CHANEL

CHANEL LIMITED UK TAX POLICY **20 May 2024**

Introduction

Chanel is a private company and a world leader in creating, developing, manufacturing and distributing luxury products. Founded by Gabrielle Chanel at the beginning of the last century, Chanel offers a broad range of high-end creations, including Ready-to-Wear, Leather Goods, Fashion Accessories, Eyewear, Fragrances, Makeup, Skincare, Jewellery and Watches. Chanel is also renowned for its Haute Couture collections, presented twice yearly in Paris, and for having acquired a large number of specialized suppliers, collectively known as the Métiers d'art. Chanel is dedicated to ultimate luxury and to the highest level of craftsmanship. It is a brand whose core values remain historically grounded on exceptional creation. As such, Chanel promotes culture, art, creativity and "savoir-faire" throughout the world, and invests significantly in people, R&D, sustainable development and innovation.

CHANEL's fragrance and beauty products are sold mainly through retail and in high-end department and specialty stores and other carefully selected points of sale operated primarily by third parties. Its fashion, watch and fine jewellery products are sold mostly in Chanel-owned or operated boutiques, but also in a limited number of department stores, watch specialists and fine jewellers. Paying the right amount of taxes, in the right places, at the right times, is core for Chanel and its commitment to being a responsible business.

The following tax strategy is applicable for the financial year ending 31 December 2023 and is also applicable to all of Chanel Limited's ("the Company") UK subsidiaries (together, "Chanel"). This document, approved by the Board of Directors of Chanel Limited, sets out Chanel's policy and approach to conducting its tax affairs and dealing with tax risk, and is made available to all of Chanel's stakeholders. The Finance team will periodically review this document and the Board of Directors of Chanel Limited will approve any amendments to it. This tax policy is aligned with "Ethics at Chanel" (Chanel's Global Code of Conduct). Its publication is regarded as satisfying the statutory obligation under Part 2, Schedule 19, Finance Act 2016. The strategy defines the approach of Chanel towards risk management, the approach to tax planning, the level of risk that Chanel is willing to tolerate and the approach in dealing with HMRC or any other tax authorities.

The Group's overall objective on tax matters is to maintain a net positive tax contribution in all jurisdictions where it operates in line with the economic value created in each country, not just in terms of corporate taxes, but also employment and property taxes, customs duties and other types of levies. In doing so, the Group seeks to have a sustainable, positive impact on society and the environment.

Tax principles

The Group recognises that taxes are a crucial source of funding for governments in every country in which we operate and that they finance important public programmes. As a result, the Group's overall objective is to maintain a net positive tax contribution in all jurisdictions where it operates in line with the economic value created in each country, not just in terms of corporate taxes, but also employment and property taxes, customs duties and other types of levies. The Group strives to account for tax on an accurate and timely basis and to pay taxes within the due dates. Compliance for Chanel also means disclosing all relevant facts and circumstances to the tax authorities in a transparent and collaborative manner.

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The Group's tax principles ensure coherence between its business operations and the policy intent of international and local tax legislation. The Group does not invest in a country, for example, without a clear business purpose or put in place any schemes or arrangements that could be perceived as contrived or artificial in nature. The Group follows reasonable and unambiguous interpretations of tax laws as well as the policy intent of tax legislation.

The Group strives, through its tax principles, to align its global profit allocation with economic value creation within the Group and to apply the 'arm's length' principle, taking into account the location of its main intangible assets and functions related to their development and generation of value. None of the Group's companies operate in low-tax jurisdictions unless there are commercial activities being carried out there, supported by people, assets and business in that country.

When considering the structure of its business activities, Chanel takes into account consideration of the UK's and relevant countries' tax laws. Chanel does not put into place any schemes, arrangements or tax planning that could be perceived as being contrived or artificial in nature. Given the singularity of the business and the volume of tax obligations, Chanel is inevitably exposed to tax uncertainties, which Chanel actively seeks to identify, evaluate, monitor and manage. Where there is significant complexity in relation to a tax issue, Chanel seeks external, expert advice.

Tax Compliance and Reporting

The Group ensures the highest level of compliance when applying its tax principles. It files all tax-related returns, declarations, reports and related documentation under local legislation/rules. Where there is significant complexity in relation to a tax matter, the Group seeks advice from external advisors to ensure that an appropriate filing position is adopted. The Group maintains an open, transparent and constructive relationship with all tax authorities.

Interactions with HMRC

Chanel is committed to the principles of openness and transparency in its approach to dealing with HMRC, with the objective of minimizing tax uncertainties. Chanel does not take positions on tax matters that may create reputational risk or jeopardise its good standing with the UK tax authority. However, Chanel is, if necessary, prepared to defend its positions where it disagrees with a ruling or decision of a tax authority, having always first sought to resolve the disputed matter through active and transparent discussions.

Pillar Two income taxes

The global tax landscape is changing as governments seek to modernise tax systems that deal with increasingly digitalised and globalised economies. As a response, the OECD has developed Pillar Two which requires multinational companies to pay at least 15% tax on the profits made in each jurisdiction in which they operate. Pillar Two becomes effective for the year ending 31 December 2024. This may result in the Group paying additional taxes each year on its activities in low-tax jurisdictions, depending on its results in those jurisdictions. The determination of the Pillar Two liability for 2024 will be complex, requiring the collection of additional information across the Group, with various detailed calculations being required.

An assessment of the Group's potential exposure to Pillar Two income taxes has been performed based on the most recent tax filings, country-by-country reporting and Group financial information. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions within the Group's perimeter are above 15%. However, there are a limited number of jurisdictions where the Pillar Two effective tax rate is estimated to be below 15%. As described above, the Group has no

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subsidiaries operating in low-tax jurisdictions unless commercial activities are being carried out there, supported by people and assets. Accordingly, the Group does not expect a material exposure to Pillar Two income taxes.

As illustration of the Group's presence and activities around the world, the table below presents an exhaustive list of jurisdictions where the Group has incorporated entities along with various indicators for 2023:

2023	Purchasing or Procurement	Manufacturing or Production	Sales, Marketing or Distribution	Administrative, Management or Support Services	Internal Group Finance	Holding Shares of Companies	Non-Trading	Real Estate Activities	Holding or Managing Intellectual Property	Insurance	Number of subsidiaries	Third Party revenue ($ million)	Intercopany revenue ($ million)	Total Profit before tax ($ million)	Tax paid ($ million) *
Argentina							✓				1	-	-	-	-
Australia			✓	✓				✓			4	401	1	46	19
Austria			✓								1	95	-	20	5
Belgium			✓	✓							2	56	1	6	2
Bolivia							✓				1	-	-	-	-
Brazil			✓								1	54	-	11	3
Cambodia		✓									1	-	-	-	-
Canada			✓				✓				1	293	-	46	14
Colombia							✓				1	-	-	-	-
Costa Rica		✓									1	-	-	-	-
Czech Republic			✓								1	44	-	10	2
Denmark			✓	✓							1	45	-	9	2
France	✓	✓	✓	✓		✓	✓	✓	✓		78	2,143	7,867	1,683	443
Germany		✓	✓	✓		✓	✓				6	392	2	71	23
Hong Kong S.A.R.			✓	✓		✓	✓				4	1,394	5,051	1,046	166
India		✓	✓				✓				3	14	3	- 1	-
Ireland			✓								1	32	-	5	1
Italy	✓	✓	✓	✓				✓			24	707	428	170	55
Japan			✓								2	1,373	6	70	31
Luxembourg			✓	✓	✓	✓		✓		✓	4	28	7	- 11	26
Macao S.A.R.			✓								1	566	2	187	22
Mainland China	✓		✓								2	3,413	3	800	219
Malaysia			✓								1	178	-	43	14
Mexico			✓								2	129	-	17	4
Monaco			✓								1	64	-	17	-
Mongolia		✓									1	-	-	-	-
Netherlands			✓	✓	✓	✓					3	111	93	68	35
New Zealand			✓								1	9	-	-	-
Norway			✓								1	23	-	- 1	-
Panama			✓			✓					3	116	2	15	0
Poland			✓								1	22	-	3	0
Portugal			✓								2	13	-	-	-
Romania		✓									1	-	2	-	-
Russia							✓				1	6	-	- 73	- 1
Singapore			✓	✓							2	379	-	93	18
South Africa							✓				1	-	-	-	-
South Korea			✓								1	1,306	-	220	51
Spain		✓	✓	✓		✓					9	260	14	45	12
Sweden			✓								1	31	-	4	1
Switzerland	✓	✓	✓	✓		✓	✓		✓		4	202	1,446	590	79
Taiwan Region			✓								1	678	-	159	36
Thailand		✓	✓								2	422	16	89	21
Turkiye			✓					✓			3	101	-	31	11
Ukraine			✓								1	7	-	1	-
United Arab Emirates			✓	✓							3	462	3	107	-
United Kingdom	✓	✓	✓	✓	✓	✓	✓	✓	✓		12	1,191	934	276	153
United States		✓	✓	✓		✓	✓	✓	✓		22	3,376	162	774	231
Vietnam			✓								1	79	-	13	3

* Tax paid includes local income taxes and foreign withholding taxes.

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We share below more information about our presence and activity in our parent company and our ten largest markets. In order to avoid giving a distorted picture, effective tax rates described below are exclusive of foreign withholding taxes:

United Kingdom
Chanel Limited is the global top holding company, a Chanel brand owner and corporate headquarters of the Chanel Group and has been present in the United Kingdom since 1925, with the incorporation of Chanel Limited. Chanel now has 12 subsidiaries in the UK, engaged principally in group headquarters and global strategic roles and sales, marketing and distribution to various territories. The Group employs 2,254 people in the UK. UK revenues were stable in 2023 due to the ongoing economic uncertainty and lack of return of tourism. Profits rose significantly following the sale of a London property. In 2023, the UK increased its statutory corporate income tax rate from 19% to 25% effective from 1 April 2023, resulting in a blended income tax rate for the year of 23.5%, which compares to an effective tax rate in the UK of 30.1%. This difference is driven by charitable contributions to overseas organisations which are not deductible, along with certain true ups of prior year tax positions.

France
Chanel has been present in France since 1924, with the incorporation of Chanel SAS and is a Chanel brand owner. Chanel now has 78 subsidiaries in France, engaged in various activities as set out in the table above and employs 8,839 people. French revenues and profits grew in 2023 driven by the strong performance in Europe, as explained in the Strategic Report. In 2023, France's statutory corporate income tax rate was 26.8%, in line with the French effective tax rate of 27.8%.

Germany
Chanel has been present in Germany since 1998. Chanel now has six subsidiaries in Germany, engaged in manufacturing and selling, marketing and distribution and employs 429 people. German revenues and profits grew in 2023 driven by the strong performance in Europe, as explained in the Strategic Report. In 2023, Germany's statutory corporate income tax rate was 33%, in line with the effective tax rate of 32.4%

Hong Kong S.A.R.
Chanel has been present in Hong Kong S.A.R. since 1976 and licenses the Chanel brand in various territories. Chanel has four subsidiaries in Hong Kong S.A.R., engaged in sales, marketing and distribution activities and employs 1,689 people. Hong Kong revenues and profits grew in 2023 driven by relaxation of COVID restrictions and the return of tourism. In 2023, Hong Kong's statutory corporate income tax rate was 16.5%, in line with the effective tax rate of 16.5%.

Italy
Chanel has been present in Italy since 1986, with the incorporation of Chanel SRL. Chanel now has 24 subsidiaries in Italy, engaged in manufacturing, selling, marketing and distribution and logistics and employs 2,236 people. Italian revenues and profits grew in 2023 driven by the strong performance in Europe, as explained in the Strategic Report, along with the acquisition of Mabi SPA, a manufacturer based in north-east Italy. In 2023, Italy's statutory corporate income tax rate was 27.9%, somewhat below the effective tax rate of 30.7%, due primarily to the impact of a large number of subsidiaries that are variously profit-making and loss-making, slightly distorting the effective tax rate.

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Japan
Chanel has been present in Japan since 1980, with the incorporation of Chanel GK (formerly known as Chanel KK). Chanel now has two subsidiaries in Japan, engaged in research and development and selling, marketing and distribution and employs 2,141 people. Japan revenues and profits increased considerably in 2023 driven by relaxation of COVID restrictions and the return of tourism. In 2023, Japan's statutory corporate income tax rate was 30.6% somewhat below the effective tax rate of 34.7% caused by certain permanent differences.

Korea
Chanel has been present in Korea since 1991, with the incorporation of Chanel Korea YH. Chanel has one subsidiary in Korea, engaged in various activities as set out in the table above and employs 1,865 people. Korean revenues and profits were stable in 2023 versus 2022. In 2023, Korea's statutory corporate income tax rate was 24%, whereas the effective tax rate was 19.8% due to true ups caused principally by the decrease in statutory tax rates in the year and certain other permanent and GAAP differences and true-ups thereon.

Mainland China
Chanel has been present in Mainland China since 2001, with the incorporation of Chanel (China) Co., Limited. Chanel has two subsidiaries in Mainland China, engaged in various activities as set out in the table above and employs 3,413 people. Mainland China revenues grew in 2023 driven by the strong performance across all three divisions, as explained in the strategic report. In 2023, Mainland China's statutory corporate income tax rate was 25%, whereas the effective tax rate was 27.4% due primarily to certain permanent differences and non-deductibility of certain expenses.

Switzerland
Chanel has been present in Switzerland since 1959, with the incorporation of Chanel SARL and is a Chanel brand owner. Chanel now has four subsidiaries in Switzerland, engaged in manufacturing, selling, marketing and distribution and certain global management roles and employs 763 people. Swiss revenues and profits grew in 2023 driven by the strong performance in Europe and export sales to Japan. In 2023, Switzerland's statutory corporate income tax rate was 14%, in line with the effective tax rate of 14.1%

Taiwan Region
Chanel has been present in the Taiwan Region since 1995, and operates from its subsidiary, Chanel Inc.. It is engaged in selling, marketing and distribution and employs 1,050 people. Taiwan revenues and profits grew in 2023 driven by the strong performance across all three divisions, as explained in the strategic report. In 2023, Taiwan Region's statutory corporate income tax rate was 20%, in line with the effective tax rate of 20%.

United States of America
Chanel has been present in US since 1956, with the incorporation of Chanel, Inc. and is a Chanel brand owner. Chanel now has 22 subsidiaries in the US, manufacturing, selling, marketing and distribution and certain global management roles and employs 2,743 people. US revenues and profits were stable in 2023 consolidating the strong performance of 2021 and 2022. In 2023, the US's statutory federal corporate income tax rate was 21%, whilst state income taxes varied between 0% and 11.5% which, combined, is in line with the effective tax rate of 27.5%.

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Non-cooperative jurisdictions and uncooperative tax havens

As noted, the Group does not operate in low-tax jurisdictions unless there are commercial activities being carried out there, supported by people, assets and business in that country. The Group has three entities in Panama and one in Russia. These countries are on the EU's list of non-cooperative jurisdictions. Panama has for decades been the location of the Group's regional headquarters and distribution centre for Latin America and the Americas travel retail whilst it also operates two retail boutiques there, supported by real estate assets. The Group has one entity in Russia whose operations are currently suspended but formerly encompassed the wholesale and retail distribution of Chanel products in the country. The Group also operates a fashion boutique and a watches and fine jewellery boutique in Monaco which is on the OECD's list of un-cooperative tax havens. The Group currently employs 151 people in Panama, 172 people in Russia and 43 employees in Monaco.

Total taxes paid

In 2023, the Group's total taxes paid amounted to $2.5 billion (2022: $2.8 billion), exclusive of taxes collected on the behalf of others (e.g., VAT and certain employee taxes) which represented a further $0.9 billion (2022: $0.7 billion). The make-up of the taxes paid is set out below, with corporation income taxes representing 60% (2022: 69%) of total taxes paid.