutique at 18, Place Vendôme following a two-year renovation project. The flagship boutique offers the customer a unique journey into the world of the House and of Gabrielle Chanel and a closeness to the watchmaking and jewellery creation, by being situated directly above our workshops.

Client engagement throughout all business activities is measured through satisfaction surveys as well as the Group’s ability to recruit new clients and retain existing ones. The Board receives regular updates on client satisfaction and Brand equity.

#### Partners

Chanel’s business activities aim to meet the highest ethical and professional standards, and Chanel strives to only do business with third parties that share the same commitment to such standards as well as to sustainability. To demonstrate this, third parties partnering with Chanel, including suppliers, contractors, agents, representatives, distributors and consultants, are expected to adhere to the ‘Responsible Partner Policy’, which embodies the principles of the internal code of conduct “Our Ethics”, to meet all their contractual obligations and comply with applicable laws, rules and regulations.

The ‘Responsible Partner Policy’ sets out the expectations and requirements on issues such as forced and child labour, human rights, discrimination, health and safety, bribery and corruption and environmental regulations. As part of the procurement process, the Group ensures that contracts include robust compliance clauses, requiring third parties with whom the Group engages to comply with all relevant laws relating to these issues.

As part of a continuous focus on improvement for its suppliers’ own processes, Chanel also expects its partners to commit to communicating the principles laid out in Chanel’s Responsible Partner Policy to their own providers and subcontractors, and to actively encourage them to integrate it into their own policies and practices. The Group’s audit teams carry out audits across the supply chain to ensure this is happening and procurement teams provide ongoing training and support to partners.

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### **Governments and regulators**

The Group engages, through its Public Affairs function and representatives from the Divisions and Regions, with governments and regulators through a range of industry consultations, forums and meetings to communicate views to policy makers relevant to the business. Key areas of focus are ESG, Data Privacy, Intellectual Property and Anti-Counterfeiting (e.g. Adoption of the European Digital Services Act) as well as competition law issues (e.g. review of the European Vertical Block Exemption Regulation and the UK Vertical Agreements Block Exemption Order). Chanel very actively works with its various industry associations, including the Responsible Jewellery Council (RJC), Cosmetics Europe (EU) and PCPC (US), ECCIA (EU), AIM (EU), Comité Colbert (France), Union des Fabricants (FR), and Walpole (UK).

### **Environment**

Chanel is strongly positioned to making long-term decisions that have a lasting positive impact on the environment and society.

In 2022, Chanel published a performance update to its CHANEL Mission 1.5°, the Group's climate action plan to 2030 which is in line with the Paris Agreement. Over the past year, the Group has continued to gain a deeper understanding of its climate impacts. Chanel has sought from the outset to take a comprehensive approach to assessing its emissions across its operations (scope 1 & 2) and global value chain (scope 3). The Group believes that this is the only way for any company to understand its full footprint and to identify the levers for change, both as a business and for the wider industry sector. While the effects of some of these changes might take several years, Chanel is committed to long-lasting, sustainable progress in line with the long-term vision and heritage of the Brand.

Chanel is already making progress across the House and the initiatives highlighted in this report are the culmination of many years of work. It is recognised that the road to achieving CHANEL Mission 1.5° is a path that must be taken with Chanel's stakeholders. Chanel employees, as well as its partners, suppliers and peers all have a role to play in advancing this progress. Chanel continues to look ahead, towards innovations in materials, products and systems that will accelerate progress to a more sustainable future.

### **Society**

Chanel aims to engage its people and have a positive, lasting impact on society through the way it does business with integrity, how it interacts with its wider supply chain, its social commitment activities, its dedication to arts and culture, as well through Fondation CHANEL, dedicated to supporting women and girls worldwide.

### **Business ethics**

Chanel is committed to conducting business ethically. Decisions are made and actions are taken with care and integrity for the benefit of clients, partners, employees, and local communities. Doing so protects the Brand and its people, and it enables the Group to have a positive impact in the world. Employees are encouraged to take responsible and ethical business decisions, which will not only ensure the long-term success of the Brand but will also enable the House to be proud of how it achieves that success.

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The Company believes that effective governance is critical to its ability to deliver long-term, sustainable growth. It is committed to implementing and maintaining controls that allow it to honour its rich heritage while delivering value for all of its stakeholders.

For the year ended 31 December 2022, the Company continued to apply the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') (published by the Financial Reporting Council in December 2019) as its selected corporate governance framework under the Companies (Miscellaneous Reporting) Regulations 2018.

The way in which the Company applied each of the Wates Principles over the past year is set out below. The Wates Principles provide a solid framework for the Board in managing strategic and long-term decisions. This corporate governance report should be read in conjunction with our Section 172(1) statement.

#### **PRINCIPLE 1 - PURPOSE AND LEADERSHIP**

##### **Chanel's purpose, values and culture**

Chanel is an independent company that believes in the freedom of creation, cultivates human potential and acts to have a positive impact in the world.

Chanel designs and manufactures products of the highest quality and finest craftsmanship in Haute Couture, Fashion, Fragrance & Beauty and Watches & Fine Jewellery. Chanel aims to conserve the heritage of the Brand whilst shaping it for the future with integrity and responsibility.

The Company believes in the power of creativity and the importance of nurturing human potential. It is committed to making a positive impact on people, society, arts and culture and the planet always with a long-term perspective in mind.

Chanel's purpose and values inform its strategy, decision-making and relationships with stakeholders, and help shape its culture.

##### **Chanel's leadership and decision-making**

As a privately-owned group, Chanel has the freedom to shape its own future. Without short-term financial constraints, the Group can implement long-term decisions that not only benefit its Brand, but which are also designed to have a positive impact on people, the planet, society and arts and culture. This empowers the Board, its leadership and its people to act with agility and drive transformational change, looking beyond the present to consider new possibilities. Chanel aims to empower and enable its people to be visionary, strategic thinkers who are resilient to complexity and ambiguity, because transformation often means dealing with the unknown.

As described in our Section 172(1) statement, the Board is responsible for setting high-level strategy and shaping the culture of the Group. Day-to-day operations and decision-making of the Group are led and managed by an Executive Committee, under the leadership of the Global CEO, and executed through a governance matrix of operational committees and senior leadership throughout the Company's business divisions, markets and global corporate functions.

The Executive Committee is led by the Global CEO and supported by the Global Executive Chairman and its members include the Global Executive Chairman, the Global CFO, the Global Chief Administrative Officer, the Global General Counsel, the Global Chief People & Organisation Officer, the Global Chief Information Officer, the Global Chief Sustainability Officer, the Global Head of Arts & Culture, the Presidents of the four legal entities within the Group which together own the Brand (the 'Chanel Brand Owners') and the President of one major licensee, as well as the Presidents of each of the three business activities: Fashion; Fragrance & Beauty; and Watches and Fine Jewellery. In 2022, the Executive Committee met six times.

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The Executive Committee oversees all material operational issues, all major developments in the business, including current and prospective risks, and all major new initiatives and opportunities. It makes operational decisions in respect of the entire Group, and develops and recommends strategies to the Board, including how to operationalise and implement those strategies while supporting the Brand and its longevity.

#### Five pillars guiding decision-making

The leadership of the Group considers five pillars in making critical decisions for the Brand and operations. These five guiding pillars inform long-term strategy and are a fundamental element of Chanel's development philosophy:

- **Brand performance** – Spans all activities in which the Group engages to ensure that its products and image are modern, relevant, and luxurious. Each year, the Executive Committee uses the Brand equity study, client experience data, and online reputation measures to decide on whether and how to improve Brand vitality, relevance and modernity.
- **Financial health** – Emphasises sound long-term financial decision-making to ensure the continued growth, health, and independence of the Brand, combining sales, operating profit and cash components with a long-term outlook.
- **Leadership & people strength** – Represents the commitment from Chanel's leaders and the Group to ensure that it is building the right skills and capabilities in the organisation in a highly competitive and demanding environment, as well as developing its people at all levels and promoting an inclusive environment.
- **Sustainability** – Ensures that the Group is striving to act to have a positive impact on the planet and society in all of its activities and conducting its business ethically and with integrity.
- **Client engagement** – Reflects Chanel's dedication to building deep and meaningful client experiences, keeping the client at the core of its business strategy.

#### Operational committees

The Group has a number of operational committees which prepare recommendations to the Executive Committee and, if instructed by the Executive Committee, to the Board. Following the arrival of a new Global CEO in early 2022 and her onboarding and time of reflection, Chanel has taken a fresh perspective on internal governance matters and, as a result, has decided to streamline certain committee activities from the start of 2023.

From 2023 the Group expects to launch a refreshed internal governance framework, in particular introducing CEO forums on a regional, divisional, and corporate level to allow for efficient information sharing and alignment in a more agile format. This refreshed governance framework will complement the fundamental Board and Executive Committee structure described above, which remains the critical governance dynamic of the Group. The committees that were in place in 2022 are described below:

**Brand, Communication and Image Committee:** In 2022, the Brand, Communication and Image Committee assessed Brand image, cultural awareness, advertising and promotion campaigns, as well as communication and media strategies and made recommendations to the Executive Committee accordingly. This committee was comprised of the Global Executive Chairman, the Global CEO, the Presidents of each of the three business activities, the Head of Artistic Direction, the Global Head of Innovation and Brand Insights, and the Global Head of Arts and Culture. In 2022, this committee met three times. From 2023 onwards, the activities of this committee will be dealt with directly by the Executive Committee.

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**Global Compliance & Business Ethics Committee:** oversees the development and implementation of the Group's business ethics programme with regards to the development of policies, awareness training and review of metrics and investigations to ensure compliance with laws, internal procedures, and industry standards that are significant to the business from a legal, regulatory or reputational standpoint. The Global General Counsel, the Global Chief Compliance Officer, the Global CFO, the Global Chief People & Organisation Officer and the Global Head of Internal Audit and Supplier Sustainability Assessments are members of the Global Compliance & Business Ethics Committee and other corporate representatives attend the meetings as appropriate. In 2022, the Global Compliance Committee met five times. This governance is also replicated at the divisional and regional levels where the same functions meet four times per year to discuss the implementation of the programme and review investigations at the divisional and regional levels.

**Real Estate Committee:** assesses proposals and makes recommendations to the Executive Committee regarding opening new boutiques, relocating existing boutiques or offices, undertaking major renovations, and acquiring new premises. Depending on the size or significance of a real estate project, the recommendations of the Real Estate Committee may also be brought to the Board for its consideration. This committee is made up of the Global Executive Chairman, the Global CEO, the Chief Administration Officer, the Global CFO, Global Head of Store Design, Presidents of the three business activities and the four Presidents of each of the Chanel Brand Owners and one major licensee. In 2022, this Real Estate Committee met three times a year.

**Compensation Committee:** briefs and makes recommendations to the Board's Remuneration Committee on compensation for senior management and guidelines for salary increases and bonuses across the Group. This committee is made up of the Global Executive Chairman, the Global CEO, the Chief Administration Officer and the Global Chief People & Organisation Officer. In 2022, the Compensation Committee met four times.

**Regional Presidents' Committee:** In 2022, this committee, which is made up of the Presidents of the four Chanel Brand Owners and one major licensee, met four times. The Regional Presidents' Committee's role was to assess the priorities of the local markets on product and marketing issues in preparation for meetings of the Executive Committee, the Brand, Communication and Image Committee and for meetings with the Presidents of the three business activities. In 2022, the Regional Presidents' Committee met four times. From 2023 onwards the activities of the Regional Presidents' Committee will be handled by a new forum, the Regional CEO Forum.

### PRINCIPLE 2 – BOARD COMPOSITION

In 2022, the Company had a 12-member strong Board, including four non-executives and eight executives, being the Global Executive Chairman, the Global CEO, the Global Chief Financial Officer, the Presidents of the four Chanel Brand Owners and one major licensee, supported by the Global General Counsel as the Company Secretary. The Chairman of the Board, Bertrand Gros, is a non-executive director and, together with the Global Executive Chairman and the Global CEO, ensure that the balance of responsibilities, accountabilities and decision-making across the Group are effectively maintained. In March 2023, one of the executive directors retired and was not replaced, which means that for 2023, the Company will have an 11-member strong Board.

The four non-executive directors bring experience from both within the luxury industry as well as other sectors. In accordance with the Group's conflicts of interest policy, the four non-executive directors have no business or relationship with the Group that would compromise their influence or objectivity. During the year, the non-executive directors continued to play an important role in supporting and challenging management on a broad range of areas across the business. The non-executive directors have an opportunity to meet with the Group's senior executives throughout the year to gain a better understanding of the business and operational matters. As part of their onboarding, the non-executive directors visit operational and manufacturing facilities as well as some of the markets and meet with the global corporate functions to learn about the Group's business and governance.

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Chanel continuously evaluates the balance of skills, experience, and independence of the Company's directors. The size and composition of the Board is considered to be appropriate for a privately held company of its size, with all members contributing with a wide variety of experience. Board composition is designed to ensure that the Board has a high level of collective understanding across a broad range of relevant skills, backgrounds, experience, and knowledge, which is a key pre-requisite to promoting accountability and the incorporation of objective thought.

With 25% of the directors being female and only one with an ethnic minority background, the Board acknowledges that creating a more diverse and gender-balanced board is an area of focus going forward. For each new recruitment, the Board actively considers gender and diversity, as well as striving to strike the right balance of skills and expertise on the Board. The Board believes that creating an environment with a diversity of influences enriches decision-making for the Group and the long-term.

#### **PRINCIPLE 3 - DIRECTOR RESPONSIBILITIES**

As mentioned above, the Board, following recommendations from the Executive Committee, determines the strategic direction for the Group; reviews policies for corporate management and financial performance and approves budgets annually; it also makes decisions on major and significant initiatives and investments; ensures that leadership is in place to implement policies and decisions; and oversees the executive leadership. As described in the section 172(1) statement, the Board takes into account views from the Group's stakeholders and the impact that such decisions will have on its people, its partners, the environment and society at large when making decisions.

Appropriate financial reporting systems and processes are in place to enable the Board to assess the financial performance and position of the Group. Internal control systems help ensure the financial information generated by the reporting system is reliable, consistent, timely and complete. The Global CFO regularly briefs the Board on the financial position of the Group, the budgets, and important areas of focus.

The Board has a programme of four principal meetings every year and meets additionally as necessary. In 2022, the Board met six times. Ahead of each meeting, the directors receive detailed pre-reading materials to support thorough preparation and allow for meaningful discussion at the meetings. The key areas of focus for the Board in 2022 are set out in the table below.

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#### Areas of focus in 2022

Governance	<ul style="list-style-type: none"> <li>- Continued focus on establishing an Integrated Risk Management programme</li> <li>- Global CEO appointment and onboarding</li> <li>- Adoption of revised articles of association of the Company and contract approval policy</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>- Evolution of client journeys within the digital ecosystem</li> <li>- Preserving and developing exceptional know-how with an artisanal context in the luxury industry</li> <li>- Global sustainability roadmap, including product creation and lifecycle</li> <li>- Employee strategy and engagement</li> </ul>
Finance	<ul style="list-style-type: none"> <li>- Focus on liquidity and net debt, and reporting financial performance alongside climate performance</li> <li>- Continued effort to control costs across the organisation given the uncertainty of the economic environment</li> <li>- Optimising inventory management globally</li> <li>- Continued to evaluate impact of Covid-19 on Mainland China, tourist locations and duty-free business</li> </ul>
Risk and Opportunity	<ul style="list-style-type: none"> <li>- Major strategic transaction opportunities</li> <li>- Geopolitical risks (including Russia – Ukraine conflict)</li> <li>- Safeguarding data security systems to counter cyber-attacks and hacking</li> </ul>

The Board delegates certain responsibilities to Board committees that have the appropriate knowledge and experience to make recommendations to the Board on key matters. Each committee includes non-executive directors as shown in the table below. There are currently three Board committees with the following roles and responsibilities:

**Audit Committee** – monitors the effectiveness of internal controls; risk management; integrity of financial statements; and the performance of the internal audit department and independent auditor. In 2022, the Audit Committee met five times.

**Nomination Committee** – reviews and monitors succession planning for the Board, the Executive Committee and other key leadership roles. The Nomination Committee played a key role at the end of 2021 and beginning of 2022 in hiring the new Global CEO. In 2022, the Nomination Committee met two times.

**Remuneration Committee** – determines the remuneration of senior management and validates the global salary and bonus budgets upon recommendation of Chanel’s internal Compensation Committee. In 2022, the Remuneration Committee met two times.

Following each committee meeting, the chair of the relevant committee provides a report to the Board on matters discussed at the committee meeting to allow directors who are not members of the relevant committee an opportunity to provide their view.



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In 2022, the Board discontinued with its Corporate Social Responsibility (CSR) Committee following an evaluation concluding that there was no need for a separate CSR Committee as sustainability issues and matters have been successfully integrated within the business and are considered as part of each and every matter addressed at Board-level. As outlined, sustainability is not a discrete issue but a critical factor considered in the Group's decision-making. The Board is regularly informed of the Group's environmental, sustainability and social topics – in 2022, for example, the Global Chief Sustainability Officer attended two Board meetings and also met with non-executive directors to discuss sustainability strategy and the three business divisions regularly gave updates on their sustainability transformation to the Board.

Below is a summary of the committee structures, members and meeting attendance effective in 2022:

Name	Board Member	Meetings Attended	Audit Committee	Meetings Attended	Nominations Committee	Meetings Attended	Remuneration Committee	Meetings Attended
P. Abecassis <sup>^</sup>	x	100%	x	100%	x	100%	x	100%
P.B. Blondiaux	x	100%						
R. Collasse	x	100%						
J. Galantic	x	100%						
B. Gros <sup>^</sup> <sup>~</sup>	x	80%			x	100%	x	100%
Baroness M. Lane Fox <sup>^</sup>	x	100%			x	100%		
A.R. Mahon <sup>^</sup>	x	100%						
L. Nair	x	100%*						
O. Nicolay	x	100%	x	100%				
B. Pavlovsky	x	100%						
V. Shaw	x	100%	x	100%				
A. Wertheimer	x	100%						

<sup>^</sup> Non-Executive

<sup>~</sup> Chair

\* L. Nair was appointed as director on 27 January 2022. She attended every meeting of the Board from that time, however was not entitled to attend a board meeting held 26 January 2022, prior to her appointment.

#### PRINCIPLE 4 – OPPORTUNITY AND RISK

The Group's business strategy is based on a long-term vision and allows it to explore opportunities that align with its purpose. The Board relies on key members of the organisation to seek out synergies that allow the Group to create and innovate in new ways. Any major new business opportunities within the Group in excess of certain monetary thresholds are considered and approved by the Board in accordance with the Company's articles of association, although interesting and significant initiatives are presented to the Board even if they do not exceed such thresholds.

The Board's Audit Committee is responsible for reviewing the Group's internal controls and risk management systems and receives reports from management on the effectiveness of the established systems and conclusions of any testing carried out by internal and external auditors. The Audit Committee has a good understanding of how the Group: (i) identifies, assesses, manages and monitors risk and sets risk appetite; and (ii) develops, operates and monitors the system of internal controls.

The Audit Committee reviews and approves internal audit's role and mandate and approves the annual internal audit plan. The Audit Committee ensures the audit plan is aligned to the principal risks of the business and the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its audit

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plan. The audit plan is sufficiently flexible and dynamic to help identify, react to and address new, emerging risks as part of the Group's risk management practices promptly. The Audit Committee monitors and reviews the effectiveness of internal audit activities in the overall context of the Group's risk management system and considers the effectiveness of actions taken to implement the recommendations of internal audit.

As a priority for 2023 and beyond, a key continued focus will be placed on integrated risk management. As the external and internal risk landscape continues to evolve very quickly, it is essential that the Company continues to define, implement and embed an even more robust, independent and better synchronised integrated risk management framework under the mandate of the Audit Committee and the Executive Committee and with the help of the assurance functions. This is critical to identify risks at the strategic level which could have a major effect on the Group, minimise the impact of these risks, create opportunities for competitive advantage, improve operational efficiencies and build a risk-aware culture across the business to manage future risks smartly. The results of these activities for identifying, assessing, managing and monitoring key risks will be communicated and aligned with the Global Leadership Team to ensure a deep understanding of the Company's risk appetite, risk profile and risk tolerance, with the Audit Committee continuing responsibility for ensuring the appropriate mechanisms are implemented for executing a prioritisation of key risks and monitoring the system of internal controls.

#### **PRINCIPLE 5 - REMUNERATION**

The Group's remuneration policies are designed to ensure fair and meritocratic remuneration for all its people, including directors, senior management, and the wider workforce. The structure and level of remuneration is set to enable the Group to attract and retain the best employees and motivate high performance at all levels in the organisation.

The Board has delegated overall responsibility for its remuneration policies and practices to its Remuneration Committee, which is made up of two non-executive directors, with the Global CEO and the Company's Global Chief People & Organisation Officer as standing attendees.

The Remuneration Committee is responsible for the Group's global salary and bonus budget, designing remuneration policies and practices to support the Group's strategy and promoting long-term sustainable success, and overseeing reviews of market position and gender pay equity analysis.

The Remuneration Committee is supported by the Group's Compensation Committee, a management-level committee. The Compensation Committee has an established annual compensation planning and review process in which it reviews global market conditions, company performance and competitive benchmark data (best practices and market compensation data). Based on this process, the Compensation Committee makes recommendations to the Remuneration Committee with respect to the global salary and bonus pool and remuneration, and incentives of the Executive Committee, their direct reports and any executive directors. The Remuneration Committee, in turn, decides such matters. Compensation practices comply with all statutory regulations. Transparency of this work and communication of this process is regular and ongoing to top management and the broader employee population.

With a sharp rise in inflation and cost of living in 2022, the Group increased salaries of employees across the board mid-year, in addition to the annual pay review cycle.

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**PRINCIPLE 6 - STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT**

The Board recognises that good governance and effective communication are prerequisites for the Company to fulfil its purpose, carry out its strategy, protect the Brand and reputation, and maintain strong relationships with its stakeholders.

Engaging with stakeholders plays an important role in promoting accountability and transparency. It also allows the Group to learn from stakeholders, so that Chanel continues to develop, and achieve its objectives in a positive and forward-looking way. The Board is committed to engaging with the Company's stakeholders, including its sole shareholder, in a way that is aligned with its purpose, values and culture. Details of how the Group engages with stakeholders are set out in the Section 172(1) statement.