
CHANEL

MODERN SLAVERY STATEMENT 2024

2023 FINANCIAL YEAR

This Modern Slavery Act Statement details the steps taken in the 2023 financial year and articulates how we continue to take action to prevent modern slavery¹, human trafficking², forced labour³ and child labour⁴ from taking place across our business and value chain.

1. REPORTING ENTITY

This modern slavery statement is made by Chanel (Australia) Pty Ltd – ACN 000 012 153 (Company) in accordance with the Company's obligations under the Modern Slavery Act 2018 (Cth) for the reporting period 1 January 2023 to 31 December 2023.

2. INTRODUCTION

Chanel Limited is a private company, headquartered in the UK (together with all of its subsidiaries, “Chanel”), and a leader in creating, developing, manufacturing, and distributing luxury products of the finest quality and highest level of craftsmanship through its three business activities: Fashion, Fragrance and Beauty, and Watches and Fine Jewellery.

Chanel’s core values remain historically grounded in exceptional creation. Chanel invests in the excellence of its products and always takes 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 2023, Chanel employed more than 36,500 people across the world.

Human Rights in the Value Chain

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 conventions⁵. This commitment is rooted in its responsible sourcing and procurement decisions and practices and is shared with Chanel’s partners. Beyond expecting suppliers to

¹ as defined by the ILO

² as defined by the ILO

³ as defined by ILO Convention No 29 on Forced Labour

⁴ as defined by the ILO Convention No. 138 on Minimum Age and the ILO Convention No. 182 on the Worst Forms of Child Labour.

⁵ ILO Fundamental Conventions

comply with Human Rights Due Diligence standards⁶, Chanel aims, when possible, to support them in progressively strengthening their own labour management policies and practices.

3. ENTITY STRUCTURE, OPERATIONS & SUPPLY CHAINS

Chanel (Australia) Pty Ltd is an Australian Proprietary Company, registered on 4 July 1922 whose registered office is situated at Level 31, 100 Mount Street, NORTH SYDNEY NSW 2060. As at the end of 2023, the Company employed approximately 710 people in Australia, who work across the main office in Sydney, the distribution centre, and the retail network. The distribution centre is based in Eastern Creek, New South Wales and receives and despatches fragrance & beauty, fashion, watch and fine jewellery products to our retail network and partners across Australia and New Zealand.

The Company operates 16 standalone Fragrance & Beauty Boutiques, 7 Fashion Boutiques and 2 Shoe Boutiques across Australia with presence in most capital cities. In addition, Chanel maintains strong, longstanding commercial partnerships with major department stores – Myer and David Jones as well as some independent retailers and travel retail operators.

The Company is a subsidiary of CHANEL Limited, 00203669 (Chanel), incorporated in the United Kingdom.

Chanel's Value Chain

Chanel's value chain revolves around two pillars: 'Direct Procurement', which includes the sourcing of raw materials, components, and finished goods for the manufacture of the products of 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 and Beauty business has over 600 suppliers, of which approximately 52% are direct suppliers (tier 1), supporting its sourcing and manufacturing activities in the following categories: raw materials, packaging, event packaging and manufacturing sub-contracting.
- The Watches and 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.

⁶ UN Guiding Principles on Business and Human Rights; OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

Chanel's Australian Operations and Supply Chain

The Australian subsidiary receives Chanel's finished products directly from Paris, France and Milan, Italy. This includes the products it markets, distributes and sells direct to its clients in Australia through its boutique network and through selected partners. In addition, it receives other non-selling items such as point of sale materials (tissue paper, carry bags etc.) and visual display materials etc. from local Australian vendors.

The Company works with local vendors for the provision of some goods and services such as shopfitters, architects, building and construction consultants, electricians, insurance brokers, law firms, uniform suppliers, visual merchandising supplies, florists, cleaners, printing companies, security, customs brokers, transport / freight, storage, uniforms, beauty supplies, media and advertising agencies, fleet car hire, hire car services, record keeping, hotel, accommodation and event room hire, locksmiths, jewellery repairers, bag repairers, clothing alterations and shoe repairers, IT solutions, landlords, event hire, talent agencies, labour hire agencies and stylists.

4. RISK ASSESSMENT

As the external and internal risk landscape evolve, we continue to focus on implementing and embedding a robust and synchronised integrated risk management framework, under the mandate of the Executive Committee and with the oversight of the Audit Committee of the Chanel Limited Board. This has allowed us to further strengthen the Company's risk management activities for identifying, assessing, treating, monitoring, and reporting risks (including human and labour rights-related risks in our value chain), developing and operating the system of internal controls, and promoting a risk-aware culture across our business.

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 and corruption, based on external reference databases.
- Risks linked to the supplier's activity and to the business relationship.

The risk mapping covers a selection of key suppliers with an established business relationship (tier 1) with Chanel, who are required to provide 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 this analysis with specific criteria and tools tailored to the issues they identify in their supply chains. The results of these sectoral risk mappings directly inform decision-making and shape priorities for the sustainable sourcing strategies of the business.

The business activities and regions continue to lead risk assessments within their area of the business.

The Fashion business has developed a sustainability risk analysis methodology to guide its decisions on sourcing raw materials. This covers labour rights including decent work, living wages and health and safety, using external references and databases such as the Social Hotspot Database, the UNICEF database and the Global Slavery Index.

In 2023, The Fragrance and Beauty business conducted a global risk assessment across certain upstream supply chains. Out of 25 risk categories, 11 have been identified as critical and as priorities (such as cybersecurity, loss of know-how or forced labour). In 2024, the business will work on governance and an action plan linked to these risks.

The Watches and Fine Jewellery business have conducted a Human Right Impact Assessment at the source of a strategic raw materials supply chain in the mining sector in 2022, which led to the implementation of an action plan in 2023. The exercise was conducted by labour rights experts, who carried out site visits and on-site interviews with workers.

In 2023 the teams managing Indirect Procurement in Chanel's Europe markets also conducted a social risk assessment focused on gender-based discrimination and wages, with the support of the Fair Wage Network. This led to the identification of key markets to prioritise in the region's Social Sustainability roadmap.

Supplier Assessment

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 2023 regarding several sourcing business cases.

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 2023, 66% of all direct suppliers of the Fragrance and Beauty business (raw material, packaging, event packaging and subcontracting) were members of the EcoVadis platform and shared their assessment results with Chanel.

In 2023, in close collaboration with the Responsible Supplier Program team at Corporate level, the Fashion business implemented a new dedicated organization within the business aiming to evolve and adapt supplier assessment practices, reinforce risks identification and remediation on upstream value chain, and define the appropriate approach to be set up for partners support and influence suppliers practices evolution.

5. CONTROL MEASURES, DUE DILIGENCE & REMEDIATION PROCESSES

In 2023, the Company appointed a dedicated Indirect Procurement Manager and Sustainability Manager in Australia, as subject matter experts, working collaboratively and with the Executive Leadership Committee to advance our efforts towards eliminating the risk of modern slavery practices in our supply chain and to strengthen supplier evaluation and due diligence processes, with a focus on ensuring due diligence, enhancing controls, providing education and awareness both internally and externally and to propel risk management. In addition, Sustainability (of which Modern Slavery is one of the dimensions of the Sustainability framework) has been established as a standing agenda item at Executive Leadership Committee Meetings. To complement this governance framework, recruitment of the Risk and Internal Control Manager commenced in 2023, with a plan for the position to commence early in 2024.

Policies

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

- Our Ethics, the company's internal code of conduct, re-launched in 2023 in over 20 languages, with a campaign endorsed by the entire Chanel leadership team, provides the legal and ethical principles to be followed by everyone at Chanel. Our Ethics reflects the company's core values and expectations, including compliance with all applicable laws and regulations everywhere we operate. This includes all labour and employment-related laws, such as those relating to wages and hours worked, non-discrimination, immigration and work authorisation, collective bargaining, health and safety and privacy.
- The company's Responsible Procurement Policy, in alignment with Our Ethics, sets out the standards Chanel expects all business partners and suppliers to uphold on general compliance with applicable laws, rules and regulations regarding issues related to all applicable labour and employment-related laws listed above. Alongside this, the policy also details expectations of all partners and suppliers to comply with laws, rules and regulations regarding other areas, including internationally recognised human rights, the environment and anti-corruption. 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 International Labour Organisation ("ILO")'s eleven fundamental conventions and other relevant reference standards.

The Corporate Sustainability, Legal and Business Ethics departments together design the above policies and are supported in their deployment by specialist teams involved in the business and regional activities of Chanel. The policies are reviewed on a regular basis to ensure they are fit for purpose and aligned with the highest standards.

Governance

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. Examples of the governance to support this is outlined below:

- Sustainability, which includes business ethics, is one of five performance drivers of the Company. This means that sustainability (non-financial) performance is included alongside financial results when we report our performance internally and externally, and it impacts the company bonus distributions.
- To ensure sustainability is truly embedded into Chanel's core business strategy, the topic is regularly addressed in dedicated meetings at the Executive Committee and at Board meetings. The Chief Sustainability Officer is a member of the Executive Committee.
- Internal audit and the Responsible Supplier Program team report annually on their work and action plan follow-ups to the Audit Committee, a committee of the Board.
- Global and Local Compliance Committees manage the governance of, and any non-compliance with, matters included under Our Ethics' and the Company's underlying policies derived therefrom.

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 2023, the Fashion business organised a suppliers' forum, bringing together more than 200 of its direct partners (suppliers and manufacturers). The forum integrated notably workshops to work collectively on traceability and sustainability stakes (including on social sustainability).

Human Rights Impact Assessments

In order to understand the root causes of specific social issues and identify adapted remediation issues, we regularly conduct Human Rights Impact Assessments (HRIAs) in a selection of our supply chains with the support of external experts.

In 2023, the Fashion business conducted specific Human Rights Impact Assessments (HRIAs) with the support of external expertise, to assess actual and potential impacts to rights holders in countries identified as being high risk from a human rights perspective. The HRIAs were conducted in Italy with suppliers employing homeworkers. These assessments notably ensured that homeworkers benefited from working conditions that created opportunities and were equivalent to those of on-site workers.

In 2023, the Fragrance and Beauty business conducted two living wage assessments in collaboration with the Fair Wage Network, in Madagascar and in Mainland China. 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 and incomes reduce the exposure of workers to the risk of becoming victims of modern slavery. In Madagascar, the assessment led to the decision to increase the purchasing price of vanilla so that a living income could be provided to vanilla producers. In China, a remediation plan was put in place to improve the supplier's internal wage policies and practices and aim for the Fair Wage Network certification at site level.

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, focussed on topics such as employment terms and working conditions. Where supply chains are highly complex or recognised sustainability standards do not exist, Chanel works in collaboration with private, public, and civil society actors across sectors who join forces to drive positive outcomes.

A social impact project at the source of Chanel's green coffee supply chain has been deployed to improve working conditions for seasonal workers on plantations. The project is part of the Lab 8.7 action-research program, in which Chanel is participating, created and piloted by the association Ressources Humaines Sans Frontières (RHSF). It was co-designed with the 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, aiming to improve in the long term the working conditions of agricultural workers and open up new perspectives to youth in the agricultural sector. In 2023, awareness-raising sessions on risks in working situations were held by the local occupational health doctor. Specific trainings for harvesters were also organised.

The Fragrance and Beauty business also participates in the Responsible Mica Initiative (RMI), the following initiatives have been conducted by the RMI:

1. Community empowerment programmes implemented in 180 villages in India, benefitting more than 19,000 homes and 96,000 beneficiaries.
2. Scholarships distributed to 211 marginalised children in 2023 to enable them to pursue their education and prevent them dropping out of school.
3. Close to 1700 children involved through The Balmanch children's committee, to promote their overall development and ensure they remain integrated into the education system.

The Laboratory of Fragrance Creation and Development has been buying jasmine in Egypt for several years. and has been supporting its suppliers in implementing long-term solutions aimed at improving human rights and working conditions throughout its supply chain, and in particular for smallholders. Chanel partners with recognised experts and Egyptian consultants to support its actions and provide technical support to its suppliers on issues such as economic resiliency, living wage, and education. In 2023, these actions led to the purchase of Fair for Life certified jasmine by Chanel, including a revalued minimum purchase price to integrate a development premium benefiting to the communities.

The Laboratory of Fragrance Creation and Development also participates in Harvesting for the Future, an initiative in collaboration with the Fair Labor Association. In January 2023, the scope of the programme was expanded to cover Türkiye's rose sector for an initial 2-year period. The project seeks to improve human rights and labour conditions in Türkiye's rose sector, focusing on empowering seasonal agricultural workers and their families. It brings together a range of stakeholders, including the Turkish government, civil society organizations, processors, producers, and beauty and fragrance companies, aiming to support and inform companies in establishing and advancing human rights due diligence systems in their supply chains, and engage with local stakeholders.

In 2023, following the identification of labour issues at supplier sites in Malaysia and Thailand, in particular in regards to working hours and recruitment practices, Chanel partnered with Impactt Limited, a human rights consultancy with over 25 years of experience. Impactt implemented bespoke capacity building and remediation programmes which lasted between six and 12 months. The actions included hiring a new Human Resources manager, setting up a Health and Safety committee, repaying recruitment fees to migrant workers, establishing policies and procedures on ethical recruitment, and designing an Employee Handbook on workers' rights. This led to the remediation of the issues, with full collaboration of the management of the supplier.

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 the Company continuously identifies, addresses and monitors social issues in its value chain. It includes, but is not limited to, the processes, practices and programmes described below.

Internal Compliance Processes

- Compliance screenings of new suppliers are carried out globally by the Finance and Legal and Business Ethics teams. These assess a supplier's financial record as well as whether they are subject to sanctions, are politically exposed persons, or have been involved in any criminal activities such as corruption issues, have been subject to regulatory enforcement actions and any other reputational issues. In 2023, we screened over 2,000 new or potential suppliers. In the event of an alert, the teams conduct a deeper analysis with support from external experts, where appropriate, to validate the reason for the alert. This analysis covers reported instances of modern slavery, human rights violations or unethical, or illegal employment practices. These reports also include any references to environmental degradation, in addition to bribery and corruption risks, or other criminal or regulatory enforcement action. If any alert is confirmed, a recommendation is made whether to restrict or cease the relationship with the supplier or if the implementation of other mitigation actions is required, and those recommendations are subsequently implemented.
- In 2023, all direct procurement teams were trained by the Legal and Business Ethics teams on supplier screening best practices. Where necessary, enhanced due diligence was carried out, supported by external experts.
- Legal and Business Ethics, People & Organisation, Finance and other members of management lead annual Compliance risk reviews with each business and regional activity teams. These reviews cover any legal or ethical compliance issues in the business and are informed by observations from supplier audits.
- As part of the procurement process, the Legal and Business Ethics department regularly reviews all contracts with third parties to ensure they integrate appropriate and comprehensive compliance clauses, requiring the third parties to comply with all relevant laws and regulations, including those on labour laws, such as wages, working hours, child labour, forced labour, health and safety, non-discrimination and freedom of association, as well as clauses on anti-corruption and protection of the environment.
- Continuous and regular training of Chanel employees on the content of *Our Ethics* has been undertaken at scale since 2015. This is also part of any new employee's onboarding plan. In 2023, the re-launch of *Our Ethics* led to a global awareness campaign for all employees. In addition, the Legal and Business Ethics teams provided 104 in-person training sessions in 2023 to enhance understanding of key processes and policies.

- Due diligence practices are also implemented directly by the direct and indirect procurement teams, in order to guarantee their sectoral and geographical relevance.

For its Watches and Fine Jewellery business, Chanel applies 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 in its approach to human rights due diligence.

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. Initially applied to diamonds, gold and metals from platinum mines the standard now includes coloured gemstones and silver. The updated practices also include reinforced requirements on Human Rights Due Diligence in supply chains. As part of the certification process, the company policies and practices were reviewed and audited by an external third party.

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 continues to work to implement stringent sustainability standards throughout its supply chain, from raw material origin through to distribution centres. For example, a proportion of the cashmere sourced by the business is Global Organic Textile Standard (GOTS) certified, which includes social compliance metrics such as decent work, fair wages, and health and safety. At raw material origin, Chanel has undertaken certification processes aligned with internationally recognised fair trade standards, such as Fair for Life.

Providing buyers with effective training is another important driver of Chanel's responsible sourcing approach. Tailored modules are delivered to teams to provide them with a practical understanding of the main human rights issues which could expose workers in their purchasing categories.

Traceability

Traceability is vital for Chanel 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 we implement in our supply chain.

The Fragrance and Beauty business has selected the Transparency One platform to map its entire portfolio of cosmetic raw materials and packaging components. As of December 2023, 75% of tier 1 suppliers were registered on this platform. In total, more than 2,050 suppliers have been mapped and more than 22,000 raw materials and components are included.

The Fragrance and Beauty business is also one of the driving actors behind the launch of the Traceability Alliance for Sustainable Cosmetics (TRASCE), launched in 2023. This consortium brings together 15 key players in the cosmetics sector, brands and suppliers, to improve the traceability of supply chains for key components in formulas and packaging - aiming to accelerate the sustainable transformation of the industry.

The Fashion business has also developed its traceability approach, based on the principles: Know, Prove, Improve, to trace materials forward from origin through the value chain to end products, and from the product backwards through the supply chain to material origin. The approach uses blockchain technology and markers, amongst other tools.

Grievance Mechanism

Chanel employees are encouraged to raise any concerns directly to their manager, Human Resources Director, Legal representative or Compliance Officer, and Chanel strives to foster open communication amongst all of its employees, to ensure there is no fear of retaliation for reporting in good faith. In addition, the Chanel Ethics and Compliance Helpline offers all employees the possibility to report any concerns or breaches related to Our Ethics or any of its underlying policies, 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 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 relevant Compliance Committee and, where necessary, investigated in accordance with Chanel's internal investigation policy on a case-by-case basis. Each allegation is followed up on by the Compliance Committees. If an investigation confirms a reported allegation, the Compliance Committees make a recommendation to the relevant department to take appropriate disciplinary sanctions and/or corrective action. A summary of investigations (number and nature) is also reported at global level and discussed at the Global Compliance Steering Committee.

6. PERIODIC REVIEW OF EFFECTIVENESS OF CONTROL MEASURES

Methodology

Chanel has a dedicated Responsible Supplier Program team at the global corporate level. The Responsible Supplier Program team assists the Direct and Indirect Procurement in auditing certain suppliers' and subcontractors' compliance with all applicable laws and regulations, international human rights standards, and standards outlined in Chanel's Responsible Procurement Policy. These audits provide recommendations for encouraging upstream partners to go further. Supply chain assessments are one mechanism Chanel uses to assess the effectiveness of its actions to identify and address modern slavery risk in its business and value chain.

The Responsible Supplier Program team is comprised of internal auditors and contracted external and specialised auditors. This enables the necessary geographical coverage and helps to ensure there is an appropriate level of expertise on local or sector-specific regulations, social and environmental issues, and respect for cultural, language, and supplier contexts. The auditors regularly exchange information to help ensure there is an appropriate level of knowledge sharing and consistency in the audit methodology and risk ranking of observations. In 2023, as part of their continuous professional development, the Responsible Supplier Program team participated in external trainings on topics such as forced labour and child labour in supply chains, and country-specific information on frequently encountered risks, to ensure greater vigilance during audits.

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.), and industry specific standards (e.g., Leather Working Group), and are structured across four pillars:

1. Health & Safety: assessing our suppliers' well-being and working conditions for all of their employees.
2. Human Rights: evaluating our suppliers' human rights practices. This includes, but is not limited to, reviewing employee wages, insurance, and equality policies, and verifying the absence of child labour, forced labour, or prison labour.
3. Environment: assessing our suppliers' operational practices for preventing and reducing their water, air or soil pollution, waste management activities, and their overall impact on biodiversity.
4. Business Ethics: reviewing our suppliers' compliance with local laws and regulations, including their policies and practices for anti-corruption, anti-money laundering, trade sanctions, conflicts of interest, data privacy, and intellectual property.

The audit methodology is under continuous review to incorporate new themes 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 issues occurring in the agriculture sector, and the possible mitigation actions to deliver impact on the ground. By the end of 2023, 20 supply chains of natural fragrance ingredients have been audited or assessed along these standards, based on recognised certifications.

On-site audits include reviews with the supplier's management teams, as well as worker interviews, documentation reviews, and facility inspections. All observations are shared with the supplier during a closing meeting to support a constructive discussion, including the corrective action plan to address the findings.

In 2023, the audit reports shared with our suppliers and audited sites were enhanced in terms of structure and content. This was to provide greater clarity for our suppliers and to formalise Chanel's expectations for the audited sites. If any non-compliance issues were identified, Chanel worked with suppliers to support them in implementing corrective action plans, and engaging with the relevant stakeholders to implement appropriate remediation measures if necessary. Where a corrective action plan is required, suppliers share their plan to address the findings with Chanel. A follow-up audit is prioritised based on the risks of the observations identified during the initial assessment.

The Responsible Supplier Program team at the global corporate level works in close partnership with the Purchasing, Legal and Business Ethics, 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 implementing a responsible exit for the business relationship; however, this is usually considered as a last resort, if no agreement on improvements can be reached.

In 2023, the Responsible Supplier Program team launched an analysis of Chanel's supplier assessment model, in collaboration with an external expert partner, which led to the identification of potential areas for evolution and future improvement.

Supplier Audits Performed in 2023

Chanel continues to expand its audit skills and capacity with 541 audits in 2021, 617 audits in 2022, and 708 audits in 2023. The audits conducted in 2023 covered 27 geographical areas and 13 sourcing categories: 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

The Fashion, Fragrance and Beauty, and Watches and Fine Jewellery business activities and Indirect Procurement Teams have an ongoing governance of supplier audits, with 19 steering committee meetings held in 2023. These sessions focused on reviewing the supplier audit plans, audit report results, and the corrective actions plans agreed upon with our suppliers to mitigate the identified risks.

7. CONSULTATION WITH KEY STAKEHOLDERS AND EXPERTS

Chanel seeks to continuously improve its social sustainability approach, methodology, practices and programmes through ongoing dialogue with external stakeholders, 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. Within these areas, members commit to minimum requirements covering human rights, labour laws, and inclusive and responsible value chains.

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 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, to finetune the labour rights criteria of the Supplier Risk Assessment tool used by its buyers and internal auditors, including through country-specific human rights risk profiles. HRWB is also a key partner in some of the operational social impact programmes implemented by Chanel.

Shift's Business Learning Programme

Chanel participates in Shift's Business Learning Programme (BLP), aimed at helping businesses strengthen their human rights approach. Shift is a leading centre of expertise on the UN Guiding Principles on Business and Human Rights, and focuses on embedding business respect for human rights into the practice of standard setters, business enterprises and financial institutions. Chanel joined the BLP in 2020, and in 2023 the company joined two practice groups focusing on the intersection between climate change and human rights, and measuring social performance, to inform and strengthen the company's approach to human rights due diligence.

Fair Wage Network

Fair Wage Network is a recognised organisation 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 by providing them access to useful expertise, data and tools.

Union for Ethical Biotrade (UEBT)

In 2023, the Fragrance and Beauty business joined UEBT (Union for Ethical Biotrade) for cosmetics raw materials. The objective of this adhesion is to evaluate sourcing practices and policies and to set targets in order to improve impacts of sourcing on communities and biodiversity.

8. OTHER INFORMATION

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.

- Expand the usage of its responsible purchasing practices, tools and trainings.
- Strengthen the integration of human rights and labour rights-related risks to Chanel's risk management framework.

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- Deepen the Company's analysis of the labour rights risks posed to vulnerable workers through Human Rights Impact Assessments.
 - Continue the Company's operational collaboration with suppliers to progress shared social sustainability goals in Chanel's supply 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.

Approved by the Board of Directors of Chanel (Australia) Pty Ltd on 28th June 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Lucie Juhel', written in a cursive style.

Lucie Juhel
Managing Director
CHANEL Australia & New Zealand