CHANEL

MODERN SLAVERY STATEMENT 2021

1. <u>REPORTING ENTITY</u>

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 2021 to 31 December 2021.

2. 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 is dedicated to creating innovative and desirable products of the finest quality and to the highest level of craftsmanship and offers a broad range of high-end creations, including ready-to-wear, leather goods, fashion accessories, eyewear, fragrances, makeup, skincare, and fine 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 specialised suppliers, collectively known as the Métiers d'Art.

The Chanel brand's core values remain historically grounded in exceptional creation. Chanel invests in the excellence of its products and favours a long-term vision to ensure the longevity of the brand, promoting culture, art, creativity, and 'savoir-faire' throughout the world and investing significantly in people, R&D, sustainable development and innovation. Chanel defines itself as an independent company that believes in the freedom of creation, cultivates human potential and seeks to have a positive impact on the world. At the end of 2021, Chanel employed close to 28,500 people across the world.

At Chanel, in line with our historical commitment to be a human-driven company, we believe work is a source of personal fulfilment and a fundamental means of enhancing the dignity and respect for the individual.

This principle also applies to our supply chain, and Chanel's ambition is to continuously work in collaboration with our business partners to ensure that work is a source of dignity and respect.

In 2021, the analysis of the International Labour Organisation (ILO) highlighted that the Covid-19 pandemic and the economic shockwaves in its wake had placed unprecedented pressures on working environments, employees, and their livelihoods throughout the world.

This context reinforces the importance of an approach to protect workers' rights, as defined by the ILO's eight fundamental conventions, through our own sourcing and procurement decisions. We expect our suppliers to share that commitment and to work towards implementing and upholding it in their own activities and supply chains. In line with our focus on long-term value creation, our aim is not only to ensure that our suppliers comply with our human rights due diligence standards but also to support them in improving their own labour policies and management practices. We consider our close and often long-standing relationships with them an essential asset to work towards that objective.

The United Nations Guiding Principles for Business and Human Rights (UNGPs) continue to inform our approach. The policies, processes and actions described below form part of that larger and long-term responsible sourcing strategy, aimed at effectively driving lasting social progress for workers in our value chain.

3. ENTITY STRUCTURE, OPERATIONS & SUPPLY CHAINS

Chanel (Australia) Pty Ltd is an Australian Proprietary Company, registered on 4th July 1922 whose registered office is situated at 100 Mount Street, NORTH SYDNEY NSW 2060. At present, the Company employs approximately 520 people in Australia, who work across the main office in Sydney, the distribution centre, and the retail network. Our 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 1 shoe boutique 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, 629297883 (**CHANEL** or the **Group**), Incorporated in the United Kingdom.

Chanel's Supply Chain

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

 The Fashion business carries out six activities: haute couture, ready-to-wear, leather goods, shoes, fashion accessories and eyewear, and partners with over 2,000 suppliers, mostly located in France and Italy, of which approximately 15% are direct suppliers (tier 1).

- The Fragrance & Beauty business has over 600 suppliers, with more than 50% being direct suppliers (tier 1) supporting its sourcing and manufacturing activities in the following categories: raw materials, packaging, event packaging and sub-contracting.
- The Watches & Fine Jewellery business carries out three activities: watches, precious jewellery and high jewellery, and has over 400 suppliers, of which 30% are direct suppliers (tier 1), providing gold and other precious metals, diamonds, pearls and other gemstones.
- Indirect Procurement activities include a broad range of areas from promotional, marketing, distribution, printing, and event organisation to maintenance, consulting, auditing, information technology contracts, and equipment. It partners with over 20,000 suppliers globally, of which 10% represent 80% of overall spend.

Chanel's Australian Operations and Supply Chains

None of Chanel's products are manufactured in Australia. The Australian operations receive Chanel's finished products directly from Paris, France and Milan, Italy. This includes the products we market, distribute and sell direct to our clients in Australia through our boutique network and through selected partners. In addition, we receive 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, uniforms, 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. <u>RISK ASSESSMENT</u>

Chanel has designed its own supply chain risk assessment tool, which was reviewed by an expert third party in 2020. It is composed of a common set of core criteria, which considers:

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

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

Raw Material Traceability

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

The Fragrance & Beauty business has selected the Transparency One platform to map its entire portfolio of cosmetic raw materials and packaging components. By November 2021, all tier 1 suppliers of these categories were invited to register on the platform and to begin mapping their supply chains.

By the end of 2021, more than 1,200 suppliers had been mapped (including up to 230 tier 4 suppliers). A total of about 550 manufacturing sites had joined the platform and more than 9,500 products and components had been declared.

The Fashion business has similarly engaged with a platform provider in 2021 and is in the process of fully mapping its strategic supply chains.

Responsible Procurement

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

Since 2014, The Laboratory of Fragrance Creation and Development has been purchasing fair trade certified vetiver essential oil from Haiti. Through this purchase, Chanel contributes via a premium to a local development fund managed by the producer community, made up of around 500 vetiver farmers and their relatives. In 2020, the fund financed different actions at a local level including collaborating with an NGO specialised in water solutions.

Given that sourcing issues are often complex, local, and specific in nature, both Direct Procurement by the three business areas and Indirect Procurement have complemented the core criteria assessments with additional criteria and tools tailored to the specific issues they face in their supply chains. The results of these sectorial risk mappings directly inform decision-making at the level of the business areas and shape priorities for their sustainable sourcing strategies.

During 2021, the Fashion business updated the risk analysis of its key supply chains, and an updated full programme of audits has been defined, the roll out of which started at the end of year 2021.

The Laboratory of Fragrance Creation and Development formalised in 2020, with the support of an external technical expert, a Sustainability risk assessment tool for 100% of its natural ingredients. The tool, made of 19 indicators, cross references the results of the environmental and social risks inherent to the cultivation country of origin of the plant (based on external databases such as the Social Hotspot

Database, FAO Stats, Global Forest watch, etc.) with Chanel's level of exposure to these risks. The results of the risk mapping enable the prioritisation of actions for sustainable sourcing of natural ingredients at agricultural level, supporting programme design and continued implementation.

Supplier Evaluation

To continue to strengthen the assessment of environmental, social and ethical issues that can occur in its supply base, Chanel has been partnering with the EcoVadis platform since 2020.

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 and bases its ratings not only on supporting documents provided by the supplier, but also on 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 2021, 65% of Fragrance & Beauty's raw material suppliers were onboarded on the EcoVadis platform. Chanel plans to expand this to other areas of the business over time.

5. CONTROL MEASURES, DUE DILIGENCE & REMEDIATION PROCESSES

Policies, Training & Governance

Policies

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

- Ethics@Chanel, the company's internal code of conduct, provides the global ethical principles to be followed by all Chanel employees, reflecting the company's core values and expectations. This includes compliance with all applicable labour and employment-related laws, rules and regulations in every location in which it does business and across its supply chain, notably relating to wages and hours worked, equal employment opportunity, non-discrimination, immigration and work authorisation, privacy, collective bargaining, child labour, or forced labour.
- The Group's Responsible Procurement Policy, in alignment with Ethics@Chanel, sets out the standards the company expects its suppliers to uphold regarding issues related, among others, to human rights, the environment and anti-corruption and general compliance with applicable laws, rules and regulations. Acknowledging that local labour laws can sometimes be less stringent than the international standards that protect human rights at work, the Responsible Procurement Policy

also references the minimum requirements of the ILO's eight fundamental conventions and other reference standards on issues such as the environment and anti-corruption.

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

Training

Chanel is committed to ongoing learning and development on the topic of protection of human rights, as insights develop and new best practice evolves.

The Company has embarked on a continuous and regular training program of Chanel employees on the content of our *Ethics@Chanel* policy since 2015. This is also part of any new employee's onboarding plan. In 2021, 200 training sessions reached approximately 8000 employees worldwide.

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

In 2021, 46 buyers across the three business activities were trained by the company's responsible sourcing expert auditors on assessing major health and safety, human rights or environmental risks during their supplier on-site site visits. This training, based on a specific assessment tool developed by the auditors, empowers buyers to engage with their suppliers on social and labour management issues.

A specific 18-month training course on Chanel's Responsible Procurement Policy is delivered to Fragrance & Beauty buyers as part of their onboarding journey. The various modules and workshops cover the regulatory and legal environment for sustainability issues, including human rights in the supply chain, and Fragrance & Beauty's responsible procurement roadmap. In 2020, the training was extended to all the buyers in Watches & Fine Jewellery.

In 2021, all Indirect Procurement buyers, Compliance managers and members of the Finance department of the Asia Pacific Region were trained on the fundamentals of sustainable procurement, based on the standards BS 8903 and ISO 20400 which include criteria related to human rights at work, and on the Sustainable Development Goal 12 related to sustainable production patterns. They were introduced to tools and management systems designed to accelerate the implementation of sustainable procurement practices.

An essential commitment of our responsible sourcing approach is to support our suppliers in addressing the social issues they can face in their operations or supply chains. This begins with a common understanding and analysis of possible ways forward, through technical trainings designed specifically for Chanel's suppliers.

In 2021, the Fragrance & Beauty business launched its Supplier Academy, opening registration to all suppliers across the four Direct Procurement categories: raw materials, sub-contracting, packaging and event packaging. The first module was dedicated to Human Rights Due Diligence (HRDD) and was adapted specifically to the operational challenges faced by Small and Medium Enterprises (SMEs) in implementing HRDD. The content was tailored to the industry contexts of our suppliers and was delivered in both French and English. It brought together more than 100 suppliers and 200 people.

Governance

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

- To ensure sustainability is truly embedded into its core business strategy, the Company has established two Sustainability Committees (that include all Presidents) as sub-committees of the Executive Committee. The Sustainability Committees meet regularly to discuss the on-going sustainability strategy and performance that are ultimately presented to the broader Executive Committee.
- Internal audit and supplier sustainability auditing methodology, program of work and action plan follow-up are reported to the Audit Committee, a sub-committee of the Board.
- Global and Local Compliance Committees manage the governance and any non-compliance with subjects included under Ethics @Chanel.

To enhance engagement with the Board, going forward there will be regular connections on sustainability performance and the overall sustainability strategy, as part of the set meeting calendar with the Board.

(The Corporate Social Responsibility Committee, a sub-committee of the Board, was placed on pause mid-2021 whilst the above sustainability governance was being embedded and given there is further direct engagement with the Board on sustainability.)

Due Diligence Practices

Chanel continues to roll out a due diligence approach to continuously monitor and address social issues in its value chain, including, but not limited to, the following:

Internal Compliance Processes

- Compliance screening of new suppliers globally by the Finance, Legal and Compliance teams for financial solidity, sanctions, politically exposed persons, criminal activities such as corruption issues and any other reputational/media issues. In 2021, Chanel screened approximately 4,500 new or potential suppliers across the three business activities. In the event of an alert, the teams will conduct a deep analysis to validate the reason for the alert and, if confirmed, a recommendation is made to restrict or cease the relationship with the supplier or otherwise implement the required mitigation actions.
- Annual Compliance risk reviews with each business area by Legal & Compliance, together with HR, Finance, and other members of management. These reviews cover any regulatory or ethical compliance issues in the business and are informed in particular by the findings of the business areas' Audit committees related to sustainability issues.
- Implementation of contractual compliance clauses as part of the procurement process by the Legal department, requiring third parties to comply with all relevant laws and regulations, and in particular those on wages, working hours, child labour, forced labour, equal employment opportunity, discrimination and harassment, freedom of association, as well as health & safety, anti-corruption or protection of the environment.
- Due diligence practices are also implemented directly by the business areas and regional teams, in order to guarantee their sectorial and geographical relevance.
- For its Watches & Fine Jewellery activities, Chanel has been certified under the Code of Practices standard of the Responsible Jewellery Council (RJC) since 2011. The RJC is a non-profit organisation which aims to promote responsible ethical, social and environmental practices that respect human rights across the jewellery supply chain, from mine to retail. This certification is voluntary and is renewable every three years.
- In 2021, Chanel's certification was renewed under the new Code of Practices 2019. Initially applied to diamonds, gold and metals from platinum mines, this new version of the standard now includes coloured gemstones and silver. The updated practises also include reinforced requirements on Human Rights Due Diligence in supply chains and the compliance with the OECD guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRAs) and the five-steps framework for due diligence. As part of the certification process, the company policies and practices were reviewed and audited by an external third party, and the scope was expanded to a full certification of Chanel Limited by the RJC.

Specific Due Diligence related to the Impact of Covid-19

Throughout the pandemic, priority has been given to supporting and protecting people – from employees to business partners – by ensuring pay continuity, supplementing and, in some instances, replacing government-sponsored employment and maintaining a minimum level of orders to support our suppliers.

Aware of the potential repercussions of the closure of the company's sites and the drastic drop in our production volumes, Chanel developed a supplier risk management programme and rolled out a robust financing plan in certain parts of its supply chains, in close collaboration with its business partners, with two objectives:

- Limit the loss of revenue to suppliers resulting from the closure of the company's own sites, so they would not have to resort to risky financing solutions; and
- Smooth out the orders to avoid peaks of (under and over) activity, a recognised risk factor for forced labour in supply chains.

All buyers received legal training on the impacts of dependency and 'force majeure' and suppliers were monitored for financial dependency indicators (drop in turnover and dependency rate) so they could manage several support decisions on a daily basis, for example: maintenance of commitments and firm orders, possibility of invoicing despite site closure, relaxation of payment terms and the anticipation of orders with a guarantee that if orders were cancelled, the costs would be covered, as well as cash advances.

These actions have contributed to Chanel's ability to act as a supportive partner to its suppliers during this particularly challenging period.

Grievance Mechanism

Chanel employees are encouraged to make any reports directly to their manager, Human Resources Director or Compliance Officer to encourage an open communication, without fear of retaliation for reporting in good faith. In addition, in 2017, the CHANEL Ethics and Compliance Helpline was set up to offer all employees the possibility to report any concerns or breaches related to the *Ethics@CHANEL* policy, at local and global level, including on issues related to working conditions and well-being in the workplace. A dedicated web page available in 20 languages has been set up and is accessible to all employees in a secure and anonymous manner, in accordance with local regulations and practices.

This Helpline is administered by the Chief Compliance Officer and the Compliance Officers of each region. Each allegation is investigated and followed up by the Compliance Committees. A summary at the global level is also reported and discussed at the Global Compliance Steering Committee. If the investigation conducted confirms the reported allegations, the Compliance Committees make a recommendation to the relevant department to take appropriate disciplinary sanctions and / or corrective action.

6. PERIODIC REVIEW OF EFFECTIVENESS OF CONTROL MEASURES

Chanel's Responsible Sourcing Expert Team (ReSET) is responsible for auditing its suppliers' compliance with all applicable local laws and regulations, working with the internal Legal and Compliance teams in terms of risk assessment, as well as with the standards outlined in Chanel's Responsible Procurement Policy. ReSET comprises of a mix of internal auditors and external auditors to ensure geographic coverage, the respect of cultural and supplier contexts, and continuity of activities. ReSET is also supported by external partners who provide expertise on country-specific regulations and local sustainability issues. The auditors regularly exchange information to ensure consistency in their audit approach and risk ranking and to share lessons learned from on-site audit visits.

The auditors use an Audit Grid as reference, which was developed in-house, and is regularly submitted for review by external third parties. It is based on internationally recognised issue-based standards (e.g., ILO's eight fundamental conventions, SA8000 or ISO 45001 certifications related to social and occupational health and safety management, etc.), and on industry specific standards (e.g., Leather Working Group, Responsible Jewellery Council, etc.).

The Audit Grid covers 40 themes which are structured across four pillars:

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

ReSET has also developed an internal standard for 'minimum requirements', based on international reference standards and recommendations, which, for instance on the human rights pillar, can be more stringent than local labour laws in some sourcing regions. These 'minimum requirements' are shared with all suppliers during the audits.

An audited site can be either considered as "qualified" and will be re-audited with a secondary level priority to keep this qualification, or "in progress" and a corrective action plan will be requested, as well a follow-up audit with a primary level priority.

All identified non-compliances are shared with the supplier during a closing meeting with the objective of agreeing on action plans to address the points of attention.

To better support the audit process and follow-up of corrective action plans with its suppliers, the Fashion business deployed an upgraded version of its compliance platform in 2021. The platform is currently being rolled-out to a large majority of its tier 1 suppliers' network.

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 actions to meet Chanel's required standards, Chanel has the ability to terminate the business relationship; however, this is considered only as a last resort.

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

Supplier Audits Performed in 2021

Chanel continues to expand its audit rigour, skills and capacity with 451 audits conducted in 2019, 272 audits in 2020 and 541 audits in 2021. The Covid-19 pandemic had an impact on travel and audit capacity in 2020 and 2021. ReSET reacted to this context by adapting and developing new methodologies that worked effectively within the new operating conditions, such as piloting remote audits, during which a member of ReSET virtually guided an on-site third-party auditor in real-time. These new approaches were critical success factors that ensured the continuity of activities and enabled the company to perform 541 site audits in 2021.

7. CONSULTATION WITH KEY STAKEHOLDERS AND EXPERTS

Chanel seeks to continuously improve its tools, assessments, practices and programmes through ongoing dialogue with other companies and external stakeholders. Below are some examples of partnerships we have been working on.

Human Resources Without Borders (HRWB)

HRWB was officially recognised in 2020 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 supply chains. For example, to develop and finetune the human rights criteria of the Supplier Risk Assessment tool used by its buyers and internal auditors, including country-specific human rights risk profiles. HRWB is also a key partner in some of the operational human rights impact programmes described above.

Shift's Business Learning Programme

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

Social Impact Programmes

To progressively address structural social issues at local level in a specific supply chain, Chanel collaborates with external local third parties or operators to design targeted impact programmes, including to improve working conditions.

In 2020, a Human Rights Impact Assessment (HRIA) was conducted at the source of our green coffee supply chain to assess labour-related risks posed to seasonal workers on plantations. The exercise included interviews with coffee growers and their families, as well as with local institutional partners such as representatives of the Ministry of Labour of Costa Rica. It resulted in the launch of a social impact project in 2021, led by our partner, the NGO Human Resources Without Borders (HRWB) and co-designed with the supplier, the community of coffee producers and other local stakeholders.

8. OTHER INFORMATION

Looking forward, Chanel will continue to refine and strengthen its human rights due diligence methodology, processes, tools, and partnerships with suppliers. Below are a few examples of the workstreams the company will be focusing on in the upcoming years.

- Update and relaunch the Ethics@Chanel policy and programme;
- Review and update the Responsible Procurement Policy;
- Continue to roll-out procurement trainings globally;
- Continued integration of contractual compliance clauses and trainings as part of the updated procurement process;
- Deepen traceability of the company's supply chains;
- Expand the use of the EcoVadis platform to scale up individual supplier sustainability assessment;
- Deepen the company's analysis of the labour rights risks posed to vulnerable workers through HRIAs and other forms of analysis;
- Continue to expand social impact programmes as required.
- In Australia, the Company is planning to roll out specific training for senior executives covering the Modern Slavery laws in Australia and the steps that the company can take to reduce the risk of modern slavery practices existing in any part of the supply chain. This training is scheduled to take place in the last quarter of 2022.

As Chanel progresses its sustainable business transformation, the company will continue to work with its suppliers and external expert partners to respect, protect and advance the human rights of workers in its value chain.

Approved by the Board of Directors of Chanel (Australia) Pty Ltd on 22nd June 2021 and signed on its behalf by:

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Lucie Juhel Managing Director CHANEL Australia & New Zealand