

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2020

For the year ended 31 December 2020, under the 2018 Regulations, the Group applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (“FRC”) in December 2018.

SECTION 172(1) COMPANIES ACT 2006

The Board is bound by the duties set out in Section 172(1) of the Companies Act 2006, which charges them to consider what is most likely to promote the success of the Group in the long-term. In defining its business strategy, the Board considers the interests of the Group’s key stakeholders, the environment and the communities in which it operates. The Group’s corporate governance principles below, provide a framework for the Board in managing long-term strategic business decisions that promote the success of the Group, having regard to the factors set out in Section 172(1) of the Companies Act 2006.

The Covid-19 pandemic posed a new set of challenges to the Group during 2020. The Board took care to navigate fast-changing legislation and guidance, including lockdown measures and restrictions on travel, which directly and indirectly impacted the retail and travel retail sectors. Fostering effective stakeholder relationships has always been a priority for the Board and during this critical time, the Board drew upon its broad expertise to protect the interests of the Group’s stakeholders. Additionally, in spite of the urgency to protect the Group’s stakeholders through this health crisis, the Board remained committed to carrying out the Company’s environmental and social objectives.

Employees: The Board is committed to ensuring the engagement; learning and development; as well as safety and well-being of the Group’s employees. Significant efforts are made to create a culture of fair and equitable opportunities and empowerment. We actively engage employees around the key priorities of Chanel, including Chanel’s employer philosophy, values and ethics; critical mission of sustainability; and the fostering of a diverse company and inclusive culture. At a global level, Chanel promotes common philosophies around these values and related initiatives and a holistic view point; whilst regionally, local leaders and their teams orchestrate the initiatives around the Group’s priorities, the sharing of information, enhancing learning and importantly, listening to employee feedback to understand the experiences of our varied employee populations so that we may continually improve on the employee experience.

Customers: Chanel is dedicated to building deep and meaningful client experiences, whether through direct contact in the boutique, through special events, through virtual experiences online and through our services. The quality of this engagement is critical to carrying out the Group’s business strategy and this is measured through satisfaction surveys as well as the Group’s ability to recruit new clients and retain existing ones. During the Covid-19 pandemic, Chanel introduced innovative remote sales strategies to serve its key customers in a safe, thoughtful and dedicated way, including courier services and one-to-one virtual boutique experiences.

Suppliers: The Board is strongly committed to conducting its business in compliance with all applicable laws, including all laws relating to business ethics, such as conflict of interest, fair competition, anti-corruption, anti-money laundering, sanctions and trade laws. The Board also pays particular attention to labour and employment-related laws, rules and regulations of every location in which we do business and across our supply chain. This includes, but is not limited to, laws, rules and regulations relating to wages and hours worked, equal employment opportunity, non-discrimination, non-harassment, immigration and work authorisation, privacy, health and safety, collective bargaining, and child prison or other forms of forced labour. Our internal code of conduct, *Ethics@Chanel*, sets forth the global ethical core for all Chanel employees, which reflect our expectations. The importance of maintaining good relationships but also knowledge of the supply chain, as well as working closely together with our partners to ensure these values can be reflected, has become even more evident in the last year.

Our Responsible Sourcing Policy sets out our expectations and requirements regarding issues such as respect of labour laws, forced and slave labour, human rights, the environment and anti-corruption. We carefully screen and select our suppliers and business partners and maintain business relationships with those that share our commitment to high ethical standards and demonstrate compliance with applicable laws, rules and regulations as well as our Responsible Sourcing Policy. Details of the assessments made under the Responsible Sourcing Policy are included on page 7 of the financial statements in the strategic report.

Environment: Chanel launched its Mission 1.5° initiative in 2020, which represents our commitment to mobilise and transform our business in line with the Paris Climate Agreement by decarbonising our business and value chain to help limit average global mean temperature increases to 1.5 degrees Celsius above pre-industrial levels. This initiative is directly aligned with the Group's Sustainability-Linked Bonds issued in October 2020. Our commitment to these environmental initiatives is detailed on pages 7 through 9 of the financial statements in the strategic report.

Communities: Fondation CHANEL is committed to supporting social purpose organisations working to improve the social and economic conditions of women throughout the world. By giving grants to non-profit organisations, Fondation CHANEL provides long-term support to women and girls in vulnerable situations and helps them reach the first step on the development ladder. Details of the work of Fondation CHANEL are included on pages 12 and 13 of the financial statements in the strategic report.

The Group's corporate governance principles set out below provide a framework for the Board in managing long-term strategic business decisions that promote the success of the Group, having regard to the factors set out in Section 172(1) of the Companies Act 2006.

PRINCIPLE 1 - PURPOSE AND LEADERSHIP

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's purpose is to conserve the heritage of the brand whilst shaping it for the future with integrity and responsibility. As a company, we believe in the power of creativity to generate beauty, emotion and change whilst cultivating potential and fostering individual and mutual accomplishment. We are committed to making a positive impact on people, communities and the planet with a dedication to setting bold and new standards with a long-term perspective.

The leadership at Chanel strives to create an inclusive culture that nurtures personal growth, contributing to collective progress. Chanel's objective is to continually transform the business model to sustain the natural world and its social ecosystems. Chanel is committed to creating an impact on the advancement of women in society as well as extending its legacy through the arts.

PRINCIPLE 2 - BOARD COMPOSITION

The Board has ten members comprised of Presidents of the entities within the Group that together own the Chanel Brand and one major licensee, the Global Chief Financial Officer and four independent non-executive directors. The Board meets at least four times a year and ensures that it is properly prepared through various updates received in between meetings as well as review of detailed pre-reading materials in advance of each Board meeting. In response to the Covid-19 pandemic, the Board met more frequently to monitor the impact on the business from changing global restrictions on travel, retail operations and workspaces and to ensure that appropriate safeguards were put in place to protect the Group and its stakeholders' interests, including the health and safety of the Group's employees.

The Board considers that there is an appropriate balance between executive and non-executive directors and that there is sufficient independence in the overall composition. The Board strives to include appointments that promote an appropriate level of expertise, objectivity and diversity, which aligns with the Group’s purpose. Overall, the directors work together to promote effective decision making and ensure the Group’s business strategy is met.

The independent non-executive directors bring experience from both within the industry in which the Group operates as well as other sectors. They play an important role in challenging a broad range of areas across the business. The independent non-executive directors have the 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 on-boarding, they visit operational facilities that support the business activities as well as some of the markets and meet with the global corporate functions to learn about the Group’s business.

PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

Accountability

The Board recognises the importance of having a strong corporate governance framework as part of the Group’s overall success. The Board, upon recommendation from management, determines the strategic direction for the Group; establishes policies for corporate management; reviews financial performance and approves budgets; makes decisions on major initiatives and investments; ensures that leadership is in place to implement policies and decisions; and oversees the executive leadership. Key information is provided to board members in a timely manner prior to each meeting and all members have a clear understanding of their roles and responsibilities. In accordance with the Group’s conflicts of interest policy, the four independent non-executive directors have no business or relationship with the Group that would compromise their influence or objectivity.

Areas of focus in 2020

Governance	<ul style="list-style-type: none"> - Develop and entrench corporate governance framework throughout the Group in accordance with the Wates Principles - Prioritising the health and safety of employees and suppliers and ways to support the communities where we operate
Strategy	<ul style="list-style-type: none"> - Business response to the impacts of the Covid-19 pandemic on the retail and travel retail sectors - Consider the growing role of online retail in the luxury fashion sector
Finance	<ul style="list-style-type: none"> - Access and preservation of the Group's liquidity - Reassessment of capital expenditures and other costs across the regions
Risk and Opportunity	<ul style="list-style-type: none"> - Navigating the Covid-19 pandemic as a retailer, business partner and employer - Continued assessment of impact to business and people related to Brexit - Assess impact of the withdrawal of duty-free shopping in the United Kingdom
Corporate Social Responsibility	<ul style="list-style-type: none"> - Climate related commitments - Identify partnerships and investment opportunities that align with CHANEL Mission 1.5 - Social and environmental outreach programmes

The Board delegates certain responsibilities to specific committees that have the appropriate knowledge and experience to make recommendations to the Board. Each committee includes independent non-executive directors as shown in the table below. In 2020, the committees and their roles were as follows:

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.

Nominations Committee - reviews and monitors succession planning for the Board, the Executive Committee and other key leadership roles.

Corporate Social Responsibility (“CSR”) Committee – reviews, assesses and makes recommendations on the Group’s environmental and social activities.

Below is a summary of the committee structures, members and meeting attendance.

Name	Board Member	Meetings Attended	Audit Committee	Meetings Attended	Nominations Committee	Meetings Attended	CSR Committee	Meetings Attended
P. Abecassis ^A	x	8/8	x [~]	5/5	x	2/2		
P.B. Blondiaux	x	8/8						
R. Collasse	x	8/8					x	3/3
J. Galantic	x	8/8					x	3/3
B. Gros ^A	x	7/8			x [~]	2/2		
Lady S. Heywood ^A	x	8/8	x	5/5	x	2/2		
Baroness M. Lane Fox ^A	x	8/8			x	2/2	x [~]	3/3
O. Nicolay	x	8/8	x	5/5				
B. Pavlovsky	x	8/8					x	3/3
V. Shaw	x	8/8	x	5/5				

^A Non-Executive

[~] Chair

Other Committees

The day-to-day operations of the Group are managed by the Executive Committee, under the responsibility of the Chief Executive Officer (“CEO”), as well as a number of other operational committees which prepare recommendations to the Executive Committee and/or the Board:

Executive Committee: recommends strategies to the Board; makes operational decisions for the Group; assesses developments in the business, operational issues, risks and new initiatives; and decides on how best to carry out the strategy of the brand and drive the implementation of business decisions. The Executive Committee is comprised of the CEO, the Global Chief Financial Officer (“CFO”), the Global Chief Administrative Officer (“CAO”),

Presidents of the Chanel Brand Owners and Licensee, Presidents of the business activities and Global corporate function heads. The Executive Committee meets at least six times a year.

Brand, Communication and Image Committee: assesses brand image, culture awareness, advertising and promotion campaigns, and communication and media strategies and makes recommendations to the Board accordingly. This Committee is comprised of the Global CEO, Presidents of the business activities, Global Markets Coordinator, Head of Artistic Direction, Global Head of Innovation and Brand Insights, and the Global Head of Arts and Culture. This Committee meets four times a year.

Regional Presidents' Committee: assesses the priorities of the local markets on product and marketing issues in preparation for meetings of the Executive Committee, Brand, Communication and Image Committee and for meetings with the Presidents of the business activities. This Committee is comprised of the Global Markets Coordinator and Presidents of the Chanel Brand Owners and Licensee. This Committee meets four times a year.

Global Compliance Committee: oversees the development and implementation of the Group's Compliance and Ethics programme with regard to policies, training and investigations to ensure compliance with laws, internal procedures, and industry standards that are significant to the business from a regulatory or reputational standpoint. This Committee is comprised of the Global General Counsel, the Global Chief Compliance Officer, the Global CFO, the Global Chief People & Organisation Officer, the Global Head of Internal Audit and other corporate representatives, as needed. This Committee meets six times a year or more if needed.

Real Estate Committee: assesses proposals and makes recommendations to the Board about opening new boutiques, relocating existing boutiques or offices, undertaking major renovations, and acquiring new premises. This Committee is comprised of the Global CEO, Global CAO, Global CFO, Global Head of Store Design, Presidents of the business activities and representatives of the Chanel Brand Owners and Licensee. This Committee meets four times a year.

Compensation Committee: makes recommendations to the Board on compensation for senior management and guidelines for salary increases and bonuses. This Committee is comprised of the Global CEO, Global CAO and the Global Chief People & Organisation Officer. This Committee meets twice a year.

Integrity of information

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.

PRINCIPLE 4 - OPPORTUNITY AND RISK

Opportunity

The Group's business strategy is based on a long-term vision and allows it to explore opportunities that align with the Group's 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.

Risk and responsibilities

Risk management is tied to the overall strategy of the Group. The strategic report on pages 3 through 23 of the financial statements includes an assessment of the Group's principal risks and how those risks are mitigated.

The Audit Committee reviews 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 control. This includes governance of risk assessments to understand material financial risks, fraud risks, legal and compliance risks as well as the impacts of upcoming regulations and IT risks and how such risks are managed and mitigated through strategic, operational and compliance controls. With regard to IT risks in particular, the Audit Committee recognises that its remit in supervising risk management activities and monitoring management's policies and procedures plays a significant strategic role in assessing the efficacy of cyber risk and privacy risk initiatives and policies. The Audit Committee receives regular briefings regarding the Group's technology strategy and plans in order to gain an understanding of key systems, data privacy activities, risk and controls, including those associated with cyber security and data management and uses these briefings to assess the effectiveness of risk management and internal controls in this area. In addition, with regard to legal and compliance risks, the Audit Committee receives regular reports on whistleblowing and internal investigations on compliance concerns and is satisfied that compliance matters are handled appropriately. The Audit Committee also receives sufficient robust management information and metrics to be confident that the information the Group publishes relating to transparency in supply chains and the risk of modern slavery or other human rights or compliance issues are subject to an appropriate level of due diligence.

The Audit Committee reviews and approves internal audit's role and mandates and approves the annual internal audit plan ("Plan"). The Audit Committee ensures the Plan is aligned to the key risks of the business and the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its Plan. The Plan is sufficiently flexible and dynamic to help identify, react to and address new, emerging risks and meets the needs of the Audit Committee and the Group 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 receives summaries on the results of the internal auditor's work. The summaries provide a clear understanding of the work performed, the results from this work, recommendations and any mitigating action plans. The Audit Committee considers the actions management has taken to implement the recommendations of internal audit and whether these properly support the effective working of the internal audit function.

The Audit Committee is also responsible for reviewing and approving the Group's supplier excellence programme ("SEP") mandate. The Audit Committee ensures the SEP is aligned to the compliance and corporate social responsibility risks of the business and must be sufficiently flexible and dynamic to meet the emerging needs of the Group and the Audit Committee promptly. The Audit Committee receives summaries of the results of the SEP, recommendations and any mitigating actions taken by the Group to ensure they properly support the effective operation of the programme.

The risk management and internal control system can only provide reasonable, and not absolute, assurance that the Group's overall risks and objectives are properly managed.

PRINCIPLE 5 - REMUNERATION

Group-wide compensation is governed by the Compensation Committee, which is not a board but a management-level committee that prepares the recommendations to the Board. The Compensation Committee has an established annual compensation planning and review process in which it reviews market conditions globally, company performance and competitive benchmark data (best practices and market compensation data) comparing to well-defined peer groups, in order to set fair and equitable performance-based compensation parameters.

The Group's Compensation policy and philosophy are articulated annually as part of the compensation planning process. The Board establishes guidelines setting the remuneration each year based on the recommendations of the Compensation Committee. Compensation practices comply with all statutory regulations. Transparency of this work and communication of this process is regular and ongoing to the top management and the broader employee population.

The Gender Pay Gap Reporting requirements provides an opportunity to assess and demonstrate our efforts in creating an inclusive environment and embracing diversity in all its dimensions and ensuring fairness and equity (to help us achieve our goal of creating an inclusive environment and embracing diversity in all its dimensions). The

Group is committed to ensuring all employees are paid fairly for the role they undertake. The Group continually monitors and enhances its policies to ensure a safe environment, free of discrimination and harassment.

PRINCIPLE 6 - STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

Effective governance is a critical role of the Board and is essential in achieving the Group's business strategy and aligning with its purpose. As part of promoting the success of the Group, the Board is committed to engaging its stakeholders in a way that is aligned with Chanel's standards and principles. This engagement allows us to learn from our stakeholders so the Group can achieve its objectives in a positive way.

As a Group, we set ambitious goals and aim to honour our commitments by being a reliable business partner and conducting business in compliance with applicable laws, rules and regulations in all the markets where we operate.

Details of the Group's engagement with key stakeholders are set out in the Section 172(1) statement.