CHANEL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Registered number: 00203669

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STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006. It has been prepared to provide the sole member of Chanel Limited (the "Company") with information to assess how directors have performed their duty to promote the success of the Company and its subsidiaries (together the "Group" or "Chanel").

Chanel is a private company and a leader in creating, developing, manufacturing and distributing luxury products of the finest quality and highest level of craftmanship through its three activities: Fashion, Fragrance & Beauty and Watches & Fine Jewellery. Chanel offers a broad range of high-end creations within these activities, including Haute Couture, Ready-to-Wear, Leather Goods, Fashion Accessories and Eyewear; Fragrances, Makeup and Skincare; as well as Watches and Fine Jewellery. These luxury products are sold worldwide under the CHANEL brand (the "Brand") mainly through Group-owned boutiques and via wholesale through select channels of distribution. The Group operates across multiple geographies where the local market organisations carry out the Brand's strategy in distributing its products.

CHANEL is a brand the core values of which remain historically grounded in exceptional creation. As such, Chanel promotes culture, art, creativity and 'savoir-faire' on craftmanship throughout the world. It invests significantly in people, research and development and innovation, while aiming to generate positive impact on the environment and wider society.

BUSINESS OVERVIEW

2022 was a year of continued economic and political volatility, with ongoing pressures in the global macro environment, the outbreak of the Russia-Ukraine conflict and continued Covid pandemic restrictions in certain key markets.

Despite that context, Chanel achieved another year of record sales in 2022, reflecting the strength and uniqueness of the CHANEL brand and the passion, engagement and creativity of the Group's teams around the world.

The Group saw double-digit growth across the three categories of Fashion, Fragrance & Beauty and Watches & Fine Jewellery, as retail teams continued to nurture local clientele while welcoming those returning to travel.

At the same time, Chanel continued to invest significantly in its people to support the long-term health of the CHANEL brand and to deliver on its wider ambitions to generate a positive impact on the environment and society. This included its ongoing strategy focused on the sustainable transformation of its business to deliver impact across key areas including climate, nature, circularity, thriving communities and the autonomy of women.

In line with its focus on exceptional creation and commitment to enhance savoir-faire, Chanel has been committed to the arts for over a century. Throughout 2022, the Group has built further on its cultural commitment by spotlighting women artists, advancing the new and the next, and activating Chanel's history to define the future through the CHANEL Culture Fund, the CHANEL Next Prize and CHANEL Connects.

2022 HIGHLIGHTS

Chanel's revenues in 2022 were $17.2 billion, up 10.1% from 2021 ($15.6 billion) and up 17.0% on a constant currency basis and for a comparable legal entity structure.

Operating profit was $5,776 million, up 5.8% from 2021 ($5,461 million).

The Group had capital expenditure of $668 million in 2022 (2021: $758 million), representing 3.9% of revenues (2021: 4.8%), and continues to have solid cash generation with free cash flow of $3,534 million (2021: $4,540 million).

Investment in Brand advertising, promotion and demonstration activities was $2,052 million in 2022 (2021: $1,795 million).

The tax charge for the year was $1,570 million (2021: $1,394 million), giving an effective tax rate of 25.5% (2021: 25.7%). The decrease in the effective tax rate was mainly attributable to the change in geographical business mix and changes in tax rates in certain jurisdictions.

HIGHLIGHTS *

	2022	2021	Reported % change vs. 2021	Comparable % change vs. 2021 [1]
In millions of U.S. dollars				
Revenue	**17,224**	**15,639**	**10.1%**	**17.0%**
Europe	4,720	4,042	16.8%	29.6%
Asia Pacific	8,645	8,068	7.2%	14.3%
Americas	3,859	3,529	9.4%	9.5%
Operating profit	**5,776**	**5,461**	**5.8%**	
EBITDA	**6,300**	**5,950**	**5.9%**	
Tax rate	**25.5%**	**25.7%**	**-0.2%**	
Profit after tax	**4,596**	**4,026**	**14.2%**	
Net cash	**2,365**	**560**	**322.3%**	
Free cash flow	**3,534**	**4,540**	**-22.2%**	
Capital investment	**668**	**758**	**-11.9%**	
Employees (end of year)	**32,116**	**28,467**	**12.8%**	
Carbon Performance				
Scope 1 emissions (tCO_2e)	21,434	19,469	**10.1%**	
Scope 2 emissions (tCO_2e)	3,777	8,388	**-55.0%**	
Scope 3 emissions (tCO_2e)	1,003,909	859,511	**16.8%**	
Renewable electricity	**97.0%**	**92.0%**	**5.0%**	

* All performance measures are defined on pages 4 to 7 in the strategic report.
[1] On a comparable currency exchange rate and entity structure basis.

PRODUCTS AND CAPITAL EXPENDITURE

Chanel's **Fashion** creations and collections continue to be extremely well received with exceptional growth across all categories, particularly in leather goods and shoes. The 2022 Cruise collection was unveiled in Monaco, a destination dear to Gabrielle Chanel, and was shown again later in the year in Miami Beach. The Métiers d'Art fashion show was held in the Senegalese capital of Dakar, linking artistic and cultural bonds on the African continent with those of 19M.

Fragrance & Beauty benefited from the steady return of travel retail, as well as sustained demand from local clientele. The beginning of the year saw the launch of N°1 DE CHANEL, a new generation of beauty products, with its use of sustainably designed packaging and 95% naturally derived ingredients. Additionally, other new makeup products launched during the year included ROUGE ALLURE L'EXTRAIT and LES 4 OMBRES TWEED inspired by Gabrielle Chanel's tweed creations. Pop-ups and other immersive experiences continued into 2022 with a celebration of the heritage and craftsmanship behind the House's iconic fragrances at the incredibly successful LE GRAND NUMÉRO DE CHANEL exhibition in Paris at the end of the year.

Watches and Fine Jewellery continued to demonstrate sustained momentum throughout 2022. This was driven in particular by the strong performance of the COCO CRUSH collections and the successful relaunch of the PREMIÈRE watch, 35 years after the House made a prominent debut in the world of luxury watchmaking. To mark 90 years since the creation of Gabrielle Chanel's Bijoux de Diamants collection, Patrice Leguéreau, Director of the CHANEL Jewellery Creation Studio, created a beautiful new 77-piece 1932 High Jewellery Collection focused on the celestial theme of the original pieces.

Chanel continued to invest heavily in **capital expenditure** in 2022. A significant proportion of this investment related to Chanel's current and future retail distribution network, which included the reopening of the expanded and renovated Watches and Fine Jewellery flagship boutique at 18 Place Vendôme, Paris, as well as the new opening of a similar concept at Ginza Namiki, Tokyo.

Chanel also continues to invest in building more sustainable boutiques, as certified for example through LEED certification. LEED-certified buildings improve efficiency, lower carbon emissions, and reduce waste. In 2022 Chanel certified 40 of its projects and reached the milestone of more than 200 LEED-certified projects globally. Chanel also continued to grow its Fragrance and Beauty standalone network to further enhance the personalisation of the customer experience. Additionally, investment in digital initiatives and information technology systems remain a key area of focus in supporting the customer experience and business operations, with ecommerce capabilities continuing to expand worldwide.

KEY PERFORMANCE INDICATORS

The Group assesses its performance against five key performance drivers, outlined below, which measure the success of Chanel's strategy and are monitored on a regular basis:

- **Brand performance** – Spans all activities in which the Group engages. Each year, the Executive Committee uses the Brand equity study, client experience data, and online reputation measures to decide on how to improve Brand vitality, relevance and modernity. The Brand equity survey measures the power and influence of the Brand through an in-depth quantitative global survey which evaluates the awareness and desirability among Chanel's current and potential clients across nine product categories as well as a broader category on 'luxury brands' which assesses image perception. Brand equity allows Chanel to understand and evaluate its positioning compared with peers and is one of its tools to steer Brand strategy.

- **Financial health** – Emphasises sound long-term financial decision-making to ensure the continued growth, health, and independence of the Brand, combining sales, operating profit and cash components with a long-term outlook.

- **Leadership & people strength** – Measures how employees grow in their roles over time, including mentoring new team members and recruiting the best talent for the future. To measure performance, Chanel focuses on employee engagement, leadership preparedness and employee retention metrics.

- **Sustainability** – Chanel continues to measure its scope 1, 2 and 3 carbon footprint, and renewable electricity percentage as well as implementing decarbonisation plans to enable further reductions in the future. The Group designs, delivers and tracks programs in targeted areas where it believes it can have positive long-term sustainable impact – across climate, nature, circularity, communities and the autonomy of women.

- **Client engagement** – Measures the dedication to building deep and meaningful client experiences, whether through direct contact in the boutique or through virtual experiences online or through other services. The Group continuously aims to exceed customer expectations, making its clients loyal Brand advocates. Factors considered in measuring Chanel's performance include the ability to retain existing clients as well as to recruit new clients. Chanel also relies on customer satisfaction surveys to measure the client experience.

Overall, these key performance drivers set the expectations for employees and partners and enable the Group to identify areas for improvement, as well as recognise progress, year over year. They help anchor the business strategy and areas for focus each year for each region and each category of suppliers, based on the specific needs of each market and area of the business.

Specific financial key performance indicators ("KPIs") that are measured are:

- **Comparable revenue growth** – measures growth across all sales channels excluding the impact of foreign exchange and for a comparable legal entity structure, which excludes revenues from current and prior year business acquisitions and disposals which do not represent a full year's revenues. Comparable revenue is determined using the exchange rates used in the reporting year for all periods presented.

- **Investment in advertising, promotion and demonstration** – measures the impact of marketing spend and is considered in connection with the growth in revenues and strengthening of Brand equity.

- **Operational profit** - measures the overall profitability by tracking revenue and production growth as well as the costs of operating.

- **EBITDA** – an alternate measure of the Group's operational profitability, without the impact of changes in interest, taxes, depreciation and amortisation and adjusted for other exceptional items in the year. EBITDA is based on an adjusted operating profit that excludes exceptional items such as restructuring costs, impairment charges and reversals on property, plant, and equipment and intangibles, investment gains and losses on corporate-owned life insurance and other one-off expenses in the year as disclosed in Note 4. The addback of depreciation excludes depreciation on right-of-use assets. A reconciliation of the Group's EBITDA calculation is as follows:

	Notes	2022 $ millions	2021 $ millions
Operating Profit		5,775.7	5,460.7
Exceptional Items	4	86.1	57.2
Depreciation and amortisation of PP&E, investment property, intangibles, and SaaS assets		437.7	431.8
EBITDA		6,299.5	5,949.7

- **Net cash** – measures the Group's remaining cash, including short-term investments, following the settlement of all borrowings and if the Group has sufficient liquidity to meet its debt obligations. A reconciliation of the Group's net cash calculation is as follows:

	Notes	2022 $ millions	2021 $ millions
Non-current borrowings	17	(2,803.0)	(2,956.7)
Current borrowings	17	(195.5)	(157.2)
Total borrowings		(2,998.5)	(3,113.9)
Short-term investments	21	1,030.0	-
Cash and cash equivalents	22	4,333.1	3,674.2
Net cash		2,364.6	560.3

- **Free cash flow** – measures the Group's ability to generate positive cash. A reconciliation of the Group's free cash flow calculation is as follows:

	2022 $ millions	2021 $ millions
Net cash provided by operating activities	4,523.6	5,555.6
Capital investment	(667.9)	(758.2)
Refundable VAT on purchase of property, plant, and equipment	-	78.3
Proceeds from sale of property, plant and equipment	11.6	5.9
Repayment of lease liabilities	(333.7)	(341.7)
Free cash flow	3,533.6	4,539.9

The decrease in free cash flow of $1,006.3 million is mainly driven by increases in taxes paid in 2022, which is a result of timing differences of taxes paid in 2022 relating to the 2021 tax year coupled with changes in tax payment schedules in certain markets thereby increasing overall tax payments in 2022. In addition, cash flows from working capital decreased in 2022, details of which are disclosed in Note 25 of the consolidated financial statements.

- **Capital investment** – represents the acquisition of assets by the Group for use in its business goals and objectives. A reconciliation of the Group's capital investment is calculated as follows:

	2022 $ millions	2021 $ millions
Purchases of property, plant, and equipment	563.1	663.1
Purchase of intangibles	90.5	77.8
Initial direct costs related to right-of-use-assets	14.3	17.3
Capital investment	667.9	758.2

RESEARCH AND DEVELOPMENT

The Group is committed to its long-term vision for the Brand, based on creativity, innovation and excellence. The Group incurred research and development costs of $180.2 million (2021: $158.4 million).

FUTURE DEVELOPMENTS

Coming off a strong year in 2022, the Group will continue to make significant investments in priority areas of innovation particularly:

1) **New products** – exploring the products of tomorrow.
2) Continuing to **elevate the client experience** by:
    - Helping to strengthen the bond between advisers and clients, both online and in boutiques. The Group will continue to invest to reinforce the luxury in-person experience which remains key for Chanel and its clients, so that Chanel continues to surprise and inspire its clients.
    - Developing tailor-made services adapted to each client (such as CHANEL & Moi, the repair and restoration service in Fashion).
    - Concentrating on offering exclusive and intimate moments with the House such as the Dakar Fashion show in December 2022, Chanel's first show in West Africa which was rooted in a long-term collaborative, creative and cultural exchange, or the Grand Numéro fragrance and beauty event at the **Grand** Palais Éphémère in Paris in December 2022.
3) **Supply chain** - Chanel will continue to work and develop with suppliers across its value chain.
4) **People** - Chanel will also continue to invest heavily in its people. In 2022 the headcount increased from 28,500 to over 32,000, with marked growth in many areas, particularly digital, IT and full-time sustainability roles (+60% in sustainability FTEs in 2022 compared to 2021).
5) **Sustainability Transformation** - investments across all areas of the business from building sustainable supply chains, investing in more sustainable boutiques, investment in talent, to eco-design of products.

RESPONSIBLE EMPLOYER

At a time of continued social and environmental change, Chanel is committed to enhancing the potential of all of its employees. As a responsible employer, Chanel continues to demonstrate its commitments to its people as well as to creating a culture that nurtures personal growth and contributes to collective progress. In 2022, facing an intensified pace of transformation and an increase in talent expectations, Chanel continued its ongoing focus on:

Ensuring that each individual is nourished to grow, be inspired, and feel included for the long- term
Chanel continues to develop a culture of learning across the business and in 2022 increased access to learning and development for all through its structured portfolio of bespoke programmes and employee immersion initiatives. These include a 100-day onboarding period for new joiners and the IMAGINE CHANEL programme.

The IMAGINE CHANEL programme is focused on bringing to life the spirit and identity of the Brand and helping new joiners build long-term relationships that span the Group. The different business entities continue to invest in developing product knowledge, client service, and sustainability and other corporate topics, such as Arts and Culture, Communications, Finance, HR, Legal and Business Ethics, as part of the programme.

Since its inception in 2012, more than 1,000 internal speakers from across the business have contributed to this distinct and special experience, while more than 27,000 colleagues have participated in IMAGINE CHANEL. In 2022 alone, approximately 2,800 new joiners took part.

CHANEL BLOOM, a digital learning platform, also continues to be deployed across the world and has reached 13,400 users, empowering people to learn anywhere, anytime and on any device.

Leadership and People
There is a significant increase in activities supporting talent and leadership pipelines throughout the Group. Talent attraction and development are being prioritised during a period of fierce competition for talent in which over 6,000 roles were filled and around ~2,800 internal promotions were made globally.

In particular, there has been a continued commitment to equip people managers with the skills necessary for their roles, through IMAGINE CHANEL People and IMAGINE CHANEL Leadership programmes reaching approximately 25% of the target population during its first year of launch.

In addition, there has been a proactive focus on long-term leadership through greater succession planning for Leadership roles, identifying a talent pipeline up to eight years in advance. Significantly, 50% of Chanel Leadership roles were filled by internal talent in 2022. Leaders are supported by development tools for their teams and their own career journeys, such as leadership development assessments – resulting in development moves, virtual coaching, strength and energiser assessments and career workshops.

Advancing mutual and individual accomplishment
Chanel strives to nurture the whole person, not just the employee, and this philosophy ensures the Group creates the conditions for people and the business to mutually thrive. Through the established Me@MyBest development approach, which focuses on helping people become the best version of themselves, the Group gives its people the space and tools to help them reach their potential, based on their individual strengths and intrinsic motivations. Integral to its culture, Chanel also promotes and values collaboration and leadership accountability which is measured through the performance management process. By placing People Leadership at equal consideration with Financial Health, Brand Performance, Client Engagement and Sustainability (which also expressly includes the way Chanel does business with integrity through its Business Ethics programme) in the Group's business performance framework, each leader is accountable for growing talent and the business with mutual benefits.

Showing humanity and promoting diversity and inclusion
Chanel strives to foster respect, empathy and dignity for everyone. As part of this, Chanel places high emphasis on promoting inclusion and increasing the diversity of its leadership and teams through a harmonised global approach that is activated locally to ensure geographical relevance. At the market levels, Chanel is actively focused on hiring practices that increase the diverse makeup of the organisation. To promote greater inclusion, the focus in 2022 included building skills that increase trust and psychological safety and educating teams around unconscious bias, as well as inclusive conversations.

In 2022, Chanel demonstrated its commitment to people in Ukraine and Russia by providing support through job and pay continuity, offering psychological counselling, relocations and temporary job missions, wherever feasible. In markets where people faced challenges due to Covid measures, in particular in China, where lockdowns lasted for the longest period of time, Chanel continued to offer solutions to help address challenges such as food delivery, psychological assistance and medical aid.

Embracing flexibility and new ways of working
Recognising the importance of flexible working, Chanel introduced its Flex@Chanel Flexibility Framework and Guidelines, globally in early 2022 after initially launching at local levels throughout 2021. The Group's commitment, taking into account local factors, is to embrace flexibility in all its dimensions as an enabler of business agility, and personal performance and wellbeing. Leveraging options around time (when people work), place (where work is performed) and contract types, enables individuals to do their best work in a sustainable way. This approach is reflective of the culture of trust, empowerment and mutual responsibility in which Chanel believes. Additionally, and in recognition of the unique needs of its people in retail and factories, Chanel focused in 2022 on ways to bring a range of flexible work options for client-facing and factory employees.

Commitment to fair, equitable and competitive compensation
In 2022, Chanel continued to reinforce its commitment to fair and equitable pay and competitive compensation. The Group conducts comprehensive annual analyses, reviews and reporting to ensure proper actions are taken for continued pay equity, competitive pay and protecting employees from external pay pressures. In 2022, Chanel took measures to address inflationary and competitive pressures: a first ever mid-year pay adjustment globally to address the impact of inflation on employees ($35 million total investment) and broadened the eligibility criteria for the Long-Term Incentive Programme.

Elevating a culture of transparency, trust and empowerment
Chanel seeks to cultivate empowerment and collective pride by enhancing efforts around communications and increasing access to information across multiple channels. Following a 2021 pilot, Chanel launched MyChanel, a global intranet platform, scaling to 28+ countries with 12,300 active users. These efforts, which support leadership commitments, are aimed to promote greater transparency and keep employees informed of the Group's strategic direction, key projects, Brand events, business results and people-related matters. Each entity within the Group also engages in regular listening activities, including surveys and focus groups, to continually evolve peoples' experiences and engagement.

SUSTAINABLE BUSINESS

As a luxury company focused on creation, with a heritage of preserving savoir faire and craftsmanship, Chanel has always taken a long-term approach in its actions to create lasting positive impact – both within and beyond the House.

In 2022, Chanel continued the holistic, sustainable transformation of its business focused on delivering impact across key areas including climate, nature, circularity, thriving people and communities and the autonomy of women.

Taking action on climate
Chanel is committed to reducing its carbon footprint – both of its own operations and its wider supply chain – as well as accelerating the transition to a low carbon future beyond its business and value chain.

These commitments were first outlined in CHANEL Mission 1.5°, the Company's climate action plan which includes science-based targets – originally set in 2019 (and using 2018 as a baseline)– to decrease its own carbon footprint (scopes 1 and 2) by 50% by 2030 and to decrease greenhouse gas (GHG) emissions from its value chain (scope 3) by

40% per unit sold (equivalent to 10% in absolute terms). Chanel also aims to shift to 100% renewable electricity in its own operations by 2025 and is part of the RE100 initiative.

The Company continues to advance this mission, and in 2022 achieved 9% absolute reduction in scope 1 and 2 emissions (market based) in comparison to 2021. By the end of 2022, Chanel also reached 97% renewable electricity in its own operations. A full breakdown of the Company's carbon footprint can be found in the Streamlined Energy and Carbon Reporting (SECR) table below. More information on CHANEL Mission 1.5° and annual performance updates can be found on the Company website, chanel.com.

Climate governance and management's role
Senior leaders at Chanel remain committed to the Group's sustainability agenda and to building a resilient and sustainable business. To ensure sustainability is truly embedded into its core business strategy, sustainability is frequently discussed at the Executive Committee and the board of directors (the "Board") meetings, including tracking climate performance.

In recognition of the urgent global need to slow climate change, Chanel is evolving its approach and setting net zero goals in partnership with the Science Based Targets initiative (SBTi). A deep discussion on the evolution of the company's climate strategy to the Science Based Target initiative (SBTi) Net Zero Standard is planned with the Leadership Team in 2023, as well as the continued Net Zero roadmap workshops with every Region and Division to design the business strategy transformation to Net Zero. In 2022, Chanel also launched its Sustainability Academy in partnership with the University of Cambridge Institute for Sustainability Leadership (CISL) with a focus on fully immersing Chanel's Regional, Divisional and Corporate Leadership Teams into sustainability.

Management within Chanel's business areas and regions have dedicated and clear responsibilities to assess and manage climate-related issues. There are sustainability personnel and teams embedded within each business to manage climate-related issues, relevant to their particular function, to contribute to the overall climate strategy.

Examples of actions in 2022:

N°1 DE CHANEL
Chanel takes a comprehensive approach, looking at all areas of the business to make reductions of the carbon footprint of its products. In 2022, Chanel launched N°1 DE CHANEL, its first product line conceived with an integrated eco-design approach*. The line was the culmination of several years of work in consideration of each product's life cycle, with the aim of reducing carbon and other environmental impacts, and in particular with regards to product 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 line's 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 lifecycle analysis (LCA) indicates that refilling the jar of Crème Revitalisante twice reduces the product's carbon footprint by 50%.*

*Based on products carbon footprint analysis conducted according to the method published by the IPCC in 2013 and in compliance with ISO 14067. Scope of analysis: Manufacturing of cosmetic ingredients and packaging components, production, distribution, use, and end of life. Methodology verified by Bureau Veritas.

chanel.com
Chanel's website, chanel.com, serves as a significant point of contact for its clients, employees, partners and suppliers around the world, with presence in more than 50 individual markets globally. Chanel's Global Digital Services team works across Chanel's digital sites and includes 15 people working on the performance, accessibility and sustainability of digital services, organised into five areas of expertise, including a focus on its carbon footprint. Some of this work has focused on analysing the impact of website traffic and web page weight and loading times and as well as collaboration with external agencies to design more carbon efficient assets to reduce the carbon

footprint of chanel.com. This work resulted in the reduction of the weight of web pages, making them 55% lighter and 30% faster to load, so that the web site consumes less energy and is more efficient.

Response to the Task Force on Climate-Related Financial Disclosures (TCFD)
Climate change remains a principal risk to the business, through extreme weather conditions that could cause disruptions within Chanel's supply chain or impact on the sourcing of raw materials for use in products. The identification and management of climate risks form part of the Group's overall risk framework and follow a robust annual assessment where risk appetites and mitigation actions are considered.

The Group is implementing the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations to better understand and report its climate-related risks and opportunities. The Climate Risks, Opportunities, Strategy and Resilience Table (below) outlines the scenario analyses conducted. Chanel will continue to make progress in the coming years on TCFD disclosures with reporting on financial impacts of the identified risks and opportunities to which it is exposed.

TCFD Disclosures Index

Climate-related Risks, Opportunities, Strategy and Resilience Table

Physical Risks and Opportunities	Potential Impacts on Chanel	Strategy and Resilience
Chanel's Fragrance and Beauty business conducted a detailed study on the physical risks for tier 1 raw material suppliers.	Risks explored were chronic (sea level rises leading to submergence of coastal areas) and acute (extreme precipitation disrupting production and delivery of raw materials; water stress and cyclones). The study was conducted at 300 sites around the world. The results provided an exposure score to classify suppliers' sites for level of risk, and in parallel, a criticality index based on the strategic importance of each supplier. A total of 65 sites out of 300 were selected for further study of vulnerability and adaptation. **Scenarios used:** • <2°C rapid transition to low carbon economy (RCP 2.6) by 2100 • 4°C high physical impact scenario (RCP 8.5) by 2100	Chanel's Fragrance and Beauty business is creating awareness amongst its suppliers on the importance of the climate change risks, with the aim of encouraging implementation of adaption solutions at the production site level. Suggestions for adaptation solutions will be proposed in 2023 once the vulnerability of strategic suppliers has been studied. The aim is to identify five sites to be prioritised for the development of data sheets including exposure, vulnerability, and implementation of adaptation solutions.
A study was conducted on the analysis of physical risks related to global warming on Chanel's Fragrance and Beauty business' Open Sky Laboratories.	Hazards studied were heat waves, drought, average temperature rise, radiation, extreme precipitation, frost, storms, and cyclones. In the RCP 8.5 scenario, regardless of the location, the study showed that all sites will be impacted by a drastic and abnormal temperature increase. Faced with the consequences of global warming, Gaujacq Open Sky Laboratories, located in southwest France, have implemented adaptation solutions for the crops used to produce the Company's skincare and make-up products. **Scenarios used:** • <2°C rapid transition to low carbon economy (RCP 2.6) • 4°C high physical impact scenario (RCP 8.5)	To adapt to the increase in the frequency and intensity of heat waves, a forest cover is to be created over the crops at the Gaujacq Open Sky Laboratories (specialised in camelia cultivation), whose shade could reduce the outside temperature by a few degrees in case of high heat. In addition to these agroforestry measures, the crops are covered with a plant fibre tarp to slow down evaporation and maintain ambient humidity. River water reservoirs were also created during heavy rains in order to draw on these reserves when needed. Further, to adapt to episodes of extreme precipitation, ditches were dug along the edges of crops to avoid flooding and vegetation covers created to promote better infiltration of river water into the water table.

Physical Risks and Opportunities	Potential Impacts on Chanel	Strategy and Resilience
Chanel's Laboratory of Fragrance Creation and Development conducted two studies on the physical risks related to changes in temperature and precipitation as well as agricultural and social risks.	One study was conducted on the changes in temperature and precipitation at its Pégomas site, for jasmine, iris, tuberose, rose and geranium crops, while another studied the agricultural and social risk of the Ylang Ylang (Comoros) and vetiver (Haiti) sectors. The findings of the Pégomas site showed that increasingly hot temperatures, a decrease in the number of cold days, more intense and frequent extreme heat waves and an increasingly contrasting climate between seasons could have an impact on the production of flowers, particularly roses. The Haitian vetiver, on the contrary, is more resistant to climatic hazards and will therefore be able to adapt to the increase of extreme events linked to global warming.	Adaptation measures have been put in place at the Pégomas site, such as turning on the water earlier in the spring to cope with the rise in temperatures, harvesting earlier in the morning in the summer or continuing to practice micro-irrigation. In addition, regenerative agriculture practices have been put in place, such as inter-row solid cover in plantations, the integration of plant borders and the reduction of agricultural machinery passages and reduced use of organic fertilisers. A complete monitoring system of meteorological parameters (temperature, precipitation, etc) and production parameters (yield, quality of extracts, etc) will be set up to anticipate and adapt to the impacts of global warming.
Following the 2021 study on a Chanel's Fragrance and Beauty business' warehouses, two types of adaptation solutions are presented.	In response to the risks identified in the previous year's study, adaptation actions have been implemented to address the increase in extreme precipitation, flooding and heat waves. To address extreme precipitation and risk of flooding, action has been taken to protect the site with dikes which allow it to be protected against the low probability of flooding returning within 100 years. To cope with the increase in heat waves, an air conditioning system has been installed, supported by photovoltaic panels placed in the car park to increase energy production on site and limit the risk of power cuts.	Ongoing adaptation actions will include a study on the future roofing works (re-insulation, vegetation, white roofs, etc); a study on the availability of generators in the case of power outage; and ensuring the mirroring and backup of data (as part of the continuity plan) in case of power outage.

Physical Risks and Opportunities	Potential Impacts on Chanel	Strategy and Resilience
In 2021 Chanel's Fashion business performed a climate change scenario analysis specifically on cotton, one of its key raw materials. This was a first step to understand the impact of climate change on this critical supply chain.	Risks explored were carbon pricing, climate policies, sustainable market opportunities, technology advances, heavy rainfall, landslide, bushfires, drought, thunderstorms, floods and extreme temperature. The results of the scenario analysis were a mixture of risks and opportunities along the value chain. The conclusions were that Chanel's organic and regenerative organic cotton goal will help build climate resilience through health, fertility and biodiversity of the soil. **Scenarios used:** • <2°C rapid transition to low carbon economy • 4°C high physical impact scenario	The outputs of the study were used in 2022 to help understand business-specific climate change risks and opportunities and reinforce the business case for climate action. As part of the transformation strategy, Chanel Fashion is working to strengthen the environmental resilience of its supply chains. Chanel's Fashion business is also aiming to increase the percentage of high-standard certifications (GOTS, RWS, FSC) on the natural fibre category.
Chanel's Fashion business carried out several social and environmental risk analyses on materials and/or supply country of origin to better identify and mitigate supply chain risk.	For those supply chain risks related to climate change, the study reviewed water stress and soil degradation of 12 countries for four natural resources. As a result of the study, an environmental and social evaluation of rank 1 and 2 suppliers was developed based on corporate information and external databases. An audit plan was defined and carried out, with risk mitigation plans being implemented depending on the results.	Chanel's Fashion business is continuing to map its strategic supply chains (beyond tier 1 suppliers) to deepen the knowledge on raw materials origins and transformation processes, which is a prerequisite to ensuring fair and sustainable conditions for production. Chanel's Fashion business is refining its origin risk index that would enable teams to have an environmental and social risk mapping of raw materials used depending on their country of origin; including climate risks criteria.

Transition Risks and Opportunities	Potential Impacts on Chanel	Strategy and Resilience
Fuel taxes and policies pose both a risk and an opportunity for Chanel with changes in regulation, standards or incentives directed at fuel products	As a result of the energy crises in 2022, energy prices have increased significantly causing a global instability in energy supply. Risks include increased direct energy costs, unstable fuel supply, increased supply chain costs as France, specifically, having implemented an energy sobriety plan to reduce energy usage in the country. Opportunities resulting from the increase in energy, conversely make investments in renewable technologies more attractive. Conclusions were that prices are expected to increase significantly and quickly in the short term under the early scenario and could be sudden and disruptive in the late transition scenario. **Scenarios used:** • REMIND-MAgPIE 1.7 ° – 3° REM Delayed 2C with CDR (Disorderly, Alt)	As an example, Chanel Fashion already reached the 100% renewable electricity target in its own operations. Moreover, Chanel Fashion continues to develop onsite renewable energy production. Chanel Fashion also strengthened its energy sobriety plan to reduce use and ultimately dependency on fossil energy in their sites. The plan consists of several measures: heating reduction and optimisation of energy use (lighting, ventilation).
A review has been conducted on the impact of carbon taxes on operations.	The EU have implemented changes to the EU Emissions Trading System which will impact the carbon taxes on shipping leaving or entering the EU to align with the EU 'fit for 55' package which aims to reduce emissions by 55% by 2030. Conclusions were that the cost of carbon is expected to increase moderately by 2030 but is expected to be around 2.5 times the current rate by 2050. Policy implementation in the early scenario may lead to a smooth transition, however if left later it may be more severe and disruptive. **Scenarios used:** • REMIND-MAgPIE 1.7 ° – 3° REM Delayed 2C with CDR (Disorderly, Alt)	Chanel's manufacturing is predominantly in the EU, but for any manufacturing outside of the EU (Costa Rica, India, Mongolia, Switzerland, Thailand, UK and US) additional carbon taxes will apply to 20% of the ship's emissions when shipping to the EU in 2023, rising annually to reach 100% by 2026. As Chanel moves away from air freight towards shipping to reduce the carbon footprint, these taxes will increasingly apply. Currently air freight is not included in this change, which will be covered by the UN CORISA system. Chanel expects the costs of responding to carbon taxes on operations to be absorbed into business-as-usual budgets.

2022 carbon footprint

Chanel's carbon footprint disclosure is detailed below in the Streamlined Energy and Carbon Reporting (SECR) Table, which reveals that purchased goods and services form the largest portion of greenhouse gases for the Brand. Raw materials comprise nearly 50% of the total 2022 carbon footprint for Chanel. To continue to improve the approach, further analysis is underway for hot spot areas such as upstream and downstream freight transport, capital goods and raw materials; and Chanel is developing and implementing a decarbonisation roadmap for each. The Company is focused on reducing its carbon footprint, which includes working with internal teams across business functions as well as external experts to develop and implement clear plans. Further information can be found in the CHANEL Mission 1.5° publications on chanel.com.

Data Improvements

In 2022, Chanel continued to improve the completeness and accuracy of its data, increasing its use of activity-based data over spend for its scope 3 calculations. Additional raw materials have been captured in Category 1, improving the completeness of data. A more accurate methodology has been applied to the calculation of emissions related to chanel.com. Furthermore, adjustments to several emission factors across all scopes have made for a more precise representation of Chanel's impact. The most significant change has been within its transport and distribution (Category 4 & 9) where the application of a new emission factor for air freight, to better reflect the impact of radiative forcing as per the updated external methodology, which has contributed to an overall 35% reduction in freight emissions.

Scope 1 & 2 GHG emissions (CHANEL Mission 1.5° global scope)

Scope 1 and 2 GHG emissions (from our owned and operated production sites, distribution centres, boutiques and offices) decreased by 9% compared to 2021, despite adding approximately 110 new sites into our footprint in 2022. This is mainly driven by the continued transition towards renewable electricity, which now covers 97% of Chanel's electricity consumption and has resulted in 55% reduction in scope 2 GHG emissions from 2021. All Chanel's renewable electricity is from sources aligned to RE100 technical criteria. Due to a change in reporting of biomethane certificates of natural gas emissions, scope 1 emissions increased by 10% compared to 2021.

Scope 3 GHG emissions

In 2022, scope 3 GHG emissions increased by 17% compared to 2021, reflecting an increase in activities across the business as operations continue to recover from the Covid-19 pandemic. This includes an increase in the volume of raw materials purchased (Category 1), and an increase in business travel (Category 6) and employee commuting (Category 7). The increase extends to events (Category 1), for which GHG emissions are currently estimated predominantly based on spend. Chanel aims to move away from spend-based estimations towards more activity-based data wherever possible.

STREAMLINED ENERGY AND CARBON REPORTING TABLE

Energy and carbon performance for the United Kingdom:

Energy use (kWh)	2022	2021
	United Kingdom	United Kingdom
Fuel (including vehicles)	742,294	593,344
Natural gas	5,116,301	5,023,404
Electricity	2,975,032	2,838,073
Total	**8,833,627**	**8,454,821**
% Electricity from renewable sources	**99%**	**98%**

Carbon Emissions (t CO_2e)	2022	2021
	United Kingdom	United Kingdom
Scope 1 – Emissions from fuel for vehicles and heating of facilities	1,011	1,008
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (location-based)	589	608
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (market-based)	11	19
Total Scope 1 and 2 (Location-based)	**1,600**	**1,616**
Scope 1 and 2 (location-based) intensity rate (kg CO_2e per unit sold)	**0.30**	**0.37**

The total change in UK energy use is a result of a combination of factors for 2022, with two new locations being added (not yet on renewable tariffs), and an increased use in diesel and gasoline, as well as energy efficiency improvements by switching to LED lighting at two of the larger sites. Enhanced maintenance scheduling with frequent servicing of plant equipment reduced downtime and improved energy management. The energy requirements at one of the largest sites is sensitive to the external temperature and as such fluctuated with the 2022 conditions. Planned insulation improvement in 2023/24 will look to minimise fluctuations and reduce heating and cooling demands. The increase in renewable energy is due to procurement of energy via renewable energy contracts. These contracts now cover the majority of UK locations.

Energy and carbon performance for the global scope as defined by CHANEL Mission 1.5° is as follows:

Energy use (kWh)	**2022**	**2021**
	Global	**Global**
Fuel (including vehicles)	16,287,942	15,610,047
Natural gas	76,963,479	82,070,196
Electricity	147,831,803	144,378,288
Total	**241,083,224**	**242,058,531**
% Electricity from renewable sources	**97%**	**92%**

Carbon Emissions (t CO_2e)	**2022**	**2021**
	Global	**Global**
SCOPES 1 AND 2		
Scope 1 – Emissions from fuel for vehicles and heating of facilities	21,434	19,469
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (location-based)	40,865	40,973
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (market-based)	3,777	8,388
Total Scope 1 and 2 (location-based)	**62,299**	**60,442**
Scope 1 and 2 Intensity ratio (market-based kg CO_2e per unit sold)	**0.28**	**0.33**
SCOPE 3 *		
Purchased goods and services (Category 1)	629,607	445,820
Capital goods (Category 2)	128,009	141,110
Fuel- and energy-related activities not included in Scope 1 and 2 (Category 3)	15,353	14,650
Upstream and downstream transportation and distribution (Categories 4 and 9)	117,820	181,597
Waste generated in operations (Category 5)	7,012	6,053
Business travel (Category 6)	29,460	9,507
Employee commuting (Category 7)	16,606	10,074
Use of sold products (Category 11)	28,721	30,703
End of life of sold products (Category 12)	10,750	5,037
Franchises (Category 14)	20,571	14,960
Total Scope 3	**1,003,909**	**859,511**
Scope 3 Intensity ratio (market-based kg CO_2e per unit sold)	**11.21**	**10.29**
Total Scope 1, 2 (market-based) and 3	**1,029,120**	**887,368**

*The scope 3 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 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 not material to Chanel as its products do not require intermediate processing.

Category 13 Downstream Leased Assets is not material to Chanel as there are very few assets that Chanel leases out to other entities.

Category 15 Investments is not material to Chanel as it is not primarily an 'investor', nor does it provide financial services.
Category 1 Purchased Goods and Services includes water purchased from the public network; product, packaging and sales and promotional raw materials; paper purchased for office use; media (including the website, Chanel.com); events, and IT software and services.

Notes to the data within the SECR table:
Chanel's scope 1 GHG emissions arise from natural gas, fuel and refrigerant gases consumed in 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 includes 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 operationally 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; Ecolnvent; EcoTransIT; EIO LCA; EVEA; 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.

RESTORING NATURE

Chanel believes it has a responsibility toward the natural resources it relies upon for the creation of its products and the operations of its business. The Group is focused on understanding the impacts its business activities can have on the planet's natural resources and the role it can play in helping to restore biodiversity and the natural world beyond its value chain.

To better understand and quantify its impact on nature, Chanel belongs to both the Science Based Targets Network (SBTN) and the Taskforce on Natural Financial Disclosures Forum (TNFD).

Chanel has conducted a nature footprint analysis across its business, in collaboration with its Fashion, Fragrance and Beauty and Watches and Fine Jewellery businesses, implementing the guidelines from the SBTN, for upstream, own operations and downstream of the value chain. The results help validate defined priorities, as well as highlight new areas where the Company can direct attention.

Examples of actions in 2022:

Open Sky Laboratories

Chanel's Open Sky Laboratories (OSL) are focused on agricultural production within the biodiversity exploration territories selected by its research teams for the creation of its cosmetic ingredients. Open Sky Labs serve as innovation hotspots where new agricultural and plant-extractive approaches are tested to support sustainable and environmental best practices. One example of this is Chanel's Open Sky Lab in Gaujacq, in southwestern France, where 2,700 Camellia japonica 'Alba Plena' plants are cultivated according to environmentally friendly agricultural practices, without any chemical input. As a result of these practices, Chanel's Fragrance and Beauty business earned an 'organic farming conversion' label and 'Level 3' Haute Valeur Environnementale (HVE) (High Environmental Value) certification, which identifies environmentally friendly farming practices covering four key areas: biodiversity conservation, crop protection strategy, management of fertiliser and management of water sources.

Support for Nature-Focused Research

Chanel believes that relationships between companies and research institutions can provide a spark that ignites transformative change at a time when breakthroughs are needed. This work is advanced through the creation of partnerships between companies such as Chanel and scientists and research institutions to better understand and preserve the natural world. In 2022, Chanel reached its fourth year of a 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. As part of this partnership, Chanel has been 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 CO_2 emissions.

INVESTING IN CIRCULARITY

Chanel is focused on maximising the durability and lifecycles of its products and materials and building circular systems.

The Group is committed to increasing the use of sustainable materials in its products, boutiques and points of sale, by measuring the impact of materials used within its boutiques and by setting clear processes and actions - for example by reducing its impact through sustainable material sourcing, value engineering, eco-design and the development of end-of-life systems to increase recyclability and prioritise re-use and durability.

Examples of actions in 2022:

'Always in Motion'

Chanel is working to apply a circular systems approach to the design, décor and materials used in its events. This approach was applied to the launch and expansion of a series of recent events held across the Asia Pacific and Japan regions for Chanel's Watch and Fine Jewellery business titled 'Always in Motion.' The event's set required materials that mimicked the black ceramic links of the Chanel J12 watch at an enlarged scale. Each aspect of the project was approached from a long-term mindset, with the intention for re-use across the series of events across the regions. Materials could be disassembled at the end of each event and then rebuilt and re-used again to avoid having to re-source and re-create new materials for each activation.

L'Atelier des Matières

Out of a desire to boost innovation and develop a circular transformation model, Chanel Fashion is notably committed to recovering materials. Circularity – as part of a collaborative project launched in 2019 with L'Atelier des Matières – is crucial for Chanel Fashion. This initiative collects, deconstructs and re-values end-of-life fashion products – such as shoes or leather goods, or unused materials such as threads, textiles or buttons and leather – in an open-source model available to the luxury fashion sector. The materials that L'Atelier des Matières collects are then transformed into high quality materials for other uses, extending their life. In 2022, L'Atelier des Matières revealed its inaugural prize for circularity at the 37th edition of the Hyères International Festival of fashion, photography and accessories in France. The prize was awarded to a Finnish designer for a dress which was constructed from re-valorised materials provided by L'Atelier des Matières.

CHANEL & moi

Chanel crafts each of its creations with gifted hands and exceptional materials to feel exquisitely unique. In 2021, Chanel launched CHANEL & moi in Asia Pacific, Europe, and the United Kingdom with a series of initiatives to preserve and safeguard the incomparable quality of its creations, including the CHANEL Warranty, an exclusive five-year guarantee for all CHANEL handbags and CHANEL wallets on chain. In 2022, CHANEL & moi launched in the United States. CHANEL & moi also extended to all of Chanel's Watches and Fine Jewellery boutiques worldwide in 2022, offering a warranty, use and care guidance and specialised Chanel services for Chanel's watches, to help ensure that each timepiece will endure year after year, generation after generation.

ADVANCING DIGNITY AND PROSPERITY

Chanel aims for everyone working across its business and supply chain to be treated with dignity and respect and have the opportunity to thrive.

Chanel endeavours to ensure that its suppliers satisfy its human rights due diligence standards, as well as to help build these suppliers' capacity to implement their own diligence. Technical and methodological support is provided to a selection of suppliers by trained professionals in the responsible sourcing and procurement teams.

An essential commitment of this responsible sourcing approach is through Chanel providing support when suppliers face social issues in their operations or supply chains. This begins with a common understanding and analysis of possible ways forward and continues through technical training designed specifically for the Company's suppliers. To progressively address structural social issues at the 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.

Chanel's Modern Slavery Act Statement provides a description of the Group's approach to respecting human rights, including to better protecting and promoting the rights of all people employed throughout its value chain – from conducting human rights impact assessments, to engaging in strategic partnerships with expert partners to design adapted and effective solutions to identified issues. Further information can be found in the latest CHANEL Modern Slavery Act Statement, which is available in the Legal section on Chanel.com: https://services.chanel.com/en_GB/policies/modernslavery/

Examples of actions in 2022:

Watch & Jewellery Initiative 2030

Chanel's Watches and Fine Jewellery business is working on sustainable transformation to make its activities and supply chains more responsible, as well as on creating positive impact for people and the planet. To support those aims, 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. Members of the Initiative are committed to working to ensure inclusive and responsible value chains, in respect of human rights and labour laws.

Chanel Sustainability Academy

In 2022 Chanel launched its Chanel Sustainability Academy, a bespoke training programme for all employees across the Company. The Academy is part of a multi-year, multi-million-dollar investment in sustainability education and training across the House. For example, as part of its partnership with the University of Cambridge Institute for Sustainability Leadership (CISL), Chanel's European leadership team completed a six-month immersive programme of workshops, trainings, debates and discussions on key sustainability issues. The aim of the Sustainability Academy is that everyone within the Company will have an opportunity to develop the knowledge and skills to become agents of change.

PROMOTING THE AUTONOMY OF WOMEN

Rooted in Chanel's more than 110-year history is the heritage of a pioneering woman founder who forged the values of the House she created and continues to inspire women today.

In this same spirit, Chanel aims to support the self-determination of women, advancing the impact that gender equality brings to the world. This is its approach to its own business as well as its support to the communities that Chanel touches and within wider society.

Further information on Chanel's support for women outside of its own business activities, through the work of Fondation CHANEL, can be found on page 23.

Example of action in 2022:

Women in the Supply Chain

Chanel believes in working with partners and suppliers to promote the autonomy of women and advance gender equality. In 2022, Chanel completed a two-year programme focused on creating a more inclusive workplace with one of its Fragrance and Beauty packaging suppliers in China. The programme included a series of locally led and integrated employee trainings as well as peer-to-peer outreach opportunities focused on female maternal and reproductive health and gender-based discrimination along with training for management to support understanding of womens' health-related topics and gender equality. To ensure key learnings were embedded within the business and sustained following completion, the programme culminated in the creation of an action plan focused on three core areas: a policy commitment to gender equity, the establishment of gender sensitive data collection and gender perspectives to health and safety. As a result, participants reported feeling more aware of female health related issues and the transformative impact of having equal representation and voice within the workplace.

SUPPORT FOR COMMUNITIES

Chanel's global social commitment programme focuses on two specific areas. Firstly, through its company volunteering programme 'You, Me & Us' and secondly through its response to humanitarian emergencies through donations and support.

Chanel's 'You, Me & Us' programme supports disadvantaged communities where Chanel operates through the engagement of its people and resources. The programme focuses on supporting people to reach their full potential in their journey towards employment.

This involves a variety of partnerships with local social organisations, not-for-profits and non-governmental organisations. Additionally, volunteering programmes for employees take a localised approach so that the Company's contributions can best respond to local specificities.

'You, Me & Us' offers people at Chanel an opportunity to play an active role in their communities, to share their skills and knowledge and to broaden their own experiences. In 2022, more than 20% of Chanel's people around the world volunteered their time, on actions including: mentoring, confidence building, sharing skills and expertise to address structural challenges of partner organisations and-social entrepreneurs, or through discovery days at Chanel.

Chanel, as a company, strives to contribute towards the emergency response of major humanitarian crisis situations via the support of relevant NGO partners. The 'You, Me & Us' team leads the coordination of the Company's emergencies donations committee. In 2022 $ 3.5 million were donated by the Company towards the support of the Ukraine crisis.

FONDATION CHANEL

Fondation CHANEL aims for women and girls to be free to shape their own destiny. Over the last 12 years, it has built a thoughtful philanthropic approach, focussed on impact. It directly impacted over one million women. The foundation believes that those closest to the issues are best suited to develop the solutions. This guiding principle is reflected in the foundation's long-term relationships with partners as well as its offering of support to strengthen their operational capacity and amplify their voices.

Acting to have a positive impact in the world and building on the House's strong legacy of supporting women and girls, CHANEL further advanced its commitment to the mission of Fondation CHANEL by scaling its annual contribution to the foundation to $100 million in 2022.

Since its inception, Fondation CHANEL has provided funding to 236 grantee-partners in 57 countries, reached over a million women and girls, helped 220,000 women have better access to health services and 30,000 women to start new jobs or have their own businesses. Moving forward with the Company's strengthened commitment, Fondation CHANEL can ensure it remains at the forefront of addressing barriers to gender equality, strengthen its presence across regions, and develop critical partnerships.

Some examples of Fondation CHANEL partners include:

Rosa, who is the only funder in the UK solely dedicated to investing in organisations that support girls and women across their lives. Fondation CHANEL provides Rosa with core funding to strengthen its organisational structure. This includes a new system that gives leadership complete oversight and reporting capability for the organisation's finances, allowing Rosa to focus more time and resources on directly supporting their partners and investing in grants for women's and girls' organisations across the UK.

CARE, a global organisation founded in 1945, which works with partners across Brazil, Ecuador and Colombia to advocate for domestic workers' dignity and help them better understand and defend their rights. Since 2019, Fondation CHANEL has supported CARE in its work towards increased protection and recognition for domestic workers. This partnership with CARE has resulted in expanded awareness of basic legal rights through skill building and training in care services, helping to grow labour rights movements across Latin America.

More information on Fondation CHANEL and its partners can be found at www.fondationchanel.org.

ARTS AND CULTURAL INITIATIVES

For over a century, Chanel has been committed to the arts. Building on a century of philanthropic and cultural commitment and extending its Founder's legacy of supporting artists, CHANEL Arts & Culture continued its mission throughout 2022, spotlighting women artists, advancing the new and the next, and activating its heritage to define the future through the CHANEL Culture Fund, CHANEL Next Prize and CHANEL Connects.

The CHANEL Culture Fund partners locally for global impact, promoting the singular approach of the House of CHANEL across the arts. In 2022, the CHANEL Culture Fund initiated two new programmes with The Centre Pompidou in Paris and The Power Station of Art in Shanghai.

The Centre Pompidou, with the support of the CHANEL Culture Fund, launched *Assemble*, a three-year programme dedicated to prototyping new architectural and urbanistic environments, that will address societal and ecological questions about the way societies live together. It is based on hosting public meetings to gather architects, philosophers, and artists together. The first assembly in May 2023 will work on the theme of home and intimacy.

The Power Station of Art, with the support of the CHANEL Culture Fund, launched the first season of its *Next Cultural Producer,* a two-year programme to foster new ideas and emerging movements in craft and architecture in Mainland China.

The CHANEL Next Prize's mission is to foster artistic innovation and create the conditions for artists to dare. In 2022, CHANEL celebrated the ten winners of its first CHANEL Next Prize by convening them for the first time during the preview week of the 59th edition of the Venice Biennale.

These ten pathbreakers in their respective fields each received an unrestricted grant of €100,000, as well as access to mentorship, academic programmes and networking opportunities developed for them by CHANEL.

Finally, CHANEL Connects, the Arts & Culture podcast, returned for Season 2 in 2022, bringing together some of the most creative and innovative talent from film, art, dance, music and beyond to explore fresh ideas.

COMPLIANCE WITH LAWS AND BUSINESS ETHICS

At Chanel, decisions are made and actions are taken with care and integrity, for the benefit of clients, partners, employees and local communities.

With the help of and guidance provided by the Legal and Business Ethics teams on a global and regional level, Chanel complies with all laws and regulations of the countries in which it does business, guided by fundamental values of respect, inclusion, integrity, and responsibility. Chanel aims to go beyond the letter of the law and create economic, environmental and social value within the ecosystems in which it operates. The Group views this as the foundation of being a sustainable and responsible company.

Chanel's ethical values, expressed in the Group's code of conduct ("**Our Ethics**"), are guiding principles for employees on how to act responsibly - by doing the right thing and striving for positive impact. Our Ethics was relaunched in early 2023 and will be accompanied with campaigns engaging employees globally with the aim to reinforce the Group's Business Ethics programme in times of rapid change, to better anticipate disruptions and provide employees with guidance for decision-making for their everyday actions.

The Group continues to steadily increase its training and awareness programme in different legal and compliance areas, taking advantage of online and digital tools as well as ambitious and engaging case study learning. The entire Chanel Management works on building an environment of trust and open reporting, where any concerns can be raised, investigated and resolved without any fear of retaliation.

TAXATION

Tax principles

The Group adopts a sustainable approach to taxes. It recognises that taxes are a crucial source of funding for governments in every country in which it operates and that they finance important public programmes. As a result, the Group's overall objective is to maintain a net positive tax contribution in all jurisdictions where it operates in line with the economic value created in each country, not just in terms of corporate taxes, but also employment and property taxes, customs duties and other types of levies.

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

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

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

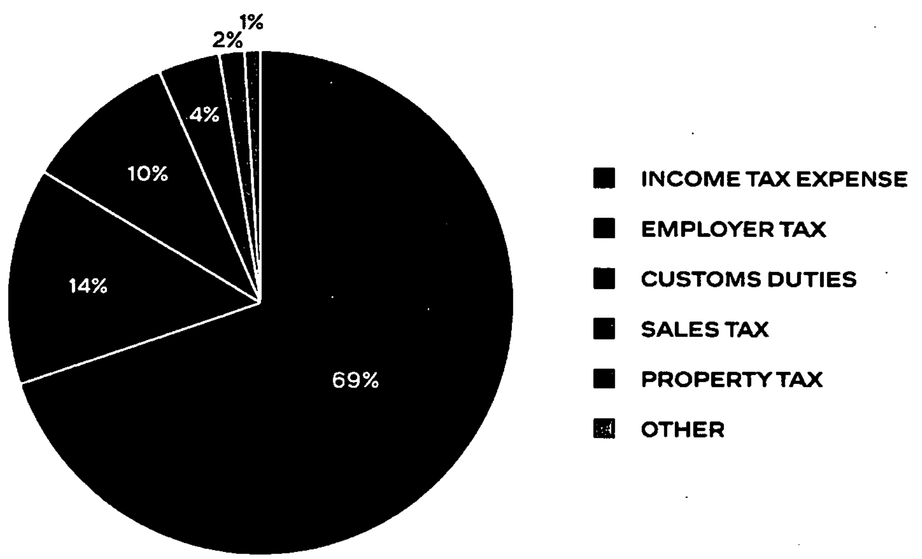
Please find below an exhaustive list of countries where the Group has incorporated entities and the main nature of the activities deployed by all the entities in every jurisdiction:

2022	Research and Development	Purchasing or Procurement	Manufacturing or Production	Sales, Marketing or Distribution	Administrative, Management or Support Services	Internal Group Finance	Holding Shares of Companies	Non-Trading	Real Estate Activities	Holding or Managing Intellectual Property	Insurance
Argentina								X			
Australia				X	X						
Austria				X							
Belgium				X	X						
Bolivia								X			
Brazil				X							
Canada				X				X			
Colombia								X			
Costa Rica			X								
Czech Republic				X							
Denmark				X	X						
France	X	X	X	X	X		X	X	X	X	
Germany			X	X	X		X				
Hong Kong S.A.R.				X	X		X				
India			X	X	X						
Ireland				X							
Italy		X	X	X	X				X		
Japan	X			X							
Luxembourg				X	X	X	X		X		X
Macao S.A.R.				X							
Mainland China	X	X		X							
Malaysia				X							
Mexico				X				X			
Monaco				X							
Mongolia			X								
Netherlands				X	X	X	X		X		
New Zealand				X							
Norway				X							
Panama				X			X		X		
Poland				X							
Portugal				X							
Romania			X								
Russia				X							
Singapore				X	X						
South Africa								X			
South Korea	X			X							
Spain			X	X	X		X				
Sweden				X							
Switzerland		X	X	X	X		X	X		X	
Taiwan Region				X							
Thailand			X	X							
Turkey				X					X		
Ukraine				X							
United Arab Emirates				X	X						
United Kingdom		X	X	X	X	X	X		X	X	
United States	X		X	X	X		X	X	X	X	
Vietnam				X							

As noted, the Group does not operate in low-tax jurisdictions unless there are commercial activities being carried out there, supported by people, assets and business in that country. The Group has four entities in Panama, one in Russia and one in Costa Rica. These countries are on the EU's list of non-cooperative jurisdictions, the latter two having been added to the list in February 2023. Panama has for decades been the location of the Group's regional headquarters and distribution centre for Latin America and the Caribbean whilst it also operates two retail boutiques there, supported by real estate assets. The Group has one entity in Russia whose operations are currently suspended but formerly encompassed the wholesale and retail distribution of Chanel products in the country. The entity in Costa Rica owns agricultural land which it is developing as part of its sustainability agenda. The Group also operates a fashion boutique and a watches and fine jewellery boutique in Monaco which is on the OECD's list of un-cooperative tax havens. The Group currently employs 135 people in Panama, 348 people in Russia, 37 employees in Monaco and 16 people in Costa Rica.

In 2022, the Group's total taxes paid amounted to $2.8 billion (2021: $1.9 billion), exclusive of taxes collected on behalf of others (e.g., VAT and certain employee taxes) which represented a further $0.8 billion (2021: $0.5 billion). The make-up of the taxes paid is set out below, with corporation income taxes representing 69% (2021: 57%) of total taxes paid.

TOTAL 2022 TAXES PAID



RISK MANAGEMENT

Approach to risk management

As the external and internal risk landscape continue to evolve, Chanel is focussing on further implementing and embedding a robust and synchronised integrated risk management framework to manage them, under the mandate of the Executive Team and with the oversight of the Audit Committee of the Chanel Limited Board. This allows Chanel to further strengthen the Group's risk management activities for identifying, assessing, managing, and monitoring key risks, developing, operating, and monitoring the system of internal controls, and fostering a risk-aware culture across the business. Chanel's integrated risk management programme has been structured to provide an iterative overview of the enterprise's risk mitigation efforts and progress reporting to help lead the organisation in making well-informed decisions to drive performance.

The Executive Team performs, through the assurance functions and risk committees at divisional, regional and corporate level, a thorough risk assessment process to evaluate the Group's principal risks, with each risk analysed in terms of likelihood and impact to the business model and future performance. It reviews the resulting global risk cartography and proposed prioritisation of the risks. The Global Leadership Team then aligns on the appetite for these principal risks, consistent with the strategic objectives and key performance measures. This is cascaded across the organisation to support business management and all employees in risk management activities.

The Group's risk appetite, risk profile and risk tolerance are assessed each year by the Global Leadership Team and developed accordingly. Management takes a pragmatic approach in determining their risk tolerance for its principal risks, whilst acknowledging that the luxury sector is competitive and dynamic and that innovation and understanding of consumer habits is paramount. In exploring risks and opportunities, the priority is always to protect the long-term value and reputation of the Brand and the implementation of mitigating action plans is a core element to this.

Throughout the year, one of the Audit Committee's key responsibilities is to monitor and evaluate the Group's risk appetite and how the integrated risk management programme identifies, assesses, manages, and monitors such risks. The directors of the Company, through the Audit Committee, continue to review and keep abreast of emerging risks to understand how these could affect the Company's risk profile and monitor the mitigating actions in relation to each risk identified. Consideration is given to the Group's response for both internal and external force factors, its ability to make decisions quickly, identify ways to continue to do business, redirect inventory flows and protect its staff while continuing to safeguard the Brand and comply with all applicable laws and regulations in a complex and evolving environment. The role of the Audit Committee is discussed further in the Corporate Governance Report on pages 38 through 45.

Principal risks
Below is an overview of the principal risks that have been identified and grouped in six categories: Strategic, Operational, Legal and Compliance, People, Cybersecurity and Financial. We believe these risks are the most relevant to our business and those that could have the most material impact on our performance, even potentially threatening our overall business model if they are not managed effectively.

RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
MACRO-ECONOMIC AND GEOPOLITICAL					
Political and economic stability continued to be tested in 2022 as governments come under increasing pressure from the disruptive power of technology, terrorism, climate change, war and related financial and economic sanctions and other risks, all layered upon persistent upheaval from the Covid-19 pandemic. Additionally, changes in government and political strategies which impact consumer attitudes and spending, significant reductions in tourism and increasing and accelerated regulatory changes could impact the business model. Country-specific trade agreements could impact spending behaviours of key consumer groups or impact intercompany sales and prices and potentially even limit the sale of certain products.	Potential negative impact to business operations, sales and profitability.	The Group works to maintain the strength of the CHANEL brand through the development of new and innovative products, strategic advertising, and by maintaining strong relationships with its local customers in each country. In addition, with the help of a strongly coordinated global Legal and Public Affairs team, the Group strives to prepare for and anticipate changes in government and political strategies as well as large regulatory and legislative shifts (such as sustainability, climate change, regulation of intellectual property and technology or privacy) as early as possible in order to advise on business impact and help adapt business strategy.			INCREASED
COMPETITIVENESS OF OUR PRODUCTS					
The Group has many well-established competitors as well as new market entrants every year and its business is subject to normal competitive pressures.	Potential negative impact to sales and profitability and a decreased market share.	The Group's aim is to protect and enhance the long-term value of the Brand in everything it does with a view to the long term, which is the core element of the business model. This strategy allows the Group to innovate and inspire our customers with beautiful products, in order to remain at the forefront of the retail luxury market.			–
CLIMATE ACTION					
Impact of climate change and the threat to business.	The Group recognises that climate-related physical and transition risks could cause disruptions across Chanel's operations and supply chains, particularly impacting operational costs and/or the sourcing of raw materials used in its products.	The Group assesses climate risks and opportunities in accordance with the Task-force on Climate-related Financial Disclosures (TCFD) recommendations. In recognition of the urgent global need to halt climate change, Chanel's climate strategy, Mission 1.5, sets out carbon emissions reduction targets that have been validated by the Science-Based Targets initiative and outlines a clear commitment to mitigate climate-related risks in its operations and supply chains by 2030. These targets form the basis on which the Group's Sustainability Linked Bonds were issued in September 2020. In addition, Chanel aims to shift to 100% renewable electricity in its operations by 2025 and joined RE100 - a global initiative of influential businesses committed to achieving 100% renewable power - as part of this commitment.			–

STRATEGIC CONTINUED

RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
HUMAN AND LABOUR RIGHTS					
Human and labour rights rests on the solid foundation of our historical commitment to be a human-driven company and aiming to guarantee working conditions that respect and enhance the potential and well-being of each of our employees. Increasingly, companies are also expected by society, media, regulators and consumers to also take further action to manage their social impacts and human rights risks across their value chain.	In a large multi-national Group with a myriad of partners, suppliers and other third-party agents, an issue related to a human rights violation, safety or security or unintended disrespect of labour rights or other societal issues could significantly harm Chanel's brand reputation and impact our clients' trust in the Brand.	In line with our historical commitment to be a human-driven company, the Group believes work is a source of personal fulfilment and also 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. The Group expects its suppliers to share in the commitment and approach to protect workers' rights and work towards implementing and upholding it in their own activities and supply chains. In line with the Group's focus on long-term value creation, the aim is not only to ensure that its suppliers comply with Chanel's human rights due diligence standards through contractual clauses and supplier audits, but also to support them in improving their own labour policies and management practices. The Group considers its close and often long-standing relationships with supplier are an essential asset to works towards this objective. The Group has developed policies, processes and actions as part of their larger and long-term responsible sourcing strategy, aimed at effectively driving lasting social progress for workers in our value chain.			NEW
SOURCING AND SUPPLIER MANAGEMENT					
The Group's partners play a key role in the success of Chanel. A lack of transparency, understanding or knowledge of the Group's partners could expose the Group with failure to comply with laws and regulations and overall reputational risk. This may include partners in the supply chain, representing the brand and image but also customer facing.	Impact on the Group's operations and supply chain in addition to exposure to risk of legal / regulatory proceedings in the event of misreporting or failure to comply with legal obligations could negatively impact the brand's reputation and clients' trust.	Chanel strives to act as a reliable business partner and wishes to do business with partners who share in the Group's commitment to the highest standards of integrity and conduct business responsibly. Consequently, the Group chooses its partners with care, using a transparent selection and due diligence process, which includes financial and compliance screening tools to assess the financial health and sanction/ criminal/ reputational issues of our partners. Chanel's procurement business activities strive to meet the highest ethical and professional standards, and the Group expects our business partners to comply with our policies as well as with applicable laws, rules and regulations. The Group asks our partners to communicate Chanel's responsible procurement policy to their own providers and subcontractors, and to encourage them to integrate it into their own policies and practices. Chanel endeavours to assist its strategic partners towards improving their corporate social responsibility performance in accordance with the Group's expectations on these issues. Chanel assists its partners in developing their know-how and their ability to innovate, whilst also helping them set up suitable management systems and operational procedures. Adhering to Chanel's policies also means that our partners agree that the Group can make inspection visits or appoint third parties to carry out audits to enable it to ensure systematic compliance and to discuss measures to be taken in order to continuously improve.			NEW

OPERATIONAL

RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
BUSINESS CONTINUITY, DISASTER RECOVERY AND CRISIS MANAGEMENT					
Major incidents due to natural disasters, terrorist activities, war, cybersecurity incidents or global pandemics affecting one or more of the Group's key locations could cause business disruptions and impact its operations.	A major incident at one or several key locations could significantly impact business operations and/or client patronage, with the impact varying depending on the location and its nature. Disruptions or inefficiencies in the Group's supply chain could lead to delayed or suspended production, delayed deliveries and lower sales in the boutiques.	The Group's global operations, business continuity plans and crisis management activities help mitigate these risks, but cannot eliminate their potential impact on sales and profits. The Group maintains a strong balance sheet position and targets a net debt position of zero, which supports its ability to raise borrowings quickly. The Group works closely with its suppliers to ensure long-term relationships based on trust which secure good knowledge of and reliability of supplies. It also monitors suppliers' production capacity in order to ensure that product lead times are minimised and sufficient quantities are produced efficiently. The Group works to ensure that the products are in the right place, at the right time, to maximise sales and reduce inventory losses. We maintain a high level of security and vigilance in all of our premises in order to address potential security risks. Additional external threats and vulnerability monitoring tools and systems have been deployed to prevent and detect information security threats and weaknesses across our IT landscape including cloud hosted infrastructure and third-party suppliers. A Global Security Operations Centre has been implemented to monitor, manage, respond to and correct cybersecurity risks, incidents and threats. Furthermore, the constant mitigation of the cyber risks we face by the overall improvement of our cyber maturity across the Group contributes year on year to the resilience of our internal IT ecosystem as well as some of our key technology partners.			–
RESPONSIBLE CONSUMPTION AND PRODUCTION					
Increasing use of natural resources and toxic materials as well as the emissions of waste and pollutants jeopardizes the needs of future generations.	The role of business in contributing to sustainable development is critical in terms of corporate social responsibility and aligns with the standards the Group has established in carrying out its related initiatives. Not adhering to these initiatives could cause reputational harm to the Brand, which could ultimately adversely impact the Group's performance.	The Group is focused on initiatives to increase its sustainable consumption and production patterns to secure efficiency and productivity gains, ensuring that human activities remain within the carrying capacity of the planet, whilst respecting the rights of future generations. Chanel looks towards innovation in materials, products and systems that will accelerate our combined progress to a more sustainable future.			–

	RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
LEGAL AND COMPLIANCE	INTEGRITY AND BUSINESS ETHICS					
	Compliance issues, whether real or perceived, within the Group or with any of the Group's suppliers, agents or business partners.	In a large multi-national Group with a myriad of partners, suppliers and other third-party agents, a compliance issue such as a case of significant fraud or case of corruption or a human rights violation could significantly harm the Brand's reputation and impact our clients' trust in the brand.	The Group is strongly committed to conducting its business in compliance with applicable laws, rules and regulations wherever it operates and to training its employees to know and observe those rules and act with integrity at all times. Core ethical values and standards as described in the Group's code of conduct, Our Ethics, apply to all employees of all Group entities worldwide. Third parties with whom we conduct business, including suppliers, contractors, agents, representatives, distributors and consultants, are required to share our commitment to the highest values and standards of integrity and responsible business conduct by signing up to our Responsible Procurement Policy, which lays out the same principles, values and obligations as Our Ethics. These third parties are subject to rotational audits to ensure their practices are in line with our requirements.			–
	TAX COMPLIANCE					
	As a global business and in a constantly changing regulatory environment, the Group is subject to a number of significant tax compliance risks, the most significant of which are corporation taxes, sales taxes and customs duties.	Incorrect payment of tax and poor relations with tax authorities can result in damage to the Group's reputation, fines, late payment interests and other legal sanctions.	The Group's tax department focuses on ensuring that the Group's risks are understood, managed, minimised and reported frequently to senior management. The Group's approach to taxation is set out in more detail in the tax section of the strategic report.			–
FINANCIAL	FINANCIAL MARKET RISK					
	The Group operates internationally and bears foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.	Inability to protect the Group from foreign exchange risk could reduce sales, gross profit, operating profit margins and cash flows as well as impact the US Dollar value of the Group's assets.	Future foreign currency-denominated cash flows are identified and assessed. The Group maintains forward and option currency contracts which mitigates the overall exposure to an acceptable level, taking into account the ability of the commercial operations to absorb certain levels of foreign exchange volatility			–

CYBER SECURITY

RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
SAFEGUARDING DATA					
Failure to process and protect personal data of our staff and clients as well as confidential data of the organisation. A cyberattack or data breach and resulting loss of personal data representing the highest risk.	Safeguarding data of the company, employees and clients is a critical element in the Group's overall risk management and part of the value proposition to clients. A cyber attack on our systems or on the systems of our key suppliers could severely disrupt operations and possibly lead to a loss of sensitive data resulting in damage to the brand or financial loss. A failure to sufficiently protect sensitive data, a data breach or a cyber attack with a leak of sensitive data could have an adverse effect on the Group's results, strategy, and reputation, more specifically if confidential information were to enter the public domain. This could potentially subject the Group to damage claims and significant regulatory penalties (potentially up to 4% of global turnover under EU General Data Protection Regulations "GDPR," as well as under other data protection regulations) for data breaches as well as significant legal and other costs for dealing with the consequences of a cyberattack or data breach.	The Group continues to maintain its investment along the people, process and technology domains of cyber security and data privacy related activities. This is enhancing our systems and employees' defences to mitigate potential threats in conjunction with adequate data privacy programmes, training and tools. Appropriate contractual arrangements and security enhancement programmes are in place both internally and with third parties who process personal data on our behalf to avoid and, where not possible, mitigate a security breach and safeguard confidential data. These contractual arrangements are continuously reviewed and adapted to changes in privacy laws globally. Data privacy and cyber security programmes, policies, periodic cyber security awareness training and audits are in place to educate staff and suppliers on preventing breaches and how to react in the event of a breach. Information security assessments are carried out on external third party suppliers who process confidential or personal data on behalf of the Group. Security risks are identified for remediation. Periodic penetration tests are carried out on internet facing web applications and key infrastructure systems to identify vulnerabilities and exploitable weaknesses. Over the last years, legal developments in the area of data transfer regulations, in particular with regard to transfers between Europe and the United States as well as out of China have required extensive reviews of data flows, contractual arrangements and processes. The Group has carried out all of these assessments, implemented changes and mitigation processes where necessary and generally invested the resources necessary to be in compliance with these new requirements.			–
SYSTEM AVAILABILITY					
Systems and technologies critical to the organisation's core business activities must be available and functioning as intended. The risk is that these systems do not operate as intended or that they become unavailable for continuing the Group's core business operations.	Inability to produce and distribute items, perform sales activities, and execute reporting requirements as systems, which are relevant to each of the key activities within the supply chain, are either unavailable or operating at limited capacity.	The Group has implemented robust controls around the identification of key systems, detection of deviations from expected performance levels, and corrective measures to address the identified risks. In addition, the Group has an ongoing programme to continuously improve and update its information technology security maturity across multiple domains including recovery capabilities, and asset inventory and control.			NEW

PEOPLE

RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
TALENT ATTRACTION AND RETENTION					
Whilst Chanel has remained an attractive employer, the Group recognises that it still requires vigilance and special attention towards acquiring and retaining high demand and specialised capabilities and skillsets across sectors. This requires a multi-pronged strategy across talent attraction and retention activities.	The inability to provide the ultimate client experience, quality products, innovation, differentiation and managing technolcgical developments may tarnish the Group's image and inhibit financial growth.	The Group has invested in programmes to support individuals in becoming strong leaders and enhance the culture at Chanel. The Group also has other programmes that engage people at all levels in a way that fosters collaboration and a positive work environment. We strive to have competitive pay, career progressin, the possibility to have exciting responsibilities, attractive benefit packages and flexibility. The Group believes in promoting diversity and in creating an inclusive culture, based on trust and psychological safety, that nurtures personal growth, contributing to collective progress. The diversity of our talent provides us with different perspectives and diversity of thought, which is needed for effective decision-making to help us remain relevant and current in a constantly changing world. The Group has a global coherent framework around diversity and inclusion, which is executed at local levels to ensure a culture in which all individuals are treated fairly and with respect, and that all employees have equal access to opportunities and resources for optimised performance and retention. We continue to apply a diversity and inclusion lens in our processes, including: Inclusive Recruitment; Gender Pay Equity Reviews, Talent Development and our Career Pipeline; and we continue to actively listen, through a variety of means, to our employees and act on their feedback.			–

SECTION 172(1) STATEMENT

The directors of the Company, in line with their duties under section 172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company and the Group for the benefit of the Company's shareholder and other stakeholders.

The board of directors of the Company is responsible for setting the high-level strategic agenda, long-term vision, company values and the culture of the Company and the Group. It does so upon recommendation of the Executive Committee, led by the Global CEO. The Board has delegated the day-to-day operations and decision-making to the Executive Committee and ensures that the right leadership, governance and decision-making framework is in place with the Group to run the business.

The Executive Committee, the Global Leadership team and all other senior leaders in the business make decisions with a long-term view in mind, and with the highest ethical standards in line with the internal code of conduct, "Our Ethics", taking into account the likely consequences on all relevant stakeholders of the decisions and actions they take. Where possible, decisions are carefully discussed with affected stakeholders. The Global CEO and Executive Committee members regularly report to the Board on the strategy, performance and key decisions taken, which provides the Board with assurance that proper thought is given to stakeholder interest in the decision-making process throughout the Group and the possibility to challenge these decisions.

The directors also collectively gather information about stakeholder views through dialogue with senior management, day-to-day interactions across the business and other channels established for engagement, such as reports and survey results. As detailed in the Corporate Governance report on pages 41 through 43, the Board receives comprehensive pre-reading materials in advance of each meeting and otherwise as necessary, to enable informed, consistent and appropriate decision-making and to ensure that relevant stakeholder interests are considered.

The Corporate Governance report, set out on pages 38 to 45 further describes the corporate governance framework in place for the Board and the Group in managing day-to-day and long-term strategic decisions that promote the success of the Group.

ENGAGEMENT WITH STAKEHOLDERS

Shareholder
Both at senior management level and at Board level, the Group has an open dialogue with its sole shareholder. Discussions with the shareholder cover a wide range of topics, including risk management, financial performance, strategy, outlook, governance and ethical practices.

People
The Board is committed to engaging with the Group's people and ensuring learning and development opportunities are in place and that the safety and well-being of the Group's people are carefully considered.

The Group's objective is to create an inclusive culture that nurtures personal growth and contributes to collective progress. In doing this, Chanel nourishes long-term growth by providing people with the time to create meaningful relationships and understand Chanel's culture.

At a global level, Chanel promotes common philosophies around these values and related initiatives and a holistic viewpoint. At a regional level, local leaders and their teams orchestrate the initiatives around the Group's priorities, the sharing of information, enhancing learning and, importantly, obtaining and listening to feedback to understand the experiences of varied populations within the Group.

The Board is regularly briefed on strategic people matters and engages in open dialogue with senior employees.

Customers

Across the three business divisions, the Group is dedicated to building deep and meaningful customer experiences, whether through direct contact in boutiques or through special events, through virtual experiences and through services.

At Chanel, the core of the customer experience is through human interaction. The Group believes that excellence naturally involves forging unique relationships with customers. Across more than 200 fashion boutiques, fashion advisors are at the centre of delivering this experience, accompanying each customer to help them discover the world of CHANEL in their own unique way. In 2022, Chanel rolled out the "in Chanel" app - worldwide which helped strengthen the bond between fashion advisers and clients as part of their digitally enhanced boutique experience.

In the Fragrance & Beauty division, through communication, digital innovations and personalised customer pathways that combine online and physical experiences, Chanel offers customers a luxurious and unique experience throughout the world. At points of sale, the 'beauty confidants', true artists of the customer relationship, hold the keys to an experience of incomparable quality for Fragrance & Beauty customers. In 2022, Chanel launched N°1 DE CHANEL its first product line conceived with a global eco-design approach. The culmination of several years of work, the line was developed in consideration of each product's life cycle – covering the sourcing of its ingredients to packaging end-of-life – with the aim of reducing carbon and other environmental impacts, compared to other Chanel skincare products.

As mentioned on page 4 of the strategic report, in 2022, the Company's Watches & Fine Jewellery division re-opened its flagship boutique at 18, Place Vendôme following a two-year renovation project. The flagship boutique offers the customer a unique journey into the world of the House and of Gabrielle Chanel and a closeness to the watchmaking and jewellery creation, by being situated directly above our workshops.

Client engagement throughout all business activities is measured through satisfaction surveys as well as the Group's ability to recruit new clients and retain existing ones. The Board receives regular updates on client satisfaction and Brand equity.

Partners

Chanel's business activities aim to meet the highest ethical and professional standards, and Chanel strives to only do business with third parties that share the same commitment to such standards as well as to sustainability. To demonstrate this, third parties partnering with Chanel, including suppliers, contractors, agents, representatives, distributors and consultants, are expected to adhere to the 'Responsible Partner Policy', which embodies the principles of the internal code of conduct "Our Ethics" (described above on page 24), to meet all their contractual obligations and comply with applicable laws, rules and regulations.

The 'Responsible Partner Policy' sets out the expectations and requirements on issues such as forced and child labour, human rights, discrimination, health and safety, bribery and corruption and environmental regulations. As part of the procurement process, the Group ensures that contracts include robust compliance clauses, requiring third parties with whom the Group engages to comply with all relevant laws relating to these issues.

As part of a continuous focus on improvement for its suppliers' own processes, Chanel also expects its partners to commit to communicating the principles laid out in Chanel's Responsible Partner Policy to their own providers and subcontractors, and to actively encourage them to integrate it into their own policies and practices. The Group's audit teams carry out audits across the supply chain to ensure this is happening and procurement teams provide ongoing training and support to partners.

Governments and regulators
The Group engages, through its Public Affairs function and representatives from the Divisions and Regions, with governments and regulators through a range of industry consultations, forums and meetings to communicate views to policy makers relevant to the business. Key areas of focus are ESG, Data Privacy, Intellectual Property and Anti-Counterfeiting (e.g. Adoption of the European Digital Services Act) as well as competition law issues (e.g. review of the European Vertical Block Exemption Regulation and the UK Vertical Agreements Block Exemption Order). Chanel very actively works with its various industry associations, including the Responsible Jewellery Council (RJC), Cosmetics Europe (EU) and PCPC (US), ECCIA (EU), AIM (EU), Comité Colbert (France),Union des Fabricants (FR), and Walpole (UK).

Environment
Chanel is strongly positioned to making long-term decisions that have a lasting positive impact on the environment and society.

In 2022, Chanel published a performance update to its CHANEL Mission 1.5°, the Group's climate action plan to 2030 which is in line with the Paris Agreement. Over the past year, the Group has continued to gain a deeper understanding of its climate impacts. Chanel has sought from the outset to take a comprehensive approach to assessing its emissions across its operations (scope 1 & 2) and global value chain (scope 3). The Group believes that 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 industry sector. While the effects of some of these changes might take several years, Chanel is committed to long-lasting, sustainable progress in line with the long-term vision and heritage of the Brand.

Chanel is already making progress across the House and the initiatives highlighted in this report are the culmination of many years of work. It is recognised that the road to achieving CHANEL Mission 1.5° is a path that must be taken with Chanel's stakeholders. Chanel employees, as well as its partners, suppliers and peers all have a role to play in advancing this progress. Chanel continues to look ahead, towards innovations in materials, products and systems that will accelerate progress to a more sustainable future. Chanel's commitment to these environmental initiatives is detailed on pages 9 through to 22 in the strategic report.

Society
Chanel aims to engage its people and have a positive, lasting impact on society through the way it does business with integrity, how it interacts with its wider supply chain, its social commitment activities, its dedication to arts and culture, as well through Fondation CHANEL, dedicated to supporting women and girls worldwide.

Further details on the work of Fondation CHANEL, Chanel's worldwide social commitment programme 'You, Me & Us' and Chanel's arts and culture programmes are described on pages 22 through 24.

Business ethics
Chanel is committed to conducting business ethically. Decisions are made and actions are taken with care and integrity for the benefit of clients, partners, employees, and local communities. Doing so protects the Brand and its people, and it enables the Group to have a positive impact in the world. Employees are encouraged to take responsible and ethical business decisions, which will not only ensure the long-term success of the Brand but will also enable the House to be proud of how it achieves that success. Further details of "Our Ethics", the Group's business ethics and compliance programme, are set out in the Business Ethics section on page 24.

Approved by the Board and signed on its behalf by

P.B. Blondiaux
Director
24 May 2023

CORPORATE GOVERNANCE

The Company believes that effective governance is critical to its ability to deliver long-term, sustainable growth. It is committed to implementing and maintaining controls that allow it to honour its rich heritage while delivering value for all of its stakeholders.

For the year ended 31 December 2022, the Company continued to apply the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') (published by the Financial Reporting Council in December 2019) as its selected corporate governance framework under the Companies (Miscellaneous Reporting) Regulations 2018.

The way in which the Company applied each of the Wates Principles over the past year is set out below. The Wates Principles provide a solid framework for the Board in managing strategic and long-term decisions. This corporate governance report should be read in conjunction with our Section 172(1) statement set out on page 35 and other sections of the strategic report, as indicated below.

PRINCIPLE 1 - PURPOSE AND LEADERSHIP

Chanel's purpose, values and culture

Chanel is an independent company that believes in the freedom of creation, cultivates human potential and acts to have a positive impact in the world.

Chanel designs and manufactures products of the highest quality and finest craftsmanship in Haute Couture, Fashion, Fragrance & Beauty and Watches & Fine Jewellery. Chanel aims to conserve the heritage of the Brand whilst shaping it for the future with integrity and responsibility.

The Company believes in the power of creativity and the importance of nurturing human potential. It is committed to making a positive impact on people, society, arts and culture and the planet always with a long-term perspective in mind.

Chanel's purpose and values inform its strategy, decision-making and relationships with stakeholders, and help shape its culture.

Chanel's leadership and decision-making

As a privately-owned group, Chanel has the freedom to shape its own future. Without short-term financial constraints, the Group can implement long-term decisions that not only benefit its Brand, but which are also designed to have a positive impact on people, the planet, society and arts and culture. This empowers the Board, its leadership and its people to act with agility and drive transformational change, looking beyond the present to consider new possibilities. Chanel aims to empower and enable its people to be visionary, strategic thinkers who are resilient to complexity and ambiguity, because transformation often means dealing with the unknown.

As described in our Section 172(1) statement, the Board is responsible for setting high-level strategy and shaping the culture of the Group. Day-to-day operations and decision-making of the Group are led and managed by an Executive Committee, under the leadership of the Global CEO, and executed through a governance matrix of operational committees and senior leadership throughout the Company's business divisions, markets and global corporate functions.

The Executive Committee is led by the Global CEO and supported by the Global Executive Chairman and its members include the Global Executive Chairman, the Global CFO, the Global Chief Administrative Officer, the Global General Counsel, the Global Chief People & Organisation Officer, the Global Chief Information Officer, the Global Chief

Sustainability Officer, the Global Head of Arts & Culture, the Presidents of the four legal entities within the Group which together own the Brand (the 'Chanel Brand Owners') and the President of one major licensee, as well as the Presidents of each of the three business activities: Fashion; Fragrance & Beauty; and Watches and Fine Jewellery. In 2022, the Executive Committee met six times.

The Executive Committee oversees all material operational issues, all major developments in the business, including current and prospective risks, and all major new initiatives and opportunities. It makes operational decisions in respect of the entire Group, and develops and recommends strategies to the Board, including how to operationalise and implement those strategies while supporting the Brand and its longevity.

Five pillars guiding decision-making

The leadership of the Group considers five pillars in making critical decisions for the Brand and operations. These five guiding pillars inform long-term strategy and are a fundamental element of Chanel's development philosophy:

- **Brand performance** – Spans all activities in which the Group engages to ensure that its products and image are modern, relevant, and luxurious. Each year, the Executive Committee uses the Brand equity study, client experience data, and online reputation measures to decide on whether and how to improve Brand vitality, relevance and modernity.

- **Financial health** – Emphasises sound long-term financial decision-making to ensure the continued growth, health, and independence of the Brand, combining sales, operating profit and cash components with a long-term outlook.

- **Leadership & people strength** – Represents the commitment from Chanel's leaders and the Group to ensure that it is building the right skills and capabilities in the organisation in a highly competitive and demanding environment, as well as developing its people at all levels and promoting an inclusive environment.

- **Sustainability** – Ensures that the Group is striving to act to have a positive impact on the planet and society in all of its activities and conducting its business ethically and with integrity.

- **Client engagement** – Reflects Chanel's dedication to building deep and meaningful client experiences, keeping the client at the core of its business strategy.

Operational committees

The Group has a number of operational committees which prepare recommendations to the Executive Committee and, if instructed by the Executive Committee, to the Board. Following the arrival of a new Global CEO in early 2022 and her onboarding and time of reflection, Chanel has taken a fresh perspective on internal governance matters and, as a result, has decided to streamline certain committee activities from the start of 2023.

From 2023 the Group expects to launch a refreshed internal governance framework, in particular introducing CEO forums on a regional, divisional, and corporate level to allow for efficient information sharing and alignment in a more agile format. This refreshed governance framework will complement the fundamental Board and Executive Committee structure described above, which remains the critical governance dynamic of the Group. The committees that were in place in 2022 are described below:

Brand, Communication and Image Committee: In 2022, the Brand, Communication and Image Committee assessed Brand image, cultural awareness, advertising and promotion campaigns, as well as communication and media strategies and made recommendations to the Executive Committee accordingly. This committee was comprised of the Global Executive Chairman, the Global CEO, the Presidents of each of the three business activities, the Head of Artistic Direction, the Global Head of Innovation and Brand Insights, and the Global Head of Arts and Culture. In 2022, this committee met three times. From 2023 onwards, the activities of this committee will be dealt with directly by the Executive Committee.

Global Compliance & Business Ethics Committee: oversees the development and implementation of the Group's business ethics programme with regards to the development of policies, awareness training and review of metrics and investigations to ensure compliance with laws, internal procedures, and industry standards that are significant to the business from a legal, regulatory or reputational standpoint. The Company's business ethics programme, "Our Ethics", is further described on page 24. The Global General Counsel, the Global Chief Compliance Officer, the Global CFO, the Global Chief People & Organisation Officer and the Global Head of Internal Audit and Supplier Sustainability Assessments are members of the Global Compliance & Business Ethics Committee and other corporate representatives attend the meetings as appropriate. In 2022, the Global Compliance Committee met five times. This governance is also replicated at the divisional and regional levels where the same functions meet four times per year to discuss the implementation of the programme and review investigations at the divisional and regional levels.

Real Estate Committee: assesses proposals and makes recommendations to the Executive Committee regarding opening new boutiques, relocating existing boutiques or offices, undertaking major renovations, and acquiring new premises. Depending on the size or significance of a real estate project, the recommendations of the Real Estate Committee may also be brought to the Board for its consideration. This committee is made up of the Global Executive Chairman, the Global CEO, the Chief Administration Officer, the Global CFO, Global Head of Store Design, Presidents of the three business activities and the four Presidents of each of the Chanel Brand Owners and one major licensee. In 2022, this Real Estate Committee met three times a year.

Compensation Committee: briefs and makes recommendations to the Board's Remuneration Committee on compensation for senior management and guidelines for salary increases and bonuses across the Group. This committee is made up of the Global Executive Chairman, the Global CEO, the Chief Administration Officer and the Global Chief People & Organisation Officer. In 2022, the Compensation Committee met four times.

Regional Presidents' Committee: In 2022, this committee, which is made up of the Presidents of the four Chanel Brand Owners and one major licensee, met four times. The Regional Presidents' Committee's role was to assess the priorities of the local markets on product and marketing issues in preparation for meetings of the Executive Committee, the Brand, Communication and Image Committee and for meetings with the Presidents of the three business activities. In 2022, the Regional Presidents' Committee met four times. From 2023 onwards the activities of the Regional Presidents' Committee will be handled by a new forum, the Regional CEO Forum.

PRINCIPLE 2 – BOARD COMPOSITION

In 2022, the Company had a 12-member strong Board, including four non-executives and eight executives, being the Global Executive Chairman, the Global CEO, the Global Chief Financial Officer, the Presidents of the four Chanel Brand Owners and one major licensee, supported by the Global General Counsel as the Company Secretary. The Chairman of the Board, Bertrand Gros, is a non-executive director and, together with the Global Executive Chairman and the Global CEO, ensure that the balance of responsibilities, accountabilities and decision-making across the Group are effectively maintained. In March 2023, one of the executive directors retired and was not replaced, which means that for 2023, the Company will have an 11-member strong Board.

The four non-executive directors bring experience from both within the luxury industry as well as other sectors. In accordance with the Group's conflicts of interest policy, the four non-executive directors have no business or relationship with the Group that would compromise their influence or objectivity. During the year, the non-executive directors continued to play an important role in supporting and challenging management on a broad range of areas across the business. The non-executive directors have an opportunity to meet with the Group's senior executives throughout the year to gain a better understanding of the business and operational matters. As part of their onboarding, the non-executive directors visit operational and manufacturing facilities as well as some of the markets and meet with the global corporate functions to learn about the Group's business and governance.

Chanel continuously evaluates the balance of skills, experience, and independence of the Company's directors. The size and composition of the Board is considered to be appropriate for a privately held company of its size, with all members contributing with a wide variety of experience. Board composition is designed to ensure that the Board has a high level of collective understanding across a broad range of relevant skills, backgrounds, experience, and knowledge, which is a key pre-requisite to promoting accountability and the incorporation of objective thought.

With 25% of the directors being female and only one with an ethnic minority background, the Board acknowledges that creating a more diverse and gender-balanced board is an area of focus going forward. For each new recruitment, the Board actively considers gender and diversity, as well as striving to strike the right balance of skills and expertise on the Board. The Board believes that creating an environment with a diversity of influences enriches decision-making for the Group and the long-term.

PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

As mentioned above, the Board, following recommendations from the Executive Committee, determines the strategic direction for the Group; reviews policies for corporate management and financial performance and approves budgets annually; it also makes decisions on major and significant initiatives and investments; ensures that leadership is in place to implement policies and decisions; and oversees the executive leadership. As described in the section 172(1) statement, the Board takes into account views from the Group's stakeholders and the impact that such decisions will have on its people, its partners, the environment and society at large when making decisions.

Appropriate financial reporting systems and processes are in place to enable the Board to assess the financial performance and position of the Group. Internal control systems help ensure the financial information generated by the reporting system is reliable, consistent, timely and complete. The Global CFO regularly briefs the Board on the financial position of the Group, the budgets, and important areas of focus.

The Board has a programme of four principal meetings every year and meets additionally as necessary. In 2022, the Board met six times. Ahead of each meeting, the directors receive detailed pre-reading materials to support thorough preparation and allow for meaningful discussion at the meetings. The key areas of focus for the Board in 2022 are set out in the table below.

Areas of focus in 2022

Governance	- Continued focus on establishing an Integrated Risk Management programme - Global CEO appointment and onboarding - Adoption of revised articles of association of the Company and contract approval policy
Strategy	- Evolution of client journeys within the digital ecosystem - Preserving and developing exceptional know-how with an artisanal context in the luxury industry - Global sustainability roadmap, including product creation and lifecycle - Employee strategy and engagement
Finance	- Focus on liquidity and net debt, and reporting financial performance alongside climate performance - Continued effort to control costs across the organisation given the uncertainty of the economic environment - Optimising inventory management globally - Continued to evaluate impact of Covid-19 on Mainland China, tourist locations and duty-free business
Risk and Opportunity	- Major strategic transaction opportunities - Geopolitical risks (including Russia – Ukraine conflict) - Safeguarding data security systems to counter cyber-attacks and hacking

The Board delegates certain responsibilities to Board committees that have the appropriate knowledge and experience to make recommendations to the Board on key matters. Each committee includes non-executive directors as shown in the table below. There are currently three Board committees with the following roles and responsibilities:

Audit Committee – monitors the effectiveness of internal controls; risk management; integrity of financial statements; and the performance of the internal audit department and independent auditor. In 2022, the Audit Committee met five times.

Nomination Committee – reviews and monitors succession planning for the Board, the Executive Committee and other key leadership roles. The Nomination Committee played a key role at the end of 2021 and beginning of 2022 in hiring the new Global CEO. In 2022, the Nomination Committee met two times.

Remuneration Committee – determines the remuneration of senior management and validates the global salary and bonus budgets upon recommendation of Chanel's internal Compensation Committee (which is described in the Purpose and Leadership section above on page 40). In 2022, the Remuneration Committee met two times.

Following each committee meeting, the chair of the relevant committee provides a report to the Board on matters discussed at the committee meeting to allow directors who are not members of the relevant committee an opportunity to provide their view.

In 2022, the Board discontinued with its Corporate Social Responsibility (CSR) Committee following an evaluation concluding that there was no need for a separate CSR Committee as sustainability issues and matters have been successfully integrated within the business and are considered as part of each and every matter addressed at Board-level. As outlined, sustainability is not a discrete issue but a critical factor considered in the Group's decision-making. The Board is regularly informed of the Group's environmental, sustainability and social topics – in 2022, for example, the Global Chief Sustainability Officer attended two Board meetings and also met with non-executive directors to discuss sustainability strategy and the three business divisions regularly gave updates on their sustainability transformation to the Board.

Below is a summary of the committee structures, members and meeting attendance effective in 2022:

Name	Board Member	Meetings Attended	Audit Committee	Meetings Attended	Nominations Committee	Meetings Attended	Remuneration Committee	Meetings Attended
P. Abecassis ^	x	100%	x	100%	x	100%	x	100%
P.B. Blondiaux	x	100%						
R. Collasse	x	100%						
J. Galantic	x	100%						
B. Gros ^ ~	x	80%			x	100%	x	100%
Baroness M. Lane Fox ^	x	100%			x	100%		
A.R. Mahon ^	x	100%						
L. Nair	x	100%*						
O. Nicolay	x	100%	x	100%				
B. Pavlovsky	x	100%						
V. Shaw	x	100%	x	100%				
A. Werthelmer	x	100%						

^ Non-Executive
~ Chair

* L. Nair was appointed as director on 27 January 2022. She attended every meeting of the Board from that time, however was not entitled to attend a board meeting held 26 January 2022, prior to her appointment.

PRINCIPLE 4 – OPPORTUNITY AND RISK

The Group's business strategy is based on a long-term vision and allows it to explore opportunities that align with its purpose. The Board relies on key members of the organisation to seek out synergies that allow the Group to create and innovate in new ways. Any major new business opportunities within the Group in excess of certain monetary thresholds are considered and approved by the Board in accordance with the Company's articles of association, although interesting and significant initiatives are presented to the Board even if they do not exceed such thresholds.

Risk management is tied to the overall strategy of the Group. Pages 29 through 34 include an assessment of the Group's key operational risks and how those risks are mitigated.

The Board's Audit Committee is responsible for reviewing the Group's internal controls and risk management systems and receives reports from management on the effectiveness of the established systems and conclusions of any testing carried out by internal and external auditors. The Audit Committee has a good understanding of how the Group: (i) identifies, assesses, manages and monitors risk and sets risk appetite; and (ii) develops, operates and monitors the system of internal controls.

The Audit Committee reviews and approves internal audit's role and mandate and approves the annual internal audit plan. The Audit Committee ensures the audit plan is aligned to the principal risks of the business and the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its audit plan. The audit plan is sufficiently flexible and dynamic to help identify, react to and address new, emerging risks as part of the Group's risk management practices promptly. The Audit Committee monitors and reviews the effectiveness of internal audit activities in the overall context of the Group's risk management system and considers the effectiveness of actions taken to implement the recommendations of internal audit.

As a priority for 2023 and beyond, a key continued focus will be placed on integrated risk management. As the external and internal risk landscape continues to evolve very quickly, it is essential that the Company continues to define, implement and embed an even more robust, independent and better synchronised integrated risk management framework under the mandate of the Audit Committee and the Executive Committee and with the help of the assurance functions. This is critical to identify risks at the strategic level which could have a major effect on the Group, minimise the impact of these risks, create opportunities for competitive advantage, improve operational efficiencies and build a risk-aware culture across the business to manage future risks smartly. The results of these activities for identifying, assessing, managing and monitoring key risks will be communicated and aligned with the Global Leadership Team to ensure a deep understanding of the Company's risk appetite, risk profile and risk tolerance, with the Audit Committee continuing responsibility for ensuring the appropriate mechanisms are implemented for executing a prioritisation of key risks and monitoring the system of internal controls.

PRINCIPLE 5 – REMUNERATION

The Group's remuneration polices are designed to ensure fair and meritocratic remuneration for all its people, including directors, senior management, and the wider workforce. The structure and level of remuneration is set to enable the Group to attract and retain the best employees and motivate high performance at all levels in the organisation.

The Board has delegated overall responsibility for its remuneration policies and practices to its Remuneration Committee, which is made up of two non-executive directors, with the Global CEO and the Company's Global Chief People & Organisation Officer as standing attendees.

The Remuneration Committee is responsible for the Group's global salary and bonus budget, designing remuneration policies and practices to support the Group's strategy and promoting long-term sustainable success, and overseeing reviews of market position and gender pay equity analysis.

The Remuneration Committee is supported by the Group's Compensation Committee, a management-level committee. The Compensation Committee has an established annual compensation planning and review process in which it reviews global market conditions, company performance and competitive benchmark data (best practices and market compensation data). Based on this process, the Compensation Committee makes recommendations to the Remuneration Committee with respect to the global salary and bonus pool and remuneration, and incentives of the Executive Committee, their direct reports and any executive directors. The Remuneration Committee, in turn, decides such matters. Compensation practices comply with all statutory regulations. Transparency of this work and communication of this process is regular and ongoing to top management and the broader employee population.

With a sharp rise in inflation and cost of living in 2022, the Group increased salaries of employees across the board mid-year, in addition to the annual pay review cycle. Further details on how the Company remunerates and attracts talent is set out in the strategic report 'Responsible Employer' section on pages 7 to 9.

PRINCIPLE 6 – STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

The Board recognises that good governance and effective communication are prerequisites for the Company to fulfil its purpose, carry out its strategy, protect the Brand and reputation, and maintain strong relationships with its stakeholders.

Engaging with stakeholders plays an important role in promoting accountability and transparency. It also allows the Group to learn from stakeholders, so that Chanel continues to develop, and achieve its objectives in a positive and forward-looking way. The Board is committed to engaging with the Company's stakeholders, including its sole shareholder, in a way that is aligned with its purpose, values and culture. Details of how the Group engages with stakeholders are set out in the Section 172(1) statement on page 35.

The directors present their annual report, together with the financial statements and independent auditor's report for the year ended 31 December 2022.

DIVIDENDS AND RESULTS

The results of the Group are set out in the consolidated income statement. The dividends paid by the Company are disclosed in Note 23.

GOING CONCERN

The directors have considered whether the Group and Parent Company have adequate resources to continue operationally for at least twelve months from the date of signing these accounts, up to 30 June 2024. In their assessment, the directors have considered the business activities and the principal risks and uncertainties of the Group and Parent Company. They have also considered their financial position, their cash flows, liquidity position, borrowing facilities and related financial covenants.

Management have prepared a detailed analysis of various scenarios and stress tested those scenarios, accordingly. Based on the analyses done to assess the impact of the different possible scenarios, the Board concluded that there are no material uncertainties, and the Group and Parent Company will continue to adopt the going concern basis in preparing the 2022 financial statements. Further details on the analyses performed are disclosed in Note 2.4.

EMPLOYEE CONSULTATION

The core values of the Group are grounded in creating the conditions for employees to perform at their best and feel fulfilled and confident in their work. The Group strives to empower its people to realise their full potential and achieve their ambitions through a culture of development focused on increasing their capacity to learn, grow and innovate. The Group maintains a close relationship with its employees by regularly informing them of relevant events and the state of the business through discussions, meetings, town halls, internal communication and consultations.

EMPLOYEES WITH DISABILITIES

The Group is committed to maintaining and regularly reviewing policies and practices which promote fair treatment and support for employees and applicants who have disabilities, or develop a disability during employment, with regard to areas including recruitment, working environment, training, career development and promotion.

POLITICAL CONTRIBUTIONS

The Group did not make any political donations during the year (2021: $nil).

RESEARCH AND DEVELOPMENT

The Group's research and development costs are disclosed in the strategic report.

STREAMLINED ENERGY AND CARBON REPORT

The Group's streamlined energy and carbon reporting requirements are disclosed in the strategic report on pages 17 through 19.

SUBSEQUENT EVENTS

The Group's subsequent events are disclosed in Note 30.

DIRECTORS

On 14 December 2021, Chanel announced that Mr. Alain Wertheimer would move to the role of Global Executive Chairman and Ms. Leena Nair would assume the role of Global CEO based in London, UK. Both were appointed to the Board as directors in January 2022, where they work to ensure the long-term success of the Company, believing in the freedom of creation, cultivating human potential and acting to have a positive impact in the world.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

The directors who held office throughout the year are as follows with changes noted up until the date of authorisation of these financial statements:

Directors
P. Abecassis
P.B. Blondiaux
R. Collasse
J. Galantic
B. Gros
Baroness M. Lane Fox
A.R. Mahon
L. Nair (appointed 27 January 2022)
O. Nicolay (resigned 9 March 2023)
B. Pavlovsky
V. Shaw
A. Wertheimer - Executive Chairman (appointed 26 January 2022)

Company secretary: M. Nitsch

DIRECTORS' INSURANCE AND INDEMNITIES
The Group maintains directors' and officers' liability insurance which gives cover for legal actions brought against its directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 31 December 2022 and through to the date of this report.

AUDITOR
In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by

P.B. Blondiaux
Director
24 May 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards ("IFRSs").

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Company's financial position and financial performance; and
- make an assessment of the Group's and the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

Approved by the Board and signed on its behalf by

P.B. Blondiaux
Director
24 May 2023

Opinion

We have audited the financial statements of Chanel Limited ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated statement of income, the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in shareholder's equity and the Consolidated and Company statement of cash flows and the related notes 1 to 30 and A to X, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process;
- We considered the appropriateness of the methods used to calculate the cash forecasts and tested the integrity and clerical accuracy of the model used to prepare the Group's going concern assessment which covers the period to 30 June 2024;
- We confirmed the net cash position as at 31 December 2022 and obtained evidence of the revolving credit facility which is available through to May 2026. The facility is undrawn as at 24 May 2023;
- We verified the debt maturities by examination of executed documentation and concluded that all debt repayments due in the period of going concern assessment were included in the forecasts;
- We assessed the reasonableness of management's cashflow forecast by analysing the historical accuracy

of forecasts;

- We considered the plausibility of the downside scenarios modelled by management by challenging the key underlying assumptions and assessed the amount of resulting headroom in terms of liquidity and covenants by performing sensitivity analysis on management's forecasts and mitigation actions available; and
- We reviewed the going concern disclosures included in Note 2.4 to the financial statements to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period to 30 June 2024.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting frameworks (UK adopted International Accounting Standards and the Companies Act 2006) and the relevant tax laws and regulations in the jurisdictions in which the Group operates.

- We understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our inspection of the board minutes, attendance at the Audit Committee meetings, as well as consideration of the results of our audit procedures across the Group.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance incentives and their influence on effort made by management to manage earnings. In addition, we inspected the board minutes, assessed the non-compliance matters reported to the Audit Committee and evaluated the whistleblowing incidents with a potential financial reporting impact. We considered the programmes and controls that the Group has established to prevent, deter and detect fraud, and how senior management monitors those areas which have been considered to be at higher risk and we performed audit procedures to address this fraud risk. These procedures included understanding related party transactions and significant transactions occurring in the year and testing manual journal entries, in particular on revenues. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of Group management, those charged with governance, legal counsel and Internal Audit, review of the Audit Committee and Board minutes as well as journal entries testing, with a focus on manual consolidation journal entries and journal entries indicating significant or unusual transactions based on the understanding of the business. Through our testing we challenged the assumptions and judgements made by management in respect of significant accounting estimates. At a component level, our full and specific scope audit teams' procedures included enquiries of component management and journal entries testing with a focus on manual revenue journal entries.

- In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and financial statements with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Sarah Kokot (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
24 May 2023

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(In millions of U.S. dollars)

	Notes	2022	2021
Revenue	3	17,223.6	15,639.0
Cost of sales		(3,198.9)	(2,965.5)
Gross profit		14,024.7	12,673.5
Distribution		(217.1)	(205.5)
Advertising, promotion and demonstration		(2,051.6)	(1,795.0)
Selling, general and administrative		(5,980.3)	(5,212.3)
Operating profit	4	5,775.7	5,460.7
Finance income	5	477.2	116.1
Finance costs	5	(156.0)	(153.6)
Equity income (loss) on investments, net	12	69.1	(3.3)
Profit before income tax		6,166.0	5,419.9
Income tax expense	13	(1,570.2)	(1,394.3)
Profit before non-controlling interest		4,595.8	4,025.6
Non-controlling interests		(5.1)	(3.2)
Profit for the year		4,590.7	4,022.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(In millions of U.S. dollars)

	2022	2021
Profit before non-controlling interest	4,595.8	4,025.6
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to statement of income:		
Actuarial gain on defined benefit pension plans, net of tax expense $43.8 million (2021: $52.6 million)	131.5	158.6
Net (loss) gain on equity instruments designated at fair value through other comprehensive income, net of taxes $nil	(8.3)	1.8
Items that may be reclassified subsequently to statement of income:		
Cash flow hedge, net of tax expense $14.8 million (2021: $nil)	44.2	-
Exchange differences on translating foreign operations, net of taxes $nil	(738.9)	(351.8)
Other comprehensive loss for the year, net of tax	(571.5)	(191.4)
Total comprehensive income for the year	4,024.3	3,834.2
Attributable to:		
Shareholder of the Group	4,022.1	3,834.2
Non-controlling interest	2.2	-
	4,024.3	3,834.2

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022
(In millions of U.S. dollars)

	Notes	2022	2021
ASSETS			
Non-current assets:			
Intangible assets	8	431.8	500.0
Property, plant and equipment	9	4,782.7	4,811.4
Investment property	10	63.4	136.7
Right-of-use assets	11	1,902.3	1,691.1
Investments in associates and joint ventures	12	454.6	314.5
Deferred income tax assets	13	592.4	618.0
Retirement benefit assets	18	126.6	49.8
Other assets	14	494.2	426.8
Total non-current assets		8,848.0	8,548.3
Current assets:			
Inventories	15	1,784.1	1,541.1
Trade receivables and other assets	14	1,805.2	1,676.0
Income taxes receivable	13	125.9	49.4
Short-term investments	21	1,030.0	-
Cash and cash equivalents	22	4,333.1	3,674.2
Assets held for sale	16	101.6	60.8
Total current assets		9,179.9	7,001.5
TOTAL ASSETS		18,027.9	15,549.8
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	24	-	-
Reserves		(727.9)	(47.0)
Retained earnings		9,160.1	6,112.9
Non-controlling interest		37.2	31.3
TOTAL SHAREHOLDER'S EQUITY		8,469.4	6,097.2
LIABILITIES			
Non-current liabilities:			
Borrowings	17	2,803.0	2,956.7
Lease liabilities	11	1,799.8	1,536.8
Retirement benefit obligations	18	226.9	310.1
Provisions	19	138.7	136.8
Deferred income tax liabilities	13	138.3	138.1
Other liabilities	20	369.2	347.6
Total non-current liabilities		5,475.9	5,426.1
Current liabilities:			
Trade payables and other liabilities	20	3,068.4	2,743.5
Income tax liabilities	13	327.4	589.4
Borrowings	17	195.5	157.2
Lease liabilities	11	316.1	317.2
Provisions	19	175.2	219.2
Total current liabilities		4,082.6	4,026.5
TOTAL LIABILITIES		9,558.5	9,452.6
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		18,027.9	15,549.8

The consolidated financial statements of Chanel Limited (registered number 00203669) on pages 53 through 111 were approved by the board of directors and authorised for issue on 24 May 2023. They were signed on its behalf by:

P.B. Blondiaux
Director

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(In millions of U.S. dollars)

		Attributable to the Shareholder of the Group							
	Notes	**Share capital**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Equity investment revaluation reserve**	**Other reserves**	**Retained earnings**	**Non-controlling interest**	**Total shareholder's equity**
Balances as of 1 January 2021		-	486.9	-	(0.4)	(167.3)	6,918.5	23.0	7,260.7
Profit for the period		-	-	-	-	-	4,022.4	3.2	4,025.6
Other comprehensive income for the period		-	(348.6)	-	1.8	-	158.6	(3.2)	(191.4)
Total comprehensive income for the period		-	(348.6)	-	1.8	-	4,181.0	-	3,834.2
Commitments to purchase non-controlling interest shares		-	-	-	-	(48.8)	-	9.0	(39.8)
Divestiture of shares in subsidiary		-	-	-	-	29.4	-	-	29.4
Payment of dividends	23	-	-	-	-	-	(4,986.6)	(0.7)	(4,987.3)
Balances as of 31 December 2021		-	138.3	-	1.4	(186.7)	6,112.9	31.3	6,097.2
Profit for the period		-	-	-	-	-	4,590.7	5.1	4,595.8
Other comprehensive income for the period		-	(736.0)	44.2	(8.3)	-	131.5	(2.9)	(571.5)
Total comprehensive income for the period		-	(736.0)	44.2	(8.3)	-	4,722.2	2.2	4,024.3
Acquisition of subsidiaries from an entity under common control	27	-	-	-	-	22.7	-	-	22.7
Commitments to purchase non-controlling interest shares		-	-	-	-	(3.5)	2.3	4.9	3.7
Payment of dividends	23	-	-	-	-	-	(1,677.3)	(1.2)	(1,678.5)
Balances as of 31 December 2022		-	(597.7)	44.2	(6.9)	(167.5)	9,160.1	37.2	8,469.4

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(In millions of U.S. dollars)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit	4	5,775.7	5,460.7
Adjustments to reconcile operating profit to net cash provided by operating activities:			
Depreciation and amortisation of PP&E, investment property and intangibles		437.7	431.8
Depreciation of right-of-use assets		357.2	361.2
Net impairment of property, plant, and equipment, intangibles, and right-of-use assets		115.6	45.2
Other adjustments		72.3	55.6
Cash flows from operations before changes in working capital		6,758.5	6,354.5
Changes in working capital	25	(228.9)	424.9
Cash flows from operations		6,529.6	6,779.4
Interest received		75.3	23.3
Interest paid on financial borrowings		(91.9)	(90.0)
Interest paid on lease liabilities		(57.8)	(57.4)
Income taxes paid		(1,931.6)	(1,099.7)
NET CASH PROVIDED BY OPERATING ACTIVITIES		4,523.6	5,555.6
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment		(563.1)	(663.1)
Initial direct costs related to right-of-use-assets		(14.3)	(17.3)
Proceeds on sale of property, plant, and equipment		11.6	5.9
Refundable VAT on purchase of property, plant, and equipment		-	78.3
Proceeds on partial sale of investment in subsidiary		-	33.0
Purchase of intangibles		(90.5)	(77.8)
Acquisitions, net of cash acquired	27	(12.6)	(65.0)
Purchases of subsidiaries from an entity under common control		(42.5)	-
Purchase of associates		(34.4)	(61.0)
Purchase of financial assets		(20.8)	(28.6)
Investment in short-term time deposits		(1,030.0)	-
Other		4.5	5.6
NET CASH USED IN INVESTING ACTIVITIES		(1,792.1)	(790.0)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank borrowings		117.3	51.8
Repayment of borrowings		(120.5)	(417.7)
Repayment of lease liabilities		(333.7)	(341.7)
Dividends paid to non-controlling interests	23	(1.2)	(0.7)
Dividends paid to parent	23	(1,677.3)	(4,986.6)
Other		(0.1)	-
NET CASH USED IN FINANCING ACTIVITIES		(2,015.5)	(5,694.9)
EFFECT OF EXCHANGE ON CASH AND CASH EQUIVALENTS AND TRANSLATION ADJUSTMENTS		(57.1)	(46.3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		658.9	(975.6)
CASH AND CASH EQUIVALENTS, Beginning of year		3,674.2	4,649.8
CASH AND CASH EQUIVALENTS, End of year	22	4,333.1	3,674.2

1. GENERAL INFORMATION

Chanel Limited is a private company limited by shares, incorporated and registered in England and Wales under the Companies Act 2006. The address of the registered office is 5 Barlow Place, London, W1J 6DG. The nature of the operations and principal activities of Chanel Limited and its subsidiaries are set out in the strategic report on pages 2 through 37.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards. IFRS also includes International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC"). These consolidated financial statements have been prepared on a going concern basis (as set out in the directors' report) and on a historical cost basis, except for the financial assets and liabilities (including derivative instruments) measured at fair value.

The results of foreign subsidiaries are translated into millions of U.S. dollars, which is the Group's presentation currency, in accordance with the policy set out in Note 2.7. The Group has elected to present their consolidated financial statements in U.S. dollars, since it is the common currency used in the organisation to evaluate the business worldwide. The Company only financial statements are presented in Sterling, which is the Company's functional currency.

2.2 Accounting framework

New Standards, Amendments and Interpretations affecting amounts, presentation or disclosure reported in the current year

The following applicable amendments have been adopted in the current year

- Amendments to IAS 16: Proceeds Before Intended Use
- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Annual Improvements: 2018-2020 cycle

The application of the amendments listed above did not have any significant impact on the Group's financial statements.

New Standards, Amendments and Interpretations in issue but not yet effective
At 31 December 2022, the following Standards, Amendments and Interpretations were in issue but not yet effective:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17: Insurance Contracts

The application of these standards, amendments and interpretations are not expected to have a significant impact on the reported profit or net assets of the Group in future periods.

Impact of climate change
The climate change impacts for the Group are defined by physical risks and transition risks. The physical risks identified include chronic and acute weather changes which may cause disruption in the production of raw materials or affect the Group's assets around the world. The Group reviews transition risks such as (inter alia) changes in policies, energy security and geo-political issues. At this time, the Group has not identified any specific climate change impacts that would have a material effect on its financial statements.

The Group will continue to monitor and manage its climate change impacts and carbon footprint in line with the climate strategy, CHANEL Mission 1.5°, published in 2020. The climate strategy is part of the Group's overall sustainability strategy to build a resilient and sustainable business.

2.3 Basis of consolidation

These consolidated financial statements include the financial statements of the Group together with the Group's share of the results and retained post-acquisition reserves of associates.

Subsidiaries
Subsidiaries included in the consolidation are all entities over which the Group exercises control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The concept of control generally implies owning more than half of the voting rights of an entity, although that is not a requirement to demonstrate power over an entity. The existence and effect of potential voting rights that are exercisable or convertible are taken into account in the assessment of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those of the Group.

All intercompany transactions, balances, income, and expenses are eliminated in full upon consolidation.

Investments in associates and joint ventures
Associates are all entities in which the Group exercises a significant influence over the entity's management and financial policy without exercising control. Significant influence generally implies holding 20% to 50% of the voting rights. Significant influence may still exist in the absence of at least 20% of the voting rights if it can be clearly demonstrated. Joint ventures represent arrangements where the Group has joint control of an entity with a third party.

Associates and joint ventures are recognised using the equity method and initially measured at cost. Subsequently, the share in profits or losses of the associate or joint venture attributable to equity holders of the parent is recognised in the statement of income and the change in equity attributable to equity holders of the parent is recognised in equity. If the Group's share in the losses of an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group no longer recognises its share of losses, unless it has legal or constructive obligations to make payments on behalf of the associate or joint venture.

The Group may write a put option or enter into a forward to purchase the underlying interest from the majority shareholder. For each such transaction, the Group evaluates the characteristic of the arrangement to determine whether it may constitute a derivative. In making this assessment, the Group considers whether the put or forward is fair value settled or is based on non-financial underlying variables specific to the investee, which fall outside the definition of a derivative per IFRS 9 (Financial Instruments).

2.4 Going concern

The directors are satisfied that the Group and Parent Company have sufficient resources to continue in operation for a period of at least 12 months from the date of approval of these financial statements, up to 30 June 2024. Accordingly, the financial statements continue to be prepared on a going concern basis.

In their assessment, the directors have considered: the financial and cash position of the Group and Parent Company; the forecast cash requirements and cash generation of the Group and Parent Company; and forecast compliance with loan covenants.

The Group's approach to minimising liquidity risk is described further in Note 21 and involves structuring its borrowings with long-term maturities, as well as maintaining sufficient levels of standby liquidity through revolving credit facilities. Further details of the Group's borrowings can be found in Note 17. The Group continues to maintain its policy of zero net debt at each reporting period, with net cash of $2,364.6 million reported as at 31 December 2022. The Group has access to $893.2 million of undrawn revolving credit facilities that are forecast to remain undrawn for the foreseeable future, as a result of the liquidity available to the Group.

Various downside scenarios have been tested to assess the level of headroom, both in terms of available liquidity and compliance with financial covenants. The mitigating actions within Group's control, should they be required, have also been considered, including the reduction of non-essential operating and capital expenditures and the reduction of planned dividends to the Group's Parent Company. The likelihood of these scenarios occurring is remote and the sensitivity analysis performed has shown sufficient headroom in terms of available liquidity to the Group and potential breach of covenants.

Following their analyses, the Directors considered it appropriate to continue to adopt the going concern basis in preparing the financial statements with no material uncertainties to disclose.

2.5 Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. At the acquisition date, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired entity. The consideration transferred in a business combination is measured at fair value. This fair value is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the acquirer. The cost of an acquisition is the total fair value of the consideration given. All direct incremental costs incurred in connection with the acquisition are excluded from the cost of the acquisition and are expensed as incurred. Goodwill is measured at the acquisition date as the excess of the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, over the assets and liabilities recognised.

The Group considers the optional concentration test, which permits a simplified assessment of whether an acquired set of activities and assets is not a business, which can be applied on a transaction-by-transaction basis. The concentration test is met if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Purchase commitments for non-controlling interests
The Group may write a put option or enter into a forward with the non-controlling shareholders in an acquiree as part of the acquisition of a subsidiary. Where such agreements are in place in respect of shares held by non-controlling shareholders, the liability is stated at the present value of the expected future payments and reported in financial liabilities in the statement of financial position. For each transaction, an assessment is made to determine whether the non-controlling shareholders have a present access to the returns associated with the underlying ownership interest. Where it is concluded that the non-controlling shareholders do not have a present access to the returns, the Group adopts the 'anticipated acquisition' method and recognises an adjustment to goodwill. Where it is concluded that the non-controlling shareholders have a present access to the returns, the Group adopts the 'present access' method and recognises an adjustment to equity. The change in the value of such options in the year is recognised in other reserves within shareholder's equity.

The non-controlling interests in the Group's statement of financial position represent the share of net assets of subsidiary undertakings held outside the Group. The movement in the year comprises the profit attributable to such interests together with any dividends paid, as well as adjustments resulting from acquisitions and divestitures. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

Common control transactions
Business combinations that involve entities under common control are excluded from the scope of IFRS 3. The Group's policy is to apply book value accounting to common control transactions, when the legal or regulatory requirements of a particular jurisdiction permit.

In applying book value accounting, it is the Group's accounting policy to recognise the assets acquired and liabilities assumed using the carrying value in the financial statements of the entity transferred. The difference between the consideration paid and the carrying value of the assets and liabilities transferred is recognised as other reserves within shareholder's equity. The financial results of the transferred company are included in the Group consolidated financial statements from the date of the combination.

2.6 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described elsewhere in Note 2, the directors are required to make judgements (other than those involving estimations) that may have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Group's accounting policies
The preparation of financial statements in conformity with IFRS requires the directors to exercise their judgement, apart from those involving estimations (which are dealt with separately below), in the process of applying the Group's accounting policies.

The Group holds certain investments in manufacturing operations that require a judgment in determining the level of influence over the underlying investees (Note 12).

The judgment in making this assessment includes consideration of the key factors, such as the ownership interest, participation in investee's operational decisions, material intercompany transactions, proportion of business, potential voting rights, and whether a combination of these considerations may empower the Group to direct the relevant activities of these investees.

The directors determined that these investments provide the Group with the ability to exercise a significant influence over the operating and financial policies of these entities but do not control them. Therefore, these investments are treated as associates and accounted for using the equity method of accounting, in line with the Group's Accounting Policy described in Note 2.3.

Key source of estimation uncertainty
The Group deems the key sources of estimation uncertainty that could cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year as follows:

- **Inventory provisions** – The Group manufactures and sells luxury goods and is subject to changing consumer demands and industry trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating inventory provisions, management considers each category of inventory, if the products concerned are damaged or obsolete due to seasonality or end of life of the collection. An impairment is booked to reduce inventories to net realisable value if this is lower than the carrying value. Refer to Note 15 for further details of the carrying value of inventory.

- **Uncertain tax positions** – The calculation of the Group's tax liabilities involves uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax position is judgmental but considers whether it is probable that the tax treatment would be accepted by the relevant tax authority that has full knowledge of all the pertinent information that supports the tax position. Settlement of these uncertainties in a manner inconsistent with our expectations could have a material impact on our results of operations, financial position and cash flows. The Group recognises a liability for uncertain tax positions when it is probable that an outflow of economic resources will occur. Measurement of the liability for uncertain tax positions is based on management's best estimate of the amount of tax expense that will be realised upon settlement, in accordance with the criteria of IFRIC 23. We have not performed a sensitivity analysis on uncertain tax positions as it is not practical to do so. Refer to Note 13 for further details.

- **Defined benefit plans** - The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation, the volatility in financial markets and the provision's long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer to Note 18 for further details on pension obligations.

- **Impairment of goodwill** – Goodwill arising from the acquisition of a business is the only intangible asset with an indefinite useful life and is tested for impairment annually. For the purposes of impairment testing, the recoverable amount of goodwill is primarily determined based on the value-in-use of the cash generating unit ("CGU") to which the goodwill is allocated. In certain instances, the recoverable amount is determined though a third-party valuation using appropriate valuation techniques relevant to that CGU. Where value-in-use is used, it is based on projected estimated future cash flows, prepared based on budgets and medium-term plans. Key assumptions used to determine value-in-use represent management's assessment of future trends and were based on a discounted cash flow approach. The recoverable amount is sensitive to the discount rate used for the discounted cash flow ("DCF") model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed and further explained in Note 8.

- **Impairment of property** – Properties are assessed for impairment by determining the recoverable amount of an asset or a CGU based on the value-in-use calculations using projected estimate future cash flows applying key assumptions. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. For certain properties, third-party valuations are used to support the fair value of the asset in determining the recoverable amount. Refer to Note 9 for further details.

2.7 Foreign currency translation and transactions

The results and financial statements of consolidated entities with a functional currency that differs from the presentation currency are translated into U.S. dollars as follows:

- statement of financial position items, other than equity, are translated at the year-end exchange rate;
- equity is translated at historical exchange rates;
- statement of income and statement of cash flow items are translated at the average rate for the year; and
- differences are recognised in other comprehensive income ("OCI") under foreign currency translation reserve.

Changes in the carrying amount relating to translation are recognised in other comprehensive income. Gains or losses resulting from foreign currency transactions are included in the statement of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate on the date of closing of the acquisition.

At the individual entity level, foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than functional currencies at year-end exchange rates are recognised in the consolidated statement of income.

2.8 Revenue recognition

Sale of goods
Revenue mainly comprises direct sales to end-customers and the sale of goods to authorised third parties for resale. The Group recognises revenue when it transfers control over a product to a customer, excluding taxes, net of discounts and after elimination of intercompany sales.

Direct sales to end-customers are mainly made through retail stores for fashion goods, certain fragrance and beauty products, and certain watches and fine jewellery items. These sales are recognised at the time of purchase by the retail end-customers. Sales made in stores owned by third parties are treated as retail transactions if control of the inventories is retained by the Group.

Wholesale sales to third parties are recognised when control of the products has transferred to the third-party customer/authorised retail partner. In the Americas region, revenue is generally recognised upon shipment to such customer, whereas in the Europe and Asia Pacific regions, revenue is generally recognised upon the customer's receipt of goods.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to such customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). The contract liability for customer deposits is reported in trade payables and other liabilities (Note 20). Revenue from customer deposits is recognised when the Group performs under the contract.

Product returns and other variable consideration
For direct sales to customers, when the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. Following the sale of goods to its customers and depending on any contractual clauses attached to these sales, the Group may accept the return of unsold or outdated products.

A refund liability for the expected refunds to customers is recognised as an adjustment to revenue and included in provisions. At the same time, the Group has a right to recover the goods from the customer where the customer exercises their right of return, and therefore recognises an asset, which is included in trade receivables and other current assets with a corresponding adjustment to cost of sales. The asset is reported net of potential decreases in the value of the returned product. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for a number of years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The Group considers other forms of variable consideration in measuring revenue, such as volume rebates, incentives and performance bonuses, based on estimates of the variable consideration using the most likely amount method and includes the liability in trade payables and other liabilities.

The Group also enters into certain cooperative arrangements with customers and makes payments related to advertising, demonstration and promotion, for which the Group does not receive a distinct good or service or for which the fair value of the good or service cannot be reasonably estimated. For these types of arrangements, the reduction of revenue is recorded at the later of when (i) the Group recognises revenue for the transfer of the related goods or services to the customer, or (ii) the Group pays or promises to pay the consideration. To the extent the Group receives a distinct good or service in exchange for consideration and the fair value of the benefit can be reasonably estimated, the Group's consideration payable to the customer is reported in advertising, promotion and demonstration expense.

Licensing income
Licensing income is recognised over time in accordance with the substance of the relevant agreements and presented in revenue in the consolidated statement of income.

2.9 Income tax

The Group computes taxes in accordance with prevailing tax legislation in the locations where income is taxable. Taxes on income are provided in the same period as the revenue and expenses to which they relate. The income tax charge for the period comprises both the current and deferred tax charge (Note 13).

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred taxes are recognised for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes or from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The measurement of deferred tax amounts depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities and is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are not discounted and are classified in the consolidated statement of financial position under non-current assets and liabilities.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and the carry-forward of unused tax losses, and of unused tax credits, can be utilised. The Group reviews its deferred tax balances at each statement of financial position date to consider factors such as the impact of changes in tax laws and the prospects of recovering deferred tax assets from deductible temporary differences and from the carry-forward of unused tax losses and of unused tax credits.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures, and associates, except where the Group controls the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred tax are calculated based on the tax position of each subsidiary or on the total positions of subsidiaries included within the same consolidated tax group and are presented in assets or liabilities for the net amount per tax entity.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and the intention is to settle the balances on a net basis.

2.10 Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment. The various components of property, plant and equipment are recognised separately based on their estimated useful lives and, therefore, their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Vineyards include the vines associated with the Group's wine businesses. Vines are considered bearer plants and are included within the scope of IAS 16, *Property, Plant & Equipment* ("IAS 16"). The Group accounts for vines at their historical cost, which is consistent with all other items of property, plant and equipment. The harvested grapes from the vines are included in inventory, as described in Note 2.15.

Property, plant and equipment is depreciated on a straight-line basis, commencing when the asset is available for use, over the shorter of the expected useful life of the asset or its lease term, if applicable:

Type of asset	Expected useful life
• Land	not depreciated
• Land improvements	up to 50 years
• Buildings and buildings improvements	up to 50 years
• Machinery, furniture, and equipment	up to 10 years
• Leasehold improvements	up to 10 years
• Vineyards	up to 35 years
• Assets under construction	not depreciated

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, annually with the effects of any change in estimate being accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated statement of income. Borrowing costs directly incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.11 Investment property

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group has elected to measure investment property at cost, less accumulated depreciation and accumulated impairment losses applying the same accounting policies as for property, plant and equipment (Note 2.10).

An investment property is derecognised upon disposal, when reclassified as held for sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated statement of income in the period in which the property is derecognised.

Transfers are made to (or from) investment property only when there is a change in use.

2.12 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (defined as an asset purchased when new is less than $5,000), and for variable payments which are not dependent on an index or a rate. For the short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Variable payment leases are recognised based on actual payments.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Group, the lease payments are discounted using the Incremental Borrowing Rate ("IBR") as appropriate for each lease based on factors such as the lessee legal entity credit risk and the lease term.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments in an optional renewal period for which the Group is reasonably certain to exercise a renewal option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the date when the Group gains control of the underlying asset.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment policy.

In the situation of a sale and leaseback transaction where the Group sells an asset to a buyer and leases that asset back immediately on the sale date, the group applies IFRS 15 Revenue from contracts with customers to determine whether the transfer of the asset is a sale. If the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that is retained for use by the Group. The Group recognises the gain or loss limited to the portion of rights transferred to the buyer.

The Group as lessor

The Group determines at lease inception whether the lease is a finance or operating lease. If the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, then the lease is a finance lease. If not, then the lease is an operating lease.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease.

2.13 Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of cash on hand and demand deposits as well as other short-term highly liquid investments with original maturities of three months or less that are subject to an insignificant risk of change in value.

Time deposits with a maturity of greater than three months are shown separately in the statement of financial position as short-term investments.

Bank overdrafts are mainly related to the Group's notional cash pooling arrangement and are shown within borrowings in current liabilities in the consolidated statement of financial position (Note 17).

2.14 Provisions

Provisions for asset retirement obligations, litigation, restructuring costs, product return and other product-related obligations, and other contingencies and losses are recognised when the Group has a present legal or constructive obligation resulting from past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated (Note 19).

Restructuring provision and costs
A restructuring provision is recognised when a formal and detailed restructuring plan exists and the plan has begun to be implemented, or its main features have been announced before the statement of financial position date. Restructuring costs for which a provision is made essentially represent employee costs (severance pay, early retirement plans, retention bonuses, etc.), and the recognition of onerous components of contractual obligations with third parties.

2.15 Inventories

Inventories are recorded at the lower of cost and net realisable value. Net realisable value is the estimated sales price in the normal course of business, net of costs to be incurred to complete the sale (Note 15). Inventories are valued using the weighted average cost or first-in-first-out (FIFO) basis, depending on the type of business.

Grapes used to produce wine by the Group are considered agricultural produce as defined in IAS 41, *Agriculture* ("IAS 41"). The fair value of these assets cannot be measured reliably due to the lack of an active market for such unique assets and the volatility of wine prices which vary with global demand and the quality of each season's crop. Therefore, the Group accounts for these assets at their historical cost. Subsequent to their initial recognition, the Group accounts for grapes at the lower of cost and net realisable value. Due to the length of the aging process required for wine, the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are nevertheless classified as current assets.

Write-downs of inventories are primarily recognised based on expected turnover, if inventory items are damaged, or if they have become wholly or partially obsolete.

2.16 Exceptional items

Exceptional items are typically material amounts related to costs, gains or losses arising from events that are not considered part of the core operations of the business. These include, but are not limited to, costs related to restructuring programmes, significant impairments and reversals of non-current assets, investment gains and losses on corporate-owned life insurance, and any other items that are considered to be exceptional by virtue of their size, nature or incidence. A further breakdown of the exceptional items is included in Note 4.

2.17 Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses. The impairment expense is recognised in selling, general and administrative expenses in the consolidated statement of income (Note 8). Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

2.18 Other intangible assets

Intangible assets acquired as part of a business combination, which are controlled by the Group and can be measured reliably, and which are separate or arise from contractual or other legal rights, are recognised separately from goodwill. Intangible assets with finite lives are amortised over their estimated useful lives. If it is determined that their recoverable amounts are less than their net carrying amount, they are written down to their recoverable amounts (Note 8).

Capitalised software and related licenses
Costs that are directly associated with developing, purchasing, implementing or improving identifiable software that is under the Group's control and have expected benefits beyond one year are recognised as intangible assets and are amortised using the straight-line method over their estimated useful lives, typically up to seven years. Licenses are amortised over their contractual lives, if longer than one year. Costs associated with evaluating or maintaining computer software are expensed as incurred. Website costs are capitalised as intangible assets only if certain criteria are met, most importantly the ability of the website to generate probable future economic benefits. Once the Group determines that an internally generated website meets the necessary criteria, specific costs related to the website's development phase are capitalised as other intangible assets. Website costs are amortised over a maximum useful life of three years.

Type of asset	Expected useful life
• Goodwill	not amortised
• Licenses	over contractual life
• Capitalised software	up to 7 years
• Website	up to 3 years

2.19 Impairment of assets

Finite-lived intangible assets, property, plant, and equipment, and right-of-use assets are subject to impairment testing whenever there is any indication that an asset may be impaired, and at least annually in the case of goodwill and indefinite-lived intangible assets. Impairment tests seek to determine whether the recoverable amount of an asset, a CGU or a group of CGUs is less than its net carrying amount. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. When the carrying amount of such assets is greater than the recoverable amount, which is the higher of their value-in-use or fair value less cost of disposal, the resulting impairment loss is recognised within the consolidated statement of income.

Impairment losses recognised other than goodwill may be reversed at a later date up to the amount of the losses initially recognised, when the recoverable amount becomes greater than the net carrying amount. Impairment losses pertaining to goodwill may not be reversed.

2.20 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. All government grants are claimed only if their objective is in line with the Group business purpose and in accordance with its global tax principles. These grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in the statement of income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

In 2022, the Group received refundable tax credits of $4.7 million (2021: $4.6 million) related to eligible R&D expenditures. These tax credits are reported as a reduction of research and development expense. Other government incentives are aimed at providing long-term support for companies undertaking business activities in specific markets. The Group recognised $nil (2021: $27.8 million) related to these grants in operating profit as a reduction to selling, general and administrative expenses.

2.21 Financial assets

Initial recognition and measurement
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and other financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under International Accounting Standard 32 *Financial Instruments*. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognised as finance income in the statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has elected to classify irrevocably its listed and non-listed equity investments as financial assets at fair value through OCI. These are strategic investments and the group considers this classification to be more relevant.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. All derivatives are accounted for at fair value through profit and loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The ECL risk on the Group's trade receivables is low and, therefore, there is no impact on applying this approach to the consolidated financial statements. Details of the loss allowance are included in Note 14.

2.22 Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. For the sale to be highly probable, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Events or circumstances beyond the Group's control may extend the period to complete the sale beyond one year. An extension of the period required to complete the sale does not preclude an asset or disposal group from being classified as held for sale.

The Group measures non-current assets and disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell (Note 16).

The Group recognises all impairment losses for any initial or subsequent write down of the asset or disposal group to fair value less costs to sell.

There is no depreciation or amortisation recognised while an asset or disposal group is classified as held for sale. The interest and other expenses attributable to the liabilities of the disposal group classified as held for sale will continue to be recognised.

2.23 Financial liabilities

With the exception of derivative liabilities, which are accounted for at fair value through profit or loss, the Group recognises all financial liabilities initially at fair value and subsequently at amortised cost, using the effective interest method. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.24 Derivative instruments and hedging activities

Derivatives designated as cash flow hedges
At the inception of designated hedge relationships, the Group documents its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items in line with the criteria set out in IFRS 9.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised as a "cash flow hedge reserve" within shareholder's equity. Any gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income. Amounts accumulated within shareholder's equity are reclassified to finance costs within the in the consolidated statement of income when the hedge instrument is realised.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively.

Non-hedging derivatives
Changes in the fair value of derivative instruments used to manage exposures, that are not designated as hedges, are recognised immediately in the consolidated statement of income in finance income.

2.25 Employee benefits

Retirement benefits
The Group has both defined benefit and defined contribution plans (Note 18). With respect to defined contribution plans, the Group is not obliged to make additional payments beyond contributions already made. Contributions to these plans are expensed as incurred as part of operating profit in the consolidated statement of income.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive post-employment, dependent on one or more factors such as age, years of service, and compensation. These plans and the termination benefits are valued by independent actuaries. The valuation takes into account the level of future compensation, service period, life expectancy, and staff turnover. Actuarial gains and losses are primarily due to changes in demographic and financial assumptions and the difference between estimated results based on actuarial assumptions and actual results. All actuarial differences with respect to defined benefit plans are recognised immediately in the consolidated statement of comprehensive income. Past service costs, which typically increase a retirement benefit obligation following the introduction of a new plan or change to an existing plan, are recognised immediately in the consolidated statement of income. Retirement expenses are recognised in operating profit in the consolidated statement of income. The interest cost, which represents the interest accumulated on the unpaid balance of the projected benefit obligation and the interest earned on the performance of the plan assets are recognised in finance income (costs), net.

Executive deferred compensation plans

The Group has a non-qualified executive deferred compensation plan ("EDCP") that provides certain eligible employees with the opportunity to defer elements of their base compensation and bonuses. Deferred amounts are further increased or decreased based on the results of investment choices selected by the plan participants. Benefits are payable to the employees or their designated beneficiaries at specified future dates, upon retirement, or death. The EDCP and its benefits are valued by an independent actuary on an annual basis. The valuation takes into account such factors as the participants' investment selections, and years until scheduled distributions. Compensation amounts deferred by plan participants during the year, as well as changes in actuarially determined amounts, are recognised in operating profit in the consolidated statement of income. The liability associated with the Group's EDCP is recorded in other liabilities in the consolidated statement of financial position.

Corporate-owned life insurance

The Group has several corporate-owned life insurance ("COLI") policies that indirectly finance the executive deferred compensation plans and other defined benefit plans. COLI cash values are managed on an aggregate basis and unlike defined benefit pension plan assets, COLI assets are not specifically identified or accounted for as being related to any particular benefit liability. The dual construct of COLI results in the payment of premiums that cover insurance costs on the life of participating employees, but the majority of the funds are directed to the actual investments embedded in the COLI asset structure. The cash surrender value ("CSV") is a combination of the market value of the underlying investments, in addition to the traditional cash surrender value of a life insurance policy. The asset recognised by the Group is equal to the CSV of the policies and the market value of the money market funds at the balance sheet date. The CSV of the policies and market value of the money market funds are comprised of deposits (premiums), investment earnings/losses, trust expenses, benefit payments/withdrawals and death benefit proceeds.

2.26 Finance income and finance costs

Finance income and finance costs are comprised of borrowings costs, interest income from cash and cash equivalents, foreign exchange gains and losses, cost of foreign exchange and interest rate derivatives and fair value adjustments on financial assets. These activities support the Group's operations, but they are not part of the Group's core operating business activities. A further breakdown is provided in Note 5.

3. REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers. The Group disaggregates revenue by geographical region as this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors.

	2022 $ millions	2021 $ millions
Type of sales		
Sales of goods	17,211.8	15,628.2
License income	11.8	10.8
	17,223.6	15,639.0
Geographical markets		
Asia Pacific	8,644.5	8,067.8
Europe	4,720.6	4,041.7
Americas	3,858.5	3,529.5
	17,223.6	15,639.0

4. OPERATING PROFIT

	2022 $ millions	2021 $ millions
Profit before tax is stated after charging (crediting):		
Research and development expenditure	180.2	158.4
Impairment on PP&E, intangibles and other assets, excluding ROU assets	63.7	45.2
Restructuring costs expenditure	23.9	32.0
Net investment losses (gains) on corporate-owned life insurance	3.6	(18.1)
(Gain) loss on disposal of assets	(2.6)	2.1
Other	(2.5)	(4.0)
Exceptional items	86.1	57.2

Research and development ("R&D") costs are expensed as incurred, unless the criteria for capitalisation has been met. The Group did not meet the capitalisation criteria and accordingly did not capitalise any of these costs in 2022 or 2021. The Group did not have any amounts related to prior years capitalised in its consolidated statement of financial position as of 31 December 2022 (2021: $nil).

In March 2022, the Group suspended its commercial activities in Russia whilst continuing to pay its employees. Assets held by the Group in Russia primarily relate to fixtures and fittings in stores and right-of-use assets. The Group has considered the uncertainty surrounding trading conditions in its estimates of the recoverable value of these assets and has recognised impairment accordingly. Overall, the Group does not deem the impact of these write-downs to be material to the consolidated financial statements.

5. FINANCE INCOME (COSTS)

	2022 $ millions	2021 $ millions
Finance income:		
Foreign exchange gains, net	369.9	90.8
Interest income on cash balances	100.6	20.8
Derivatives gains, net	3.0	2.3
Interest income on finance lease receivables	1.1	1.2
Gains on other financial assets	0.5	1.0
Other finance income, net	2.1	-
	477.2	116.1
Finance costs:		
Interest costs on financial borrowings	(92.4)	(94.2)
Interest costs on lease liabilities	(63.6)	(59.4)
	(156.0)	(153.6)
	321.2	(37.5)

The Group realised foreign exchange gains, net of losses of $369.9 million in 2022 (2021: $90.8 million), which is mainly attributable to the strengthening of the U.S. dollar in relation to cash and time deposits held by subsidiaries in U.S. dollars that are non-USD functional companies.

6. AUDITOR'S REMUNERATION

	2022 $ millions	2021 $ millions
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	1.2	1.2
Fees payable to the Group's auditor and its associates for the audit of the Group's subsidiaries pursuant to legislation	6.4	5.6
	7.6	6.8
Fees payable to the Group's auditor and its associates for other services:		
Other services	0.2	0.1

7. INFORMATION REGARDING EMPLOYEES

	2022	2021
	No.	No.
Average monthly number of persons employed		
Sales and distribution	17,619	16,094
Administration	7,391	7,009
Production	5,280	4,639
	30,290	27,742

	2022	2021
	$ millions	$ millions
Staff costs during the year		
Wages and salaries	2,064.2	1,874.6
Social security costs	416.0	386.7
Pensions costs	127.8	121.0
Other personnel costs	301.4	280.0
	2,909.4	2,662.3

8. INTANGIBLE ASSETS

	Capitalised software and related licenses	Goodwill	Other	Total
	$ millions	$ millions	$ millions	$ millions
Cost:				
Balance at 1 January 2021	437.7	240.5	168.9	847.1
Additions	74.1	75.0	3.0	152.1
Disposals	(31.8)	-	(0.4)	(32.2)
Transfer to ROU Assets and PPE	-	-	(14.1)	(14.1)
Exchange differences	(27.0)	(16.9)	(8.3)	(52.2)
Balances at 31 December 2021	453.0	298.6	149.1	900.7
Additions	83.3	4.8	6.7	94.8
Disposals	(3.6)	-	(5.3)	(8.9)
Transfer to ROU Assets and PPE	-	-	(16.8)	(16.8)
Exchange differences	(23.2)	(15.1)	(11.0)	(49.3)
Balances at 31 December 2022	509.5	288.3	122.7	920.5
Accumulated amortisation and impairment:				
Balance at 1 January 2021	258.2	34.1	17.8	310.1
Amortisation expense	65.7	-	5.2	70.9
Disposals	(31.8)	-	(0.1)	(31.9)
Impairment losses	-	45.4	26.9	72.3
Exchange differences	(15.2)	(3.6)	(1.9)	(20.7)
Balances at 31 December 2021	276.9	75.9	47.9	400.7
Amortisation expense	70.6	-	6.4	77.0
Disposals	(3.3)	-	(1.8)	(5.1)
Impairment losses	1.1	33.3	4.2	38.6
Reversals of impairment	-	-	(2.5)	(2.5)
Exchange differences	(13.1)	(3.9)	(3.0)	(20.0)
Balances at 31 December 2022	332.2	105.3	51.2	488.7
Carrying amount at 31 December 2021	176.1	222.7	101.2	500.0
Carrying amount at 31 December 2022	177.3	183.0	71.5	431.8

Amortisation expense related to intangible assets was reported in cost of sales, distribution and selling, general and administrative.

Goodwill impairment analysis

The Group tests for impairment annually in accordance with IAS 36 "Impairment of Assets." The Group's most significant goodwill balances are related to its manufacturing companies that support the fashion business activities. To assess for impairment, the Group primarily applies a value-in-use calculation approach. However, certain assets are assessed for impairment using a fair value approach. The carrying amount of those assets is $25.4 million at 31 December 2022 (2021: $26.9 million).

The key assumptions made in the value-in-use calculations include the future revenues, the margins achieved, and the discount rate applied. The discount rate is a post-tax rate applied to post-tax cash flows and does not result in impairment conclusions differing from those obtained by applying pre-tax rates to pre-tax cash flows. The analyses performed were based on our CGUs' medium-term business plans, with time frames of five years that have been reviewed and approved by management. Cash flows beyond five years are calculated to perpetuity using the long-term growth rate.

The Group estimates discount rates using post-tax rates that reflect the market assessment as at the balance sheet date of the time value of money and the risks specific to the cash-generating units. The discount rates are derived from the Group's weighted average cost of capital. Inputs into the discount rate calculation include the risk-free rate, country risk premium and equity risk premium.

The discount, medium-term and long-term growth rates applied in the value-in-use model are as follows:

	Goodwill 2022 $ millions			
	Value of goodwill tested via DCF	**Discount rate**	**Annual growth rate for revenue during the plan period**	**Growth rate for the period after the plan**
Manufacturing CGUs	140.7	10.1%	2.0% - 20.8%	1.0% - 2.5%
Non-Chanel Brand CGUs	17.4	11.0%	12.1%	2.5%

	2021 $ millions			
	Value of goodwill tested via DCF	**Discount rate**	**Annual growth rate for revenue during the plan period**	**Growth rate for the period after the plan**
Manufacturing CGUs	148.3	8.1% - 9.6%	1.0% - 18.0%	0.0% - 2.0%
Non-Chanel Brand CGUs	19.4	9.2%	5.0% - 8.0%	1.0%

Based on these assessments, the Group recognised goodwill impairment losses of $33.3 million in 2022 (2021: $45.4 million).

Sensitivity analyses

A sensitivity analysis has been performed on the value-in-use calculations by assuming more conservative growth rates beyond the year ended 31 December 2022. The Group performed sensitivity analysis on the medium-term (the 5-year plan) growth rates of specific CGUs with significant goodwill balances as follows:

	2022 $ millions		
		Impairment loss due to:	
	Value of goodwill tested	**100 basis-point reduction in the growth rates**	**200 basis-point reduction in the growth rates**
Manufacturing CGUs	133.5	9.7	25.4

The Group performed additional sensitivity analysis on the discount rate of specific CGUs with significant goodwill balances as follows:

	2022		
	$ millions		
		Impairment loss due to:	
	Value of goodwill tested	50 basis-point increase in the discount rate	100 basis-point increase in the discount rate
Manufacturing CGUs	133.5	12.0	19.2

A reasonably possible change in key assumptions as of 31 December 2022 used for the non-Chanel CGU would not cause the carrying amount to exceed the recoverable amount.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings and building improvements	Machinery, furniture, and equipment	Leasehold improvements	Construction in progress	Vineyards	Total
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Cost:							
Balances at 1 January 2021	1,772.2	2,106.2	1,620.2	1,565.2	507.9	28.8	7,600.5
Additions[1]	43.8	148.7	114.4	164.4	263.8	0.6	735.7
Disposals	(0.2)	(4.6)	(96.3)	(62.8)	(0.3)	-	(164.2)
Transfers within PPE	7.5	339.7	64.9	119.1	(531.5)	0.3	-
Transfers from intangible assets	0.6	5.8	-	-	-	-	6.4
Exchange differences	(81.0)	(130.8)	(86.9)	(58.7)	(19.0)	(0.6)	(377.0)
Balances at 31 December 2021	1,742.9	2,465.0	1,616.3	1,727.2	220.9	29.1	7,801.4
Additions[1]	24.6	55.5	118.1	125.2	287.8	1.1	612.3
Disposals	(2.2)	(76.4)	(59.3)	(103.1)	-	-	(241.0)
Transfers within PPE	0.4	29.1	59.5	108.8	(198.0)	0.2	-
Transfers from intangible assets	-	11.5	-	-	-	-	11.5
Transfers to/from assets held for sale (Note 16)	(11.1)	25.6	-	-	-	-	14.5
Exchange differences	(110.0)	(125.6)	(79.7)	(83.6)	(10.2)	(0.4)	(409.5)
Balances at 31 December 2022	1,644.6	2,384.7	1,654.9	1,774.5	300.5	30.0	7,789.2
Accumulated depreciation and impairment:							
Balances at 1 January 2021	4.2	883.7	1,065.2	993.0	0.3	11.1	2,957.5
Disposals	-	(5.0)	(92.2)	(58.6)	(0.1)	-	(155.9)
Depreciation expense	0.4	86.0	133.8	136.0	-	1.6	357.8
Impairment losses	-	-	2.8	2.6	-	-	5.4
Reversals of impairment	-	(32.6)	-	-	-	-	(32.6)
Transfers within PPE	-	-	9.2	(9.2)	-	-	-
Exchange differences	(0.2)	(47.0)	(59.2)	(35.5)	-	(0.3)	(142.2)
Balances at 31 December 2021	4.4	885.1	1,059.6	1,028.3	0.2	12.4	2,990.0
Disposals	(0.2)	(72.8)	(56.9)	(94.8)	-	-	(224.7)
Depreciation expense	0.4	87.3	125.2	143.5	-	1.6	358.0
Impairment losses	-	1.0	14.0	7.8	2.7	-	25.5
Reversals of impairment	-	-	(0.4)	-	-	-	(0.4)
Transfers to assets held for sale (Note 16)	-	(0.7)	-	-	-	-	(0.7)
Exchange differences	(0.2)	(39.2)	(53.8)	(47.8)	-	(0.2)	(141.2)
Balances at 31 December 2022	4.4	860.7	1,087.7	1,037.0	2.9	13.8	3,006.5
Carrying amount at 31 December 2021	1,738.5	1,579.9	556.7	698.9	220.7	16.7	4,811.4
Carrying amount at 31 December 2022	1,640.2	1,524.0	567.2	737.5	297.6	16.2	4,782.7

[1] Includes additions acquired through business combinations as disclosed in Note 27.

	2022 $ millions	2021 $ millions
Contractual commitments related to property, plant and equipment	153.0	130.8
Borrowings secured by property, plant and equipment	376.8	445.8

Impairment costs of $25.4 million in 2022 are mainly related to the assets held by the Group in Russia due to suspension of operations. In 2021, the Group recognised $5.5 million of impairment losses and a reversal of an impairment of $32.6 million. The reversal relates to a property in France that was acquired in 2014 at a premium resulting in the initial impairment charge. Following the assessment of the fair market value of the property as of 31 December 2021, the Group reversed the impairment in full of $32.6 million in 2021.

There were no capitalised borrowing costs recognised in 2022 and 2021 related to property, plant and equipment.

10. INVESTMENT PROPERTY

	2022 $ millions	2021 $ millions
Cost:		
Balance at 1 January	174.9	181.0
Transfers to assets held for sale (Note 16)	(62.7)	-
Exchange differences	(12.0)	(6.1)
Balance at 31 December	100.2	174.9
Accumulated depreciation and impairment:		
Balance at 1 January	38.2	36.1
Depreciation expense	3.1	3.1
Transfers to assets held for sale (Note 16)	(3.2)	-
Exchange differences	(1.3)	(1.0)
Balance at 31 December	36.8	38.2
Carrying amount at 31 December	63.4	136.7
Fair value at 31 December	210.9	464.1

As of 31 December 2022 and 2021, investment property consisted of land and buildings in Europe and the United States. Portions of these properties are leased to third parties as operating leases (Note 11) and rental income received is fixed under the contracts. Details on transfers to Assets Held for Sale are provided in Note 16.

There were no capitalised borrowing costs recognised in 2022 and 2021 related to investment property. As of 31 December 2022, no borrowings were secured by investment properties (2021: $nil).

Amounts recognised in the consolidated statement of income:

	2022	2021
	$ millions	$ millions
Rental income	9.5	10.4
Direct operating expenses	4.0	5.0

There were no impairment losses recognised related to investment properties in 2022 or 2021.

Fair value

The Group periodically obtains third-party valuations related to its investment properties. The valuations consider transaction prices for similar properties in the surrounding area as well as other factors relevant to the location of the buildings. Fair value was based on a market approach and considered observable factors such as existing rents, lease term of the property, and current market prices for similar properties. In accordance with IFRS 13, the fair value of the buildings is within Level 2 of the fair value hierarchy. There were no changes to the methods and assumptions in determining fair value from the prior year.

11. LEASES

The Group as lessee

Right-of-use assets

The Group's real estate leases are composed primarily of land and buildings for its boutiques and offices. Machinery and equipment leases include vehicles, IT, office, manufacturing and distribution equipment. Changes in right-of-use assets by underlying asset type during the period:

	Real Estate	Machinery and Equipment	Total
	$ millions	$ millions	$ millions
Gross:			
Balance at 1 January 2021	2,208.0	20.1	2,228.1
New leases	393.0	6.4	399.4
Remeasurements	130.1	(0.3)	129.8
Leased properties acquired	(7.3)	-	(7.3)
Leases terminated	(88.6)	(4.9)	(93.5)
Acquisitions	4.0	-	4.0
Transfers from intangible assets	7.7	-	7.7
Exchange differences	(72.3)	(1.0)	(73.3)
Balance at 31 December 2021	2,574.6	20.3	2,594.9
New leases	536.6	3.7	540.3
Remeasurements	152.7	0.5	153.2
Leases terminated	(83.8)	(4.5)	(88.3)
Acquisitions	-	0.6	0.6
Transfers from intangible assets	5.3	-	5.3
Exchange differences	(109.1)	(1.2)	(110.3)
Balance at 31 December 2022	3,076.3	19.4	3,095.7
Accumulated depreciation and impairment:			
Balance at 1 January 2021	647.3	8.7	656.0
Depreciation expense	354.9	6.3	361.2
Impairment losses	0.1	-	0.1
Leased properties acquired	(1.5)	-	(1.5)
Leases terminated	(85.7)	(4.6)	(90.3)
Exchange differences	(21.2)	(0.5)	(21.7)
Balance at 31 December 2021	893.9	9.9	903.8
Depreciation expense	351.3	5.7	357.0
Impairment losses	51.8	0.1	51.9
Leases terminated	(79.0)	(4.4)	(83.4)
Exchange differences	(35.4)	(0.5)	(35.9)
Balance at 31 December 2022	1,182.6	10.8	1,193.4
Carrying amount at 31 December 2021	1,680.7	10.4	1,691.1
Carrying amount at 31 December 2022	1,893.7	8.6	1,902.3

Right-of-use assets impairment

As a part of the Group's impairment review, $51.9 million of impairment losses were recognised in 2022 (2021: $0.1 million), which is mainly related to the right-of-use assets held by the Group in Russia due to suspension of operations. In estimating the value for calculating impairment charges, potential alternative uses for property, such as subletting a leasehold or surrendering the property to the landlord at a cost were considered.

Lease liabilities

Changes in lease liabilities during the period:

	Current	Non-current	Total
	$ millions	$ millions	$ millions
Gross:			
Balance at 1 January 2021	312.1	1,425.4	1,737.5
New leases	36.1	346.0	382.1
Landlord contributions	2.9	-	2.9
Repayments	(399.1)	-	(399.1)
Accrued interest	59.2	-	59.2
Leases terminated	(1.5)	(1.5)	(3.0)
Leased properties acquired	(0.6)	(5.2)	(5.8)
Acquisitions	0.3	2.6	2.9
Remeasurements	29.2	99.4	128.6
Transfers	287.2	(287.2)	-
Exchange differences	(8.6)	(42.7)	(51.3)
Balance at 31 December 2021	317.2	1,536.8	1,854.0
New leases	20.7	506.0	526.7
Landlord contributions	5.4	-	5.4
Repayments	(391.5)	-	(391.5)
Accrued interest	63.8	-	63.8
Leases terminated	(1.7)	(3.8)	(5.5)
Acquisitions	0.1	0.2	0.3
Remeasurements	17.8	123.3	141.1
Transfers	297.8	(297.8)	-
Exchange differences	(13.5)	(64.9)	(78.4)
Balance at 31 December 2022	316.1	1,799.8	2,115.9

In 2022, the Group entered into a sale and leaseback contract for a distribution centre. The sale price of the distribution centre was $9.6 million, and the Group leased it back for two years which resulted in a gain on sale of $4.4 million.

No lease properties were acquired in 2022. In 2021, the Group purchased the site of one of its leased boutiques resulting in a lease liability reduction of $5.8 million.

Maturity analysis of lease liabilities, showing the undiscounted lease payments to be paid after the reporting date:

	2022	2021
	$ millions	$ millions
Less than one year	388.3	372.2
One to two year	330.8	318.7
Two to three year	304.1	270.6
Three to four year	277.7	227.4
Four to five year	242.8	205.9
More than five years	1,002.5	759.0
	2,546.2	2,153.8

The Group does not face a significant liquidity risk with regard to its lease liabilities.

Lease payments not recognised as a liability
The Group has elected not to recognise a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. The expenses relating to payments not included in the measurement of the lease liability and for variable lease payments which are not dependent on an index or a rate, are as follows:

	2022	2021
	$ millions	$ millions
Expenses relating to short-term leases	10.4	2.2
Expenses relating to low value assets	5.5	7.2
Expenses relating to variable lease payments	629.0	592.9
	644.9	602.3

Variable lease payments based on sales
Some leases contain variable lease payments that are based on sales made within a particular store. Total fixed and variable lease payments were $391.8 million (2021: $398.9 million) and $629.0 million (2021: $592.9 million), respectively, as of 31 December 2022. Overall, the variable payments constitute 60.7% (2021: 59.2%) of the Group's entire lease payments. The variable payments are dependent on sales and are expected to represent a similar proportion of total lease payments in future years. In 2022, the Group recognised $7.1 million (2021: $12.5 million) of Covid-19 related rent concessions that have been accounted for as negative variable lease payments in the statement of income.

Extension options
Some real estate leases contain extension options. The Group assesses whether it is reasonably certain to exercise the options at lease commencement and subsequently, if there is a change in circumstances within its control. Such assessment involves management judgement and estimate based on information at the time the assessments are made. Extension options are included in the lease term when the group has an economic incentive to exercise the option. The Group considers available evidence at the time of the assessment, including potential favourable terms upon extension, potential termination penalties, the relative costs associated with potential relocation or termination of the lease and the extent of leasehold improvements undertaken. The total amount of undiscounted potential future lease payments not included in the lease liability is $718.2 million (2021: $661.3 million). The proportion of the Group's leases which contain extension options that are included in the lease liability is 62.4% (2021: 29.1%).

Leases not yet commenced to which the Group is committed
Future cash flows of leases not yet commenced at the balance sheet date and, therefore, not included in the lease liability at the reporting date are $121.4 million (2021: $32.5 million).

The Group as lessor

Leases receivables
Lease income from lease contracts in which the Group acts as a lessor:

	2022	2021
	$ millions	$ millions
Finance lease		
Finance income on the net investment in the lease	1.1	1.3
Operating lease		
Lease income	25.7	21.0
	26.8	22.3

The income recognised during the year from subletting right-of-use assets was $8.6 million (2021: $4.7 million).

Operating leases
The Group leases its investment property and some leased properties to third parties that are considered operating leases since they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Refer to Note 10 for additional information regarding investment property operating leases.

Maturity analysis of operating lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022	2021
	$ millions	$ millions
Less than one year	24.9	27.2
One to two years	17.8	26.5
Two to three years	9.7	21.8
Three to four years	6.4	10.7
Four to five years	5.6	5.9
More than five years	24.1	28.2
Total undiscounted lease payments	88.5	120.3

Finance leases

The Group sublets some office and boutique space that are considered finance leases, since the sublease is for a significant portion of the remaining term of the head lease.

	2022	2021
	$ millions	$ millions
Non-current finance lease receivables	20.3	24.6
Current finance lease receivables	4.1	3.9
	24.4	28.5

Maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022	2021
	$ millions	$ millions
Less than one year	5.1	5.0
One to two years	5.2	5.1
Two to three years	5.3	5.3
Three to four years	5.5	5.3
Four to five years	5.6	5.5
More than five years	0.5	6.2
Total undiscounted lease payments receivable	27.2	32.4
Unearned finance income	(2.8)	(3.9)
Net investment in lease	24.4	28.5

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2022	2021
	$ millions	$ millions
As at 1 January	314.5	275.3
Additions	81.0	61.0
Dividends received	(1.3)	(0.1)
Reversal of impairment	1.3	-
Share of profit (loss)	69.1	(3.3)
Adjustments and exchange differences	(10.0)	(18.4)
As at 31 December	454.6	314.5

In general, the Group holds ordinary shares in its investments in associates and joint ventures. A list of the associates and joint ventures is disclosed in Note X.

Aggregate financial information of associates and joint ventures is as follows:

	2022			2021		
	$ millions			$ millions		
	Key associates [1]	Other	Total	Key associates [1]	Other	Total
Total assets	612.3	507.2	1,119.5	370.6	252.0	622.6
Total liabilities	156.8	361.9	518.7	109.5	181.0	290.5
Net assets	455.5	145.3	600.8	261.1	71.0	332.1
Total revenue	373.5	247.4	620.9	248.1	86.1	334.2
Total profit (loss) for the period, net	140.7	30.8	171.5	(5.4)	1.8	(3.6)
Group's share of profit (loss) from associates and joint ventures, net	66.7	2.4	69.1	4.8	(8.1)	(3.3)

[1] Key associates that are individually significant to the Group are denoted in Note X

As of 31 December 2022, the Group's aggregate off balance sheet commitment to purchase additional shares related to future investments in associates is $651.7 million (2021: $560.4 million). The maturity schedule of these commitments is as follows:

2022	Less than 1 year	1-5 years	5+ years	Total
	$ millions	$ millions	$ millions	$ millions
Aggregate contractual commitments related to investments in associates	253.5	398.2	-	651.7
	253.5	398.2	-	651.7

2021	Less than 1 year	1-5 years	5+ years	Total
	$ millions	$ millions	$ millions	$ millions
Aggregate contractual commitments related to investments in associates	-	560.4	-	560.4
	-	560.4	-	560.4

13. INCOME TAXES

The major components of income tax expense were as follows:

	2022 $ millions	2021 $ millions
Consolidated statement of income:		
Current income tax expense	1,624.1	1,401.6
Deferred income tax benefit	(53.9)	(7.3)
Income tax expense recognised in the consolidated statement of income	1,570.2	1,394.3
Consolidated statement of comprehensive income:		
Effect of actuarial losses on defined benefit pension plans	43.8	52.6
Cash flow hedge	14.8	-
Tax expense recognised in OCI	58.6	52.6

A reconciliation between income tax expense and the Group's accounting profit before income tax multiplied by the blended statutory tax rate of the Group is as follows:

	2022	2021
	as a % of pre-tax income	
Blended statutory rate amongst tax jurisdictions	23.1%	23.3%
Effect of permanent differences	-0.1%	0.2%
Change in tax rates	-0.1%	0.1%
Taxes on distributions and unremitted earnings	1.8%	2.0%
Adjustments in respect of prior years	0.3%	0.2%
Other	0.5%	-0.1%
Effective tax rate	25.5%	25.7%

The blended statutory rate represents the aggregation of the tax imposed on the taxable income contributed to the Group at the applicable corporate tax rate in each jurisdiction.

The components of current income tax receivables were as follows:

	2022 $ millions	2021 $ millions
Tax refund receivable	121.7	45.7
Other	4.2	3.7
Income taxes receivable	125.9	49.4

The components of current income tax liabilities were as follows:

	2022 $ millions	2021 $ millions
Income taxes payable	286.1	556.8
Income tax contingencies	41.3	32.6
Income tax liabilities	327.4	589.4

A subsidiary of the group is subject to a material tax assessment which it is rigorously defending. No provision has been made for this assessment which is considered remote and to have no technical merit.

The following is a roll-forward of net deferred tax assets:

2022 $ millions	Opening balance	Recognised in statement of income	Recognised in OCI	Acquisitions	Exchange differences	Closing balance
Provisions including inventory provisions	379.7	28.5	-	-	(10.8)	397.4
Retirement benefit obligations	78.6	(7.1)	(43.8)	-	(0.3)	27.4
Undistributed earnings	(86.3)	1.7	-	-	-	(84.6)
Other	107.9	30.8	(14.8)	(1.3)	(8.7)	113.9
	479.9	53.9	(58.6)	(1.3)	(19.8)	454.1

Deferred income tax assets	592.4
Deferred income tax liabilities	(138.3)
	454.1

2021 $ millions	Opening balance	Recognised in statement of income	Recognised in OCI	Acquisitions	Exchange differences	Closing balance
Provisions including inventory provisions	367.3	17.1	-	-	(4.7)	379.7
Retirement benefit obligations	119.3	13.8	(52.6)	-	(1.9)	78.6
Undistributed earnings	(74.9)	(11.4)	-	-	-	(86.3)
Other	132.6	(12.2)	-	(4.7)	(7.8)	107.9
	544.3	7.3	(52.6)	(4.7)	(14.4)	479.9

Deferred income tax assets	618.0
Deferred income tax liabilities	(138.1)
	479.9

As of 31 December 2022, the Group had unused tax losses of $328.7 million (2021: $300.1 million) for which no deferred tax asset is recognised in the statement of financial position. The majority of these tax losses and deductible temporary differences may be carried forward for an indefinite period of time. The Group did not utilise any unrecognised tax loss carry-forwards during 2022 or 2021.

14. TRADE RECEIVABLES AND OTHER ASSETS

	2022		2021	
	Current	Non-current	Current	Non-current
	$ millions	$ millions	$ millions	$ millions
Financial [a]				
Trade receivables	1,188.9	-	1,107.6	-
Derivatives	6.4	68.0	0.8	-
Other assets	126.3	223.8	122.8	203.9
Interest receivable	26.7	-	1.0	-
Prepayments and accrued credit notes	18.1	52.3	20.7	6.9
Equity investments	6.6	82.1	1.1	78.7
Finance lease receivables	4.1	20.3	3.9	24.6
Deposits	3.7	45.0	3.3	76.4
Other	67.1	24.1	92.8	17.3
	1,321.6	291.8	1,231.2	203.9
Non-financial				
Other taxes receivable	215.4	-	192.0	-
Cash surrender value of corporate-owned life insurance	-	180.5	-	198.8
Prepaid expenses	163.2	-	157.7	-
Advances to suppliers	93.8	-	86.8	-
Software as a service prepaid assets	1.5	4.0	1.7	6.1
Other	9.7	17.9	6.6	18.0
	483.6	202.4	444.8	222.9
Total trade receivables and other assets	1,805.2	494.2	1,676.0	426.8

[a] See Note 21

Trade receivables consisted of the following:

	2022 $ millions	2021 $ millions
Gross trade receivables	1,200.2	1,120.5
Provision for expected credit losses	(11.3)	(12.9)
Net carrying amount	1,188.9	1,107.6
Ageing of trade receivables:		
Not past due	1,011.2	981.8
Less than one month past due	110.3	101.5
Greater than one month past due	78.2	36.8
Due from related parties	0.5	0.4
	1,200.2	1,120.5

Movement in the provision for expected credit losses is as follows:

	2022 $ millions	2021 $ millions
Balance at 1 January	(12.9)	(15.0)
Impairment losses	(1.7)	(4.9)
Amounts recovered during the year	0.4	3.9
Amounts written off as uncollectible	2.0	1.9
Reversals of impairment losses charged to profit or loss	0.2	0.4
Exchange differences	0.7	0.8
Balance at 31 December	(11.3)	(12.9)

Trade receivables relating to the Group's wholesale activities have payment terms that are generally less than three months.

As of 31 December 2022, an allowance of $1.8 million (2021: $1.3 million) was related to accounts that were not past due.

15. INVENTORIES

	2022	2021
	$ millions	$ millions
Finished goods	1,457.5	1,452.7
Raw materials	445.0	345.3
Work in process	187.7	147.1
Component inventory	188.1	160.2
Reserves	(494.2)	(564.2)
	1,784.1	1,541.1

The cost of inventories recognised in the Group's consolidated statement of income was $2,832.8 million (2021: $2,666.2 million). In addition, the Group recognised $197.9 million (2021: $158.1 million) of provisions in cost of sales, which represents the write-down, net of reversals, of inventory to net realisable value. Reversals occur in the event that stock previously provided for has been sold in the current year. Total reversals of provisions for finished goods inventory sold above cost was $104.2 million (2021: $148.0 million). Management considers that a 1% variation on an estimate of sell-through of previous collections would have an impact on the inventory provision of $13.9 million.

16. ASSETS HELD FOR SALE

	2022	2021
	$ millions	$ millions
As at 31 January	60.8	66.4
Acquisitions	1.0	-
Transfers from investment property	59.5	-
Transfers to / from PPE	(15.2)	-
Exchange differences	(4.5)	(5.6)
As at 31 December	101.6	60.8

Assets held for sale are comprised of real estate assets held by the Group in various markets. The sale of some of these properties has been delayed as a direct result of the impact the global pandemic has had on the commercial real estate market. As of the date of this report, one property has been sold and a contract of sale has been agreed to on another property. Details of the property sold are disclosed in Note 30 as part of the Group's subsequent events.

17. BORROWINGS

Borrowings consisted of the following:

	2022							
	Current	2024	2025	2026	2027	Beyond	Unamortised debt issuance cost	Balance at 31 Dec
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Senior notes	-	200.0	-	394.3	-	1,247.5	(2.7)	1,839.1
Sustainability-linked guaranteed notes	-	-	-	320.9	-	320.9	(4.4)	637.4
Bank debt	105.3	322.2	1.5	1.3	0.6	1.7	(0.8)	431.8
Bank overdrafts	90.2	-	-	-	-	-	-	90.2
	195.5	522.2	1.5	716.5	0.6	1,570.1	(7.9)	2,998.5

	2021							
	Current	2023	2024	2025	2026	Beyond	Unamortised debt issuance cost	Balance at 31 Dec
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Senior notes	-	-	200.0	-	408.4	1,274.6	(3.2)	1,879.8
Sustainability-linked guaranteed notes	-	-	-	-	341.5	341.5	(5.5)	677.5
Bank debt	85.0	20.3	342.7	1.9	1.8	34.0	(1.3)	484.4
Bank overdrafts	72.2	-	-	-	-	-	-	72.2
	157.2	20.3	542.7	1.9	751.7	1,650.1	(10.0)	3,113.9

Of the total borrowings, $2,520.9 million is unsecured (2021: $2,608.6 million) and $477.6 million is secured against assets of the Group (2021: $505.3 million).

Senior Notes issued through a Private Placement

Nominal amount (in local currency)	Date of issuance	Maturity	Interest rate (%)	2022	2021
				$ millions	$ millions
USD 200 million	2014	2024	3.77%	200.0	200.0
USD 175 million	2014	2026	3.92%	175.0	175.0
USD 100 million	2014	2029	4.07%	100.0	100.0
USD 125 million	2014	2034	4.59%	125.0	125.0
EUR 205 million	2016	2026	1.84%	219.3	233.4
EUR 190 million	2016	2028	2.04%	203.2	216.3
EUR 115 million	2016	2031	2.28%	123.0	130.9
EUR 90 million	2016	2036	2.75%	96.3	102.4
USD 75 million	2020	2030	2.45%	75.0	75.0
USD 175 million	2020	2032	2.55%	175.0	175.0
USD 175 million	2020	2035	2.70%	175.0	175.0
USD 175 million	2020	2040	3.20%	175.0	175.0
				1,841.8	1,883.0

The Group is required to comply with certain covenants contained within the three individual Note Purchase Agreements (the "Agreements"). These covenants are aligned across all three Agreements and contain customary representations and warranties as well as customary affirmative and negative covenants, including but not limited to, restrictions on incurrence of additional debt, liens, asset sales, investments, mergers, acquisitions, and affiliate transactions. Events of default permitting acceleration under the agreements include, among others, non-payment of principal or interest, covenant defaults, material breaches of representations and warranties, bankruptcy and insolvency events, and certain other defaults. Financial covenants defined in the Agreements and listed below are required to be tested semi-annually at 30 June and annually at the reporting date of 31 December.

- **Indebtedness Ratio** – consolidated total net debt to adjusted consolidated Earnings Before Interest, Taxes, Depreciation, and Amortisation ("EBITDA") to be less than 3.25 to 1.0 for the applicable 12-month period.
- **Fixed Charges Coverage Ratio** – consolidated Earnings Before Interest, Taxes, Depreciation, Amortisation, and Rent ("EBITDAR") to consolidated fixed charges to be greater than 2.0 to 1.0 for the applicable 12-month period.
- **Consolidated Priority Indebtedness** – not to exceed 15% of consolidated total assets.

The Group was in compliance with these covenants throughout the year and as of 31 December 2022.

Sustainability-Linked Guaranteed Notes issued on the Luxembourg Stock Exchange

The terms and carrying amounts are as follows:

Issue type	Currency	Principal amount	Maturity year	Interest rate	Issue price	Carrying amount at 31 December 2022	Carrying amount at 31 December 2021
						$ millions	$ millions
Bond, Fixed rate	Euro	300.0m	2026	0.50%	99.726%	319.3	339.4
Bond, Fixed rate	Euro	300.0m	2031	1.00%	99.400%	318.1	338.1
						637.4	677.5

The Notes bear interest beginning with the issuance date of 1 October 2020 that is payable annually in arrears on 31 July in each year. A premium would be payable on maturity of the Notes if specific sustainability targets are not met.

Bank Overdrafts

Bank overdrafts of $90.2 million (2021: $72.2 million) are predominantly balances held in the Group's notional cash pooling arrangements.

Reconciliation of borrowings arising from financing activities:

	1 January 2022	Cash flows	Non-cash changes: Reclassifications from long-term to short-term and other	Non-cash changes: Foreign exchange movements	31 December 2022
	$ millions	$ millions	$ millions	$ millions	$ millions
Long-term borrowings	2,956.7	1.6	(48.3)	(107.0)	2,803.0
Short-term borrowings	157.2	(4.8)	53.0	(9.9)	195.5
Total third-party borrowings	3,113.9	(3.2)	4.7	(116.9)	2,998.5

	1 January 2021	Cash flows	Non-cash changes: Reclassifications from long-term to short-term and other	Non-cash changes: Foreign exchange movements	31 December 2021
	$ millions	$ millions	$ millions	$ millions	$ millions
Long-term borrowings	3,144.7	(3.7)	(53.2)	(131.1)	2,956.7
Short-term borrowings	80.4	26.8	55.7	(5.7)	157.2
Total third-party borrowings	3,225.1	23.1	2.5	(136.8)	3,113.9

In 2021, the Group had $389.0 million of related party cash flows associated with financing activities.

The Group's borrowings are denominated in the following currencies:

	2022	2021
	$ millions	$ millions
Euro	1,661.5	1,746.9
US dollar	1,198.7	1,196.9
Swiss franc	86.3	68.2
Japanese yen	15.3	66.0
Sterling	19.6	15.0
Other	17.1	20.9
	2,998.5	3,113.9

The Group's borrowings are subject to fixed and floating interest rates as follows:

	2022	2021
	$ millions	$ millions
Fixed rate borrowings	2,586.2	2,701.3
Floating rate borrowings	412.3	412.6
	2,998.5	3,113.9

The Group has fixed rate borrowings ranging from 0.10% to 4.59% and maturing through to 2040. The majority of floating rate borrowings have a 3 month Euribor + 2.67%. Refer to Note 21 for details on the Group's interest rate risk derivatives.

Lines of Credit

As of 31 December 2022, the Group had confirmed lines of credit totalling $1,119.0 million (2021: $1,153.5 million), which is predominantly a syndicated revolving credit facility totalling $893.2 million (2021: $950.5 million). The terms of the facility include: an arrangement and participation fee; a commitment fee; a utilisation fee; an extension fee; an agency fee; and a margin and will result in an all-in financing cost between 0.66% and 1.21% plus the appropriate reference rate. The Group is subject to the same covenants as its Private Placement arrangements. The facility has not been utilised to date. The facility expires on the fifth anniversary of the signing of the agreement in May 2026, with two one-year extension options available at the Group's request. As of 31 December 2022, total outstanding borrowings against other lines of credit were $50.1 million (2021: $28.1 million).

Letters of Credit

As of 31 December 2022, the Group had letters of credit of $5.5 million (2021: $5.9 million).

The Group was in compliance with all other financial covenants in relation to its debt agreements throughout the year and as of 31 December 2022.

18. RETIREMENT BENEFIT OBLIGATIONS

Defined Contribution Plans

The Group operates a number of defined contribution retirement benefit plans for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under administration by trustees. The Group recognised an expense of $55.8 million (2021: $41.1 million) related to its defined contribution plans in 2022. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Defined Benefit Plans

The Group operates defined benefit retirement plans in various locations, with its most significant plans in the U.S., France, the U.K. and Japan. The Group also has executive retiree medical plans in the U.S. and Canada. The Group recognised net benefits expense of $0.6 million in 2022 (2021: $0.6 million) related to its executive retiree medical plans. The Group recognised net liabilities related to its executive retiree medical plans of $8.6 million in 2022 (2021: $10.9 million) in its consolidated statement of financial position. Disclosures presented below for defined benefit plans include the executive retiree medical plans.

The defined benefit plans expose the Group to certain risks, such as interest rate risk, mortality risk, and salary risk.

- Interest rate risk – A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plans' debt investments.

- Mortality risk – The present value of the defined benefit plan liability is calculated using the best estimate of the mortality of plan participants during and after their employment. An increase in the life expectancy of the plan participants will increase the plans' liability.

- Salary risk – The present value of the defined benefit plan liability is calculated using the future salaries of plan participants. An increase in the salary of the plan participants will increase the plans' liability.

The most recent valuation was performed by the Group's actuaries as of 31 December 2022. The present value of the defined benefit obligation and all of its related components were measured using the projected unit credit method.

The principal assumptions used for the valuations of the defined benefit plans that are presented below based on a weighted average of the applicable locations were as follows:

	2022	2021
Discount rate	4.2%	2.0%
Expected rate of salary increase	3.5%	3.5%
The average life expectancy in years of pensioner retiring at age 65:		
Male	22.6	22.0
Female	24.4	23.5

Amounts recognised in the consolidated statement of income and consolidated statement of comprehensive income with respect to the defined benefit plans were as follows:

	Defined Benefit Plans	
	2022	2021
	$ millions	$ millions
Service cost:		
Current service cost, including administrative expenses	75.4	85.8
Curtailments	(1.2)	(1.6)
Settlements	(9.0)	(9.4)
Other	-	(0.5)
Total service cost, including adminstrative expenses	65.2	74.3
Past service cost	1.8	0.1
Net interest expense	5.0	5.5
Components of defined benefit costs recognised in consolidated statement of income	72.0	79.9
Remeasurements on the net defined benefit liability:		
Return on plan assets, excluding amounts included in net interest	190.4	(84.4)
Actuarial gains due to changes in demographic assumptions	(0.2)	(14.0)
Actuarial gains due to changes in financial assumptions	(400.2)	(55.0)
Actuarial losses (gains) due to experience adjustments	34.7	(57.8)
Components of defined benefits costs recognised in other comprehensive income	(175.3)	(211.2)
Components of defined benefit costs recognised in consolidated statement of comprehensive income	(103.3)	(131.3)

Accumulated actuarial losses recognised in shareholder's equity were $109.3 million as of 31 December 2022 (2021: $284.6 million).

The amounts included in the consolidated statement of financial position with respect to the defined benefit plans were as follows:

	Defined Benefit Plans	
	2022	2021
	$ millions	$ millions
Present value of funded defined benefit obligation	(804.8)	(1,129.2)
Fair value of plan assets	921.6	1,133.9
Funded surplus	116.8	4.7
Present value of unfunded defined benefit obligation	(217.1)	(265.0)
Net liability on consolidated statement of financial position	(100.3)	(260.3)
Net retirement benefit assets	126.6	49.8
Net retirement benefit obligations	(226.9)	(310.1)
	(100.3)	(260.3)

Movements in the present value of the defined benefit obligation were as follows:

	Defined Benefit Plans	
	2022	2021
	$ millions	$ millions
Defined benefit obligation, at 1 January	1,394.2	1,482.0
Current service cost	74.1	84.0
Interest cost	25.6	22.2
Contributions from plan participants	2.7	2.5
Past service cost	1.8	0.1
Reclassifications	0.5	7.9
Actuarial (gains) due to changes in demographic assumptions	(0.2)	(14.0)
Actuarial (gains) due to changes in financial assumptions	(400.1)	(55.0)
Actuarial losses (gains) due to experience adjustments	34.7	(57.8)
Benefits paid	(45.0)	(61.9)
Curtailments	(1.2)	(1.6)
Settlements	(9.0)	(9.4)
Acquisition of plan *	-	39.6
Exchange differences	(56.2)	(44.4)
Defined benefit obligation, at 31 December	1,021.9	1,394.2

* See note O for details of plan acquired.

The decrease in the defined benefit obligation at 31 December 2022 is attributable to actuarial assumptions and particularly the significant increase in discount rates from on average 2.0% in 2021 to 4.2% in 2022.

Movements in the fair value of the plan assets were as follows:

	Defined Benefit Plans	
	2022	2021
	$ millions	$ millions
Fair value of plan assets, at 1 January	1,133.9	1,058.5
Interest income	20.6	16.7
Return on plan assets, excluding amounts in interest income	(190.4)	84.4
Contributions from the employer	56.5	28.2
Contributions from plan participants	2.7	2.5
Benefits paid	(45.0)	(61.9)
Administrative expenses paid	(1.3)	(1.8)
Reclassifications	(0.2)	2.9
Acquisition of plan *	-	40.1
Exchange differences	(55.2)	(35.7)
Fair value of plan assets, at 31 December	921.6	1,133.9

* See note O for details of plan acquired.

The fair value of the plan assets at 31 December 2022 and 31 December 2021 for each category is as follows:

	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Insurance contracts	82.7	140.7	223.4	7.9	253.4	261.3
Equity securities	202.4	-	202.4	396.1	-	396.1
Corporate bonds	166.7	-	166.7	243.2	-	243.2
Government bonds	94.1	-	94.1	73.0	-	73.0
Cash	78.2	-	78.2	14.1	-	14.1
Property	38.8	19.4	58.2	28.3	16.9	45.2
Other	30.8	67.8	98.6	49.3	51.7	101.0
	693.7	227.9	921.6	811.9	322.0	1,133.9

The Group's funding policy is to contribute an amount that maintains a level of funding in the funded plans that is consistent and is sound on an actuarial basis, while remaining compliant with current pension laws. The Group targets an overall funding level of 80% - 120% in each of its plans. In 2022, the Group is committed to make a contribution of $22.7 million.

The average duration of the defined benefit obligation is 12.1 years (2021: 13.6 years).

The significant assumptions used in determining the defined benefit obligation are the discount rate, expected rate of salary increase, and life expectancy. The sensitivity analysis below has been determined based on possible changes to the significant assumptions while holding all other assumptions constant.

An increase in the discount rate of half a percentage point would decrease the defined benefit obligation by $66.0 million.

An increase in the expected rate of salary increase of half a percentage point would increase the defined benefit obligation by $29.3 million.

A decrease in the mortality rate of 10% for both men and women would increase the defined benefit obligation by $9.0 million.

The present value of the defined benefit obligation in the sensitivity analysis above has been calculated using the projected unit credit method, which is also the method used in calculating the defined benefit obligation for the consolidated statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior year.

19. PROVISIONS

	Product-related	Asset retirement obligations	Litigation	Restructuring costs	Other	Total
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Balances at 1 January 2022	198.0	80.8	25.1	7.0	45.1	356.0
Additional provisions recognised	73.7	13.0	8.9	0.2	13.2	109.0
Used during the year	(97.7)	(1.2)	(4.9)	(4.0)	(10.7)	(118.5)
Unused amounts reversed	(5.3)	(4.5)	(2.4)	-	(7.5)	(19.7)
Unwinding of the discount	-	1.1	-	-	-	1.1
Exchange difference	(5.3)	(3.5)	(1.1)	(0.6)	(3.5)	(14.0)
Balances at 31 December 2022	163.4	85.7	25.6	2.6	36.6	313.9
Of which, at 31 December 2022:						
Non-current	3.8	84.5	14.1	2.1	34.2	138.7
Current	159.6	1.2	11.5	0.5	2.4	175.2
	163.4	85.7	25.6	2.6	36.6	313.9

Product related provisions represent the expected refund to customers for sales returns, when the customer has a right to return the product within a given period. The expected refund is as an adjustment to revenue.

Additionally, the Group recognises a provision for Asset retirement obligations, which represents the cost to restore an item of property, plant and equipment back to its original condition at the end of its useful life or lease term, whichever is shorter. As such, the provision is primarily long-term in nature.

Select companies in the Group are exposed to lawsuits that arise in the ordinary course of business. The Group provides for these claims accordingly but does not expect the outcome to have a material impact on the consolidated financial statements.

Restructuring costs primarily relate to organisational restructurings programmes in select markets.

Other provisions are mainly related to long-term service awards.

20. TRADE PAYABLES AND OTHER LIABILITIES

	2022		2021	
	Current	Non-current	Current	Non-current
	$ millions	$ millions	$ millions	$ millions
Financial [a]				
Trade payables	995.8	-	864.9	-
Derivatives	1.1	-	1.0	2.2
Other liabilities	1,806.2	298.6	1,547.0	269.6
Salaries, commissions and related	662.8	-	627.8	-
Professional fees and other accrued expenses	312.2	-	285.9	-
Advertising, promotion and demonstration	254.7	-	176.5	-
Inventory accruals	241.1	-	216.6	-
Due to customers	117.7	-	119.8	-
Charitable commitments	110.7	-	29.2	-
Employee profit sharing	71.0	231.0	31.7	173.4
Interest payable	17.6	-	16.2	-
Share purchase commitments on non-controlling interests	-	51.9	-	55.2
Other	18.4	15.7	43.3	41.0
	2,803.1	298.6	2,412.9	271.8
Non-financial				
Other taxes payable	181.9	-	265.2	-
Customer deposits	78.9	-	62.5	-
Deferred compensation payable	-	50.8	-	66.2
Other	4.5	19.8	2.9	9.6
	265.3	70.6	330.6	75.8
Total trade payables and other liabilities	3,068.4	369.2	2,743.5	347.6

[a] See Note 21

Customer deposits relate to advance payments received for sales which have not yet been delivered to the customer. The majority of these deposits received at the end of the reporting period are settled within one year. The overall change in the liability represents increases in deposits not yet recognised in revenue in the financial year offset by the settlement of the prior year obligation, which is recognised in revenue in the current financial year.

21. FINANCIAL ASSETS AND LIABILITIES

Classification

The following table shows the classes of financial instruments based on their nature and characteristics.

Financial Assets

	Notes	2022		2021	
		Current	Non-Current	Current	Non-Current
		$ millions	$ millions	$ millions	$ millions
Financial assets at amortised cost:					
Trade receivables		1,188.9	-	1,107.6	-
Cash and cash equivalents	22	4,333.1	-	3,674.2	-
Other	14	119.7	141.7	121.7	125.2
Financial assets at FVOCI:					
Listed equity investments	14	-	11.7	-	1.1
Non-listed equity investments	14	0.1	65.8	0.1	69.4
Derivatives designated in hedge relationship	14	-	59.0	-	-
Financial assets at FVTPL:					
Short-term investments *		1,030.0	-	-	-
Convertible bonds	14	6.5	4.6	1.0	8.2
Derivatives not designated in hedge relationship	14	6.4	9.0	0.8	-
		6,684.7	291.8	4,905.4	203.9

* Short-term investments are time deposits with a maturity of greater than three months.

Financial Liabilities

	Notes	2022		2021	
		Current	Non-Current	Current	Non-Current
		$ millions	$ millions	$ millions	$ millions
Financial liabilities at amortised cost:					
Borrowings	17	195.5	2,803.0	157.2	2,956.7
Trade payables	20	995.8	-	864.9	-
Lease liabilities	11	316.1	1,799.8	317.2	1,536.8
Other	20	1,806.2	298.6	1,547.0	269.6
Financial liabilities at FVTPL:					
Derivatives	20	1.1	-	1.0	2.2
		3,314.7	4,901.4	2,887.3	4,765.3

Fair Value Measurement and Hierarchy Levels

Where the fair value of any financial asset or liability held at amortised cost is materially different to the book value, the fair value is disclosed.

The fair value of the Group's listed equity investments is based on quoted market prices (current bid price) on the last day of the period for all years presented.

The fair values of non-listed equity investments that were purchased in 2022 are assumed to approximate the purchase price. The fair values of the remaining non-listed equity investments have either been determined via an external valuation or estimated internally using a discounted cash flow model. The latter valuation requires management to make certain assumptions about the model inputs, including forecasted cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in equity investments.

The Group's derivative instruments are traded in the over-the-counter market and their fair value is determined using quantitative models that require the use of multiple inputs including interest rates, prices, and indices to generate pricing and volatility factors. The predominance of market inputs are actively quoted and can be validated through external sources including brokers, market transactions, and third-party pricing services.

The table below provides an analysis of financial instruments that were measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 — Quoted (unadjusted) prices for identical assets in active markets.

Level 2 — Other observable inputs, either directly or indirectly, including: quoted prices for similar assets in active and non-active markets (e.g. few transactions, limited information, non-current prices, high variability over time, etc.); inputs other than quoted prices that are observable for the asset (e.g. interest rates, yield curves, volatilities, default rates, etc.); and inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Unobservable inputs that cannot be substantiated by observable market data.

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:	**$ millions**	**$ millions**	**$ millions**	**$ millions**
Listed equity investments	11.7	-	-	11.7
Non-listed equity investments	-	-	65.9	65.9
Convertible bonds	-	-	11.1	11.1
Short-term investments	-	1,030.0	-	1,030.0
Derivatives	-	74.4	-	74.4
	11.7	1,104.4	77.0	1,193.1
Financial liabilities:				
Derivatives	-	1.1	-	1.1
	-	1.1	-	1.1

2021	Level 1	Level 2	Level 3	Total
Financial assets:	$ millions	$ millions	$ millions	$ millions
Listed equity investments	1.1	-	-	1.1
Non-listed equity investments	-	-	69.5	69.5
Convertible bonds	-	-	9.2	9.2
Derivatives	-	0.8	-	0.8
	1.1	0.8	78.7	80.6
Financial liabilities:				
Derivatives	-	3.2	-	3.2
	-	3.2	-	3.2

The reconciliation of Level 3 fair value measurements of financial assets is as follows:

	2022	2021
	$ millions	$ millions
As of 1 January	78.7	54.3
Remeasurement recognised in income statement	0.5	0.3
Remeasurement recognised in other comprehensive income	(7.9)	1.8
Purchases	10.0	28.6
Sales	-	(1.4)
Exchange difference	(4.3)	(4.9)
As of 31 December	77.0	78.7

Management has considered a change in unobservable inputs would not result in significant changes to the fair value of Level 3 financial assets.

Risks associated with financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage its foreign exchange and interest rate risk exposures.

Capital risk management

The Group's objective regarding capital risk management is to maintain a strong capital base and to sustain future development of business primarily through the use of operating cash flow. The Group's management regularly reviews the capital structure of its businesses and determines the most economic approach to fund various transactions.

Liquidity risk management

Liquidity risk is the risk that the Group may encounter difficulties in meeting its financial liabilities that are settled in cash. In managing this risk, the Group monitors closely the liquidity risk of the Group and its individual subsidiaries, by reviewing monthly forecast updates. A global cash pool is maintained alongside local bank credit facilities and an intercompany lending programme to ensure that local companies can operate with a high level of liquidity. The Group has substantial undrawn confirmed credit lines and applies a policy of maintaining zero net debt at each reporting period.

At the end of 2022, the Group had long-term debt excluding lease liabilities of $2,803 million, of which $1,750.1 million is repayable in more than 5 years.

The Group has $1,068.9 million undrawn confirmed credit lines that are forecast to remain undrawn for the foreseeable future, as a result of the liquidity available to the Group. The Group continues to apply a policy of maintaining zero net debt at each reporting period.

The borrowing facilities, together with central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

The following table details the Group's outstanding contractual maturities for its financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows, except for derivative financial liabilities, which are included at their fair value. For detail on lease liabilities, see Note 11.

2022	Less than 1 year	1-5 years	5+ years	Total
	$ millions	$ millions	$ millions	$ millions
Financial liabilities at amortised cost:				
Borrowings	257.1	1,433.5	1,789.9	3,480.5
Trade payables	995.8	-	-	995.8
Other	1,806.2	180.5	118.1	2,104.8
Derivatives (at FVTPL)	1.1	-	-	1.1
	3,060.2	1,614.0	1,908.0	6,582.2

2021	Less than 1 year	1-5 years	5+ years	Total
	$ millions	$ millions	$ millions	$ millions
Financial liabilities at amortised cost:				
Borrowings	220.1	1,535.1	1,911.9	3,667.1
Trade payables	864.9	-	-	864.9
Other	1,547.0	155.5	114.1	1,816.6
Derivatives (at FVTPL)	1.0	2.2	-	3.2
	2,633.0	1,692.8	2,026.0	6,351.8

Foreign currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. The Group takes a long-term view of its foreign exchange risk and does not normally seek to mitigate this risk, unless there is a specific circumstance

that causes elevated volatility in a particular currency. As of 31 December 2022, the total notional amount of the Group's outstanding forward currency contracts with third parties was $337.6 million (2021: $313.5 million).

Sensitivity analysis
The Group performed an analysis to estimate the impact of a change in foreign exchange rates on commercial exposures relating to its future commercial transactions and held foreign currency derivatives. To demonstrate the sensitivity of a change in foreign exchange rates, the Group estimated the impact of a 10% strengthening of its main currency exposures (assuming all other variables remain constant). A 10% weakening would be comparable in amount with an opposite impact.

	USD		EUR	
	2022	**2021**	**2022**	**2021**
	$ millions	**$ millions**	**€ millions**	**€ millions**
Profit (loss) before income tax	93	106	(342)	(365)
Shareholder's equity	-	-	-	-

Interest rate risk
The Group holds fixed-for-floating interest rate swaps to manage the exposure to interest rate risk arising from its variable rate borrowings and to secure future debt issuance. Fixed-for-floating interest rate swaps are not designated in hedge accounting relationships. With respect to the Group's outstanding fixed-for-floating interest rate swap agreements, the Group receives a floating rate of interest and pays interest based on a fixed rate. As of 31 December 2022, the total notional amount of the Group's outstanding fixed-for-floating interest rate swap agreements were $224.6 million (2021: $239.0 million).

In addition, the Group holds fixed-for-fixed interest rate swaps in relation to a forecasted highly probable debt issuance to minimise the risk of adverse impact of interest rate movements on the Group's cash flows. Fixed-for-fixed interest rate swaps are designated as a cash flow hedge. As of 31 December 2022, the total notional amount of the Group's outstanding fixed-for-fixed interest rate swap agreements were $500.0 million (2021: nil). The movement (net of tax) of $44.2 million was recognised in the hedging reserve during the year in relation to the changes in fair value on these swaps. There were no ineffective cash flow hedges in the period.

Sensitivity analysis
The Group performs an analysis on fixed-for-floating interest rate swaps and determined that a 1% increase or decrease in market interest rates would not materially impact net profit for the years ended 31 December 2022 and 2021.

The Group performed an analysis on fixed-for-fixed interest rate swaps to demonstrate the sensitivity of a change in market interest rates. The estimated impact of a 1% increase in market interest rates would favourably impact shareholder's equity by $37.0 million in 2022 (2021: nil). A 1% decrease in market interest rates would be comparable in amount with an opposite impact.

Price risk
The Group is also exposed to commodity price risk relating to the purchase of precious metals and stones for use in its fine jewellery and watch manufacturing processes. In 2022 and 2021, the Group deemed this risk to be insignificant.

Credit risk management

The Group did not have any significant exposure to credit risk, which is primarily attributable to its trade receivables. The Group has a large number of unrelated customers in a wide range of business segments and, therefore, is not exposed to any concentration of credit risk on its receivables. The Group's operating units have policies in place to ensure that the sales of products are made to customers with an appropriate credit history. Credit risk is further mitigated by taking out credit insurance on receivables with select wholesalers. The Group's credit risk on derivatives instruments and cash and cash equivalents is limited because these items are held with counterparties with strong credit ratings assigned by international credit rating agencies. Specifically, the Group's cash and cash equivalents are primarily invested in investment grade banks and money market funds, with the primary objective of minimising the potential risk of principal loss, with limits on the amount of credit exposure to any one counterparty.

22. CASH AND CASH EQUIVALENTS

	2022	2021
	$ millions	$ millions
Cash in bank	3,336.6	2,955.4
Short-term deposits	996.5	718.8
	4,333.1	3,674.2

23. EQUITY DIVIDENDS

	2022	2021
	$ millions	$ millions
Interim dividends paid		
Chanel Limited interim dividends paid	1,677.3	4,986.6
Dividends paid to non-controlling interests	1.2	0.7
Total dividends paid	1,678.5	4,987.3
Dividend per ordinary share	10.8	32.2

Chanel Limited paid an interim dividend to its parent of $1,677.3 million in 2022 (2021: $4,986.6 million). A final dividend with respect to the year ended 31 December 2022 has not been proposed (2021: $nil).

24. CALLED UP SHARE CAPITAL

Authorised:

	2022	2021
	£	£
1,000 (2021: 1,000) ordinary shares of £1 each	1,000	1,000

Called up, allotted and fully paid:

	2022	2021
	£	£
155 (2021: 155) ordinary shares of £1 each	155	155

25. CHANGES IN WORKING CAPITAL

Changes in working capital consisted of the following components:

	2022 $ millions	2021 $ millions
Inventories	(364.1)	(30.2)
Trade receivables	(141.8)	(179.6)
Trade payables	155.0	218.8
Other receivables and payables	122.0	415.9
	(228.9)	424.9

26. RELATED PARTY TRANSACTIONS

	Transactions and balances between the Group and entities under common control		Transactions and balances between the Group and its associates under common control	
	2022 $ millions	2021 $ millions	2022 $ millions	2021 $ millions
Trade receivables and other current assets	0.5	44.7	18.7	17.7
Other non-current assets	-	6.8	-	-
Trade payables and other current liabilities	-	7.3	115.9	82.0
Revenue	-	-	28.3	43.2
Cost of sales	-	-	570.1	456.9
Finance income	-	0.2	-	-

Compensation of key management personnel

The remuneration earned by key management personnel of the Group during the year was as follows:

	2022 $ millions	2021 $ millions
Short-term benefits	101.8	90.4
Post-employment benefits	8.4	11.9
Other long-term benefits	27.6	6.2
	137.8	108.5

Information regarding directors

Directors' emoluments totalled $59.7 million (2021: $30.6 million) and pension costs totalled $3.7 million (2021: $4.9 million). All remuneration is considered short-term benefits with the exception of long-term incentive arrangements of $13.8 million (2021: $3.9 million).

Four (2021: four) directors accrued benefits under defined benefit pension plans. Three directors (2021: three) accrued benefits under defined contribution plans. The highest paid director received remuneration of $15.8 million (2021: $15.2 million) and participated in defined benefit pension plans with an accrued annual entitlement of $nil (2021: $nil).

27. BUSINESS COMBINATIONS

Assets acquired and liabilities assumed in business combinations with third parties were recorded in the consolidated statement of financial position as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Group have been included in the consolidated statement of income since their respective dates of acquisition. The majority of these acquisitions support the manufacturing functions of the business.

The allocation of the total purchase price for the businesses acquired in 2021 had been finalised with no additional adjustments. The preliminary allocation of the total purchase price for business acquired in 2022 is summarised as follows:

	2022 $ millions	2021 $ millions
Cash consideration	9.4	96.6
Fair value of assets acquired in excess of liabilities assumed	(7.6)	(27.9)
Non-controlling interests	3.0	5.4
Transfer from financial instruments fair valued through OCI	-	0.9
Goodwill arising on acquisitions	4.8	75.0

The excess of consideration transferred over the estimated fair values of the underlying assets acquired and liabilities assumed was allocated to goodwill. None of the consideration is contingent. The goodwill of $4.8 million (2021: $75.0 million) arising from these acquisitions is attributable to the specific know-how and multiple synergies that will benefit the Group in both manufacturing and in a digital capacity. None of the goodwill is deductible for income tax purposes.

The consideration transferred for businesses acquired is shown in aggregate as follows:

	2022 $ millions	2021 $ millions
Cash consideration	9.4	96.6
Deferred cash consideration	6.4	-
Less: Cash acquired	(3.2)	(31.6)
	12.6	65.0

The following table summarises the fair values of the assets acquired and liabilities assumed in connection with the acquisitions:

	2022	2021
	$ millions	$ millions
Non-current assets:		
Property, plant and equipment	7.0	14.9
Intangible assets	0.3	0.2
Right-of-use assets	0.5	4.0
Other assets	0.1	0.1
Current assets:		
Inventories	2.7	10.8
Trade receivables and other assets	2.6	22.6
Cash and cash equivalents	3.2	31.6
Assets classified as held for sale	0.9	-
Non-current liabilities:		
Borrowings	(2.8)	(1.1)
Lease liability	(0.3)	(2.8)
Deferred income tax liabilities	(0.3)	(4.8)
Other liabilities	(1.7)	(0.5)
Current liabilities:		
Trade payables and other liabilities	(3.6)	(34.5)
Borrowings	(0.6)	(1.3)
Lease liability	(0.1)	(0.2)
Income tax liabilities	(0.3)	(11.1)
	7.6	27.9

	2022	2021
	$ millions	$ millions
Acquisition costs	1.7	2.6
Net revenue of business combinations:		
As of acquisition date	3.7	48.1
Full year	13.6	96.2
Net income of business combinations:		
As of acquisition date	0.1	6.0
Full year	1.3	18.1

Acquisition costs were recorded within selling, general, and administrative expenses in the consolidated statement of income.

Subsidiaries acquired from an entity under common control
In 2022, the Group acquired two subsidiaries from its parent company for total consideration of $83.5 million. The total net assets acquired amounted to $106.2 million and the difference between the consideration paid and the net assets acquired of $22.7 million is recognised in other reserves within shareholder's equity, in accordance with the Group's policy on common control acquisitions (Note 2.5).

28. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Group has reported various liabilities due to contractual commitments pursuant to its property (Note 9) and retirement benefit plans (Note 18). The Group also has other commitments of $16.6 million related to global climate initiatives (2021: $24.4 million).

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the setup of selective retailing networks, licensing arrangements, employee relations, tax audits, and other areas relating to its business. Based on consultations with legal counsel, the Group believes that the amounts reported in the consolidated statement of financial position in respect of these risks, litigation, or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial statements from being materially impacted in the event of an unfavourable outcome.

29. ULTIMATE PARENT COMPANY

The Group's consolidated financial statements represent the largest group in which the financial statements of the Group are consolidated and publicly available. The Group's immediate and ultimate parent company is Mousse Investments Limited (formerly known as Litor Limited), a company incorporated and registered in the Cayman Islands.

30. SUBSEQUENT EVENTS

The Group considered the existence of any subsequent events and the requirements to record and/or disclose the impact thereof.

On 23 January 2023, the Group sold a property in the U.K. for $169.0 million and entered into a 10-year lease with the buyer for continued use of a portion of the property that is currently occupied by the Company.

On 23 May 2023, the Group signed an agreement for lease of 38 Berkeley Square as part of the expansion of its global headquarters in London. The 20 year lease, with the possibility to extend to 30 years, is set over 86,000 square feet across eleven floors and will house all the global corporate teams as well as Fondation CHANEL.

No other significant subsequent events were noted by the Group up to the date of the signing of these accounts.

COMPANY STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022
(In millions of Sterling)

	Notes	2022	2021
ASSETS			
Non-current assets:			
Intangible assets	E	1.3	1.1
Property, plant and equipment	F	380.3	385.7
Investment property	G	-	49.6
Right-of-use assets	H	168.3	174.1
Investment in subsidiaries	I	1,255.4	1,255.4
Retirement benefit asset	O	28.3	27.3
Deferred income tax assets	J	5.5	1.6
Loans to related parties	K	1,691.1	1,304.1
Other assets	K	77.0	25.2
Total non-current assets		3,607.2	3,224.1
Current assets:			
Inventories	L	18.9	16.6
Trade receivables and other assets	K	474.8	526.4
Prepayments		26.8	15.1
Other taxes receivable		3.8	-
Asset held for sale	M	54.4	-
Short-term investments	R	853.3	-
Cash and cash equivalents	S	2,674.7	1,321.7
Total current assets		4,106.7	1,879.8
TOTAL ASSETS		7,713.9	5,103.9
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	24	-	-
Reserves		36.6	-
Retained earnings		4,987.7	2,812.5
TOTAL SHAREHOLDER'S EQUITY		5,024.3	2,812.5
LIABILITIES			
Non-current liabilities:			
Borrowings	N	1,525.0	1,390.6
Loan from related party	R	526.6	499.9
Lease liabilities	H	165.3	169.1
Other liabilities	R	19.1	9.4
Total non-current liabilities		2,236.0	2,069.0
Current liabilities:			
Trade payables and other liabilities	P	313.4	166.4
Income tax liabilities		5.4	19.0
Lease liabilities	H	11.2	10.2
Provisions	Q	7.8	11.0
Loans from related parties	R	87.9	-
Other taxes payable		27.9	15.8
Total current liabilities		453.6	222.4
TOTAL LIABILITIES		2,689.6	2,291.4
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		7,713.9	5,103.9

Profit for the year was £3,694.7 million (2021: £2,635.6 million).

The financial statements of Chanel Limited (registered number 00203669) on pages 112 through 138 were approved by the board of directors and authorised for issue on 24 May 2023. They were signed on its behalf by:

P.B. Blondiaux
Director

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(In millions of Sterling)

	Share capital	Cash flow hedge reserve	Retained earnings	Total shareholder's equity
Balances as of 1 January 2021	-	-	3,845.7	3,845.7
Profit for the period	-	-	2,635.6	2,635.6
Other comprehensive income for the period	-	-	17.6	17.6
Total comprehensive income for the period	-	-	2,653.2	2,653.2
Dividends paid	-	-	(3,686.4)	(3,686.4)
Balances as of 31 December 2021	-	-	2,812.5	2,812.5
Profit for the period	-	-	3,694.7	3,694.7
Other comprehensive income for the period	-	36.6	0.5	37.1
Total comprehensive income for the period	-	36.6	3,695.2	3,731.8
Dividends paid	-	-	(1,520.0)	(1,520.0)
Balances as of 31 December 2022	-	36.6	4,987.7	5,024.3

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(In millions of Sterling)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit		106.5	187.6
Adjustments to reconcile operating profit to net cash provided by operating activities:			
Depreciation and amortisation of PP&E, investment property and intangibles		11.6	12.0
Depreciation on right-of-use assets		12.6	9.4
Impairment of related party loans	K	59.2	-
Other adjustments (includes charitable commitments)		80.3	5.4
Cash flows from operations before changes in working capital		270.2	214.4
Changes in working capital	U	36.9	33.4
Cash flows from operations		307.1	247.8
Interest received		85.3	40.0
Interest paid on financial borrowings		(56.1)	(47.3)
Interest paid on lease liabilities	H	(4.0)	(3.2)
Income taxes paid		(177.1)	(74.9)
NET CASH PROVIDED BY OPERATING ACTIVITIES		155.2	162.4
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	F	(9.2)	(7.7)
Initial direct costs related to right-of-use-assets		-	(2.5)
Refundable VAT on purchase of property, plant, and equipment		-	61.0
Purchase of intangibles		(0.6)	(1.2)
Purchases of subsidiaries from entities under common control		-	(7.4)
Dividends received		3,332.2	2,457.6
Loans to related parties		(1,191.4)	(765.1)
Loan repayments received from related-party loans		978.6	853.2
Investment in short-term time deposits	R	(865.5)	-
Other		(0.1)	(0.2)
NET CASH PROVIDED BY INVESTING ACTIVITIES		2,244.0	2,587.7
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease liabilities	H	(10.4)	(7.4)
Loan repayments from cash pooling - related parties		(703.3)	-
Loan proceeds from cash pooling - related parties		792.7	-
Dividends paid		(1,520.0)	(3,686.4)
NET CASH USED IN FINANCING ACTIVITIES		(1,441.0)	(3,693.8)
EFFECT OF EXCHANGE ON NON-STERLING CASH AND CASH EQUIVALENTS		394.8	91.5
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,353.0	(852.2)
CASH AND CASH EQUIVALENTS, Beginning of year		1,321.7	2,173.9
CASH AND CASH EQUIVALENTS, End of year		2,674.7	1,321.7
Reconciliation from net income to operating profit:			
Net income		3,694.7	2,635.6
Finance income, net		280.5	38.1
Investment income, net		3,454.9	2,495.5
Income tax expense		(147.2)	(85.6)
Operating profit		106.5	187.6

A. GENERAL INFORMATION

The Company is a private company limited by shares incorporated and registered in England and Wales under the Companies Act of 2006. The address of the registered office is given on page 58. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 through 37.

The Company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006 not to present the parent company statement of income. All amounts are in millions of Sterling, except where otherwise stated.

The information regarding the ultimate parent company is consistent with that provided in Note 29 of the consolidated financial statements.

B. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those given on pages 58 through 72 but additional policies specific to the Company financial statements are included below.

Key sources of estimation uncertainty

Impairment of investments in subsidiaries – Investments in subsidiaries are tested annually for impairment. If an indicator of impairment is present, the recoverable amount is determined using the value-in-use calculations that are based on management's best estimate of future cash flows of the investment. Refer to Note I for details of investments in subsidiaries.

Impairment of loans to affiliates – The Group assesses the recoverability of its loans to affiliates on an annual basis. When assessing the expected loss on these loans, management considers similar factors used in its impairment of the investment itself, if the loan is to a subsidiary, and other risks related to the other affiliates. Refer to Note K for details on the net carrying value of loans to affiliates.

C. PROFIT FOR THE YEAR

In accordance with the exemption allowed by the Companies Act 2006, Section 408, the Company has not presented its own statement of income.

D. INFORMATION REGARDING EMPLOYEES

	2022	2021
	No.	No.
Average monthly number of persons employed (including directors)		
Sales and distribution	970	969
Administration	372	323
	1,342	1,292

	2022	2021
	£ millions	£ millions
Staff costs during the year (including directors)		
Wages and salaries	129.9	109.9
Social security costs	15.8	10.5
Pensions costs	5.7	4.9
Other personnel costs	10.7	7.0
	162.1	132.3

E. INTANGIBLE ASSETS

	Capitalised software and related licenses
	£ millions
Cost:	
Balance at 1 January 2021	3.1
Additions	1.2
Balance at 31 December 2021	4.3
Additions	0.6
Balances at 31 December 2022	4.9
Accumulated amortisation and impairment:	
Balance at 1 January 2021	2.9
Amortisation expense	0.3
Balance at 31 December 2021	3.2
Amortisation expense	0.4
Balance at 31 December 2022	3.6
Carrying amount at 31 December 2021	1.1
Carrying amount at 31 December 2022	1.3

Amortisation expense related to intangible assets was reported in cost of sales, distribution and selling, general, and administrative.

F. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and building improvements	Leasehold improvements	Machinery, furniture and equipment	Construction in progress	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Cost:						
Balances at 1 January 2021	298.6	34.4	104.4	37.2	3.5	478.1
Additions	-	0.2	4.8	-	3.9	8.9
Disposals	-	-	-	(5.6)	(0.1)	(5.7)
Transfers within PPE	1.4	(1.4)	3.1	1.4	(4.5)	-
Balances at 31 December 2021	300.0	33.2	112.3	33.0	2.8	481.3
Additions	-	-	-	-	10.5	10.5
Disposals	-	-	(0.2)	(0.4)	-	(0.6)
Transfers within PPE	-	-	4.9	2.6	(7.5)	-
Transfers to asset held for sale	-	(5.6)	-	(0.1)	-	(5.7)
Balances at 31 December 2022	300.0	27.6	117.0	35.1	5.8	485.5
Accumulated depreciation and impairment:						
Balances at 1 January 2021	-	0.7	73.7	14.6	0.2	89.2
Disposals	-	-	-	(4.8)	(0.1)	(4.9)
Depreciation expense	-	0.7	8.1	2.5	-	11.3
Impairment losses	-	-	-	-	-	-
Balances at 31 December 2021	-	1.4	81.8	12.3	0.1	95.6
Disposals	-	-	(0.1)	(0.4)	-	(0.5)
Depreciation expense	-	0.7	7.1	2.9	-	10.7
Transfers to asset held for sale	-	(0.6)	-	-	-	(0.6)
Balances at 31 December 2022	-	1.5	88.8	14.8	0.1	105.2
Carrying amount at 31 December 2021	300.0	31.8	30.5	20.7	2.7	385.7
Carrying amount at 31 December 2022	300.0	26.1	28.2	20.3	5.7	380.3

The Company had £6.7 million contractual commitments related to leasehold improvements planned for 2023 (2021: £nil).

G. INVESTMENT PROPERTY

	2022	2021
	£ millions	£ millions
Cost:		
Balance at 1 January	51.9	51.9
Transfers to asset held for sale	(51.9)	-
Balances at 31 December	-	51.9
Accumulated depreciation and impairment:		
Balance at 1 January	2.3	2.1
Depreciation expense	0.3	0.2
Transfers to asset held for sale	(2.6)	-
Balances at 31 December	-	2.3
Carrying amount at 31 December	-	49.6
Fair Value at 31 December	-	145.0

The rental income earned by the Company from its investment property, which is leased out under operating leases, amounted to £3.1 million (2021: £3.0 million). Direct operating expenses including depreciation arising on the investment property, all of which generated rental income in the period, amounted to £0.3 million (2021: £0.2 million). The Company had no contractual commitments related to its investment property as of 31 December 2022 (2021: £nil). This property was marketed for sale in 2022 and hence was reclassified to Assets Held for Sale (See Note 16 for details).

H. LEASES

The Company as a lessee

Right-of-use assets

The Company's real estate leases are composed primarily of land and buildings for its boutiques and offices. Machinery and equipment leases include vehicles, IT, office, and distribution equipment.

Changes in right-of-use assets by underlying asset type during the period:

	Real estate	Machinery and equipment	Total
	£ millions	£ millions	£ millions
Gross:			
Balance at 1 January 2021	112.3	1.0	113.3
New leases	79.5	0.2	79.7
Remeasurements	5.7	-	5.7
Leases terminated	-	(0.1)	(0.1)
Balance at 31 December 2021	197.5	1.1	198.6
New leases	4.8	0.1	4.9
Remeasurements	1.8	0.1	1.9
Leases terminated	(0.9)	-	(0.9)
Balance at 31 December 2022	203.2	1.3	204.5
Accumulated depreciation and impairment:			
Balance at 1 January 2021	14.9	0.3	15.2
Depreciation expense	9.0	0.4	9.4
Leases terminated	-	(0.1)	(0.1)
Balance at 31 December 2021	23.9	0.6	24.5
Depreciation expense	12.2	0.4	12.6
Leases terminated	(0.9)	-	(0.9)
Balance at 31 December 2022	35.2	1.0	36.2
Carrying amount at 31 December 2021	173.6	0.5	174.1
Carrying amount at 31 December 2022	168.0	0.3	168.3

Lease liabilities

Changes in lease liabilities during the period:

	Current	Non-current	Total
	£ millions	£ millions	£ millions
Gross:			
Balance at 1 January 2021	6.5	96.8	103.3
New leases	2.9	74.4	77.3
Repayments	(10.6)	-	(10.6)
Accrued interest	3.6	-	3.6
Remeasurements	0.4	5.3	5.7
Transfers	7.4	(7.4)	-
Balance at 31 December 2021	10.2	169.1	179.3
New leases	0.5	4.4	4.9
Repayments	(14.4)	-	(14.4)
Accrued interest	4.9	-	4.9
Remeasurements	(0.8)	2.6	1.8
Transfers	10.8	(10.8)	-
Balance at 31 December 2022	11.2	165.3	176.5

Maturity analysis of lease liabilities:

	2022	2021
	£ millions	£ millions
Less than one year	16.1	15.5
One to five years	59.9	60.0
More than five years	148.3	158.9
	224.3	234.4

The Company does not face a significant liquidity risk with regard to its lease liabilities.

Lease payments not recognised as a liability
The Company has elected not to recognise a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. There were no expenses relating to short-term leases or low value assets in 2022 or 2021.

Variable lease payments based on sales
Some leases contain variable lease payments that are based on sales made within a particular store. Total fixed and variable lease payments were £14.4 million (2021: £10.6 million) and £0.1 million (2021: £nil), respectively, as of 31 December 2022. The variable payments are dependent on sales and are expected to represent a similar proportion of total lease payments in future years.

Extension options
Some leases of office buildings and boutique space contain extension options. The Company assesses whether it is reasonably certain to exercise the options at lease commencement and subsequently, if there is a change in circumstances within its control. Such assessment involves management judgment and estimate based on information at the time the assessments are made. Extension options are included in the lease term when the group has an economic incentive to exercise the option. The Company considers available evidence at the time of the assessment, including potential favourable terms upon extension, potential termination penalties, the relative costs associated with potential relocation or termination of the lease and the extent of leasehold improvements undertaken. There were no undiscounted potential future lease payments not included in the lease liability.

Leases not yet commenced to which the Company is committed
There were no future cash flows of leases not yet commenced and, therefore, not included in the lease liability at the reporting date.

The Company as a lessor

Lease receivables
Income recognised during the year from operating leases is £9.1 million (2021: £5.3 million). Of that amount, £6.1 million (2021: £2.4 million) is attributable to subletting right-of-use assets.

Operating leases
The Company leases out its investment property and some leased properties to third parties that are considered operating leases since they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Refer to Note G for additional information regarding investment property operating leases.

Maturity analysis of operating lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022	2021
	£ millions	£ millions
Less than one year	9.1	9.4
One to two years	7.1	9.0
Two to three years	4.4	7.0
Three to four years	3.1	4.3
Four to five years	3.1	3.0
More than five years	18.0	19.8
Total undiscounted lease payments	44.8	52.5

The Company does not have any finance leases.

I. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consisted of the following components:

	2022 £ millions	2021 £ millions
Investment in subsidiaries	1,271.9	1,271.9
Impairment	(16.5)	(16.5)
	1,255.4	1,255.4

	2022 £ millions	2021 £ millions
Cost:		
Balance at 1 January	1,271.9	1,264.5
Additions	-	7.4
Balance at 31 December	1,271.9	1,271.9
Accumulated impairment:		
Balance at 1 January	16.5	16.5
Balance at 31 December	16.5	16.5
Carrying Amount at 31 December	1,255.4	1,255.4

Acquisitions

On 9 March 2021, the Company purchased the issued share capital of Chanel (India) Private Limited from Chanel International B.V. for £5.3 million.

On 19 May 2021, the Company made an additional investment of £2.1 million in Chanel Thailand. The additional investment did not result in a change in ownership.

Impairment

The Company assessed all investments in subsidiaries for impairment indicators at 31 December 2022. The Company did not recognise any impairments in 2022 (2021: £nil).

For a list of the consolidated subsidiaries, refer to Note X of the financial statements.

J. INCOME TAXES

The following is a roll-forward of the deferred tax asset as of 31 December 2022 and 31 December 2021:

2022 £ millions	Opening balance	Recognised in income statement	Recognised in OCI	Closing balance
Property, plant, and equipment	1.2	(2.5)	-	(1.3)
Retirement benefit obligations	(6.9)	(0.1)	(0.2)	(7.2)
Provisions	7.3	18.9	-	26.2
Cash flow hedge	-	-	(12.2)	(12.2)
	1.6	16.3	(12.4)	5.5

2021 £ millions	Opening balance	Recognised in income statement	Recognised in OCI	Closing balance
Property, plant, and equipment	2.1	(0.9)	-	1.2
Retirement benefit obligations	(0.6)	(0.1)	(6.2)	(6.9)
Provisions	2.3	5.0	-	7.3
Other	0.8	(0.8)	-	-
	4.6	3.2	(6.2)	1.6

Factors that may affect the future tax charge/(credit)

The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023 with the new law substantially enacted on 24 May 2021. As of 31 December 2022, the UK deferred tax assets and liabilities have been measured at 25% to reflect the effective date of 1 April 2023.

K. TRADE RECEIVABLES AND OTHER ASSETS

	2022		2021	
	Current	Non-current	Current	Non-current
	£ millions	£ millions	£ millions	£ millions
Trade receivables	126.1	-	101.6	-
Loans to related parties	310.3	1,691.1	409.9	1,304.1
Interest receivable	36.6	-	14.3	-
Derivatives	-	50.2	-	-
Other financial assets	1.6	26.2	0.4	23.9
Other non financial assets	0.2	0.6	0.2	1.3
	474.8	1,768.1	526.4	1,329.3

Loans to related parties are interest bearing at arm's-length commercial borrowing rates. There is no expected credit loss provision recognised in relation to loans to related parties. During the year, related party loans totalling £59.2 million were either impaired or written off, due to the Company's suspension of operations in Russia.

Trade receivables consisted of the following components:

	2022	2021
	£ millions	£ millions
Gross trade receivables	126.2	101.9
Provision for expected credit losses	(0.1)	(0.3)
Net carrying amount	126.1	101.6
Aging of trade receivables:		
Not past due	46.1	35.4
Less than one month past due	10.5	9.3
Greater than one month past due	1.4	1.9
Due from related parties	68.1	55.3
	126.1	101.9
Movement in provision for expected credit losses:		
Balance at 1 January	(0.3)	(0.4)
Impairments	-	(0.1)
Amounts written-off as uncollectible	0.2	0.2
Balance at 31 December	(0.1)	(0.3)

Trade receivables relating to the Company's wholesale activities have payment terms that are generally less than three months.

L. INVENTORIES

Inventories consisted of the following components:

	2022 £ millions	2021 £ millions
Finished goods	26.4	27.1
Reserves	(7.5)	(10.5)
	18.9	16.6

The cost of inventories recognised in the statement of income was £190.9 million (2021: £146.3 million). In addition, the Company recognised £3.9 million in income (2021: £4.3 million) related to the net reversal of losses and obsolescence on the recognition of inventory at net realisable value. Reversals occur in the event that stock previously provided for has been sold in the current year.

M. ASSET HELD FOR SALE

The asset held for sale is a mixed-use property that is primarily an investment property with a carrying amount of £49.3 million. A portion of the property is utilised by the Company and has a carrying amount of £5.1 million. The property was subsequently sold in January 2023 details of which are disclosed in Note 30.

N. BORROWINGS

Below is a breakdown of borrowings by maturity of the Company's Senior Notes issued through a Private Placement, the terms of which are disclosed in Note 17:

	2022 £ millions Senior notes
Current	-
2024	165.7
2025	-
2026	326.6
2027	-
Beyond	1,033.6
Unamortised debt issuance costs	(0.9)
Balance at 31 December	1,525.0

Lines of credit

As of 31 December 2022, the Company had confirmed lines of credit totalling £755.0 million (2021: £717.4 million). Of this, £740.0 million is a syndicated revolving credit facility that was arranged in 2021. The facility terminates on the fifth anniversary of the signing of the agreement, with two one-year extension options available at the Company's request. The Company has not drawn down on these lines in 2022 or 2021. Details of the terms of these lines are disclosed in Note 17.

O. RETIREMENT BENEFIT OBLIGATIONS

The Company operates a defined benefit retirement plan in the UK. The liabilities and assets for the defined benefit retirement plan are computed on an actuarial basis and are funded currently.

On 1 February 2021, Holland and Holland Limited, a former subsidiary of the Company that was transferred to a related party, was sold to a third party with the defined benefit pension assets and liabilities transferred to the Company, where it was merged with the Chanel Limited defined benefit scheme in 2022. On transfer, the Company acquired a net asset of £0.4 million, comprising £29.2 million of plan assets and a defined benefit obligation of £28.8 million. Subsequent to the transfer, the plan was closed to future accrual.

The defined benefit plan exposes the Company to certain risks that are consistent with those defined in Note 18 of the consolidated financial statements.

The Company recognised an expense of £2.6 million (2021: £2.3 million) related to its defined contribution plans.

The principal assumptions used for the valuations of the defined benefit plans were as follows:

	2022	2021
	Defined Benefit Plans	**Defined Benefit Plans**
Discount rate	2.0% - 5.0%	2.0% - 3.0%
Expected rate of salary increase	3.0% - 4.7%	3.0% - 4.7%
Future pension increases	2.8%	2.9%
Inflation	2.4% - 3.3%	2.2% - 3.0%
The average life expectancy in years of pensioner retiring at age 65:		
Male	22.0	22.0
Female	23.5	23.5

Amounts recognised in the financial statements with respect to the defined benefit plans were as follows:

	Defined Benefit Plans	
	2022	2021
	£ millions	£ millions
Service cost:		
Current service cost, including administrative expenses	3.2	3.6
Curtailments	-	(0.9)
Other	-	(0.4)
Total service cost, including administrative expenses	3.2	2.3
Net interest (income) expense	(0.1)	0.3
Components of defined benefit costs recognised in statement of income	3.1	2.6
Remeasurements on the net defined benefit liability:		
Return on plan assets, excluding amounts included in net interest	37.4	(23.6)
Actuarial (gains) losses due to changes in demographic assumptions	(0.1)	0.2
Actuarial gains due to changes in financial assumptions	(43.6)	(7.4)
Actuarial losses due to experience adjustments	5.6	7.1
Components of defined benefits income recognised in other comprehensive income	(0.7)	(23.7)
	2.4	(21.1)

The Company recognised £0.7 million and £23.7 million of actuarial gains on defined benefit retirement plans directly in shareholder's equity in 2022 and 2021, respectively. Accumulated actuarial gains recognised in shareholder's equity were £23.9 million (2021: £23.2 million).

The amounts included in the statement of financial position with respect to the defined benefit plans were as follows:

	Defined Benefit Plans	
	2022	2021
	£ millions	£ millions
Present value of funded defined benefit obligation	(72.7)	(111.9)
Fair value of plan assets	101.0	139.2
Funded status	28.3	27.3

Movements in the present value of the defined benefit obligation were as follows:

	Defined Benefit Plans	
	2022	2021
	£ millions	£ millions
Defined benefit obligation, 1 January	111.9	83.9
Total service cost	3.1	3.4
Interest cost	3.0	2.1
Contributions from plan participants	0.1	0.1
Actuarial (gains) losses due to changes in demographic assumptions	(0.1)	0.2
Actuarial gains due to changes in financial assumptions	(43.6)	(7.4)
Actuarial losses due to experience adjustments	5.6	7.1
Transfers	(3.0)	(2.9)
Curtailment	-	(0.9)
Acquisition of plan	-	28.8
Benefits paid	(4.3)	(2.5)
Defined benefit obligation, 31 December	72.7	111.9

Movements in the fair value of the plan assets were as follows:

	Defined Benefit Plans	
	2022	2021
	£ millions	£ millions
Fair value of plan assets, 1 January	139.2	86.6
Interest income	3.1	1.8
Return on plan assets, excluding amounts in interest income	(37.4)	23.6
Contributions from the employer	0.7	0.8
Contributions from plan participants	0.1	0.1
Transfers	(0.3)	(0.2)
Acquistions	-	29.2
Benefits paid	(4.3)	(2.5)
Administrative expenses paid	(0.1)	(0.2)
Fair value of plan assets, 31 December	101.0	139.2

The quoted fair value of the plan assets at 31 December 2022 and 31 December 2021 for each category are as follows:

	2022	2021
	£ millions	£ millions
Cash	47.5	6.8
Government bonds	26.8	23.1
Equity securities	11.6	90.5
Property	11.1	4.8
Corporate bonds	4.0	4.3
Other	-	9.7
	101.0	139.2

In 2023, the Company is committed to make a contribution of £0.7 million.

The average duration of the defined benefit obligation is 16.2 years (2021: 19.2 years).

The significant assumptions used in determining the defined benefit obligation are the discount rate, expected rate of salary increase, and life expectancy. The sensitivity analysis below has been determined based on possible changes to the significant assumptions while holding all other assumptions constant.

An increase in the discount rate of half a percentage point would decrease the defined benefit obligation by £5.4 million.

An increase in the expected rate of salary increase of half a percentage point would increase the defined benefit obligation by £0.8 million.

A decrease in the mortality rate of 10% for both men and women would increase the defined benefit obligation by £1.3 million.

The present value of the defined benefit obligation in the sensitivity analysis above has been calculated using the projected unit credit method, which is also the method used in calculating the defined benefit obligation for the consolidated statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior year.

P. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities consisted of the following:

	2022	2021
	£ millions	£ millions
Trade payables	100.8	54.1
Other liabilities:		
Charitable commitments	87.6	8.8
Salaries, commissions, and related	55.2	66.3
Advertising, promotion, and demonstration	38.1	9.3
Other liabilities	31.7	27.9
	212.6	112.3
	313.4	166.4

Q. PROVISIONS

	Product-related	Asset retirement obligations	Provisions with related parties	Total
	£ millions	£ millions	£ millions	£ millions
Balances at 1 January 2022	4.2	0.2	6.6	11.0
Additional provisions recognised	4.8	-	6.6	11.4
Used during the year	(5.9)	-	(8.7)	(14.6)
Balances at 31 December 2022	3.1	0.2	4.5	7.8

Product related provisions represent the expected refund to customers for sales returns, when the customer has a right to return the product within a given period. The expected refund is recognised as an adjustment to revenue.

Additionally, the Company recognises a provision for Asset retirement obligations, which represents the cost to restore an item of property, plant and equipment back to its original condition at the end of its useful life or lease term, whichever is shorter.

Provisions with related parties represent the Company's inventory reserves for inventory held by related party supplier companies. As the Company is not holding the physical inventory, the provision is recorded in current provisions.

R. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The Company's categories of financial assets and financial liabilities are as follows:

Financial Assets

	2022		2021	
	Current	Non-Current	Current	Non-Current
	£ millions	£ millions	£ millions	£ millions
Financial assets at amortised cost:				
Trade receivables	126.1	-	101.6	-
Loans to related parties	310.3	1,691.1	409.9	1,304.1
Cash and cash equivalents	2,674.7	-	1,321.7	-
Other	38.2	26.2	14.7	23.9
Financial assets at FVTPL:				
Short-term investments	853.3	-	-	-
Derivatives:				
Cash flow hedge	-	48.8	-	-
Forward contracts and options	-	1.4	-	-
	4,002.6	1,767.5	1,847.9	1,328.0

Short-term investments are time deposits with a maturity of six months.

Financial Liabilities

	2022		2021	
	Current	Non-Current	Current	Non-Current
	£ millions	£ millions	£ millions	£ millions
Financial liabilities at amortised cost:				
Borrowings	-	1,525.0	-	1,390.6
Trade payables	100.8	-	54.1	-
Lease liabilities	11.2	165.3	10.2	169.1
Loan from related party	87.9	526.6	-	499.9
Other	212.6	19.1	112.3	9.4
	412.5	2,236.0	176.6	2,069.0

The fair value measurement and hierarchy levels are disclosed in Note 21. There is no material difference between the carrying value and fair value for loans to and from related parties.

The following table details the Company's outstanding contractual maturities for its financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows, except for derivative financial liabilities, which are included at their fair value. For detail on lease liabilities, see Note H.

2022	Less than 1 year	1-5 years	5+ years	Total
	£ millions	£ millions	£ millions	£ millions
Financial liabilities at amortised cost:				
Borrowings	45.1	639.6	1,208.4	1,893.1
Trade payables	100.8	-	-	100.8
Loan from related party	91.9	278.1	273.5	643.5
Other	212.6	19.1	-	231.7
	450.4	936.8	1,481.9	2,869.1

There are various risks associated with financial instruments, including capital risk, financial risk, market risk, liquidity risk and credit risk. Further details of these risks are discussed in Note 21 of the consolidated financial statements.

S. CASH AND CASH EQUIVALENTS

	2022	2021
	£ millions	£ millions
Cash in bank	1,854.6	974.5
Short-term deposits	820.1	347.2
	2,674.7	1,321.7

T. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and entities under common control

	2022 £ millions	2021 £ millions
Trade receivables and other current assets	394.2	479.5
Non-current loans to related parties	1,691.1	1,304.1
Other non-current assets	27.2	23.9
Trade payables and other current liabilities	79.2	45.1
Current loans from related parties	87.9	-
Non-current loan from related party	526.6	499.9
Revenue	291.6	219.9
Cost of sales	89.8	51.6
Dividend income	3,347.3	2,457.6
Investment income, net	46.3	37.0
Finance costs, net	(6.7)	(4.6)

U. CHANGES IN WORKING CAPITAL

Changes in working capital consisted of the following components:

	2022 £ millions	2021 £ millions
Inventories	(2.3)	13.0
Trade receivables	(24.4)	(34.9)
Trade payables	46.7	30.7
Other receivables and payables	16.9	24.6
	36.9	33.4

V. GUARANTEES AND COMMITMENTS

Chanel Ceres PLC, a subsidiary of the Company, issued Sustainability-Linked Guaranteed Notes on the Luxembourg Stock Exchange, details of which are included in Note 17. Per the terms of the agreement governing the Sustainability-Linked Guaranteed Notes, the Company is the Guarantor in regard to the issuance of the Notes and as a result, the proceeds raised by Chanel Ceres PLC have been loaned to the Company with the same terms as the Notes themselves.

The Company has commitments of £10.2 million related to global climate initiatives (2021: £12.6 million).

W. SUBSEQUENT EVENTS

In January 2023, the Company increased its investment in Dubai LLC by £351.3 million.

As disclosed in Note 30, on 23 January 2023 the Group sold a property in the U.K. for £135.0 million and entered into a 10-year lease with the buyer for continued use of a portion of the property that is currently occupied by the Company.

On 23 May 2023, the Company signed an agreement for lease of 38 Berkeley Square as part of the expansion of its global headquarters in London. The 20 year lease, with the possibility to extend to 30 years, is set over 86,000 square feet across eleven floors and will house all the global corporate teams as well as Fondation CHANEL.

LIST OF SUBSIDIARIES

X. ENTITIES INCLUDED IN CONSOLIDATION

Entity (Legal Name)	Location of Incorporation	Ownership Percentage (%)
Chanel Limited	United Kingdom	Parent
19M [1]	France	100%
Activité Création Tissage 3	France	100%
Adobinve S.L.	Spain	68%
Afroditi Inc.	United States	100%
American Fragrances, Inc.	United States	100%
Artilux S.A.	Switzerland	100%
Asitop Gesellschaft mbH	Germany	100%
Ateliers de May	France	100%
Barrie France	France	100%
Barrie Knitwear Limited	United Kingdom	100%
Calzaturificio Gensi Group S.r.l	Italy	80%
Campelli S.r.l. [2]	Italy	75%
Capsum	France	66%
Capsum Inc.	United States	66%
Cellini 04 R.E. S.r.l.	Italy	100%
Chanel *	France	100%
Chanel *	Monaco	100%
Chanel (Australia) Pty. Limited *	Australia	100%
Chanel (China) Co. Ltd.	Mainland China	100%
Chanel (Guam) Inc.	United States	100%
Chanel (India) Private Limited *	India	100%
Chanel (Kuala Lumpur) Sdn Bhd. *	Malaysia	100%
Chanel (Pty) Limited *	South Africa	100%
Chanel (Thailand) Limited *	Thailand	100%
Chanel Argentina S.R.L	Argentina	100%
Chanel Asia Pacific Pte Limited *	Singapore	100%
Chanel Canada ULC *	Canada	100%
Chanel Ceres PLC *	United Kingdom	100%
Chanel Coordination	France	100%
Chanel Coordination B.V.	Netherlands	100%
Chanel Coordination S.r.l.	Italy	100%
Chanel Creation B.V.	Netherlands	100%
Chanel Denmark ApS *	Denmark	100%
Chanel G.K.	Japan	100%
Chanel Gayrimenkul ve Tekstil LimitedSirketi	Türkiye	100%
Chanel GmbH	Austria	100%
Chanel GmbH	Germany	100%
Chanel Hong Kong Limited *	Hong Kong S.A.R.	100%
Chanel Inc. *	Taiwan Region	100%
Chanel India Business Solutions Private Limited *	India	100%
Chanel International B.V. *	Netherlands	100%
Chanel Korea YH	South Korea	100%
Chanel Limitada	Macao S.A.R.	100%
Chanel Limited *	Hong Kong S.A.R.	100%
Chanel Limited FZE *	United Arab Emirates	100%
Chanel LLC	Ukraine	100%
Chanel Moda ve Lüks Tüketim Ürünleri Limited Sirketi	Türkiye	100%
Chanel New Zealand ULC *	New Zealand	100%
Chanel Norway AS *	Norway	100%
Chanel Parfums Beauté	France	100%
Chanel Pte Limited *	Singapore	100%
Chanel S. de R.L. *	Panama	100%
Chanel, S.A. de C.V.	Mexico	100%
Chanel S.L.U.	Spain	100%
Chanel S.r.l.	Italy	100%
Chanel s.r.o	Czech Republic	100%
Chanel Saint Honoré	France	100%
Chanel SARL *	Luxembourg	100%
Chanel SARL *	Switzerland	100%
Chanel spółka z ograniczoną odpowiedzialnością *	Poland	100%
Chanel SRL	Belgium	100%
Chanel Sweden AB *	Sweden	100%
Chanel Unipessoal Limitada	Portugal	100%
Chanel Vietnam Company Limited *	Vietnam	100%
Chanel, Inc. *	United States	100%
Château Canon	France	100%
Château Rauzan-Ségla	France	100%
Cistarg Private Beteiligungsgesellschaft GmbH [2]	Germany	100%
Colomer Leather Group S.L.U.	Spain	100%
Compania Universal de Perfumeria Francesca (CUPFSA) S.de R.L. *	Panama	100%
Conceria Gaiera Giovanni S.p.A.	Italy	93%
Conceria Samanta S.p.A.	Italy	83%
Croydon Logistics Limited *	United Kingdom	100%
Crushlab SARL	Luxembourg	100%
CUPFSA Colombia S.A.S.	Colombia	100%
Défiluxe SAS	France	51%
Desrues	France	100%
Diprolux, Inc.	United States	100%
Domaine de l'Ile	France	92%
ERES *	France	100%
Eres Belgique SRL	Belgium	100%
Eres Fashion UK Limited	United Kingdom	100%
Eres GmbH	Germany	100%
Eres Italie S.r.l.	Italy	100%
Eres Moda ve Lüks Tüketim Ürünleri Limited	Türkiye	100%
Eres Paris Australia Pty Ltd [1]	Australia	100%
Eres Paris S.L.	Spain	100%
Eres U.S. Inc.	United States	100%
Eres Paris L.L.C [1]	United Arab Emirates	100%
Établissements Bodin Joyeux	France	100%
Europerfumeria, S.de R.L.	Panama	100%
Europrestigio Distribuição e Comércio de Artigos de Luxo Ltda.	Brazil	100%
Excel (Greater China) Limited [3]	Hong Kong S.A.R.	100%
Excelsia S.R.L *	Costa Rica	100%
FashionArt S.r.l. [4]	Italy	60%
Filature du Parc [4]	France	60%
Fragrances Exclusive, Inc.	United States	100%
Fyma Production	France	100%
G&D Reinsurance S.A. [1]	Luxembourg	100%
G.K. Chanel Research and Innovation	Japan	100%
Gant Causse	France	100%
Goossens Paris	France	100%
Goossens UK Limited	United Kingdom	100%
Grupo Ledexport S. L.	Spain	100%
Haas Italia S.r.l. [4]	Italy	100%
Hugotag Ennoblissement	France	100%

LIST OF SUBSIDIARIES

Entity (Legal Name)	Location of Incorporation	Ownership Percentage (%)
Icarus Limited	Hong Kong S.A.R.	100%
Immobili Rosmini S.r.l.	Italy	100%
INMATEC Technologies GmbH [5]	Germany	85%
International Metal and Jewelry Co., Ltd.	Thailand	100%
ISPB	France	100%
Kamel	France	100%
Kireina S.r.l. [4]	Romania	65%
La Forme [4]	France	100%
Lapoduk SARL	Luxembourg	100%
L'Atelier des Matieres	France	100%
Lemarié	France	100%
Le Cresuet d'Art [1]	France	51%
Les Ateliers de Verneuil-en-Halette	France	100%
Les Moulinages de Riotord	France	80%
Lesage Intérieurs	France	76%
Lesage Paris	France	100%
Maison Massaro	France	100%
Maison Michel	France	100%
Maison Michel UK Limited	United Kingdom	100%
Manufactures de Mode	France	100%
Manufactures de Mode Italia S.r.l	Italy	100%
Manufactures de Mode Shanghai Management Consultancy [4]	China	100%
Med Participations [3]	France	100%
Mégisserie Richard	France	80%
Montex	France	100%
Moussax	France	100%
Mousstree	France	100%
Neverwill	France	100%
NILLAB Manufacture Italiene S.p.A	Italy	60%
OOO Chanel	Russia	100%
Orlebar Brown (US) Wholesale LLC	United States	100%
Orlebar Brown Australia Pty Ltd	Australia	100%
Orlebar Brown France	France	100%
Orlebar Brown, Inc.	United States	100%
Orlebar Brown Limited *	United Kingdom	100%
Orlebar Brown Miami, LLC	United States	100%
Orlebar Brown NY1, LLC	United States	100%
Orlebar Brown Spain S.L.	Spain	100%
Overland Realty L.L.C.	United States	100%
Paima S.p.A. [1]	Italy	70%
Paloma	France	100%
Paraffection	France	100%
Pardesir	France	100%
Pardestin	France	100%
Parfumerie Versailles (1991) Limittée [3]	Canada	100%
Parfumerie Versailles, S de R.L. de C.V.	Mexico	100%
Parfums Chanel Limited *	Ireland	100%
Parivresse	France	100%
Partrois	France	100%
Pavliaux SAS	France	100%
Pells del Llobregat S.L.	Spain	60%
Perfumeria Francesca (Bolivia) S.r.l	Bolivia	100%
Pieles del Segura, SA	Spain	100%
Pieles Quintana SA	Spain	100%
Pile S.A.	Panama	100%
Pourunefoi	France	100%
Ready to Care [4]	France	100%
Roveda S.r.l.	Italy	100%
SC Ateliers de Verneuil-en-Halatte	France	100%
SCEA Du Château Berliquet	France	100%
SCI Aineuil	France	100%
SCI Anbras	France	100%
SCI Bokoutro	France	100%
SCI Faimin	France	100%
SCI Jolimoy [4]	France	100%
SCI Kamel 2	France	100%
SCI ODACE	France	100%
SCI Onurb	France	100%
SCI Pantino	France	100%
SCI Passysimple	France	100%
SCI Peau Luxe [1]	France	100%
SCI Saroule	France	100%
SCI Sarouleagain	France	100%
SCI SûrdeSoie [1]	France	100%
SCI Teteatete	France	100%
SCI Traudepezze	France	100%
SCI Venette	France	100%
SCI YNOD	France	100%
Settelile [1]	France	100%
Seitran GmbH [2]	Germany	100%
Sevy LLC	United States	100%
Société en Nom Collectif Encorin	France	100%
Sotraflor	France	66%
Sushi, L.L.C.	United States	100%
St. Supéry, Inc.	United States	100%
Tannerie Haas	France	100%
TCC Direct, Inc.	United States	100%
The Chanel, Inc. Statutory Trust	United States	100%
Tmine, Inc.	United States	100%
Trochair Limited *	United Kingdom	100%
Ultimate Yarns & Fibres Limited	United Kingdom	100%
Ultimate Yarns & Fibres Mongolia LLC [1]	Mongolia	100%
Ulysse Cazbonne	France	100%
Vastrakala Exports Private Limited	India	91%
Versailles International, Inc.	United States	100%
Vimar 1991 S.r.l.	Italy	100%

LIST OF SUBSIDIARIES

[1] Entity was acquired/created in 2021.
[2] Entity was acquiredfrom the ultimate parent in 2022.
[3] Entity was dissolved/merged in 2022.
[4] Entity was acquired/created in 2022.
[5] Percentage ownership increased from 17.4% to 85% in 2021.
[*] Chanel Limited has a direct ownership in the entity

All shares issued and owned are ordinary.

Eres Fashion UK Limited, Maison Michel UK Limited, Trochair Limited, Goossens UK Limited and Croydon Logistics Limited are companies registered in the United Kingdom under company number 00893083, 09083976, 00246398, 12572546 and 00574704 respectively. They are consolidated in these financial statements and have benefitted from an audit exemption for their financial statements for the year ended 31 December 2022, pursuant to Article 479A of the UK Companies Act 2006.

LIST OF ASSOCIATES

Entity (Legal Name)	Principal activity	Location of Incorporation and operation	Ownership Percentage (%)
AC&B	Manufacture and sale of skincare products	France	26%
Authentic Material [1]	Manufacture of natural materials	France	38%
Bell and Ross B.V.	Manufacture and sale of watches	Netherlands	49%
Bolduc 2.0	Luxury apparel manufacturer	France	34%
C&D KK	Restaurant operations	Japan	50%
ERPRO 3D Factory	Manufacture and sale of 3D printing	France	35%
ETS Denis et Fils	Silk weaving	France	40%
FAB Co-Creation Ventures LLC	Implementation of venture capital strategies	US	44%
Fab-Co Creation Ventures II [1]	Implementation of venture capital strategies	US	25%
FCL SRL joint venture	Manufacture and surface treatment of stainless steel components	Italy	50%
IMGL Joint Venture [1]	Leather goods manufacturer	Italy	50%
Innolis	Manufacture and sale of interior perfumes and dispensing tools	France	33%
Kenissi Holding	Watch movements	Switzerland	20%
Mabi International S.p.A. ^	Leather goods manufacturer	Italy	40%
Montres Journe S.A.	Manufacture and sale of watches	Switzerland	20%
Montres Romain Gauthier SA	Manufacture and sale of watches	Switzerland	50%
Orius [1]	Manufacture of natural materials	France	24%
Sunrun	Solar energy panels	United States	31%
TSAGAAN YAMAAT CASHMERE LLC Joint Venture [1]	Manufacture and sale of cashmere	Mongolia	50%
Tulcan S.A. ^	Investment in leather goods manufacturer	Luxembourg / Italy	40%
Yéraz [1]^	Leather goods manufacturer	France	49%

[1] New investments in 2022.

^ Key associate