CHANEL
MISSION 1.5°

PERFORMANCE UPDATE 2021
In 2021, the Covid-19 pandemic continued to impact people, communities and economies. Meanwhile, the latest climate science from the UN Intergovernmental Panel on Climate Change (IPCC) and the COP26 summit underlined the scale of the climate crisis and the need for more urgent action.

This time of significant social and environmental challenges highlights the need for long-term and systemic change. As an independent company, Chanel is strongly positioned and committed to transform its business and to make long-term decisions that have a lasting positive impact on the environment and society.

Over the past year, we have continued to gain a deeper understanding of our climate impacts. In particular, we have sought from the outset to take a comprehensive approach to assessing the emissions from our global value chain (scope 3). We firmly believe this is the only way for any company to understand its full footprint and to identify the levers for change, both as a business and for the wider sector. While we know that the effects of some of these changes might take several years, we are committed to long-lasting, sustainable progress in line with the long-term vision and heritage of our brand.

We are already making progress across the House and the initiatives highlighted in this report are the culmination of many years of work.

We recognise that the road to achieving CHANEL Mission 1.5° is a path that we do not walk alone. Chanel employees, as well as our collaboration with partners, suppliers and peers all have a role to play in advancing this progress. We continue to look ahead, towards innovations in materials, products and systems that will accelerate our combined progress to a more sustainable future.
OUR GOALS

CHANEL Mission 1.5° is our climate action plan. It is focused on transforming the business in line with the ambitions of the Paris Agreement on climate change to limit the average global mean temperature increase to 1.5 degrees Celsius above pre-industrial levels. Our commitments to both reducing emissions and to accelerating climate adaptation are also in line with the outcomes of the Glasgow Climate Pact of 2021.

We have set science-based targets to decrease our own carbon footprint (scope 1 and 2) by 50% by 2030 (equivalent to -66% per unit sold) and decrease emissions from our value chain (scope 3) by 40% per unit sold by 2030 (equivalent to -10% absolute).

These targets are independently validated by the Science Based Targets initiative (SBTi) and use 2018 as a baseline year.

We also aim to shift to 100% renewable electricity in our own operations by 2025 and joined RE100 - a global initiative of influential businesses committed to achieving 100% renewable power - as part of this commitment.

In recognition of the urgent global need to halt climate change, Chanel will be evolving its approach and setting net zero goals in the coming years in partnership with SBTi.
Delivering CHANEL Mission 1.5° requires, first and foremost, emissions reductions in our operations (scope 1 and 2) and our value chain (scope 3).

We strive to be ambitious in our approach to assessing scope 3 emissions, which represent 97% of our footprint, so that we have a comprehensive and accurate understanding of our impacts beyond what we can control in our own operations. We are committed to doing so, even though methodologies, industry practices and reporting frameworks are still in their relative infancy.

The continuous process of improvement will not always be a smooth journey as we progress towards our 2030 goals. We expect short-term fluctuations to continue in the years ahead as economies respond to the pandemic or other social and geo-political factors. Our focus is on the longer-term and we remain confident in our ability to deliver on our climate targets by 2030.

UNDERSTANDING OUR CARBON FOOTPRINT

Chanel’s total carbon footprint in 2021 was 887,368 tonnes CO2e. Three percent of our footprint comes from scope 1 and 2 emissions, while 97% stems from scope 3.

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<th>Scope 1 &amp; 2</th>
<th>Scope 3</th>
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<td>3%</td>
<td>97%</td>
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27,857 tonnes CO₂e

859,511 tonnes CO₂e

CHANEL’S SCOPE 3 FOOTPRINT (tonnes CO₂e, based on the GHG Protocol categories)

- Purchased goods and services (including water, raw materials for products and packaging, assets, events)
  - 445,820
- Employee commuting
  - 141,110
- Transportation and distribution (upstream and downstream)
  - 181,597
- Use of sold products
  - 30,703
- End of life of sold products
  - 5,037
- Waste
  - 6,053
- Business travel
  - 10,074
- Franchises (wholesale points of sale, e.g. in department stores, airports and hotels)
  - 146,650
- Upstream fuel and energy use
  - 14,650
- Capital goods (including boutique renovation, furniture and IT hardware)
  - 141,110

CHANEL’S SCOPE 3 FOOTPRINT

859,511 tonnes CO₂e
Emissions from our own operations (scope 1 and 2)

As in 2020, the Covid-19 pandemic continued to impact the business and different markets experienced periods of lockdown throughout the year. Despite the challenging context, teams continued to advance decarbonisation initiatives.

As a result, scope 1 and 2 emissions (from our owned and operated production sites, distribution centres, boutiques and offices) decreased by 33% compared with our 2018 baseline, despite adding over 75 new boutiques into our footprint over the past two years. We need to reduce a further 25% by 2030 to reach our target of -50%. Our progress to date is mainly driven by the continued transition towards renewable electricity.

Emissions from our value chain (scope 3)

We firmly believe in taking a rigorous approach to scope 3, in line with the Greenhouse Gas Protocol (GHG Protocol), so that we can build a realistic picture of our impacts. We have continued to gain a deeper understanding of our scope 3 emissions across 11 of the 15 GHG Protocol categories to give us a comprehensive scope 3 footprint.

In 2021, scope 3 increased by 4% in absolute value versus 2018. The change is driven in part by an increase in digital media activities. A 13% reduction is needed to reach our absolute target of -10% by 2030.

Alongside the implementation of decarbonisation pathways, we will continue to strengthen the comprehensive understanding of our scope 3 emissions by moving away in the years ahead from spend-based estimations towards more activity-based data wherever possible.
SHIFT TO 100% RENEWABLE ELECTRICITY

Transitioning to 100% renewable electricity by 2025 is a key component of CHANEL Mission 1.5°. Deploying renewable electricity solutions across a vast range of global markets is a complex endeavour. Chanel aims to implement solutions that will help support this transition in accordance with regional complexities, striving for the additionality of renewable energy capacity or positive social impacts as much as possible. Consequently, Chanel favours the inclusion of onsite renewables or power purchase agreements (PPAs) where feasible, followed by green tariffs and, finally, the purchasing of energy attribute certificates. All renewable electricity is from sources aligned with the RE100 technical criteria.

By the end of 2021, we shifted to 92% renewable electricity, in comparison to 41% in 2018. The progress made last year contributed to a 58% decrease in our scope 2 emissions in 2021.

We now have nearly 20 sites worldwide, including in Europe, the United States and Asia, able to generate their own renewable electricity. As we continue to make progress in reporting on, and refining our transition to, renewable electricity, the overall consumption of self-generated renewables has increased from 0.6 million kWh in 2019 to 4.8 million kWh in 2021.
N°1 DE CHANEL is Chanel’s first eco-responsible skincare, make-up and fragrance line. The culmination of several years of work, the line was developed in consideration of each product’s whole life cycle, with the aim of reducing carbon and other environmental impacts.

The N°1 DE CHANEL line uses formulas that contain up to 97% natural origin ingredients and up to 76% camellia derivatives, some of which are grown in our open-air laboratory in Gaujacq, southwestern France, with rigorous environmentally friendly farming practices.

Products are contained in eco-designed packaging. The weight of glass jars and bottles was reduced by 30% on average across the entire line and by up to 50% for the Crème Revitalisante product, in comparison with the average weight of jars and bottles of the same capacity. These can also be refilled to further reduce impacts. An external life cycle assessment (LCA) indicates that refilling the jar of Crème Revitalisante just twice reduces the product’s carbon footprint by 50%.

A similar sustainable approach was translated into the marketing and display materials of the product line. Chanel worked with a committed supplier to secure sources of recycled polymethyl methacrylate (PMMA) plastic. More than 90% of the PMMA used in all the N°1 DE CHANEL points of sale comes from a recycled source, saving a total of 428 tonnes of CO2. Additional carbon savings were also made in the transport of the product line, by relying on global stock warehouses closer to production facilities. A holistic and dedicated eco-design approach was also taken by the R&D, purchasing, artistic direction and supplier teams.
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CASE STUDY

CHANEL is also taking an eco-responsible approach through the choice of materials used in our fashion products and the preservation of our savoir-faire.

The CHANEL Cruise 2021/22 collection was one example of our approach. At the heart of the line were four eco-responsible tweeds produced in close partnership with the tweed atelier Lesage, and drawing on the support of other partners, including silk specialist Denis & Fils, tweed manufacturer ACT3 and yarn twister Vimar.

Each of these tweeds was made from more than 70% eco-responsible yarn, including GOTS-certified yarns. GOTS (Global Organic Textile Standard) is a leading globally recognised textile processing standard that ensures materials are produced according to environmentally and socially responsible criteria based on organic farming. From the initial processing of raw materials, to the production of sustainable fibres, through to the finished fabric, each step of the production process of these tweeds had to meet GOTS’ rigorous requirements.

ECO-RESPONSIBLE TWEEDS
The transportation of our products represents 20% of our carbon footprint and we are working across the business to find solutions to reduce this.

Chanel’s global freight transition represents the coming together of our global procurement and operations teams working with business areas and regions on the contribution of transportation to CHANEL Mission 1.5°. The work focuses on embedding a more sustainable approach to transport by translating our climate ambition into our supplier relationships and the procurement and RFP process.

This has served as a lever for changes to our air freight methods, which comprise the majority of our transport carbon footprint. In situations where air shipments are unavoidable, Chanel is shifting to cargo flights on routes and carriers that produce less CO₂. An integrated measurement and simulation tool helps us to decide which routes should be favoured by our freight forwarder partners. This switch will allow us to save around 10,000 tonnes of CO₂ each year.

We are also accelerating emissions reductions by transitioning away from air transport towards sea. In Asia Pacific, maritime transport is being implemented as a main transportation mode for our fragrance and beauty products for key markets in the region, with the goal of reaching 80% shipments by sea by 2024.

These projects have allowed us to formalise a process for applying greener specifications to our supplier relationships so that Chanel’s future transport will be more sustainable.
Reducing the impact of our business on climate change is a part of our journey to achieve CHANEL Mission 1.5°, but we also recognise the role we can play in accelerating the transition to a low-carbon future beyond our own operations and value chain.

We aim to facilitate this by investing in projects that will make a lasting contribution to communities and society. Chanel is supporting initiatives that preserve and restore the natural environment and increase the resilience of communities to adapt to the effects of climate change. These projects are certified as high-quality carbon offsets and continue to contribute to Chanel being carbon neutral since 2019.

This past year, Chanel began investing in two separate funds which help advance our commitment to climate adaptation and the strengthening of local communities: the Livelihoods Carbon Fund (LCF3) and the Landscape Resilience Fund (LRF). In addition to these funds, Chanel continues to invest in specific initiatives to protect and restore land and support the livelihoods of communities in five landscape areas in Africa, Southeast Asia and Latin America.

**INVESTING IN RESILIENCE**

**LIVELIHOODS CARBON FUND**
Chanel has invested in the Livelihoods Carbon Fund (LCF3) with the aim of sourcing high-quality certified carbon offsets by investment in community-based solutions for the restoration of natural ecosystems, agroforestry and regenerative agriculture. The fund aims to create positive social, economic, and environmental impact for the communities it partners with, which aligns with the principles of CHANEL Mission 1.5°.

**LANDSCAPE RESILIENCE FUND**
Chanel is the anchor investor and sits on the board of trustees of the Landscape Resilience Fund, an independent foundation co-developed by climate solution company South Pole and the World Wide Fund for Nature (WWF). The fund is focussed on enabling the most vulnerable people in rural landscapes to adapt to climate change through the financing of small businesses and projects to promote climate resilient agriculture, forestry and sustainable development.

**SUPPORTING LAND AND LIVELIHOODS PROJECTS**
Chanel is a co-investor in nature-based solutions in countries in Africa, Southeast Asia and Latin America. Below is a consolidated overview of the social, economic and environmental impacts of these programmes in 2021, based on the total contribution from investors.

- **809,388** hectares preserved including high conservation habitats
- **6,859,800** average annual GHG avoided tonnes of CO₂ eq/year avoided
- **51** species protected such as the Sunda pangolin and other endemic species of flora and fauna, through habitat restoration and biodiversity inventories
- **105** community organisations established to define the plan of activities for the projects
- **165,934** project beneficiaries from the projects' healthcare, education and livelihoods diversification efforts
We understand that our ability to influence systems change is stronger when working with partners and suppliers, and when engaging with stakeholders to develop the thinking and solutions to accelerate this transition.

We continue to collaborate with and support world-leading institutions and organisations such as the University of Cambridge (CISL – Cambridge Institute for Sustainability Leadership), the Centre Scientifique de Monaco, RE100 and The Fashion Pact. Chanel is also supporting Generation Glasgow, an initiative announced shortly after COP26 that brings together business leaders from a cross-section of industries to advance leadership for sustainable business transformation.

One way we can contribute to the acceleration of a sustainable future is by partnering with scientists and research institutions to advance new thinking on climate solutions and the transition to a low-carbon society.

2021 marked the third year of Chanel’s six-year partnership with École Normale Supérieure (ENS) in the funding of a research chair to better understand the links between the carbon cycle and climate change in oceans, through three key pillars: prediction, mitigation and adaptation.

As part of this partnership, Chanel is collaborating with ENS on research in Madagascar to measure natural carbon capture and storage in mangrove forests, which represent an important ecosystem for the removal and avoidance of CO₂ emissions.

The project in Madagascar is one example in which Chanel’s support has allowed ENS to explore different areas of research which could hold the key to future climate solutions.

“Hope is knowing that we at least have a percentage of chance. There is hope when the percentage is not zero. What’s important is that we know this number is not zero, and that there are solutions. There is hope because the change is in our hands. We are only one drop in a system, but we are all part of that system, and each one of our decisions counts in the system.”

Marina Levy, Deputy Director – Ocean Department of the French National Research Institute for Sustainable Development (IRD) and research scientist at National Centre for Scientific Research (CNRS)
Reporting boundaries
For the financial year 2021, Chanel has reported on its GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (UK), also referred to as the Streamlined Energy and Carbon Reporting (SECR).

The boundary for the energy and carbon reporting includes all activities contributing to the CHANEL brand. Data is reported for sites where Chanel has operational control and the ability to influence the energy management. Chanel uses the Greenhouse Gas Protocol Corporate Standard to estimate and calculate emissions.

Where Chanel does not have visibility of the energy consumed at a site, consumption is estimated based on square metres of the site and the known consumption of other sites within that region.

Notes on the data
Chanel’s scope 1 GHG emissions arise from natural gas, fuel and refrigerant gases consumed at our sites. The calculations are based on specific energy data and are multiplied by the appropriate emission factors from ADEME and IEA. Scope 1 GHG emissions also include on-site landfill using a conversion factor from Ecoinvent.

Chanel’s indirect (market-based) scope 2 GHG emissions arise from heat, steam and cooling, and electricity used in all sites. The calculations are based on specific data and are multiplied by the appropriate emission factor from AIB and the International Energy Agency (IEA). Where Chanel does not have visibility of the energy consumed at a site, consumption is estimated based on square metres of the site and the known consumption of other sites within that region.

Scope 3 emission factors have been sourced from: ADEME; EcoInvent; EcoTransIT; EIO LCA; DEFRA; GLO; WALDB; WFLDB; SPICE; Trucost report on the Socioeconomic and Environmental Impact of Large-Scale Diamond Mining; US EPA; assessments conducted by IJO; and life cycle assessments conducted with consultants.

Further details on Chanel’s carbon performance can be found in the company’s annual report for the year ended 2021, which is publicly available at Companies House in the UK.

Setting Science Based Targets
Chanel’s targets were independently validated by the Science Based Targets initiative (SBTi) in November 2019, based on a 2018 baseline. SBTi champions science-based target setting as a powerful way of boosting companies’ competitive advantage in the transition to the low-carbon economy. It is a collaboration between CDP, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC). The targets help manage our progress up until 2030. Chanel is also involved in the Science Based Targets Network (SBTN) Corporate Engagement programme. SBTN builds on the SBTi to empower companies and cities to set science-based targets for both climate and nature, given the interconnected role that climate change has on the natural world.

Shifting to renewable electricity
Chanel is a member of RE100, a global initiative bringing together the world’s most influential businesses committed to 100% renewable electricity. Led by Climate Group, in partnership with CDP, its mission is to drive change towards 100% renewable grids, both through the direct investments of its members, and by working with policymakers to accelerate the transition to a clean economy. The initiative has over 360 members, ranging from household brands to critical infrastructure and heavy industry suppliers.

Governance
Senior leaders at Chanel are committed to CHANEL Mission 1.5° and to building a resilient and sustainable business. To ensure sustainability is truly embedded into its core business strategy, Chanel has established two Sustainability Committees (that include all regional and divisional 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. To enhance engagement with Chanel’s Board of Directors (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.
About Chanel

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 specialised 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. At the end of 2021, Chanel employed close to 28,500 people across the world.