

**CHANEL**

**S U S T A I N A B I L I T Y -  
L I N K E D B O N D  
U P D A T E**

**2 0 2 3**



**CHANEL  
SUSTAINABILITY**

# CHANEL SUSTAINABILITY- LINKED BOND UPDATE 2023



In September 2020, the Company's subsidiary, Chanel Ceres plc, issued sustainability-linked bonds (SLBs), in an aggregate amount of EUR 600 million with notes maturing in 2026 and 2031, respectively in accordance with the ICMA's Sustainability Linked Principles (SLBP) on the Luxembourg Stock Exchange. The SLBs are guaranteed by the Company, and the terms of the SLBs are directly linked to the objectives of the Company's original climate action plan, CHANEL Mission 1.5° to:

- Decrease our own carbon footprint (scope 1 and 2) by 50% in absolute emissions by 2030 (equivalent to -66% per unit sold);
- Decrease emissions produced by our value chain (scope 3) by 40% per unit sold by 2030 (equivalent to -10% reduction in absolute emissions).
- Shift to 100% renewable electricity in our own operations by 2025.

Three key performance indicators were selected for the SLBs to measure sustainability improvements, which are:

- Scope 1 and market-based scope 2 GHG emissions
- Scope 3 GHG emissions; and
- Percentage of renewable electricity in operations.

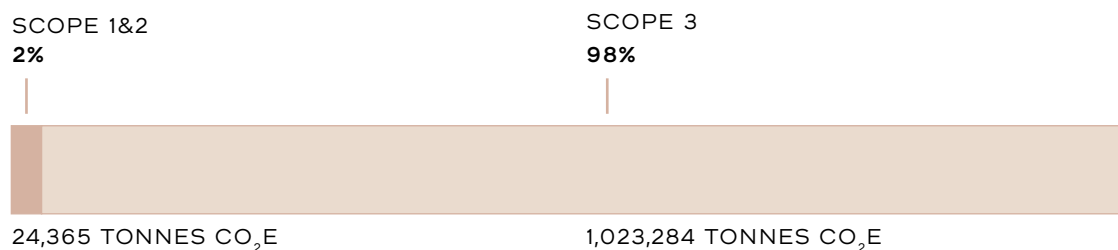
The boundary for the SLB performance indicators includes all activities contributing to the CHANEL brand and scope 1 and 2 of our integrated suppliers.

Progress reports including Chanel's SLB KPIs can be found on <https://www.chanel.com>.

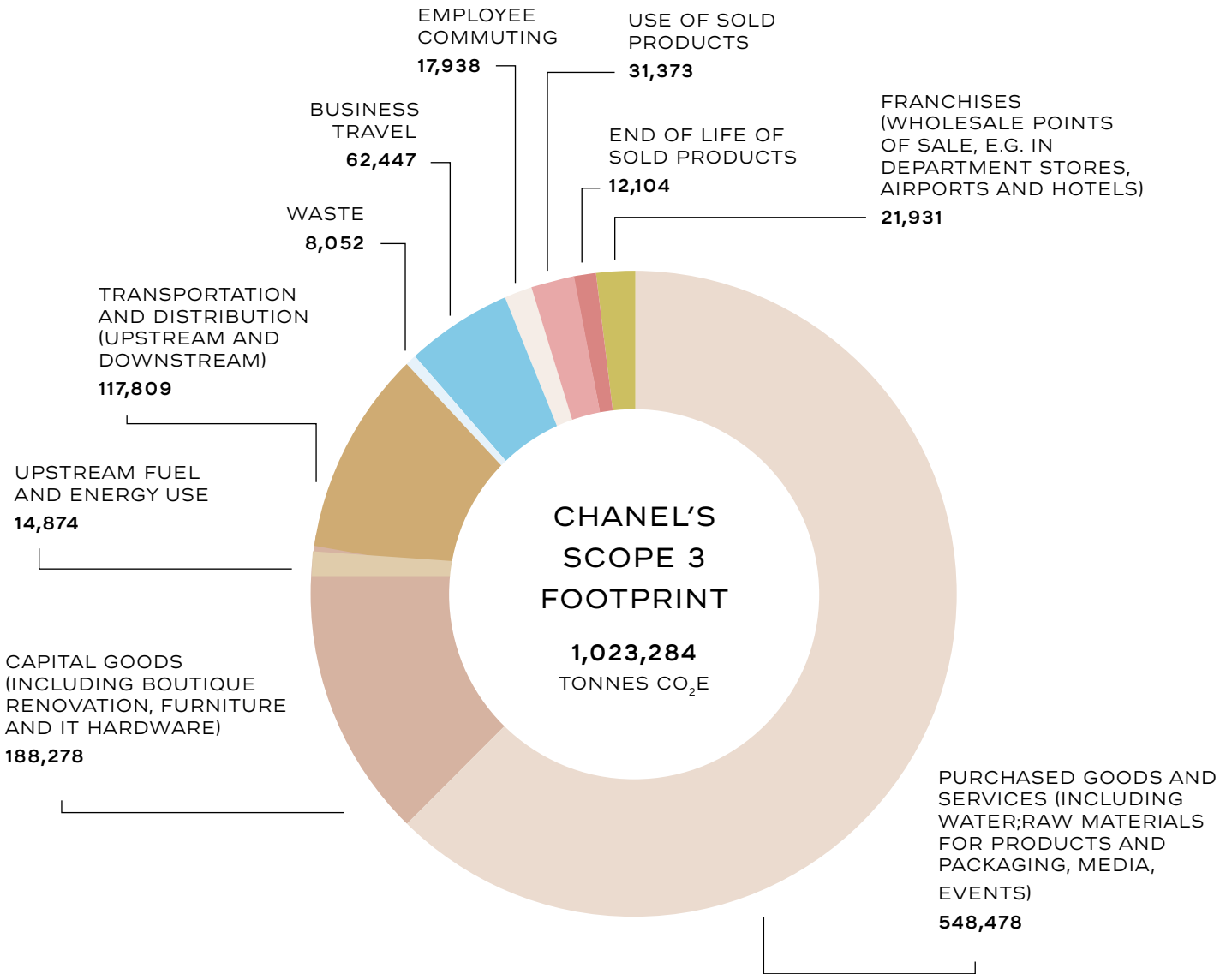
## 2023 CHANEL SUSTAINABILITY-LINKED BOND PERFORMANCE

In 2023, the CHANEL Mission 1.5° scope 1 and 2 market based emissions amounted to 24,365 tonnes CO<sub>2</sub>e and scope 3 emissions amounted to 1,023,284 tonnes CO<sub>2</sub>e.

Our carbon footprint in 2023 was 1,047,648 tonnes CO<sub>2</sub>e. Two percent of our footprint comes from scope 1 and 2 emissions, while 98% stems from scope 3.



SCOPE 3 VALUE CHAIN EMISSIONS  
 (TONNES CO<sub>2</sub>E, BASED ON THE GHG PROTOCOL CATEGORIES)

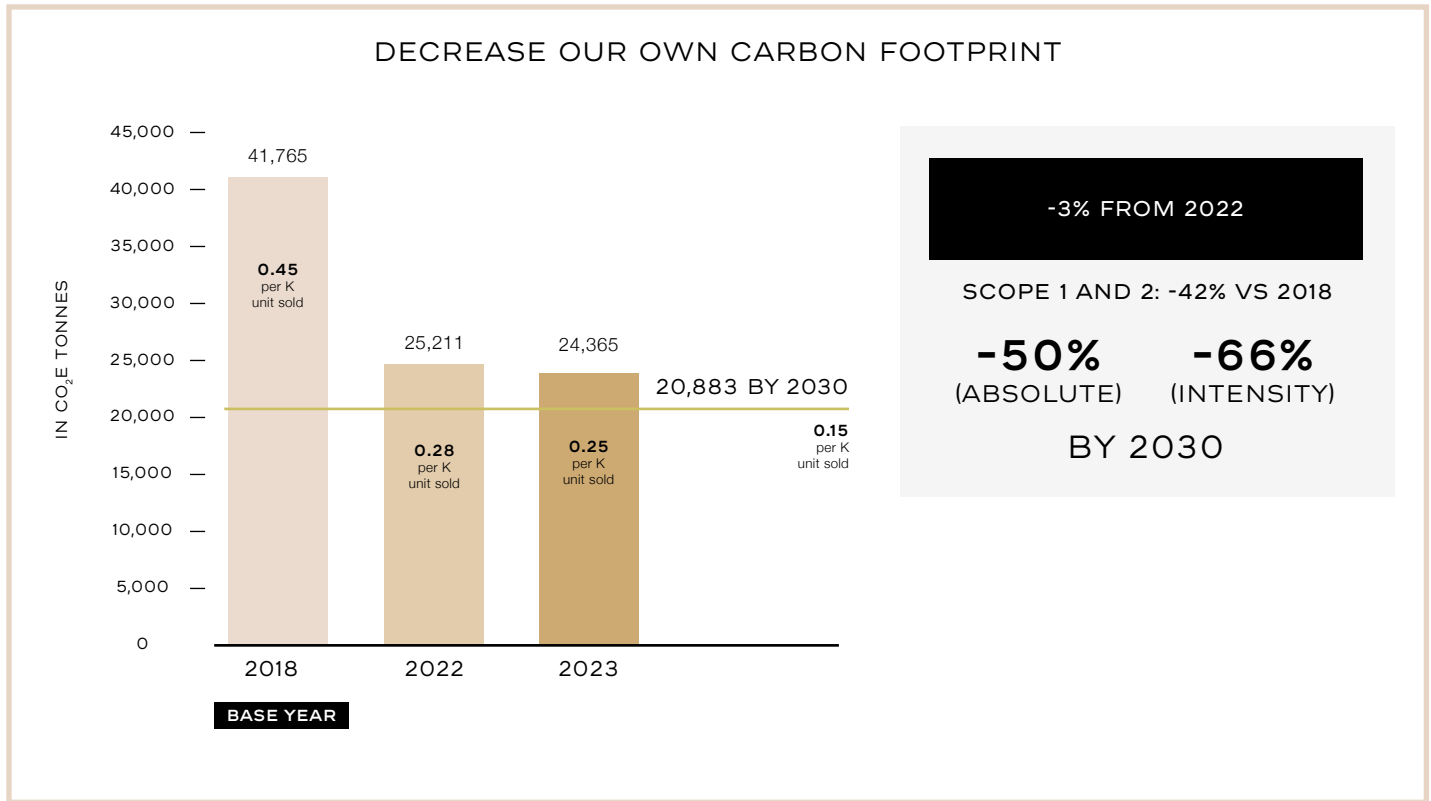


## SCOPE 1 AND 2



Due to our continued efforts to advance decarbonisation initiatives in our own operations, in 2023, scope 1 and 2 emissions have decreased by 42% in comparison to our 2018 base year and decreased by 3% in comparison to 2022.

The main driving force of the reduction is the continued transition towards renewable electricity. Reductions have also been made in natural gas and waste on site due to process optimisation.

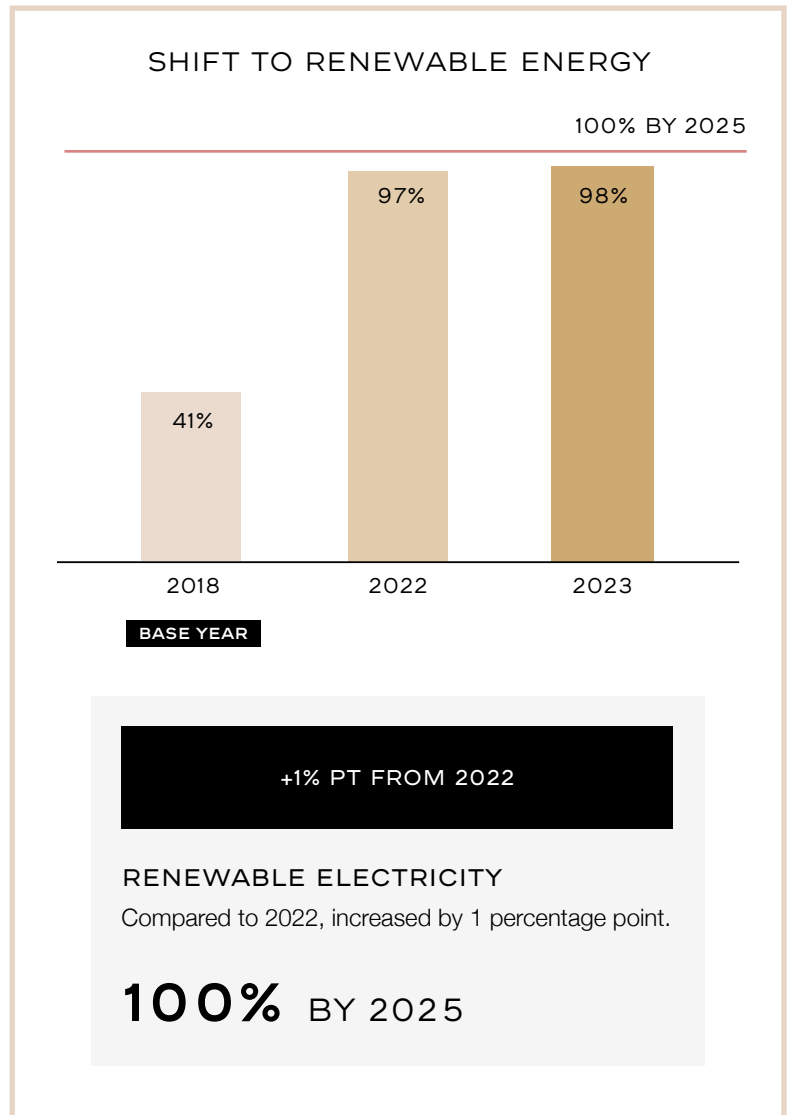


# RENEWABLE ELECTRICITY



By the end of 2023, we shifted to 98% renewable electricity in our own operations, in comparison to 41% in 2018. Worldwide, we now have 30 sites generating their own renewable electricity.

Chanel favours the inclusion of onsite renewables, followed by, in order of preference, power purchase agreements (PPAs) where feasible, green tariffs, and finally the purchasing of unbundled energy attribute certificates. Chanel obtains all renewable electricity from sources aligned with the RE100 technical criteria, aiming for innovative solutions to deliver additional positive environmental and social impacts where possible.



# SCOPE 3



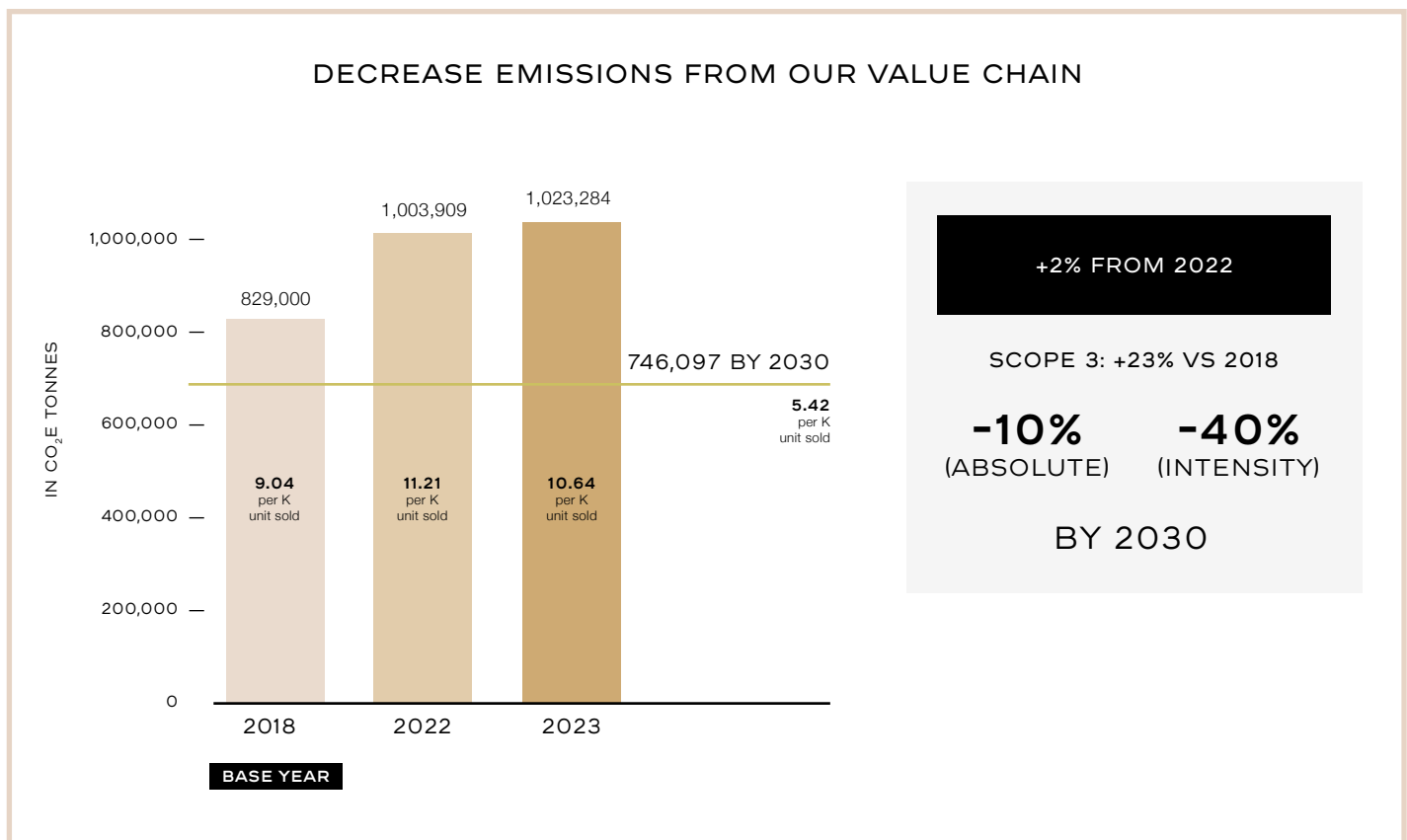
Emissions from our value chain (scope 3) increased by 23% in comparison to the 2018 base year and 2% in comparison to 2022.

Throughout the year, we continued to transform our business and address our hotspots across the House. We have started to see the positive impact of this transformation within raw materials, the largest part of our scope 3 footprint.

As anticipated in 2023, we saw increases within some emission categories. Business travel continued to increase across all markets, following years of travel disruptions, as well as

improvements made to data completeness. We implemented a business travel dashboard allowing for better data quality which can help us identify levers for change to address this hotspot.

Emissions also increased in capital goods and events due to spend – as these categories are based on spend-based methodologies. We have done significant work on these categories in the past year to move towards more activity data and life cycle assessments.



# ACCOUNTABILITY - SUSTAINABILITY-LINKED BOND



## REPORTING BOUNDARIES

For the financial year 2023, Chanel has reported on its GHG emissions and energy usage as required under the UK Companies Act and the Streamlined Energy and Carbon Reporting (SECR).

For the Sustainability Linked Bond KPIs, Chanel applies an operational control approach to defining its organisational boundaries which includes all activities contributing to the CHANEL brand and Scope 1 and 2 of our integrated suppliers. 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 (using a market-based approach to reporting scope 2 emissions) to estimate and calculate emissions. Where Chanel does not have visibility of the energy consumed within a site, consumption is estimated based on square metres and the known consumption of other similar sites within the same region. All renewable electricity is from sources aligned with the RE100 technical criteria and supported by energy attribute certificates.

## NOTES ON THE DATA

In 2023, Chanel continued to improve the completeness and precision of its data, increasing its use of activity-based data over spend for its scope 3 calculations. Furthermore, adjustments to several emission factors across all scopes have allowed for a more precise representation of Chanel's impact. The most significant changes being made within raw materials.

Chanel's scope 1 GHG emissions primarily 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 IPCC. Scope 1 GHG emissions also include onsite landfill using a conversion factor from Ecolinvent.

Chanel's indirect (market-based) scope 2 GHG emissions arise from heat, steam and cooling, and electricity. The calculations are based on specific data and are multiplied by the appropriate emission factor from the Association of Issuing Bodies (AIB) and the International Energy Agency (IEA) and are supplier specific.

Chanel's scope 3 emissions arise from ten of the GHG protocol categories. Categories 8, 10, 13 and 15 are deemed not material

to Chanel and, therefore, the Group does not report on them. Category 8 - Upstream Leased Assets is deemed not material as Chanel includes leased assets over which it has operational control in its scope 1 and 2 footprints. Category 10 - Processing of Sold Products is deemed not material to Chanel as its products do not require intermediate processing. Category 13 - Downstream Leased Assets is deemed not material to Chanel as there are very few assets that Chanel leases out to other entities. Category 15 - Investments is deemed not material to Chanel as it is not primarily an 'investor', nor does it provide financial services.

Significant improvements have been made throughout 2023 to the calculation of capital goods and events. Although spend is still used in the calculation for the purposes of extrapolation, activity data is now being used from Life Cycle Assessments of our boutiques and sustainability impact assessments of our events.

Scope 3 emission factors have been sourced from: ADEME; Ecolinvent; EcoTransIT; EIO LCA; EXIOBASE; 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.

## 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.



CHANEL  
SUSTAINABILITY