CHANEL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Registered number: 00203669

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HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2020

	2020	2019	% change
Revenue	$10,108m	$12,273m	-17.6%
Comparable revenue [1]			-18.1%
Operating profit	$2,049m	$3,496m	-41.4%
EBITDA [2]	$2,582m	$3,914m	-34.0%
Tax rate	28.0%	26.5%	
Profit after tax	$1,388m	$2,410m	-42.4%
Revenue by Region			
Europe	$2,885m	$4,534m	-36.4%
Asia Pacific	$5,257m	$5,426m	-3.1%
Americas	$1,966m	$2,313m	-15.0%
Net cash [3]	$1,074m	$282m	NM
Free cash flow [4]	$679m	$2,245m	-69.8%
Capital investment [5]	$1,120m	$771m	45.3%
Employees [6]	27,018	27,713	-2.5%
Carbon Performance [7]			
Scope 1 emissions (tCO_2e)	16,505	16,202	1.9%
Scope 2 emissions (tCO_2e)	19,842	33,647	-41.0%
Scope 3 emissions (tCO_2e)	492,739	655,803	-24.9%
Renewable electricity [8]	70.0%	50.0%	20.0%

[1] Comparable revenue is determined using exchange rates at 31 December 2020 for both periods and with a comparable legal entity structure.

[2] EBITDA is based on an adjusted operating profit that excludes restructuring costs, impairment charges and reversals, investment gains and losses on corporate owned life insurance and other one-off items in the year. EBITDA is not adjusted for depreciation on right-of-use assets.

[3] Net cash equals cash and cash equivalents less total borrowings (including loans to and borrowings from related entities outside of the consolidation perimeter and excluding lease liabilities).

[4] Free cash flow defined as operating cash flow less capital expenditures plus proceeds on disposals, reduced by capitalised fixed lease principal payments.

[5] Capital investment comprises acquisitions and development of property, plant and equipment, investment property and intangible assets (excluding goodwill).

[6] Represents the number of employees at the end of the year.

[7] Greenhouse gas emissions are reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and measured against the baseline year. Scope 2 emissions as reported are 'market based'.

[8] 2019 percentage as communicated to RE100 vs. a provisional estimate of 41%.

The directors, in preparing this strategic report, have complied with section 414(c) 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").

COVID-19

The global spread of the Covid-19 pandemic and the resulting economic crisis have affected people in ways that were unimaginable. As a global organisation, Chanel is committed to supporting the communities where we operate around the world. Priority has been given to supporting and protecting people, from employees to business partners, by ensuring pay continuity and by maintaining a minimum level of orders to support its suppliers.

Throughout this health crisis, Chanel has made donations to non-profit organisations for medical relief and health care support, particularly for frontline workers, as well as those organisations that support the most vulnerable people in the hardest-hit communities. Specific to the expertise of the House, our partner manufacturers and our seamstresses and tailors in Paris produced hospital gowns for health workers and face masks for the labour force. Fondation CHANEL has worked with over 80 non-profit partners worldwide to deliver sustained support to hundreds of thousands of women and girls most affected by the pandemic.

Overall, Chanel has shown resilience throughout the pandemic. Our response to the pandemic is a demonstration of Chanel's culture of bringing a cohesive approach consistent with our principles and values, based on the importance of our people and solidarity with our partners, whilst simultaneously remaining agile to meet the rapidly changing needs of the business.

Chanel's long-term vision is an important element of our business model, which allows the Group to not be hindered by short-term financial results and current market constraints. Rather, during this time of unprecedented social and economic challenge, we continue to escalate our ambitions and commitments to contribute to a future that creates value for both business and society in a mutually beneficial way.

BUSINESS MODEL

Chanel is a private company and a leader in creating, developing, manufacturing and distributing luxury products. The CHANEL brand has three activities that define the brand strategy: 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, eyewear, fragrances, makeup, skincare, jewellery and watches. These luxury products are sold worldwide under the CHANEL brand mainly through Group-owned boutiques and at 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.

The CHANEL brand is dedicated to ultimate luxury and to the highest level of craftsmanship. Its core values remain historically grounded on exceptional creation. Chanel promotes culture, art, creativity and 'savoir-faire' throughout the world and invests significantly in people, research and development and innovation, whilst aiming to generate a positive impact on the environment and society. Chanel is rooted in a rich heritage and is dedicated to evolving beyond set standards. We are committed to making a positive impact on people, communities and the planet with a dedication to setting bold and new standards with a long-term perspective.

BUSINESS REVIEW

FINANCIAL

Chanel's revenues in 2020 were $10.1 billion (2019: $12.3 billion), down 18.1% on a constant currency basis and for a comparable legal entity structure. Operating profit was $2,049 million, down 41.4% from 2019 ($3,496 million).

The Group had capital expenditures of $1,120 million in 2020 (2019: $771 million), representing 11.1% of revenues, and continues to have solid cash generation throughout a challenging year with free cash flow of $679 million (2019: $2,245 million).

Investment in brand advertising, promotion and demonstration activities was $1,360 million in 2020 (2019: $1,770 million).

The tax charge for the year was $539 million (2019: $868 million) giving an effective tax rate of 28.0% (2019: 26.5%). The increase in the effective tax rate is mainly attributable to the deferred tax impact on distributable reserves as well as certain non-deductible expenses that are not expected to recur.

A summary of the Group's performance for the year can be found in the Highlights on page 2.

PRODUCTS AND OPERATIONS

Despite a very challenging year that had an adverse effect on the Group's revenues, Chanel has shown good resilience in all product lines despite the highly disrupted environment that led to the temporary closure of many of its boutiques and manufacturing network, in addition to the suspension of international travel. The last quarter of 2020 rebounded with improvements in sales trends, driven by the creativity of the brand and a strong local customer base.

In the beginning of 2020, Fashion sales realised double digit growth in all categories, which is a direct testament to the strong desirability of Virginie Viard's collections. In lieu of traditional fashion shows, CHANEL brought Capri to Paris virtually for the Cruise collection, which was filmed against a Mediterranean island backdrop. CHANEL also staged the presentation of the Métiers d'Art collection in the Château de Chenonceau, celebrating the savoir-faire and creativity of Chanel's Maisons d'Art, the artisan manufacturers.

Fragrance & Beauty displayed a mixed picture during the year. Sales suffered from the decline of travel retail caused by the suspension of international travel, however, this was partially offset by the boom in online sales, which provided a seamless omni-channel experience to customers. Skincare performed well within the Beauty segment, supported by LE LIFT and SUBLIMAGE. In Fragrance, COCO MADEMOISELLE and BLEU continued their success stories, whilst N°5 prepares to celebrate its 100th anniversary in 2021 with Marion Cotillard as its new ambassador.

Watches & Fine Jewellery sales have been resilient throughout the pandemic, with the dynamism of Precious Jewellery's COCO CRUSH, which confirmed its icon status through double-digit revenue growth supported by the release of the COCO SLIM RING. The CHANEL J12 watch icon marked its 20th anniversary in 2020, with the re-launch of the watch designed with the Calibre 12.1, a movement created by the Swiss watch manufacturer, Kenissi. CHANEL also unveiled TWEED de CHANEL, its first ever High Jewellery collection dedicated entirely to tweed, interpreted in 45 exceptional diamond and gem masterpieces, a testament to the brand's creativity and craftsmanship.

Chanel invested $1,120 million in capital expenditures in 2020, which is an all-time high in its history confirming the financial strength of the House as well as its confidence in the future. Chanel continued to invest heavily in its retail distribution, confirmed by the acquisition of its London New Bond Street flagship in October 2020, and by the continuous expansion of its Fragrance & Beauty network, in order to provide the best customer experience to its clients. Another landmark event in 2020 was the construction of 19M in Paris - Aubervilliers, which is a five-story complex bringing together 600 artisans with exceptional know-how to preserve and develop the savoir-faire of the Métiers d'Art. All these investments, regardless of their type (retail, offices, manufacturing and logistics, etc.), integrate the highest sustainable and green building standards, through systematic LEED certifications for retail boutiques, strong environmental certifications for operational facilities (HQE, BEPOS, etc.) and extended implementation of low energy consumption and renewable energy systems.

Technology-related investments also remained a key focus in 2020 and included the strengthening of our technology infrastructure as well as the development of digital initiatives to support the client experience.

RESPONSIBLE EMPLOYER

Chanel has actively supported its employees throughout the pandemic. At the onset in March 2020, the shift to working remotely created new challenges for employees to stay connected. The Group launched a range of communications strategies, including new town hall formats, learning paths and pulse surveys. The idea was to target all populations in one way or another with geography-based channels, but also channels by job type. The result was a platform of virtual communication points ensuring that every individual within Chanel felt connected through multiple communities. These new connection channels have created the conditions for greater flexibility in the future by incorporating different ways of working by location and job type.

BUSINESS ETHICS

Chanel has always been committed to strong business ethics and has continued to reinforce this commitment throughout the pandemic with its employees and partners globally, ensuring everyone's ongoing understanding on how to conduct business with uncompromising integrity. Whilst constantly re-evaluating and integrating new regulations in our business practices, during a time in which all traditional business models were disrupted and employees were performing their activities remotely in many cases, we have put a great emphasis on the health and safety of all employees and business partners as well as on supporting our supply chain through the Covid-19 crisis (in particular, through enabling flexible payment terms and maintaining minimum orders). We have increased our training and awareness compliance programme taking advantage of online tools. Finally, we continue build on ensuring an environment of trust and open reporting where any concerns can be raised, investigated and resolved without fear of retaliation. We will be relaunching our code of conduct *Ethics@Chanel* in 2021, with a plan to re-engage employees with more current materials, training and open discussions throughout Chanel.

SUSTAINABLE BUSINESS

In a time of global crisis and whilst ensuring business continuity to enable the stability and long-term resilience needed to thrive and support employees, partners and wider society, Chanel continues to pursue an ambitious sustainability agenda. The pandemic and the subsequent economic crisis highlight the challenges we face as businesses, employers, partners and as individuals. At the same time, Chanel recognises that the climate crisis is one of the greatest emergencies of our time.

The events of 2020 have reinforced Chanel's resolve to play its part in helping to strengthen social and environmental resilience, so that natural ecosystems and local communities are better able to withstand systemic shocks and can thrive for generations to come. To support Chanel's sustainability commitment, this strategic report has been prepared with reference to the International Integrated Reporting Council's *International Integrated Reporting Framework* that strives to demonstrate value creation over the shorter and longer term in line with the its strategy and performance.

Chanel is accelerating its business transformation to deliver positive financial and sustainable impacts and outcomes by defining its key priorities to 2030. Chanel's approach to sustainability is guided by the core values of the brand, which includes its commitment to excellence as a human-driven company. This also drives Chanel's ambition to create outstanding products whilst helping to restore and regenerate the natural resources it depends on, strengthening the resilience of its communities and fostering the savoir-faire at the heart of its creations.

Every employee has a role to play in the business transformation. Sustainability is one of the Group's key performance drivers, which all employees are expected to contribute towards in their daily work and which form part of annual appraisals. This is an important step in empowering employees and it is the objective of the Group to inspire its employees whilst equipping them with the knowledge and skills to lead the change in the decade ahead and beyond.

Chanel is prioritising action over the next ten years in the areas where it can have the greatest social and environmental impact by reducing its impact on climate change; contributing to the restoration of nature and biodiversity; and reinforcing the social contract within the value chain. Chanel takes a holistic approach to these three inter-connected issues and, wherever possible, it aims to link environmental challenges to the human and social consequences to enable lasting impact. Chanel benefits from long-standing relationships with its strategic suppliers, sometimes over several decades, which is an important enabler of this integrated approach. In addition, Chanel continues to explore innovations and solutions that can advance sustainability in its products, marketing and retail environments. This includes, for example, sustainable alternatives to plastics or recycling and waste solutions.

Chanel's creative vision is brought to life by artisans and creators in each of its business areas. Chanel is deeply committed to championing savoir-faire and the knowledge, skills and innovations that are indispensable for a sustainable future.

NATURE AND BIODIVERSITY

Chanel's ambition is to not only respect nature, but to contribute to its regeneration and aim for net positive impact on nature in line with science-based targets. Chanel is working with strategic suppliers to adopt practices that help to restore and regenerate biodiversity in its supply chains. It has joined the Science Based Targets Network Corporate Engagement pilot to support the development of science-based targets for nature. This network aims to help organisations understand and manage the risks and opportunities associated with the deteriorating state of nature through setting science-based targets for nature directly across their value chains. Furthermore, as part of its commitment to accelerate change, Chanel is investing in nature-based solutions to climate change challenges through certified compensation and adaptation programmes that protect natural carbon sinks, restore degraded landscapes and help local communities to thrive.

Chanel recognises the need to partner with other organisations to deepen its understanding of specific challenges and to work collaboratively on solutions. Chanel supports academic and scientific research on the role of the ocean in climate change mitigation and adaptation with the École Normale Supérieure (ENS) and has scientific partnerships with the Centre Scientifique de Monaco (CSM) to study the biology of the precious Mediterranean red coral, in order to improve its conservation. Chanel supports the Circulate Capital Ocean Fund (CCOF) which invests in start-ups, and small- and medium-sized enterprises working on waste and recycling solutions in South Asia and Southeast Asia. In 2020, Chanel became a founding member of the Business Club of the Beyond Plastic

Med initiative (BeMed). The initiative was co-founded by the Prince Albert II of Monaco Foundation, the Mava Foundation, the Surfrider Foundation Europe, the Tara Océan Foundation and the IUCN. The Business Club brings together organisations, scientists and companies across the plastics value chain to work towards the implementation of concrete solutions to reduce plastic pollution in the Mediterranean Sea.

SOCIAL CONTRACT WITHIN THE VALUE CHAIN

Wherever possible, Chanel aims to link environmental challenges to their human and social consequences to enable lasting impact through any actions it supports. Chanel is committed to reinforcing the social contract within its value chain, including its suppliers and service providers to involve them in the process of working side-by-side for continuous improvement.

Chanel conducts inspections and audits of suppliers to ensure compliance with its Responsible Sourcing Policy. The responsible sourcing auditors maintain a systematic approach to supplier control, utilising inherent risk identification and mapping. The methodology used is adaptable to the goods and services supplied, which allows for distinguishing between social risks and business issues. It also ensures an emphasis on potential human rights risks. Further information can be found in the latest CHANEL Modern Slavery Act, which is available in the "Legal" section on Chanel.com.

The Group's responsible sourcing audit team performed 150 audits in 2020, a reduction of 43% compared to 2019 due to the restrictions caused by the pandemic. The team piloted remote video interface technology with local trusted auditors and, in this way, was able to perform audits despite international travel restrictions. The target for 2021 is to conduct over 350 first audits as well as over 250 renewed audits, dependent upon the easing of travel restrictions.

CLIMATE

March 2020 saw the launch of CHANEL Mission 1.5°. This climate strategy demonstrates the brand's commitment to decarbonise the business and its value chain and to reduce its impact on climate change. Whilst striving to reduce its climate impacts, Chanel also aims to enhance the resilience of its business in response to climate-related risks. At the heart of Chanel's creations are natural raw materials that can be exposed to extreme weather events and chronic climate changes. The Group is conscious of the threat that climate change can have on its business and the ecosystems within which it operates. The CHANEL Mission 1.5° report is available in the "Corporate Sustainability" section on Chanel.com.

Climate change is considered a principal risk of the Group. The Group recognises that extreme weather conditions could cause disruptions across Chanel's supply chain and impact the sourcing of rare raw materials that are used in its products. The identification and management of climate risks form part of Chanel's overall risk framework and follow a robust annual assessment where risk appetites and mitigation actions are considered as detailed on pages 18 through 21.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Chanel has adopted the Taskforce on Climate-related Financial Disclosures ("TCFD") recommendations to better understand and report its climate-related risks and opportunities. In line with the TCFD, Chanel conducted scenario analysis based upon the assessment of the medium- and long-term climate risks and opportunities to which it is exposed. TCFD recommendations focus on four thematic areas: governance, strategy, risk and opportunities, and metrics and targets, as explained below.

Senior leaders at Chanel are committed to the Group's climate agenda and to building a resilient and sustainable business. The Corporate Social Responsibility Committee is responsible for setting the long-term vision and climate-related strategic priorities for the business. At management levels, the climate agenda within the sustainability strategy is led by the corporate sustainability team at the global headquarters in London and deployed by dedicated teams within the different business activities and markets of the Group.

The Group makes the distinction between physical (acute and chronic) and transition impacts of climate changes. Increase in severity and frequency of extreme weather events, such as floods and hurricanes can cause physical damage to boutiques, warehouses and distribution centres as well as business disruption to production and distribution cycles. Chronic risks such as changes in precipitation and extreme variability in weather patterns can impact sourcing of key raw materials.

Transition risks are mainly caused by changes in policy and legal regulations, with the possibility of more stringent climate policies and carbon pricing that could increase sourcing and compliance costs. Changes in customer preferences due to climate and environmental considerations could cause shifts in the demand of luxury products. Evolving customer preferences could also present new opportunities for the brand.

Chanel conducted scenario analysis to assess the financial impacts of climate change on its business in 2030. Two climate scenarios were constructed to assess the impacts:

- A physical climate impacts scenario with limited policy or regulatory support for emissions reductions and where average temperatures are expected to increase by 4°C by 2100.
- A low carbon transition scenario evaluating policy or market shifts associated with transition to a low carbon economy thereby limiting global warming to well below 2°C.

The physical climate scenario focused on the impact of extreme weather events such as floods and hurricanes on Chanel's real estate portfolio across its key markets. The financial impact of floods on Chanel's real estate in 2030 was less than $200 thousand and was not considered to be significant. Qualitative assessments were conducted for hurricanes and wildfires (United States only) and less than ten sites/boutiques were found to be at high risk. Going forward, Chanel will extend the scope of its climate risk assessments and will undertake scenario analysis to assess the impacts of climate change on its supply chain and raw materials.

The impact of stringent climate policies and carbon pricing on Chanel's Scope 1 and 2 emissions (defined below) were also considered under the low carbon transition scenario. This concluded that carbon pricing policies to address emissions from energy would increase Chanel's compliance costs by circa $3 million in 2030. However, CHANEL Mission 1.5°, the climate strategy approved by the Science-Based Targets initiative, outlines a clear commitment to mitigate this risk by 2030 and forms the basis for Chanel's Sustainability-Linked Bonds issued in 2020. Chanel's climate metrics and targets are disclosed below.

SUSTAINABILITY-LINKED BONDS

As a reflection of Chanel's commitment to curb its climate impact in CHANEL Mission 1.5°, the Group issued two Sustainability-Linked Bonds on the Luxembourg stock exchange in October 2020 totalling Euro 600 million that are in line with Chanel's sustainability-linked bond framework, which follows the ICMA Sustainability-Linked Bond Principles (the "Principles"). The Principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking environmental, social and sustainable outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance of a Sustainability-Linked Bond. In accordance with the Principles, the issuer is not obliged to allocate all of the net proceeds specifically to projects or business activities meeting environmental, social or sustainability criteria. However, the terms of the bonds are linked to the achievement of the Group's climate targets, making a direct link between its financing strategy and sustainability strategy. These targets will be measured against 2018, which is considered the baseline year. The bonds will be used to invest in business transformation through key strategic projects, such as investments in start-ups developing sustainable materials, incentivising suppliers to convert to renewable energy and providing direct financial support for new renewable-energy projects in key regions.
This landmark fundraising was the first of its type in the luxury sector and will allow the Group to diversify its sources of funding while underlining its commitment to sustainability. The strength of Chanel as a company attracted many investors resulting in the bond issuance being oversubscribed. Chanel is the first unrated issuer to

have public bonds of this nature, which offer investors the opportunity to be part of the luxury industry's transition to sustainability.

CHANEL MISSION 1.5°

Chanel's climate action plan is focused on four ambitions:

1. *To reduce its carbon footprint across its own operations and its value chain in line with science-based targets*

   These targets, which have been approved by the Science-Based Targets initiative, are as follows:
   - Decrease its own carbon footprint (scopes 1 and 2) by 50% by 2030, which is equivalent to a 66% reduction per unit sold.
   - Decrease emissions from its value chain (scope 3) by 40% per unit sold by 2030, which represents a 10% reduction in absolute emissions.

2. *To shift to 100% renewable electricity in its own operations by 2025*

   Chanel has joined the RE100 initiative as part of this commitment. Chanel is committed to engaging communities in its climate initiatives, both inside and outside the business. In 2020, Chanel announced it had committed $35 million over three years towards solar energy projects for low-income multifamily households with Sunrun Inc., the leading residential solar, battery storage, and energy services company in the United States. The partnership will expand access to solar energy for nearly 30,000 low-income residents across California, offering families on average up to $40 to $50 a month in energy cost savings. Chanel's investment will also support more than 20,000 hours of job training in the first year, offering valuable vocational skills and certifications to hundreds of people in disadvantaged communities, facilitating access to job opportunities in the green economy. In September 2020, this project was awarded 'Best Community Changemaker' in the RE100 Leadership Awards. This investment also enables Chanel to offset its electricity consumption in the United States and Canada, whilst it looks to transition to green tariffs and renewable energy where possible.

3. *To balance the residual carbon emissions*

   Chanel is taking action outside its own business activities in order to balance the emissions that it cannot yet reduce or avoid. In 2020, Chanel invested 6.8 million EUR in protecting and restoring land and supporting the livelihoods of communities in five landscape targets (Peru, Sumatra, Haiti, Kenya and Ethiopia), whilst contributing to our carbon neutrality.

4. *To invest in climate adaptation*

   One of the ways in which Chanel invests in climate adaptation is through its support of the Landscape Resilience Fund. This is an independent foundation co-developed by climate solution company South Pole and WWF. The fund will identify and invest in small- and medium-sized enterprises as well as projects that contribute to climate change adaptation embedded in a landscape approach. The project was the winner of the 2019 Global Environmental Facility Challenge Program for Adaptation Innovation and the partners have been working together in 2020 to develop the fund for launch in 2021. CHANEL supports the fund as the anchor investor and will join the Board of Trustees of the Landscape Resilience Fund.

STREAMLINED ENERGY AND CARBON REPORTING

Changes introduced to the Companies Act by The Companies (Miscellaneous Reporting) Regulations 2018 (the "2018 Regulations"), require large private companies to report their United Kingdom energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, in their annual reports. The changes are effective for financial years from 1 April 2019. The Group reports sources of 2020 Greenhouse Gas (GHG) emissions and energy usage as required by the legislation and also voluntarily reports GHG emissions and energy usage on a global basis.

Energy and carbon performance

Energy and carbon performance for the United Kingdom is as follows:

Energy use (kWh)	2019 Comparative year	2020 Reporting year
	United Kingdom	United Kingdom
Fuel (including vehicles)	586,716	606,469
Natural gas	4,966,870	5,579,256
Electricity	3,080,996	2,670,630
Total	**8,634,582**	**8,856,355**
% electricity from renewable sources	**62%**	**85%**

Carbon Emissions (tCO_2e)	2019 Comparative year	2020 Reporting year
	United Kingdom	United Kingdom
Scope 1 – Emissions from fuel for vehicles and heating of facilities	1,297	1,154
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (location-based)	1,403	614
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (market-based)	390	149
Total Scope 1 and 2 (location-based)	**2,700**	**1,768**

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

Energy use (kWh)	2019 Comparative year	2020 Reporting year
	Global	Global
Fuel (including vehicles)	13,380,887	11,424,115
Natural gas	58,246,494	60,865,664
Electricity	125,065,644	121,435,819
Total	196,693,025	193,725,598
% electricity from renewable sources	**50%**	**70%**

Carbon Emissions (tCO_2e)	2018 Baseline year	2019 Comparative year	2020 Reporting year
	Global	Global	Global
SCOPES 1 AND 2			
Scope 1 – Emissions from fuel for vehicles and heating of facilities	19,597	16,202	16,505
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (location-based)	22,168	42,797	36,994
Scope 2 – Emissions from purchase of electricity, heat, steam and cooling (market-based)	22,168*	33,647	19,842
Total Scope 1 and 2 (location-based)	**41,765**	**58,999**	**53,499**
Intensity ratio (market based kg Co_2e per unit sold)	**0.45**	**0.52**	**0.54**
SCOPE 3 **			
Scope 3 –Purchased goods and services (Category 1)	382,401	239,957	221,430
Scope 3 – Capital goods (Category 2)	93,683	54,890	42,746
Scope 3 – Fuel- and energy-related activities not included in Scope 1 and 2 (Category 3)	17,770	13,945	8,842
Scope 3 – Upstream and downstream transportation and distribution (Categories 4 and 9)	229,137	228,116	164,418
Scope 3 – Waste generated in operations (Category 5)	5,137	12,305	11,097
Scope 3 – Business travel (Category 6)	59,514	55,711	6,920
Scope 3 – Employee commuting (Category 7)	13,499	15,203	10,261
Scope 3 – Upstream leased assets (Category 8) ***	–	–	–
Scope 3 – Processing of sold products (Category 10) ***	–	–	–
Scope 3 – Use of sold products (Category 11)	22,910	23,863	16,549
Scope 3 – End of life of sold products (Category 12)	4,944	5,241	3,760
Scope 3 – Downstream leased assets (Category 13) ***	–	–	–
Scope 3 – Franchises (Category 14)	2	6,572	6,715
Total Scope 3	**828,997**	**655,803**	**492,739**

* 2018 baseline was estimated using a combination of location-based and market-based emission factors, where possible.

** All of 2018, categories 4 and 9 for 2019, and categories 2, 7, 11, 12 and 14 for 2019 and 2020 are estimated.

*** Not applicable.

The boundary for the Energy and Carbon reporting includes all activities contributing to the Chanel brand. Data is reported for sites where it has operational control and the ability to influence the energy management. Chanel uses the Greenhouse Gas Protocol Corporate Standard to estimate emissions and applies conversion factors from the International Energy Agency (IEA), DEFRA, ADEME and Base Carbone to convert into carbon dioxide equivalent (CO2e).

Where Chanel does not have visibility of the energy consumed within a site, consumption is estimated based on square metres and the known consumption of other sites within that region. All renewable electricity is from sources aligned with the RE100 technical criteria and supported by energy attribute certificates.

The CHANEL Mission 1.5° Performance Update 2020 provides further detail and analysis on Chanel's carbon footprint performance, which is available on the "Corporate Sustainability" section at Chanel.com.

SOCIAL AND CULTURAL OUTREACH

In addition to the positive impact that Chanel aims to create for its workforce and through its sustainable business transformation, the Group also seeks to play an active role on social issues beyond its operational footprint.

SOCIAL COMMITMENT

Social commitment is part of Chanel's values and heritage. The Group has a long history of inspiring self-fulfilment and transmitting savoir-faire and expertise to open new doors. Chanel's Social Commitment programme provides social value in three impact areas in the markets where it operates: human promise – enhancing inclusion and self-confidence; education – preparing young people for the future; and employability – supporting work-readiness. This global initiative takes a localised approach, so that the Group's contributions respond to specific needs in each location. It is a participative philanthropic programme encompassing financial donation, in-kind support and skills-based volunteering.

SKILLS-BASED VOLUNTEERING

Chanel's Social Commitment programme, which expanded to fifteen locations in 2020, offers employees an opportunity to play an active role in their communities, share their skills and knowledge and to broaden their own experiences. In 2020, around 15% of employees participated in initiatives, offering over 11,000 hours of pro-bono support. This is set to expand in 2021.

The Chanel Social Commitment teams have an international partnership with Ashoka, a non-profit organisation which identifies and supports the world's leading social entrepreneurs and mobilises a global community to embrace new social innovation frameworks to take actions and positively impact the society.

Several entities worldwide within the Group work closely with Ashoka Fellows, including in France, South Korea and soon in the United Kingdom. These collaborations aim to solve challenges in business management, leadership or strategy for social impact. Through these sessions, employees and social entrepreneurs connect together over their shared commitment to education, employability and human promise—and put change making skills into practice. Ashoka Social Entrepreneurs are very well-placed to discuss how they leverage entrepreneurship to create systemic change.

FINANCIAL DONATION AND EMERGENCY RELIEF

In addition to the skills and time provided by individual employees, the Group also provides financial support to not-for-profit organisations and charities. In 2020, $26 million was donated to causes in the spheres of the environment, social and educational issues, as well as local cultural institutions. This includes funds totalling over $9 million that were provided to support: emergency relief for the Australian bushfires; the explosion in Beirut; racial justice in the United States; and the Covid-19 pandemic.

FONDATION CHANEL

Fondation CHANEL, which celebrates its 10th anniversary in 2021, actively supports nonprofit organisations, social enterprises and institutions to advance gender equality around the world. In 2020, Fondation CHANEL disbursed $16.8 million directly to its partners. From local organisations to international institutions such as UN Women or The Global Fund, Fondation CHANEL supports projects that address multiple discriminations against women and adolescent girls, uphold human rights and build a more inclusive society for all. Through multi-year financial and technical support, Fondation CHANEL works alongside its partners to build efficient programmes and strong expertise on a range of areas including entrepreneurship, education, leadership, health and the environment.

Over the past ten years, the Fondation has worked with 157 organisations globally and has directly impacted the lives of half a million women and girls.

As the pandemic placed an unprecedented burden on the global economy, security and health care systems, Fondation CHANEL acted swiftly to stand by its partners as they supported the women and girls worst impacted by its consequences. Fondation CHANEL ensured its support was flexible to allow partners to adapt to a rapidly changing situation and made additional funding available to cover core costs.

ARTS AND CULTURAL INITIATIVES

Despite the enormous challenges generated by a pandemic that emptied theatres, stages and concert halls and brought creative production to a standstill, Arts and Culture Programmes at Chanel made it a priority to extend the Group's legacy of cultural engagement to imagine the next. To that end, Chanel continued its conservation efforts with regard to historic spaces, remodelling the historic apartment of Gabrielle Chanel at 31 Rue Cambon and extending its commitment to the multi-year renovation of La Pausa and to the restoration of Aubazine, two historic properties linked to the legacy of Gabrielle Chanel. Additionally, Chanel committed to supporting the restoration and refurbishment of the Grand Palais, a symbol of architectural innovation in Paris that for many years has been linked to the history of the House. A long-term partnership with Palais Galliera has also made possible the construction of new exhibition rooms devoted to creating the first permanent fashion museum in France, making the exceptional fashion archives accessible to all.

But extending Chanel's legacy also means catalysing transformation through our support of institutions that champion diverse storytelling, women's voices and innovative approaches to broadening access to culture. The more we support them, the more sustainable they become and the more their work and advocacy benefits society. In 2020, Chanel's support meant that the number of women artists in the Centre Pompidou collection increased and that a CHANEL Curator of Collections at the National Portrait Gallery was charged with spotlighting overlooked women in the re-installation of the National Portrait Gallery's permanent collection, which will re-open in 2023. Additionally, Chanel supported young female playwrights and directors in partnership with the National Theatre and women conductors at the London Philharmonic Orchestra and the Philharmonie de Paris. Globally, conditions were created to ensure the sustainability of dance throughout the pandemic, whether by supporting markets in activation of the Australian National Ballet's Data Asset Management system or through the extension of networks to facilitate original digital content at the American Ballet Theatre and the New York City Ballet. In 2021, Chanel is further strengthening its close relationship with the Paris Opera Ballet. After supporting the opening gala for three years, Chanel is now extending its commitment by becoming a Patron to support all of the Opéra's artistic projects.

Maintaining our longstanding ties to cinema was also key in 2020. Chanel committed its support to Cinémathèque Francaise retrospectives of Jean-Luc Godard and Alain Resnais planned for 2021, ensuring the transmission and dissemination of film masterworks as cultural heritage.

The year's challenges also led artists to reflect on their pent-up creativity and ideas, prompting the launch of "Chanel Connects" on Spotify and Apple platforms, which brought together 24 game changers across the globe in conversation about what matters most and what's coming next in the arts.

As a creation-driven company, Chanel places enormous value in human potential and the mission of Arts and Culture is to harness the transformative power of artists to imagine ways forward. Through the new Chanel Culture Fund, established in 2021, Arts and Culture is creating a sustainable post-pandemic reset that shows our appetite for global collaboration across artistic disciplines and for investment in individual talent. The Fund focuses on two areas: a series of international partnerships with institutions to help propel ideas that benefit culture and society and the Chanel Next Prize to support ten global game changers. The new initiatives include mentorship programs and platforms that give artists access, amplification, networks and resources in the service of their creativity.

KEY PERFORMANCE INDICATORS

The Group assesses its performance against various measures. The key performance indicators ("KPIs") have been selected to measure the success of our strategy and are monitored on a regular basis. The following KPIs are measured and the results are included in the Highlights on page 2:

- **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 and, therefore, do not represent a full year's revenues.

- **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.

- **Operating profit** – measures the overall performance of the Group.

- **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 fixed assets 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. Below is a reconciliation of the EBITDA calculation.

		2020	2019
		$ millions	$ millions
Operating profit		2,049.1	3,495.7
Exceptional items	Note 4	106.9	42.9
Depreciation and amortisation on fixed assets and intangibles		426.1	375.5
EBITDA		2,582.1	3,914.1

- **Free cash flow** – measures the Group's ability to generate positive cash needed for growth.

- **Environment** - measures our commitment to reducing carbon emissions within our direct operations in line with the Paris Agreement 1.5°C threshold. The Group became carbon neutral in 2019 and aims to transition to 100% renewable energy within our direct operations by 2025. In addition, the Group's objective is to decrease its scope 1 and 2 emissions by 50% by 2030 (equivalent to 66% per unit sold) and our value chain emissions by 40% per unit sold by 2030, which represents a 10% reduction in absolute emissions by 2030.

Other KPIs listed below help us to understand the impact on the financial results, which allows us to develop the Group's business strategy.

- **Brand equity** - measures all activities we engage in to ensure our products and image are modern, relevant, and luxurious without becoming too commonplace. Our strong brand equity sets our products apart from our competitors and has a direct impact on our financial KPIs.

- **Leadership and people strength** - measures how employees grow in their roles in order to contribute in larger ways over time, including mentoring new team members and recruiting the best talent for the future. To measure our performance we focus on employee engagement, leadership preparedness and employee retention metrics.

- **Client engagement** - measures our dedication to building deep and meaningful client experiences, whether through direct contact in the boutique or through virtual experiences online and through our services. The Group continuously aims to exceed customer expectations making our clients loyal brand advocates. Factors considered in measuring our performance include our ability to retain existing clients as well as recruit new customers. We also rely on customer satisfaction surveys to measure the client experience.

- **Integrity and business ethics** - Chanel's ethical values are summarised in our global code of conduct, *Ethics@Chanel*, which applies to all employees worldwide. Chanel is committed to the highest standards of integrity in all areas in which it conducts business. These values, which include, in addition to the compliance of all applicable laws, an open-reporting environment, fair employment practices and the respect of human rights, health and safety throughout the Group's supply chain, which are shared through our Responsible Sourcing Charter or otherwise, such as through contractual provisions, trainings or other engagements with third parties with whom we conduct business, including suppliers, contractors, agents, representatives, distributors and consultants. We measure to what extent our employees, but also our business partners, adhere to the spirit of these values and comply with Chanel's standards.

- **Social responsibility** - Through the work of Fondation CHANEL, our key commitment of advancing the role of women in society and improving the social and economic conditions for women and adolescent girls is measured via indicators such as gained employment, access to and completed vocational training or improved access to health services.

- **Supplier performance monitoring** - a thorough risk-assessment methodology is used to determine and remediate social, environmental and governance risks across our supply base through a Responsible Sourcing Expert Team. This team measures the audit scores of our suppliers by pillar (governance & business ethics, people and planet), their progression year on year and the average number of findings (minor, major and critical) to remediate.

Overall, these KPIs 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, based on the specific needs of each market and area of the business.

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 $138 million (2019: $147 million), net of research and development tax credits.

BREXIT

The United Kingdom exited the European Union on 31 December 2020. During 2020, the Group operated in compliance with all applicable laws during the transition phase leading up to Brexit. The Group also monitored the evolution of laws and regulations that would be introduced to replace European regulations in the United Kingdom or impacting the enforcement of agreements, including but not limited to the EU–UK Trade and Cooperation Agreement which came into effect on 1 January 2021, to ensure the Group's compliance with such laws and regulations when they would be introduced. The Group does not believe there is any significant risk to its business model as a result of Brexit.

FUTURE DEVELOPMENTS

The Group continues to navigate its way through the pandemic with ongoing lockdowns in key markets in the first half of 2021. Business travel and tourism remain impacted, but with vaccinations underway worldwide we remain hopeful that there will be a gradual return to travel in the latter part of the year.

The conditions for the business remain challenging, but based on current trends we remain confident that the Group's business model and strategy coupled with the excellence of our teams will propel us forward throughout this health crisis. Chanel is committed to fostering an environment where creation can continue to thrive even through these unprecedented times.

RISK MANAGEMENT

APPROACH TO RISK MANAGEMENT

The directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Over the year, we monitor the mitigating actions in relation to each risk identified.

In particular the directors have given due consideration to the Group's response to the Covid-19 pandemic in 2020, its ability to make decisions quickly, identify ways to continue to do business, redirect inventory flows and protect its staff whilst continuing to safeguard the brand and comply with all laws and regulations in a complex, evolving environment.

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 Board regularly reviews the capital structure of its businesses and determines the most economic approach to fund various transactions. During the year, the Group undertook a number of financing transactions and decided to pay no dividends, which enabled it to maintain its strong capital base. The Group is compliant with its covenants as specified in all loan and debt agreements.

The Group's activities expose it to a variety of financial risks, including market 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. Financial risk management is generally carried out by the Group's treasury department, which identifies, evaluates and manages financial risks in close cooperation with the Group's operating units.

The Group manages liquidity risk by maintaining appropriate levels of cash and the availability of funding through various credit lines. The Group continues to maintain a zero net debt policy. Liquidity at the subsidiary level is ensured by maintaining local bank credit facilities and by the Group ensuring that any excess funding requirements of its subsidiaries are met through access to a global cash pool and an intercompany lending program. Details of the Group's financial risk management are included in Note 23.

Credit risk has been a particular area of focus in 2020, particularly with respect to department store businesses in Western markets and travel retail operations. Although overall the Group has no significant concentration of credit risk, it uses credit insurance where it is considered to be tactically important. In addition, the Group maintains close relationships with its customers, ensuring that inventory levels are kept at an appropriate level and that collections are made on time. When collections become delinquent, the Group is quick to react, to recover inventory and to explore other business models that can better benefit the Group and its customers.

RISK APPETITE

One of the Audit Committee's key responsibilities is to monitor and evaluate the Group's risk appetite. The Group's risk appetite is assessed each year and developed accordingly. The role of the Audit Committee is discussed further in the Corporate Governance Report on pages 24 through 29.

Management maintains a low tolerance for risk, whilst acknowledging that the luxury sector is a competitive, dynamic sector where innovation and understanding of consumer habits is paramount. In determining its risk appetite, the Audit Committee meets with a number of departments responsible for all of the key risk areas relevant to the Group and considers a variety of information when reviewing the Group's business, including key strategic and operational matters. In exploring risks and opportunities, the priority is always to protect the long-term value and reputation of the brand and we consider that the minimisation of risk is a core element to this.

PRINCIPAL RISKS

Below is an overview of the principal risks that have been identified and grouped in four categories: Strategic, Operational, Compliance and Financial. We believe these risks are most relevant to our business and those that could have the most material impact to our performance and potentially threaten our overall business model if they materialised.

STRATEGIC

RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
MACRO-ECONOMIC, POLITICAL AND SOCIAL					
General economic conditions as well as changes in Government and political strategies which impact consumer attitudes and spending, changes in tourism and large regulatory changes that could impact the business model. Country-specific trade agreements could impact spending behaviours of key consumer groups or impact intercompany sales and prices or even limit sale of certain products.	Potential negative impact to sales and profitability.	The Group works to maintain the strength of the Chanel brand through the development of new and innovative products and strategic advertising and by maintaining strong relationships with its local customers in each country. In addition, our Public Affairs function within Legal strives to anticipate changes in government and political strategies as well as large regulatory shifts (such as currently on sustainability or privacy) as early as possible in order to advise the business and help adapt business strategy. The Group is committed to cultivating an inclusive environment in which all employees work in safe environment and feel heard and valued. We proactively communicate on physical safety measures and mental well-being initiatives and resources that may arise around social matters and social justice occurrences.			–
COMPETITION					
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, 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.			–
MEDIA					
Traditional forms of media such as TV and print are being supplemented by new media, including digital and social media. This makes it more challenging to target the right media at the right consumers.	An unsuccessful media strategy could result in a potentially negative impact to sales and profitability as well as a lower market share.	The Group's media team works closely with its media agent to develop the best strategies to meet the Group's objectives. These strategies vary by country and by product category.			–
DISTRIBUTION					
The Group's traditional routes to market - a mixture of wholesale and retail channels - has been disrupted by the growth of e-commerce and online sales in different settings in general as well as aggregation and failure of our retail partners. A change in EU competition rules in 2022 could also require changes in our distribution model.	Inability to adjust our methods of distribution to that which is expected by our clients or required could have a negative impact on sales and profitability.	The Group seeks internal and external support in ensuring that its methods of distribution are attractive to clients and efficient. Market data and new distribution models are analysed and new methods of distribution are piloted and established where appropriate. In addition, the Legal department works hand-in-hand with the business, industry associations and regulators on the benefit of the selective distribution model not only for brands, but for value generation in general and end-consumer benefit in particular.			Δ

	RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
STRATEGIC	**EMPLOYEE RETENTION**					
	The loss of key personnel with specific talent and experience and ability to attract new talent.	Adverse impact to the Group's ability and timeliness to execute its core strategies.	The Group has invested in programmes to support and nurture individuals in becoming strong leaders and enhancing the culture at CHANEL. The Group also has other programmes that engage people at all levels in a way that brings unity to the work environment and fosters collaboration. The Group's compensation and benefit committees regularly monitor employee compensation packages and other benefits to ensure that they are appropriate, compared with their peers and the markets. The Group has a global coherent framework around Diversity & 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.			–
OPERATIONAL	**BUSINESS CONTINUITY**					
	Major incidents due to natural disasters, terrorist activities, 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 client patronage, with the impact clearly varying depending on the location and its nature. Disruptions or inefficiencies in the Group's supply chain and/or boutiques could lead to delayed or suspended production, delayed deliveries and lower sales.	The Group's global operations and business continuity plans help mitigate these risks, but cannot eliminate their potential impact on sales and profits as was evident with the impact of Covid-19 in 2020. 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 monitor their 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.			–
	CLIMATE CHANGE					
	Impact of climate change and the threat to business.	The Group recognises that extreme weather conditions could cause disruptions across Chanel's operations and supply chains, particularly impacting the sourcing of raw materials used in its products.	The Group assessed climate risks and opportunities in accordance with the Task-Force on Climate Related Financial Disclosures (TCFD) recommendations. Chanel's climate strategy, Mission 1.5, sets out carbon emissions reduction targets that have been approved 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 Sustainability Linked Bonds were issued. In addition, Chanel aims to shift to 100% renewable electricity in its operations by 2025, with an interim goal of 97% by 2021.			▲

	RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
OPERATIONAL	**IT SYSTEMS**					
	Systems fail to support business operations, including point of sale, supply chain functions, outages or malfunctions.	A failure / disruption of IT systems could impact customer demands and adversely impact revenues.	IT teams are in place to appropriately support the business strategy in carrying out its operations. Processes are in place to prevent, detect and manage IT recovery in the event of a systems failure.			–
	CYBER RISK AND LOSS OF DATA					
	Failure to process and protect personal data of our staff and clients as well as confidential data of the organisation. A 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 cyberattack on our systems could severely disrupt operations and possibly lead to a loss of sensitive data resulting in damage to the brand or financial loss. A cyber attack could have an adverse effect on the Group's results, strategy, and reputation if confidential or private 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 such data breaches.	The Group continues to increase 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. Data privacy and cyber security programmes, policies, 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 CHANEL. 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.			Δ
COMPLIANCE	**TAX COMPLIANCE**					
	As a global business, 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.	Inability to pay the correct amount of tax can result in damage to the Group's reputation, fines and interest and other legal sanctions.	The Group's tax department focuses on ensuring that the Group's risks are understood, minimised and reported frequently to senior management.			Δ

	RISK	BUSINESS IMPACT	MITIGATION	RISK LEVEL	RISK APPETITE	CHANGE IN RISK
COMPLIANCE	**INTEGRITY AND ETHICAL COMPLIANCE**					
	Compliance issues, whether real or alleged, 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 corruption or a human rights violation could significantly harm the Chanel 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 and to training its employees to observe those rules and act ethically at all times. Core ethical values and standards as described in the Group's code of conduct, Ethics@Chanel, apply to all employees of Chanel entities worldwide. Third parties with whom we conduct business, including suppliers, contractors, agents, representatives, distributors and consultants are required to comply with the same principles and to share our commitment to the highest values and standards of integrity and responsible business conduct by signing up to our Responsible Sourcing Policy, which lays out the same principles, values and obligations as Ethics@Chanel. These third parties are subject to rotational audits to ensure their practices are up to standard.	■	□	–
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 the Group maintains forward and option currency contracts with third parties that have offsetting positions with a related party, which mitigates the overall exposure.	■	■	–

KEY ■ VERY HIGH □ NONE

SECTION 172(1) COMPANIES ACT 2006

The Board is bound by the duties set out in Section 172(1) of the Companies Act 2006, which charges them to consider what is most likely to promote the success of the Group in the long-term. In defining its business strategy, the Board considers the interests of the Group's key stakeholders, the environment and the communities in which it operates. The Group's corporate governance principles, set out in the Corporate Governance section of the financial statements on pages 24 through 29, provide a framework for the Board in managing long-term strategic business decisions that promote the success of the Group, having regard to the factors set out in Section 172(1) of the Companies Act 2006.

The Covid-19 pandemic posed a new set of challenges to the Group during 2020. The Board took care to navigate fast-changing legislation and guidance, including lockdown measures and restrictions on travel, which directly and indirectly impacted the retail and travel retail sectors. Fostering effective stakeholder relationships has always been a priority for the Board and during this critical time, the Board drew upon its broad expertise to protect the interests of the Group's stakeholders. Additionally, in spite of the urgency to protect the Group's stakeholders through this health crisis, the Board remained committed to carrying out the Company's environmental and social objectives.

Employees: The Board is committed to ensuring the engagement; learning and development; as well as safety and well-being of the Group's employees. Significant efforts are made to create a culture of fair and equitable opportunities and empowerment. We actively engage employees around the key priorities of Chanel, including Chanel's employer philosophy, values and ethics; critical mission of sustainability; and the fostering of a diverse company and inclusive culture. At a global level, Chanel promotes common philosophies around these values and related initiatives and a holistic view point; whilst regionally, local leaders and their teams orchestrate the initiatives around the Group's priorities, the sharing of information, enhancing learning and importantly, listening to employee feedback to understand the experiences of our varied employee populations so that we may continually improve on the employee experience.

Customers: Chanel is dedicated to building deep and meaningful client experiences, whether through direct contact in the boutique, through special events, through virtual experiences online and through our services. The quality of this engagement is critical to carrying out the Group's business strategy and this is measured through satisfaction surveys as well as the Group's ability to recruit new clients and retain existing ones. During the Covid-19 pandemic, Chanel introduced innovative remote sales strategies to serve its key customers in a safe, thoughtful and dedicated way, including courier services and one-to-one virtual boutique experiences.

Suppliers: The Board is strongly committed to conducting its business in compliance with all applicable laws, including all laws relating to business ethics, such as conflict of interest, fair competition, anti-corruption, anti-money laundering, sanctions and trade laws. The Board also pays particular attention to labour and employment-related laws, rules and regulations of every location in which we do business and across our supply chain. This includes, but is not limited to, laws, rules and regulations relating to wages and hours worked, equal employment opportunity, non-discrimination, non-harassment, immigration and work authorisation, privacy, health and safety, collective bargaining, and child prison or other forms of forced labour. Our internal code of conduct, *Ethics@Chanel*, sets forth the global ethical core for all Chanel employees, which reflect our expectations. The importance of maintaining good relationships but also knowledge of the supply chain, as well as working closely together with our partners to ensure these values can be reflected, has become even more evident in the last year.

Our Responsible Sourcing Policy sets out our expectations and requirements regarding issues such as respect of labour laws, forced and slave labour, human rights, the environment and anti-corruption. We carefully screen and

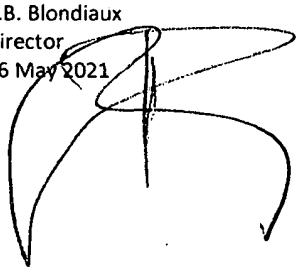
select our suppliers and business partners and maintain business relationships with those that share our commitment to high ethical standards and demonstrate compliance with applicable laws, rules and regulations as well as our Responsible Sourcing Policy. Details of the assessments made under the Responsible Sourcing Policy are included on page 7 in the strategic report.

Environment: Chanel launched its Mission 1.5° initiative in 2020, which represents our commitment to mobilise and transform our business in line with the Paris Climate Agreement by decarbonising our business and value chain to help limit average global mean temperature increases to 1.5 degrees Celsius above pre-industrial levels. This initiative is directly aligned with the Group's Sustainability-Linked Bonds issued in October 2020. Our commitment to these environmental initiatives is detailed on pages 7 through 9 in the strategic report.

Communities: Fondation CHANEL is committed to supporting social purpose organisations working to improve the social and economic conditions of women throughout the world. By giving grants to non-profit organisations, Fondation CHANEL provides long-term support to women and girls in vulnerable situations and helps them reach the first step on the development ladder. Details of the work of Fondation CHANEL are included on pages 12 and 13 in the strategic report.

Approved by the Board and signed on its behalf by

P.B. Blondiaux
Director
26 May 2021



CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2020

For the year ended 31 December 2020, under the 2018 Regulations, the Group applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council ("FRC") in December 2018.

The Group's corporate governance principles set out below provide a framework for the Board in managing long-term strategic business decisions that promote the success of the Group, having regard to the factors set out in Section 172(1) of the Companies Act 2006.

PRINCIPLE 1 - PURPOSE AND LEADERSHIP

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's purpose is to conserve the heritage of the brand whilst shaping it for the future with integrity and responsibility. As a company, we believe in the power of creativity to generate beauty, emotion and change whilst cultivating potential and fostering individual and mutual accomplishment. We are committed to making a positive impact on people, communities and the planet with a dedication to setting bold and new standards with a long-term perspective.

The leadership at Chanel strives to create an inclusive culture that nurtures personal growth, contributing to collective progress. Chanel's objective is to continually transform the business model to sustain the natural world and its social ecosystems. Chanel is committed to creating an impact on the advancement of women in society as well as extending its legacy through the arts.

PRINCIPLE 2 - BOARD COMPOSITION

The Board has ten members comprised of Presidents of the entities within the Group that together own the Chanel Brand and one major licensee, the Global Chief Financial Officer and four independent non-executive directors. The Board meets at least four times a year and ensures that it is properly prepared through various updates received in between meetings as well as review of detailed pre-reading materials in advance of each Board meeting. In response to the Covid-19 pandemic, the Board met more frequently to monitor the impact on the business from changing global restrictions on travel, retail operations and workspaces and to ensure that appropriate safeguards were put in place to protect the Group and its stakeholders' interests, including the health and safely of the Group's employees.

The Board considers that there is an appropriate balance between executive and non-executive directors and that there is sufficient independence in the overall composition. The Board strives to include appointments that promote an appropriate level of expertise, objectivity and diversity, which aligns with the Group's purpose. Overall, the directors work together to promote effective decision making and ensure the Group's business strategy is met.

The independent non-executive directors bring experience from both within the industry in which the Group operates as well as other sectors. They play an important role in challenging a broad range of areas across the business. The independent non-executive directors have the 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 on-boarding, they visit operational facilities that support the business activities as well as some of the markets and meet with the global corporate functions to learn about the Group's business.

PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

Accountability

The Board recognises the importance of having a strong corporate governance framework as part of the Group's overall success. The Board, upon recommendation from management, determines the strategic direction for the Group; establishes policies for corporate management; reviews financial performance and approves budgets; makes decisions on major initiatives and investments; ensures that leadership is in place to implement policies and decisions; and oversees the executive leadership. Key information is provided to board members in a timely manner prior to each meeting and all members have a clear understanding of their roles and responsibilities. In accordance with the Group's conflicts of interest policy, the four independent non-executive directors have no business or relationship with the Group that would compromise their influence or objectivity.

Areas of focus in 2020

Governance	- Develop and entrench corporate governance framework throughout the Group in accordance with the Wates Principles - Prioritising the health and safety of employees and suppliers and ways to support the communities where we operate
Strategy	- Business response to the impacts of the Covid-19 pandemic on the retail and travel retail sectors - Consider the growing role of online retail in the luxury fashion sector
Finance	- Access and preservation of the Group's liquidity - Reassessment of capital expenditures and other costs across the regions
Risk and Opportunity	- Navigating the Covid-19 pandemic as a retailer, business partner and employer - Continued assessment of impact to business and people related to Brexit - Assess impact of the withdrawal of duty-free shopping in the United Kingdom
Corporate Social Responsibility	- Climate related commitments - Identify partnerships and investment opportunities that align with CHANEL Mission 1.5 - Social and environmental outreach programmes

The Board delegates certain responsibilities to specific committees that have the appropriate knowledge and experience to make recommendations to the Board. Each committee includes independent non-executive directors as shown in the table below. In 2020, the committees and their roles were as follows:

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.

Nominations Committee - reviews and monitors succession planning for the Board, the Executive Committee and other key leadership roles.

Corporate Social Responsibility ("CSR") Committee – reviews, assesses and makes recommendations on the Group's environmental and social activities.

Below is a summary of the committee structures, members and meeting attendance.

Name	Board Member	Meetings Attended	Audit Committee	Meetings Attended	Nominations Committee	Meetings Attended	CSR Committee	Meetings Attended
P. Abecassis ^	x	8/8	x¯	5/5	x	2/2		
P.B. Blondiaux	x	8/8						
R. Collasse	x	8/8					x	3/3
J. Galantic	x	8/8					x	3/3
B. Gros ^	x	7/8			x¯	2/2		
Lady S. Heywood ^	x	8/8	x	5/5	x	2/2		
Baroness M. Lane Fox ^	x	8/8			x	2/2	x¯	3/3
O. Nicolay	x	8/8	x	5/5				
B. Pavlovsky	x	8/8					x	3/3
V. Shaw	x	8/8	x	5/5				

^ *Non-Executive*

¯ *Chair*

Other Committees

The day-to-day operations of the Group are managed by the Executive Committee, under the responsibility of the Chief Executive Officer ("CEO"), as well as a number of other operational committees which prepare recommendations to the Executive Committee and/or the Board:

Executive Committee: recommends strategies to the Board; makes operational decisions for the Group; assesses developments in the business, operational issues, risks and new initiatives; and decides on how best to carry out the strategy of the brand and drive the implementation of business decisions. The Executive Committee is comprised of the CEO, the Global Chief Financial Officer ("CFO"), the Global Chief Administrative Officer ("CAO"), Presidents of the Chanel Brand Owners and Licensee, Presidents of the business activities and Global corporate function heads. The Executive Committee meets at least six times a year.

Brand, Communication and Image Committee: assesses brand image, culture awareness, advertising and promotion campaigns, and communication and media strategies and makes recommendations to the Board accordingly. This Committee is comprised of the Global CEO, Presidents of the business activities, Global Markets Coordinator, Head of Artistic Direction, Global Head of Innovation and Brand Insights, and the Global Head of Arts and Culture. This Committee meets four times a year.

Regional Presidents' Committee: assesses the priorities of the local markets on product and marketing issues in preparation for meetings of the Executive Committee, Brand, Communication and Image Committee and for meetings with the Presidents of the business activities. This Committee is comprised of the Global Markets Coordinator and Presidents of the Chanel Brand Owners and Licensee. This Committee meets four times a year.

Global Compliance Committee: oversees the development and implementation of the Group's Compliance and Ethics programme with regard to policies, training and investigations to ensure compliance with laws, internal procedures, and industry standards that are significant to the business from a regulatory or reputational standpoint. This Committee is comprised of the Global General Counsel, the Global Chief Compliance Officer, the Global CFO, the Global Chief People & Organisation Officer, the Global Head of Internal Audit and other corporate representatives, as needed. This Committee meets six times a year or more if needed.

Real Estate Committee: assesses proposals and makes recommendations to the Board about opening new boutiques, relocating existing boutiques or offices, undertaking major renovations, and acquiring new premises. This Committee is comprised of the Global CEO, Global CAO, Global CFO, Global Head of Store Design, Presidents of the business activities and representatives of the Chanel Brand Owners and Licensee. This Committee meets four times a year.

Compensation Committee: makes recommendations to the Board on compensation for senior management and guidelines for salary increases and bonuses. This Committee is comprised of the Global CEO, Global CAO and the Global Chief People & Organisation Officer. This Committee meets twice a year.

Integrity of information

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.

PRINCIPLE 4 - OPPORTUNITY AND RISK

Opportunity

The Group's business strategy is based on a long-term vision and allows it to explore opportunities that align with the Group's 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 and responsibilities

Risk management is tied to the overall strategy of the Group. The strategic report on pages 3 through 23 includes an assessment of the Group's principal risks and how those risks are mitigated.

The Audit Committee reviews 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 control. This includes governance of risk assessments to understand material financial risks, fraud risks, legal and compliance risks as well as the impacts of upcoming regulations and IT risks and how such risks are managed and mitigated through strategic, operational and compliance controls. With regard to IT risks in particular, the Audit Committee recognises that its remit in supervising risk management activities and monitoring management's policies and procedures plays a significant strategic role in assessing the efficacy of cyber risk and

privacy risk initiatives and policies. The Audit Committee receives regular briefings regarding the Group's technology strategy and plans in order to gain an understanding of key systems, data privacy activities, risk and controls, including those associated with cyber security and data management and uses these briefings to assess the effectiveness of risk management and internal controls in this area. In addition, with regard to legal and compliance risks, the Audit Committee receives regular reports on whistleblowing and internal investigations on compliance concerns and is satisfied that compliance matters are handled appropriately. The Audit Committee also receives sufficient robust management information and metrics to be confident that the information the Group publishes relating to transparency in supply chains and the risk of modern slavery or other human rights or compliance issues are subject to an appropriate level of due diligence.

The Audit Committee reviews and approves internal audit's role and mandates and approves the annual internal audit plan ("Plan"). The Audit Committee ensures the Plan is aligned to the key risks of the business and the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its Plan. The Plan is sufficiently flexible and dynamic to help identify, react to and address new, emerging risks and meets the needs of the Audit Committee and the Group 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 receives summaries on the results of the internal auditor's work. The summaries provide a clear understanding of the work performed, the results from this work, recommendations and any mitigating action plans. The Audit Committee considers the actions management has taken to implement the recommendations of internal audit and whether these properly support the effective working of the internal audit function.

The Audit Committee is also responsible for reviewing and approving the Group's supplier excellence programme ("SEP") mandate . The Audit Committee ensures the SEP is aligned to the compliance and corporate social responsibility risks of the business and must be sufficiently flexible and dynamic to meet the emerging needs of the Group and the Audit Committee promptly. The Audit Committee receives summaries of the results of the SEP, recommendations and any mitigating actions taken by the Group to ensure they properly support the effective operation of the programme.

The risk management and internal control system can only provide reasonable, and not absolute, assurance that the Group's overall risks and objectives are properly managed.

PRINCIPLE 5 - REMUNERATION

Group-wide compensation is governed by the Compensation Committee, which is not a board but a management-level committee that prepares the recommendations to the Board. The Compensation Committee has an established annual compensation planning and review process in which it reviews market conditions globally, company performance and competitive benchmark data (best practices and market compensation data) comparing to well-defined peer groups, in order to set fair and equitable performance-based compensation parameters.

The Group's Compensation policy and philosophy are articulated annually as part of the compensation planning process. The Board establishes guidelines setting the remuneration each year based on the recommendations of the Compensation Committee. Compensation practices comply with all statutory regulations. Transparency of this work and communication of this process is regular and ongoing to the top management and the broader employee population.

The Gender Pay Gap Reporting requirements provides an opportunity to assess and demonstrate our efforts in creating an inclusive environment and embracing diversity in all its dimensions and ensuring fairness and equity (to help us achieve our goal of creating an inclusive environment and embracing diversity in all its dimensions). The Group is committed to ensuring all employees are paid fairly for the role they undertake. The Group continually monitors and enhances its policies to ensure a safe environment, free of discrimination and harassment.

PRINCIPLE 6 - STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

Effective governance is a critical role of the Board and is essential in achieving the Group's business strategy and aligning with its purpose. As part of promoting the success of the Group, the Board is committed to engaging its stakeholders in a way that is aligned with Chanel's standards and principles. This engagement allows us to learn from our stakeholders so the Group can achieve its objectives in a positive way.

As a Group, we set ambitious goals and aim to honour our commitments by being a reliable business partner and conducting business in compliance with applicable laws, rules and regulations in all the markets where we operate.

Details of the Group's engagement with key stakeholders are set out in the Section 172(1) statement on pages 22 and 23 in the strategic report.

The directors present their annual report, together with the financial statements and independent auditor's report for the year ended 31 December 2020.

DIVIDENDS AND RESULTS

The results of the Group are set out in the consolidated income statement. The Company did not pay dividends to its parent in 2020 as disclosed in Note 24.

GOING CONCERN

The directors have considered whether the Group has adequate resources to continue operationally for at least twelve months from the date of signing these accounts. The impact of the pandemic has been considered as part of the Group's adoption of the going concern basis.

In their assessment, the directors have considered the business activities and the principal risks and uncertainties of the Group. They have also considered the financial position of the Group, its cash flows, liquidity position, borrowing facilities and related financial covenants.

To assess the continued impact of Covid-19 on the Group's revenues, costs and cash flows, 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 will continue to adopt the going concern basis in preparing the 2020 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, irrespective of any individual or protected characteristics. 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, notices and consultations.

DISABLED EMPLOYEES

It is the policy of the Group to give disabled people full and fair consideration for all job vacancies, having regard to their particular aptitudes and abilities. Training and career development opportunities are available to all employees and if necessary, the Group endeavours to re-train any member of staff who develops a disability during employment with us.

POLITICAL CONTRIBUTIONS

The Group did not make any political donations during the year (2019: $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 10 and 11.

SUBSEQUENT EVENTS

The Group's subsequent events are disclosed in Note 31.

DIRECTORS

The directors who held office throughout the year and until the date of authorisation of these financial statements:

Directors
P. Abecassis
P.B. Blondiaux
R. Collasse
J. Galantic
B. Gros
Lady S. Heywood
Baroness M. Lane Fox
O. Nicolay
B. Pavlovsky
V. Shaw

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 2020 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.

External audit tender process

The Audit Committee commenced an audit tender process in August 2020. The Group was not obliged to tender the audit but with the implementation of the Revised Ethical Standards issued by the Financial Reporting Council ("FRC"), which further limited the non-audit services performed by the audit firm and with an effective date of periods commencing on or after 15 March 2020, the Group evaluated the services provided by the current auditor, Deloitte LLP, and concluded that they would prefer to retain Deloitte LLP for their non-audit services and embark on the process of appointing a new audit firm for the 2021 financial year.

The tender process was led by the Global Chief Financial Officer with support from finance teams across the organisation as well as representation from Internal Audit, Tax, Legal and Information Technology. Select firms

were invited to participate in the tender based on the reputation of the firm; the geographical coverage of the firm's network; previous knowledge of the firm; and the firm's knowledge of the industry sector.

Ernst & Young LLP (EY), KPMG LLP (KPMG), PricewaterhouseCoopers LLP (PwC), Mazars, BDO, Grant Thornton and RSM were invited to tender and went through a detailed *Request for Proposal* process with senior finance management around the world. The process culminated with the final two candidates, EY and Mazars, submitting a detailed tender document and presenting their proposals to the Chief Financial Officer and other senior management as well as the Audit Committee. Both firms were very credible candidates but the Audit Committee recommended EY as the preferred candidate to the Board.

The Group will appoint EY as their auditors for the financial year ending 31 December 2021.

Approved by the Board and signed on its behalf by

P.B. Blondiaux
Director
26 May 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

YEAR ENDED 31 DECEMBER 2020

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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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
26 May 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHANEL LIMTED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Chanel Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of income;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in shareholder's equity;
- the consolidated and parent company statements of cashflows;
- the statement of accounting policies; and
- the related notes 1 to 31 and A to T.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating key processes relating to management's forecasts,
- assessing the financing facilities including the nature of facilities, repayment terms and covenants;
- assessing the key assumptions underpinning management's forecasts;
- assessing the amount of headroom in the forecasts (cash and covenants);
- evaluating the historical accuracy of forecasts prepared by management and testing of clerical accuracy of those forecasts; and
- performing sensitivity analysis on management's forecasts and mitigation actions available.

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's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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.

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

Extent to which 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 material misstatements in respect of irregularities,

including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address this are described below:

- Revenue recognition – manual journal entries to revenue: in response to this risk we tested a sample of manual journal entries to revenue to supporting documentation, understood the business rationale for manual journals and gained an understanding of the controls in the revenue cycle.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Kate J Houldsworth FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
26 May 2021

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(In millions of U.S. dollars)

	Notes	2020	2019
Revenue	3	10,108.4	12,273.3
Cost of sales		(2,359.5)	(2,619.0)
Gross profit		7,748.9	9,654.3
Distribution		(175.2)	(156.9)
Advertising, promotion and demonstration		(1,359.6)	(1,769.6)
Selling, general and administrative		(4,165.0)	(4,232.1)
Operating profit	4	2,049.1	3,495.7
Finance costs, net	5	(184.0)	(276.2)
Investment income, net	6	30.8	54.9
Equity income on investments, net	13	31.3	3.6
Profit before income tax		1,927.2	3,278.0
Income tax expense	14	(539.4)	(867.9)
Profit before non-controlling interest		1,387.8	2,410.1
Non-controlling interests		(0.9)	(2.8)
Profit for the year		1,386.9	2,407.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(In millions of U.S. dollars)

	2020	2019
Profit before non-controlling interest	1,387.8	2,410.1
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to statement of income:		
Actuarial loss on defined benefit pension plans, net of tax benefit of $8.6 million (2019: $27.1 million)	(32.6)	(68.4)
Net gain (loss) on equity instruments designated at fair value through other comprehensive income, net of tax (expense) benefit of $(5.8) million (2019: $12.8 million)	17.7	(52.5)
Items that may be reclassified subsequently to statement of income:		
Exchange differences on translating foreign operations, net of taxes of $nil	411.3	20.2
Other comprehensive income (loss) for the year, net of tax	396.4	(100.7)
Total comprehensive income for the year	1,784.2	2,309.4
Attributable to:		
Shareholder of the Group	1,781.0	2,307.1
Non-controlling interest	3.2	2.3
	1,784.2	2,309.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(In millions of U.S. dollars)

	Notes	2020	2019
ASSETS			
Non-current assets:			
Intangible assets	9	601.8	506.5
Property, plant and equipment	10	4,645.7	3,788.1
Investment property	11	144.9	132.0
Right-of-use assets	12	1,572.1	1,689.8
Investments in associates and joint ventures	13	275.3	213.8
Deferred income tax assets	14	655.4	554.4
Other assets	15	431.2	425.3
Total non-current assets		8,326.4	7,309.9
Current assets:			
Inventories	16	1,605.0	1,456.8
Trade receivables and other assets	15	1,501.3	1,754.6
Income taxes receivable	14	25.6	60.1
Cash and cash equivalents	17	4,649.8	2,850.8
Assets classified as held for sale	18	66.4	57.4
Total current assets		7,848.1	6,179.7
TOTAL ASSETS		16,174.5	13,489.6
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	25	-	-
Share premium	24	-	-
Reserves		319.2	(75.4)
Retained earnings		6,962.4	5,582.0
Non-controlling interest		23.0	17.7
TOTAL SHAREHOLDER'S EQUITY		7,304.6	5,524.3
LIABILITIES			
Non-current liabilities:			
Borrowings	19	3,144.7	2,114.6
Lease liabilities	12	1,425.4	1,510.1
Retirement benefit obligations	20	430.0	340.7
Provisions	21	128.1	119.4
Deferred income tax liabilities	14	127.6	92.3
Other liabilities	22	275.6	294.4
Total non-current liabilities		5,531.4	4,471.5
Current liabilities:			
Trade payables and other liabilities	22	2,487.2	2,646.8
Income tax liabilities	14	262.4	302.6
Borrowings	19	80.4	89.8
Lease liabilities	12	312.1	306.9
Provisions	21	196.4	147.7
Total current liabilities		3,338.5	3,493.8
TOTAL LIABILITIES		8,869.9	7,965.3
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		16,174.5	13,489.6

The consolidated financial statements of Chanel Limited (registered number 00203669) on pages 38 through 94 were approved by the board of directors and authorised for issue on 26 May 2021. 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 2020
(In millions of U.S. dollars)

		Attributable to the Shareholder of the Group								
	Notes	Share capital	Share premium	Foreign currency translation reserve	Equity investment revaluation reserve	Merger reserve	Other reserves	Retained earnings	Non-controlling interest	Total shareholder's equity
Balances as of 1 January 2019		-	963.4	57.2	60.5	(148.5)	-	3,988.8	12.3	4,933.7
Profit for the period		-	-	-	-	-	-	2,407.3	2.8	2,410.1
Other comprehensive income for the period		-	-	20.7	(52.5)	-	-	(68.4)	(0.5)	(100.7)
Total comprehensive income for the period		-	-	20.7	(52.5)	-	-	2,338.9	2.3	2,309.4
Share premium reduction	24	-	(963.4)	-	-	-	963.4	-	-	-
Acquisitions		-	-	-	-	-	(12.8)	-	4.0	(8.8)
Payment of dividends	24	-	-	-	-	-	(963.4)	(745.7)	(0.9)	(1,710.0)
Balances as of 31 December 2019		-	-	77.9	8.0	(148.5)	(12.8)	5,582.0	17.7	5,524.3
Profit for the period		-	-	-	-	-	-	1,386.9	0.9	1,387.8
Other comprehensive income for the period		-	-	409.0	17.7	-	-	(32.6)	2.3	396.4
Total comprehensive income for the period		-	-	409.0	17.7	-	-	1,354.3	3.2	1,784.2
Acquisitions		-	-	-	-	-	(6.0)	-	2.8	(3.2)
Gain on disposal of financial asset		-	-	-	(26.1)	-	-	26.1	-	-
Payment of dividends	24	-	-	-	-	-	-	-	(0.7)	(0.7)
Balances as of 31 December 2020		-	-	486.9	(0.4)	(148.5)	(18.8)	6,962.4	23.0	7,304.6

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In millions of U.S. dollars)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit	4	2,049.1	3,495.7
Adjustments to reconcile operating profit to net cash provided by operating activities:			
Depreciation and amortisation of fixed assets and intangibles		426.1	375.5
Depreciation on right-of-use assets		350.0	333.8
Impairment of property, plant, and equipment, intangibles, and right-of-use assets		63.1	29.0
Loss on disposal of property, plant, and equipment and intangibles		5.0	1.2
Non-cash tax credits		(1.8)	(1.5)
Settlement of derivatives		(17.4)	(6.5)
Defined benefit pension plan contribution net of costs		40.6	(48.1)
Other		(43.4)	(7.3)
Cash flows from operations before changes in working capital		2,871.3	4,171.8
Changes in working capital	26	53.7	58.1
Cash flows from operations		2,925.0	4,229.9
Interest received		36.2	40.9
Interest paid on financial borrowings		(98.3)	(99.8)
Interest paid on lease liabilities		(62.3)	(52.2)
Income taxes paid		(601.2)	(805.6)
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,199.4	3,313.2
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment		(995.9)	(653.3)
Refundable VAT on purchase of property, plant, and equipment		(78.3)	-
Additions to investment property		(0.1)	(1.0)
Purchase of intangibles		(123.7)	(116.7)
Acquisitions, net of cash acquired	28	(25.8)	(19.0)
Purchase of associates		(16.1)	(145.4)
Purchase of financial assets		(7.3)	(33.5)
Purchase of non-controlling interests		(8.6)	(11.2)
Proceeds on sale of financial assets		111.2	0.8
Other		9.5	(1.2)
NET CASH USED IN INVESTING ACTIVITIES		(1,135.1)	(980.5)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of bonds and proceeds from bank borrowings		2,128.7	58.8
Repayment of bank borrowings		(1,272.5)	(74.7)
Repayment of lease liabilities		(325.4)	(298.4)
Dividends paid to non-controlling interests	24	(0.7)	(0.9)
Dividends paid to parent	24	-	(1,683.6)
Other		(4.2)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		525.9	(1,998.8)
EFFECT OF EXCHANGE ON CASH AND CASH EQUIVALENTS AND TRANSLATION ADJUSTMENTS		208.8	38.9
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,799.0	372.8
CASH AND CASH EQUIVALENTS, Beginning of year		2,850.8	2,478.0
CASH AND CASH EQUIVALENTS, End of year	17	4,649.8	2,850.8

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. Chanel Limited is a private company limited by shares. The nature of the operations and principal activities of Chanel Limited and its subsidiaries are set out in the strategic report on pages 3 through 23.

Covid-19

Although the Group proved resilient throughout 2020, the Covid-19 pandemic caused a severe disruption to the Group's operations throughout 2020 and had a significant impact on the Group's revenues and operating profit. In preparing the 2020 consolidated financial statements, we have considered the contraction in the business in 2020 and the future outlook in assessing key areas and markets where we are most at risk. Whilst the economic recovery will be slow and the return of tourism will be gradual, we expect a return to normal operations in the long-term. These factors have been considered in our assessment of impairment of assets, included fixed assets, intangible assets and right-of-use assets, as well as inventory provisioning and the recoverability of receivables.

Incremental costs incidental to Covid-19, including face masks, hand sanitizer and specific measures put in place to safeguard various work facilities, have been included in operating profit in the statement of income.

Payroll tax credits automatically recognised through social security relief in certain markets from government initiatives aimed at safeguarding employment have been deducted from the corresponding expenses within operating profit. As part of these initiatives, some tax payment due dates have been extended allowing the Group to defer payments in some locations.

As part of the Group's liquidity risk management, it took action early on in the year to ensure the markets would be supported throughout the lockdown periods. This resulted in establishing confirmed credit lines as well as new borrowing arrangements, details of which are provided in Note 19. However, Chanel finished the year with a strong balance sheet supported by a net cash position of $1,074 million.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 applicable to those companies reporting under IFRS. 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 consolidated financial statements are presented in millions of U.S. dollars, except where specifically indicated otherwise. The presentation currency is different than the currency of the primary economic environment in which the Group operates, which is Sterling, since its parent company's functional currency is the U.S. dollar. Foreign operations are included in accordance with the policies set out elsewhere in Note 2. The Company only financial statements are presented in Sterling.

2.2 Accounting framework

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

The following applicable amendment has been adopted in the current year. The application of other standards, amendments and interpretations that took effect on 1 January 2020 did not have any significant impact on the Group's financial statements.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
c) There is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient retrospectively to all rent concessions that meet the above conditions, and has not restated prior period figures.

New Standards, Amendments and Interpretations in issue but not yet effective

At 31 December 2020, 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 37: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to IAS 16: Proceeds Before Intended Use
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements: 2018-2020 cycle
- IFRS 17: Insurance Contracts

The application of these standards, amendments and interpretations are not expected to have a significant impact on the Group's financial statements in future periods.

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the assets or liabilities of the subsidiary.

Gains and losses that result from transactions by the Group with entities under common control for the sale of assets, that are at fair market value for cash consideration, are recognised in the statement of income. If the assets cannot be measured reliably at fair market value, any gain or loss is recognised as an adjustment to a separate reserve within shareholder's equity.

Investments in associates and joint ventures

Associates and joint ventures 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.

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 profit or loss and the change in equity attributable to equity holders of the parent is recognised in equity. For certain investments related to the Group's sustainability initiatives, the Group also recognised gains or losses utilising the Hypothetical Liquidation at Book Value method ("HLBV"). The HLBV model estimates the amount the Group would be entitled to receive if the investment's assets were hypothetically sold at their book values. 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at the consolidated level.

2.4 Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval of these financial statements. 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; the extent of continuing operational disruptions arising from the Covid-19 pandemic; the forecast cash requirements and cash generation of the Group; and forecast compliance with loan covenants. As described in Note 17, the Group operates a global cash pooling arrangement whereby positive bank account balances are offset against the overdraft positions of participating entities under common control. This cash pooling arrangement has been considered within the forecast of the Group's cash flows.

The Group's approach to minimising liquidity risk is described further in Note 23 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 19. The Group continues

to maintain its policy of zero net debt at each reporting period, with net cash of $1,073.9 million reported as at 31 December 2020. The Group has access to over $1 billion 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.

The new financial year has started positively, despite continued Covid-19 containment measures being in place in certain markets in which the Group operates. The effect of these containment measures is mitigated by the Group operating globally across multiple geographies, and results from markets which are trading normally showing strong demand for the Group's products.

Various scenarios have been tested to understand the circumstances that would have to arise in order to breach financial covenants on the Group's borrowings. These are reflective of the Group's latest forecast, upon which varying degrees of downside scenarios on the Group's revenues have been applied. These downside scenarios incorporate the availability of the mitigating actions available to the Group, including the reduction of non-essential operating and capital expenditures and the reduction of planned dividends to the Group's parent company. The consequential impact of these downside scenarios on the Group's cash flows and net debt position, and ultimately the financial covenants on the Group's borrowings, have been reviewed. One of the downside scenarios analysed included a 25% reduction in revenues compared to the Group's latest forecast. Under this scenario, the Group would remain in compliance with the most critical covenant on its Private Placement borrowings, being the indebtedness ratio described in Note 19 where the ratio of the Group's consolidated net debt to consolidated EBITDA must be less than 3.25 to remain compliant. Even under a reverse stress test scenario reflecting a decline in revenues of over 45% compared to the Group's latest forecast, the Group would still remain in compliance with the indebtedness ratio covenant within the going concern assessment period. The likelihood of these scenarios occurring is remote and beyond what is considered reasonable in order for the indebtedness covenant to be breached. In this remote situation, further mitigating actions would be available to the Group, such as further reductions to non-essential operating expenditures and the reduction of capital expenditures to minimum maintenance levels.

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 Group applies IFRS 3 (2008), *Business Combinations* and IFRS 10, *Consolidated Financial Statements*. 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 included in the amendments to IFRS 3 that are effective for annual reporting periods beginning on or after 1 January 2020, which were early adopted by the Group in the 2019 consolidated financial statements. The purpose of this test is to permit a simplified assessment of whether an acquired set of activities and assets is not a business can be applied on a transaction-by-transaction basis. The concentration test is met if substantially all of 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.

Business combinations that involve entities under common control are excluded from the scope of IFRS 3. For such transactions, the Group's policy is to use merger accounting, which incorporates the acquired entity's results as if both entities had always been combined (or from the date of common control, if later). Consequently, the consolidated financial statements reflect both entities' full year results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding

amounts for the previous year reflect the combined results of both entities, even though the transaction did not occur until the subsequent year. Under merger accounting, the acquirer does not restate any assets or liabilities to their fair values and no new goodwill is recorded. Instead, the acquirer incorporates the assets and liabilities at their pre-combination carrying amounts. Any difference between the cost of the investment and the carrying value of the net assets is recorded in a merger reserve.

2.6 Use of estimates

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.

The Covid-19 pandemic has had a major impact on the global economy and as a result, the directors have carefully assessed the assets held by the Group at 31 December 2020 to identify any indicators of impairment. The Group has also reconsidered what it deems to be critical judgements and key assumptions used to determine those that would have a material impact on the carrying amounts of its assets and liabilities at the balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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. These judgements do not have a significant effect on the amounts recognised in the financial statements.

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:

- **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 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 with a five year period. 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 9.

- **Impairment of property** - Properties, including retail boutiques, right-of-use assets and Group owned real estate, were a particular focus for impairment in 2020, due to the impact of the pandemic. For most of the properties, the approach is similar to the assessment of impairment of goodwill in that the recoverable amount of an asset or a CGU is determined 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 10 for details of impairments recognised in the financial statements.

- **Impairment of capitalised software –** Software has a relatively short useful life given the constant evolution of these products and technology. The Group assessed its capitalised software to determine if the software was no longer expected to be used; if a significant change occurred in the manner in which the software was intended to be used; or if there was a change to the software itself with earlier versions being obsolete or no longer valuable to the Group. These factors were assessed in determining if any of the Group's capitalised software was impaired at 31 December 2020. Refer to Note 9 for impairments recognised related to capitalised software.

- **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 and its 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 20 for further details on pension obligations.

- **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. However, we believe that we have adequately provided for uncertain tax positions. 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. We have not performed a sensitivity analysis on uncertain tax positions as it is not practical to do so. Refer to Note 14 for further details.

- **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 collection termination. An impairment is booked to reduce inventories to net realisable value if this is lower than the carrying value. Refer to Note 16 for further details of the carrying value of inventory.

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 profit or loss.

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.

Foreign exchange gains or losses arising on the translation of a net investment in a foreign subsidiary are recognised in the consolidated financial statements in other comprehensive income. When a foreign operation is sold, such exchange differences are reclassified from other comprehensive income and recognised in the consolidated statement of income.

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 22). 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 wholesale 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, and 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.

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 14).

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 take into account 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.

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:

• Land improvements	up to 45 years
• Buildings	up to 45 years
• Machinery, furniture, and equipment	up to 10 years
• Leasehold improvements	up to 10 years
• Vineyards	up to 35 years

Land and assets under construction are 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, including properties under construction for such purposes and mixed used properties. Properties held under operating leases that are used to earn rentals are not classified as investment property.

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 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 (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 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 income statement 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 commencement date of the lease.

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.

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 and cash equivalents

Cash and cash equivalents consists 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position (Note 19).

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 21).

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 16). 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 Advertising and promotion expenses

Advertising and promotion expenses include the costs of creating advertising media, purchasing media space, manufacturing samples, and producing marketing materials, and in general, the cost of all activities designed to promote the Group's products. Advertising and promotion expenses are recognised as expenses are incurred.

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 (Note 9). Goodwill is not amortised but it is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which goodwill arose. The CGUs

represent the Group's smallest identifiable groups of assets that generates cash inflows that are largely independent of the cash inflows from other cash inflows from other assets or groups of assets.

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 9).

Capitalised software and related licenses
Costs that are directly associated with developing, purchasing, implementing, or improving identifiable software having 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 five 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.

Leasehold rights
Leasehold rights are defined as payments made by the Group to a landlord or existing tenant to obtain the rights of tenancy. They are considered to have an indefinite useful life and, therefore, are not amortised. An impairment test is performed annually.

2.19 Impairment of assets

Finite-lived intangible assets, tangible fixed assets 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, which is typically a boutique. 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. 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 profit or loss 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 2020, the Group received refundable tax credits of $4.2 million (2019: $4.0 million) related to eligible R&D expenditures. These tax credits are reported as a reduction of research and development expense in the period in which the Group recognises the related costs for which the credits are intended to compensate. Other government incentives are aimed at providing long-term support for companies setting up business activities in specific markets. The Group recognised $13.4 million (2019: $8.9 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 ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, a related party loan 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 profit or loss. Dividends are recognised as other income in the statement of profit or loss 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. 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 profit or loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 bad debt risk on the Group's trade receivables is extremely 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 15.

2.22 Assets classified as 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 18).

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

The Group uses derivative instruments as part of its overall strategy to manage its exposure to market risks associated with foreign exchange rates, interest rates and gold price risks. As a matter of policy, the Group does not use derivatives for trading or speculative purposes. Changes in the value of derivative financial instruments are measured at the statement of financial position date and recognised in the consolidated statement of income in finance costs, net. The Group does not apply hedge accounting.

2.25 Employee benefits

Retirement benefits
The Group has both defined benefit and defined contribution plans (Note 20). 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 profit from recurring operations 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 is recognised in finance costs, net. The interest earned on the performance of the plan assets is recognised in investment income, 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.

2.26 Finance costs, net

Finance costs, net is comprised of interest expense, gains and losses related to derivatives and gains and losses related to foreign exchange (Note 5).

2.27 Investment income, net

Investment income, net is comprised of items relating to the Group's investment activities, including those related to associates and financial assets. These investment activities support the Group's operations, but they are not part of the Group's core operating business activities. Please refer to Note 6 for details.

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.

	2020 $ millions	2019 $ millions
Type of sales		
Sales of goods	10,101.9	12,261.8
License income	6.5	11.5
	10,108.4	12,273.3
Geographical markets		
Asia Pacific	5,256.6	5,425.9
Europe	2,885.5	4,534.3
The Americas	1,966.3	2,313.1
	10,108.4	12,273.3

4. OPERATING PROFIT

	2020 $ millions	2019 $ millions
Profit before tax is stated after charging (crediting):		
Research and development expenditure	138.4	146.7
Restructuring costs expenditure	55.1	26.8
Net impairment on fixed assets, intangibles and other assets	61.2	22.0
Bargain purchase option	(3.8)	-
Investment gains on corporate-owned life insurance	(7.0)	(4.8)
Loss on disposal of assets	5.0	1.2
Other	(3.6)	(2.3)
	106.9	42.9

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 2020 or 2019. The Group did not have any amounts related to prior years capitalised in its consolidated statement of financial position as of 31 December 2020 (2019: $nil).

5. FINANCE COSTS, NET

Finance costs, net consisted of the following components:

	2020 $ millions	2019 $ millions
Gains (losses) on asset linked notes	46.1	(104.7)
Interest expense on financial borrowings	(99.0)	(99.7)
Interest expense on lease liabilities	(64.0)	(62.2)
Derivatives gains (losses), net	9.3	(29.9)
Foreign exchange (losses) gains, net	(72.4)	20.3
Losses on other financial assets	(4.0)	-
	(184.0)	(276.2)

6. INVESTMENT INCOME, NET

Investment income, net consisted of the following components

	2020 $ millions	2019 $ millions
Interest income	31.5	44.1
Interest income on finance lease receivables	1.3	1.2
Other (costs) income, net	(2.0)	9.6
	30.8	54.9

7. AUDITOR'S REMUNERATION

	2020 $ millions	2019 $ millions
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	1.0	0.9
Fees payable to the Group's auditor and its associates for the audit of the Group's subsidiaries pursuant to legislation	4.9	4.6
	5.9	5.5
Fees payable to the Group's auditor and its associates for other services:		
Consulting and other services	7.0	5.2
Taxation compliance services	0.9	1.0
Taxation advisory services	0.3	0.2
	8.2	6.4

8. INFORMATION REGARDING EMPLOYEES

	2020	2019
	No.	No.
Average monthly number of persons employed		
Sales and distribution	16,106	15,595
Administration	6,870	6,628
Production	4,355	4,281
	27,331	26,504

	2020	2019
	$ millions	$ millions
Staff costs during the year		
Wages and salaries	1,643.9	1,593.9
Social security costs	339.8	333.0
Pensions costs	134.2	104.7
Other personnel costs	195.8	246.9
	2,313.7	2,278.5

9. INTANGIBLE ASSETS

	Capitalised software and related licenses	Goodwill	Leasehold rights and other	Total
	$ millions	$ millions	$ millions	$ millions
Cost:				
Balance at 1 January 2019	285.2	194.9	204.0	684.1
Additions	115.8	23.1	1.6	140.5
Disposals	(8.4)	-	(3.1)	(11.5)
Transfers to ROU assets	-	-	(59.4)	(59.4)
Exchange differences	(1.9)	(3.8)	(2.8)	(8.5)
Balances at 31 December 2019	390.7	214.2	140.3	745.2
Additions	109.6	11.3	20.7	141.6
Disposals	(7.3)	-	(0.3)	(7.6)
Exchange differences	28.5	15.0	10.3	53.8
Balances at 31 December 2020	521.5	240.5	171.0	933.0
Accumulated amortisation and impairment:				
Balance at 1 January 2019	152.7	30.0	31.5	214.2
Amortisation expense	41.6	-	3.5	45.1
Disposals	(11.5)	-	-	(11.5)
Transfers to ROU assets	-	-	(23.4)	(23.4)
Impairment losses	14.4	1.6	-	16.0
Exchange differences	(0.9)	(0.3)	(0.5)	(1.7)
Balances at 31 December 2019	196.3	31.3	11.1	238.7
Amortisation expense	72.1	-	4.0	76.1
Disposals	(7.3)	-	-	(7.3)
Impairment losses	3.4	-	2.0	5.4
Exchange differences	14.8	2.8	0.7	18.3
Balances at 31 December 2020	279.3	34.1	17.8	331.2
Carrying amount at 31 December 2019	194.4	182.9	129.2	506.5
Carrying amount at 31 December 2020	242.2	206.4	153.2	601.8

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

Goodwill impairment

The Group tests for impairment annually in accordance with IAS 36 "Impairment of Assets." In assessing for impairment, the Group considered the contraction in the business in 2020 and the future outlook in assessing key areas and markets where we are most at risk.

Impairment analysis

The Group's most significant goodwill balances are related to its manufacturing companies that support the fashion business activities. The key assumptions contained in the value in use calculations include the future revenues, the margins achieved, the discount rate applied and the assumed life of the business. 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 discount and long-term growth rates applied are as follows:

	Goodwill							
	2020				2019			
	$ millions				$ 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	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	160.2	7.5%	1.0% - 21.0%	0.0% - 2.5%	125.5	7.1%	0.0% - 21.0%	0.0% - 3.0%

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.

There are other CGUs amounting to $34.9 million (2019: $15.4 million) for which we determined the recoverable amount through a third-party valuation.

Based on these assessments, the Group did not recognise any impairment related to goodwill in 2020 (2019: $1.6 million). Impairment costs are reported in selling, general and administrative in the consolidated statement of income.

Note that goodwill arising on acquisitions of $11.3 million (2019: $23.1 million) is not assessed for impairment in the year of acquisition. The Group considers the acquisition price as equivalent to the fair value in the year of purchase. See Note 28 for details on business combinations.

Sensitivity analyses

A sensitivity analysis has been performed on the value in use calculations by assuming more conservative growth rates beyond the year ending 31 December 2020. We noted that a reduction to the annual growth rate, within a range of 100 to 200 basis points, would not result in the recognition of any further impairment losses.

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

	2020		
	$ 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	140.0	26.4	36.4

10. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery, furniture, and equipment	Leasehold improvements	Construction in progress	Vineyard land and producing vineyards	Total
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Cost:							
Balances at 1 January 2019	1,205.8	1,849.6	1,314.5	1,203.7	220.5	24.9	5,819.0
Additions	36.7	55.3	151.7	180.6	302.7	1.2	728.2
Disposals	(1.3)	(24.0)	(58.6)	(62.5)	(0.2)	-	(146.6)
Transfers to ROU assets	(0.2)	(2.8)	-	(0.5)	-	-	(3.5)
Transfers within PPE	5.6	58.1	44.1	104.9	(212.9)	0.2	-
Reclassified as held for sale (Note 18)	-	(58.7)	-	-	-	-	(58.7)
Exchange differences	(12.3)	(23.8)	(9.4)	4.0	(3.0)	(0.2)	(44.7)
Balances at 31 December 2019	1,234.3	1,853.7	1,442.3	1,430.2	307.1	26.1	6,293.7
Additions	443.5	89.7	81.9	56.8	351.1	1.9	1,024.9
Disposals	(4.8)	(8.5)	(30.0)	(57.0)	(1.2)	-	(101.5)
Transfers to investment property	(1.5)	(8.3)	-	4.7	(20.5)	-	(25.6)
Transfers within PPE	24.5	26.7	32.0	72.8	(156.2)	0.2	-
Exchange differences	76.2	152.9	94.0	57.7	30.3	0.6	411.7
Balances at 31 December 2020	1,772.2	2,106.2	1,620.2	1,565.2	510.6	28.8	7,603.2
Accumulated depreciation and impairment:							
Balances at 1 January 2019	4.6	701.4	833.8	756.0	0.4	7.7	2,303.9
Disposals	-	(19.2)	(51.8)	(50.3)	-	-	(121.3)
Depreciation expense	0.2	63.7	119.9	142.7	-	1.7	328.2
Impairment losses	-	-	1.2	7.4	-	-	8.6
Transfers to ROU assets	-	(0.6)	-	-	-	-	(0.6)
Reclassified as held for sale (Note 18)	-	(1.3)	-	-	-	-	(1.3)
Exchange differences	-	(8.4)	(6.1)	2.8	-	(0.2)	(11.9)
Balances at 31 December 2019	4.8	735.6	897.0	858.6	0.4	9.2	2,505.6
Disposals	(0.3)	(7.4)	(26.6)	(54.1)	(0.3)	-	(88.7)
Depreciation expense	0.3	64.9	129.3	150.5	-	1.6	346.6
Impairment losses	-	49.5	2.1	4.4	0.2	-	56.2
Transfers to investment property	(0.9)	(14.9)	(0.6)	(0.6)	-	-	(17.0)
Exchange differences	0.3	56.0	64.0	34.2	-	0.3	154.8
Balances at 31 December 2020	4.2	883.7	1,065.2	993.0	0.3	11.1	2,957.5
Carrying amount at 31 December 2019	1,229.5	1,118.1	545.3	571.6	306.7	16.9	3,788.1
Carrying amount at 31 December 2020	1,768.0	1,222.5	555.0	572.2	510.3	17.7	4,645.7

	2020	2019
	$ millions	$ millions
Contractual commitments related to property, plant and equipment	202.3	293.3
Borrowings secured by property, plant and equipment	499.9	675.7

There were no capitalised borrowing costs recognised in 2020 and 2019 related to property, plant and equipment.

Impairment
In 2020, the Group recognised $56.2 million (2019: $8.6 million) of impairment losses in property, plant, and equipment. The impairment primarily relates to a property located in the US that has suffered a significant decline in market prices, exacerbated by the pandemic. Based on a valuation of this property performed by a third party surveyor in 2020, the Group recognised an impairment charge of $48.9 million in 2020. Other impairments are mainly related to boutique assets.

Sensitivity analysis
A sensitivity analysis has been performed on the value in use calculations by assuming more conservative growth rates beyond the year ending 31 December 2020. We noted that a reduction to the annual growth rate, within a range of 100 to 200 basis points, would not result in the recognition of any further impairment losses.

The Group performed additional sensitivity analysis on the discount rate. We noted that an increase in the discount rate of 50 or 100 basis-points would result in a further impairment loss of $0.3 million or $0.7 million, respectively, in one of our office space assets.

11. INVESTMENT PROPERTY

	2020	2019
	$ millions	$ millions
Cost:		
Balance at 1 January	146.6	144.8
Additions	0.1	0.9
Transfers from property, plant and equipment	25.6	-
Exchange differences	8.7	0.9
Balance at 31 December	181.0	146.6
Accumulated depreciation and impairment:		
Balance at 1 January	14.6	12.4
Depreciation expense	3.4	2.2
Transfers from property, plant and equipment	17.0	-
Exchange differences	1.1	-
Balance at 31 December	36.1	14.6
Carrying amount at 31 December	144.9	132.0
Fair value at 31 December	413.0	372.6

As of 31 December 2020 and 2019, 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 12) and rental income received is fixed under the contracts.

There were no capitalised borrowing costs recognised in 2020 and 2019 related to investment property.

As of 31 December 2020, no borrowings were secured by investment properties (2019: $88.7 million), since the related borrowings were repaid in 2020.

Amounts recognised in the consolidated statement of income:

	2020 $ millions	2019 $ millions
Rental income	10.0	9.8
Direct operating expenses	5.2	3.8

There were no impairment losses recognised related to investment properties in 2020 or 2019.

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 less costs of disposal 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 less costs of disposal of the buildings are within Level 2 of the fair value hierarchy. There were no changes to the methods and assumptions in determining fair value less costs of disposal from the prior year.

12. 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 2019	1,614.7	8.8	1,623.5
New leases	295.2	6.2	301.4
Remeasurements	140.1	(0.2)	139.9
Leases terminated	(24.7)	(0.4)	(25.1)
Acquisitions	0.7	0.8	1.5
Finance sublease	(42.4)	-	(42.4)
Exchange differences	15.6	0.1	15.7
Balance at 31 December 2019	1,999.2	15.3	2,014.5
New leases	205.4	6.4	211.8
Remeasurements	80.7	0.4	81.1
Leased properties acquired	(122.9)	-	(122.9)
Leases terminated	(29.0)	(3.1)	(32.1)
Exchange differences	74.6	1.1	75.7
Balance at 31 December 2020	2,208.0	20.1	2,228.1
Accumulated depreciation and impairment:			
Balance at 1 January 2019	-	-	-
Depreciation expense	328.5	5.3	333.8
Impairment	4.4	-	4.4
Leases terminated	(14.4)	(0.3)	(14.7)
Finance sublease	(0.8)	-	(0.8)
Exchange differences	2.0	-	2.0
Balance at 31 December 2019	319.7	5.0	324.7
Depreciation expense	343.8	6.2	350.0
Impairment	1.5	-	1.5
Leased properties acquired	(12.4)	-	(12.4)
Leases terminated	(27.3)	(2.9)	(30.2)
Exchange differences	22.0	0.4	22.4
Balance at 31 December 2020	647.3	8.7	656.0
Carrying amount at 31 December 2019	1,679.5	10.3	1,689.8
Carrying amount at 31 December 2020	1,560.7	11.4	1,572.1

Right-of-use assets impairment

As a part of the Group's impairment review, $1.5 million of impairment losses were recognised in 2020 (2019: $4.4 million), which are reported in selling, general and administrative expenses in the consolidated

statement of income. 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 2019	260.5	1,403.0	1,663.5
New leases	38.8	259.3	298.1
Repayments	(347.8)	-	(347.8)
Accrued interest	62.2	-	62.2
Leases terminated	(3.5)	(6.9)	(10.4)
Remeasurements	11.7	127.8	139.5
Acquisitions	0.3	1.2	1.5
Transfers	283.3	(283.3)	-
Exchange differences	1.4	9.0	10.4
Balance at 31 December 2019	306.9	1,510.1	1,817.0
New leases	21.2	191.4	212.6
Landlord contributions	3.0	-	3.0
Repayments	(387.7)	-	(387.7)
Accrued interest	64.0	-	64.0
Leases terminated	(2.0)	(2.9)	(4.9)
Leased properties acquired	(5.5)	(107.0)	(112.5)
Remeasurements	10.4	70.7	81.1
Transfers	289.5	(289.5)	-
Exchange differences	12.3	52.6	64.9
Balance at 31 December 2020	312.1	1,425.4	1,737.5

On 8 October 2020, the Company purchased the site of its flagship store at 158-159 New Bond Street in London for $442.3.million. The acquisition of the building resulted in a lease liability reduction of $112.5 million.

Maturity analysis of lease liabilities:

	2020	2019
	$ millions	$ millions
Less than one year	405.3	393.3
One to five years	1,084.5	1,007.5
More than five years	822.1	812.0
	2,311.9	2,212.8

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:

	2020	2019
	$ millions	$ millions
Expenses relating to short-term leases	3.4	10.5
Expenses relating to low value assets	7.1	6.4
Expenses relating to variable lease payments	321.2	302.4
	331.7	319.3

Variable lease payments based on sales

Some leases of retail stores contain variable lease payments that are based on sales that are made within a particular store. Total fixed and variable lease payments were $387.7 million (2019: $347.8 million) and $321.2 million (2019: $302.4 million), respectively, as of 31 December 2020. Overall, the variable payments constitute 44.6% (2019: 45.3%) 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 2020, the Group recognised $18.6 million of Covid-19 related rent concessions that have been accounted for as negative variable lease payments in the statement of income (Note 2.2).

Extension options

Some real estate contains 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 $373.1 million (2019: $366.2 million). The proportion of the Group's leases which contain extension options that are included in the lease liability is 24.8% (2019: 25.6%).

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 $21.3 million (2019: $73.7 million).

The Group as lessor

Leases receivables

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

	2020	2019
	$ millions	$ millions
Finance lease		
Finance income on the net investment in the lease	1.3	1.2
Operating lease		
Lease income	21.7	27.4
	23.0	28.6

The income recognised during the year from subletting right-of-use assets was $4.0 million (2019: $4.3 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 11 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:

	2020	2019
	$ millions	$ millions
Less than one year	14.3	13.0
One to two years	14.3	12.7
Two to three years	14.0	12.7
Three to four years	11.8	12.3
Four to five years	9.4	10.2
More than five years	33.4	38.7
Total undiscounted lease payments	97.2	99.6

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.

	2020	2019
	$ millions	$ millions
Non-current finance lease receivables	28.5	32.0
Current finance lease receivables	3.6	3.3
	32.1	35.3

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

	2020	2019
	$ millions	$ millions
Less than one year	4.8	4.7
One to two years	5.0	4.8
Two to three years	5.1	5.0
Three to four years	5.3	5.1
Four to five years	5.3	5.3
More than five years	11.7	16.9
Total undiscounted lease payments receivable	37.2	41.8
Unearned finance income	(5.1)	(6.5)
Net investment in lease	32.1	35.3

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2020, the Group had $275.3 million of investments in associates and joint ventures (2019: $213.8 million). In general, the Group holds ordinary shares in its investments in associates and joint ventures. The details of which were as follows:

Name of associate	Principal activity	Place of incorporation and operation	Ownership percentage as of December 31	
			2020	2019
C&D KK	Restaurant operations	Japan	50%	50%
Montres Romain Gauthier SA	Manufacture and sale of watches	Switzerland	50%	50%
ERPRO 3D Factory	Manufacture and sale of 3D printing manufactured products	France	50%	50%
ETS Denis et Fils	Silk weaving	France	40%	40%
AC&B	Manufacture and sale of skincare products	France	26%	26%
Innolis	Manufacture and sale of interior perfumes and dispensing tools	France	32%	33%
Solcen Technologies Private Limited [2]	Global IT solutions	India	0%	49%
Kenissi Holding	Watch movements	Switzerland	20%	20%
Tulcan	Investment in leather goods manufacturer	Luxembourg / Italy	40%	40%
Bolduc 2.0	Luxury apparel manufacturer	France	34%	34%
Mabi International S.p.A.	Leather goods manufacturer	Italy	40%	40%
Sunrun	Solar energy panels	United States	32%	32%
FAB Co-Creation Ventures LLC [1]	Implementation of venture capital strategies	US	46%	0%
FCL SRL joint venture	Manufacture and surface treatment of stainless steel components	Italy	50%	50%

[1] New investments in 2020

[2] Investment disposed of in 2020

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

	2020 $ millions	2019 $ millions
Total assets	588.6	420.8
Total liabilities	239.5	169.9
Net assets	349.1	250.9
Total revenue	421.4	367.1
Total profit for the period, net	69.2	51.8
Group's share of profit from associates and joint ventures, net	31.3	3.6

The Group did not receive a dividend from its associates and joint ventures in 2020 or 2019.

In 2020, the Group recognised an impairment loss of $2.9 million related to its associates and joint ventures (2019: $nil).

14. INCOME TAXES

The major components of income tax expense were as follows:

	2020 $ millions	2019 $ millions
Consolidated statement of income:		
Current income tax expense	579.5	917.5
Deferred income tax benefit	(40.1)	(49.6)
Income tax expense recognised in the consolidated statement of income	539.4	867.9
Consolidated statement of comprehensive income:		
Effect of actuarial gains on defined benefit pension plans	8.6	27.1
Effect of FVOCI financial asset (losses) gains	(5.8)	12.8
Tax benefit recognised directly in equity	2.8	39.9

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

	2020	2019
	as a % of pre-tax income	
Blended statutory rate amongst tax jurisdictions	22.9%	25.8%
Effect of permanent differences	0.9%	-0.4%
Change in tax rates	0.5%	-0.4%
Taxes on distributions	3.6%	0.4%
Other	0.1%	1.1%
Effective tax rate	28.0%	26.5%

The components of current income tax receivables were as follows:

	2020 $ millions	2019 $ millions
Tax refund receivable	24.3	57.7
Other	1.3	2.4
Income taxes receivable	25.6	60.1

The components of current income tax liabilities were as follows:

	2020	2019
	$ millions	$ millions
Income taxes payable	245.6	282.4
Income tax contingencies	16.8	20.2
Income tax liabilities	262.4	302.6

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

2020 $ millions	Opening balance	Recognised in profit or loss	Recognised in OCI	Acquisitions/ (disposals)	Exchange differences	Closing balance
Inventories	189.3	17.4	-	-	1.9	208.6
Provisions	133.9	50.1	-	0.1	6.5	190.6
Retirement benefit obligations	92.3	14.9	8.6	-	3.5	119.3
Foreign earnings	(33.4)	(41.5)	-	-	-	(74.9)
Other	80.0	(0.8)	0.4	(0.5)	5.1	84.2
	462.1	40.1	9.0	(0.4)	17.0	527.8

Deferred income tax assets	655.4
Deferred income tax liabilities	(127.6)
	527.8

2019 $ millions	Opening balance	Recognised in profit or loss	Recognised in OCI	Acquisitions/ (disposals)	Exchange differences	Closing balance
Inventories	172.0	12.4	-	5.2	(0.3)	189.3
Provisions	100.3	33.6	-	0.2	(0.2)	133.9
Retirement benefit obligations	66.5	(0.1)	27.1	(0.8)	(0.4)	92.3
Foreign earnings	(32.6)	(0.8)	-	-	-	(33.4)
Other	67.8	4.5	12.8	(5.3)	0.2	80.0
	374.0	49.6	39.9	(0.7)	(0.7)	462.1

Deferred income tax assets	554.4
Deferred income tax liabilities	(92.3)
	462.1

As of 31 December 2020, the deferred tax assets not recognised relating to unused tax losses and deductible temporary differences were $62.7 million (2019: $22.5 million). 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 2020 or 2019.

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.

15. TRADE RECEIVABLES AND OTHER ASSETS

	2020		2019	
	Current	Non-current	Current	Non-current
	$ millions	$ millions	$ millions	$ millions
Financial [a]				
Trade receivables	956.4	-	1,090.1	-
Derivatives	0.3	-	36.9	-
Other assets	60.1	222.8	148.3	222.4
Deposits	-	73.8	-	80.2
Equity investments	1.2	54.3	88.0	46.6
Loan to related party	-	51.1	-	46.9
Finance lease receivables	3.5	28.5	3.3	32.0
Accrued credit notes	14.0	-	11.0	-
Product returns	5.0	-	4.0	-
Other	36.4	15.1	42.0	16.7
	1,016.8	222.8	1,275.3	222.4
Non-financial				
Other taxes receivable	230.1	-	183.3	-
Cash surrender value of corporate-owned life insurance	-	182.0	-	165.4
Prepaid expenses	139.8	-	127.0	-
Advances to suppliers	99.4	-	148.3	-
Other	15.2	26.4	20.7	37.5
	484.5	208.4	479.3	202.9
	1,501.3	431.2	1,754.6	425.3

Trade receivables consisted of the following:

	2020	2019
	$ millions	$ millions
Gross trade receivables	971.4	1,102.9
Allowance for doubtful accounts	(15.0)	(12.8)
Net carrying amount	956.4	1,090.1
Ageing of trade receivables:		
Not past due	799.8	883.2
Less than one month past due	100.0	118.4
Greater than one month past due	71.1	67.2
Due from related parties	0.5	34.1
	971.4	1,102.9

Movement in allowance for doubtful accounts is as follows:

	2020	2019
	$ millions	$ millions
Balance at 1 January	(12.8)	(9.9)
Impairment losses	(5.4)	(5.5)
Amounts recovered during the year	0.5	0.6
Amounts written off as uncollectible	2.8	0.8
Reversals of impairment losses charged to profit or loss	0.7	1.1
Exchange differences	(0.8)	0.1
Balance at 31 December	(15.0)	(12.8)

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

There are no differences between the market value of trade receivables and their carrying amount due to their short-term nature. As a result, the amounts reflected in the consolidated statement of financial position were based on the expected cash flows which were not discounted as they are expected to be received within the next three months.

In certain markets, extensions on payment terms were given to some customers experiencing financial difficulties resulting from Covid-19, but these amounts were settled within the year with no issue of recoverability. In general, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally-dispersed customers. The Group has established credit check procedures to ensure the high creditworthiness of its customers and has credit insurance with select parties.

As of 31 December 2020, an allowance of $2.1 million (2019: $2.1 million) was related to accounts that were not past due.

16. INVENTORIES

	2020	2019
	$ millions	$ millions
Finished goods	1,703.7	1,423.8
Raw materials	353.7	301.8
Work in process	139.7	128.7
Component inventory	158.2	131.2
Reserves	(750.3)	(528.7)
	1,605.0	1,456.8

The cost of inventories recognised in the Group's consolidated statement of income was $1,823.0 million (2019: $2,171.1 million). In addition, the Group recognised $419.4 million (2019: $326.2 million) related to the write-down of inventory to net realisable value.

Sensitivity analysis

A sensitivity analysis has been performed on the net realisable value of inventory assuming a downturn in the business that could result in providing for additional reserves on existing stock levels. An increase of 10% in the reserves balance at 31 December 2020 would reduce net inventory by $75.0 million.

17. CASH AND CASH EQUIVALENTS

	2020	2019
	$ millions	$ millions
Cash in bank	4,100.6	2,850.3
Short-term deposits	549.2	0.5
	4,649.8	2,850.8

The Group operates a global cash pooling arrangement. As of 31 December 2020, the positive bank account balances of the Company and its subsidiaries were $2,267.1 million (2019: $3,654.5 million), and the overdraft positions of other subsidiaries were $35.9 million (2019: $976.4 million). In 2019, the overdraft positions were offset against the positive balances within cash and cash equivalents. In 2020, the overdraft positions are presented gross within borrowings (Note 19), as a result of the changes in terms of a new arrangement with a different provider. As of 31 December 2020, other entities under common control had net overdrafts from the cash pool of $2,181.5 million (2019: $2,074.0 million), leaving a net surplus of $49.7 million (2019: $604.1 million).

18. ASSETS CLASSIFIED AS HELD FOR SALE

	2020	2019
	$ millions	$ millions
Assets classified as held for sale	66.4	57.4

The Group's assets classified as held for sale at 31 December 2019, have not been disposed of during 2020 as a direct result of the pandemic. These assets continue to be deemed held for sale at 31 December 2020, in accordance with IFRS 5 *Assets Held for Sale* (Note 2.22).

Boutique space
The building in France includes office space as well as four boutiques located on the ground floor. In 2019, the Group decided to sell two of the boutiques and has been actively marketing the property for sale. The carrying amount of the property as of 31 December 2020 was $61.0 million (2019: $54.5 million).

Office space
On 18 December 2019, the Group exchanged a sale contract for real estate with a third party, with settlement expected to be complete by 30 June 2020. However, the buyer was financially impacted by the effects of the pandemic in early 2020 and the sale was not completed as planned. The property continues to be marketed for sale and the carrying amount of the property as of 31 December 2020 was $3.1 million (2019: $2.9 million).

Other
Certain properties acquired through business combinations in 2020 are deemed to meet the criteria of *Held for Sale* and have been accounted for accordingly. The carrying amount of these properties was $2.3 million as of 31 December 2020.

19. BORROWINGS

Borrowings consisted of the following:

	2020							
	Current	2022	2023	2024	2025	Beyond	Unamortised debt issuance cost	Balance at 31 Dec
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Senior notes	-	-	-	199.5	-	1,733.2	(3.6)	1,929.1
Sustainability-linked guaranteed notes	-	-	-	-	-	732.7	(6.8)	725.9
Bank debt	42.7	61.1	22.8	368.1	2.1	37.4	(1.8)	532.4
Bank overdrafts	37.7	-	-	-	-	-	-	37.7
	80.4	61.1	22.8	567.6	2.1	2,503.3	(12.2)	3,225.1

	2019							
	Current	2021	2022	2023	2024	Beyond	Unamortised debt issuance cost	Balance at 31 Dec
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Senior notes	-	-	-	-	199.5	1,073.5	(4.3)	1,268.7
Promissory Note	-	-	-	-	-	60.0	-	60.0
Bank debt	88.9	150.4	70.0	34.3	351.4	182.2	(2.4)	874.8
Bank overdrafts	0.9	-	-	-	-	-	-	0.9
	89.8	150.4	70.0	34.3	550.9	1,315.7	(6.7)	2,204.4

Of the total borrowings, $2,687.6 million are unsecured (2019: $1,414.1 million) and $537.5 million are secured against Group assets (2019: $790.3 million).

New financing arrangements

On 22 April 2020, Chanel Limited issued $756.0 million (£600.0 million) of commercial paper through HM Treasury and the Bank of England's Covid-19 Corporate Financing Facility. This commercial paper was unsecured and short-term in nature and was fully drawn down at the prevailing SONIA rate plus 40bps, resulting in an all-in borrowing cost of 0.5%. The amount was fully repaid in September 2020.

On 13 October 2020, Chanel Limited issued $600.0 million of Senior Notes in four Series in a private placement transaction pursuant to a Note Purchase Agreement as follows: (i) $75 million 2.45% Senior Notes due 13 October 2030, (ii) $175 million 2.55% Senior Notes due 13 October 2032, (iii) $175 million 2.70% Senior Notes due 13 October 2035 and (iv) $175 million 3.2% Senior Notes due 13 October 2040. The Group already has two existing Private Placement arrangements totaling $1,332.6 million that were established in 2014 and 2016 as noted in the table below.

Nominal amount (in local currency)	Date of issuance	Maturity	Interest rate (%)	2020	2019
				$ millions	$ millions
EUR 205 million	2016	2026	1.84%	250.3	229.9
EUR 190 million	2016	2028	2.04%	232.0	213.1
EUR 115 million	2016	2031	2.28%	140.5	129.0
EUR 90 million	2016	2036	2.75%	109.9	101.0
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
USD 75 million	2020	2030	2.45%	75.0	-
USD 175 million	2020	2032	2.55%	175.0	-
USD 175 million	2020	2035	2.70%	175.0	-
USD 175 million	2020	2040	3.20%	175.0	-
				1,932.7	1,273.0

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 all of these covenants throughout the year and as of 31 December 2020.

On 1 October 2020, the Group issued two Sustainability-Linked Guaranteed Notes on the Luxembourg Stock Exchange as follows:

Issue type	Currency	Principal amount	Maturity year	Interest rate	Issue price	Carrying amount at 31 December 2020
						$ millions
Bond, Fixed rate	Euro	300.0m	2026	0.50%	99.726%	363.6
Bond, Fixed rate	Euro	300.0m	2031	1.00%	99.400%	362.3
						725.9

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 as described on page 8 of the strategic report.

In 2020, the Group settled several borrowing arrangements, including the Promissory Note of $60.0 million, that were outstanding as of 31 December 2019.

Bank overdrafts

Bank overdrafts of $37.7 million (2019: $0.9 million) represent balances in the Group's notional cash pooling arrangements.

Reconciliation of borrowings arising from financing activities:

			Non-cash changes		
	1 January 2020	Cash flows	Reclassifications from long-term to short-term and other	Foreign exchange movements	31 December 2020
	$ millions	$ millions	$ millions	$ millions	$ millions
Long-term borrowings	2,114.6	1,093.9	(211.4)	147.6	3,144.7
Short-term borrowings	89.8	(237.7)	223.5	4.8	80.4
	2,204.4	856.2	12.1	152.4	3,225.1

			Non-cash changes		
	1 January 2019	Cash flows	Reclassifications from long-term to short-term and other	Foreign exchange movements	31 December 2019
	$ millions	$ millions	$ millions	$ millions	$ millions
Long-term borrowings	2,171.9	-	(37.0)	(20.3)	2,114.6
Short-term borrowings	63.2	(15.9)	41.9	0.6	89.8
Lease liabilities	3.2	-	(3.2)	-	-
	2,238.3	(15.9)	1.7	(19.7)	2,204.4

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

	2020	2019
	$ millions	$ millions
Euro	1,862.3	1,072.3
US dollar	1,196.9	657.4
Japanese yen	74.7	212.8
Swiss franc	71.1	72.7
Sterling	7.6	89.1
South Korean won	-	72.9
Other	12.5	27.2
	3,225.1	2,204.4

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

	2020	2019
	$ millions	$ millions
Fixed rate borrowings	2,823.6	1,609.8
Floating rate borrowings	401.5	594.6
	3,225.1	2,204.4

The Group has fixed rate borrowings ranging from 0.10% to 4.59% and maturing through to 2056. The Group entered into several interest rate swap agreements to fix the rates on its floating rate loans.

Lines of credit
As of 31 December 2020, the Group had confirmed lines of credit totalling $1,472.2 million (2019: $243.7 million). These lines consist of syndicated revolving credit facilities totalling $1,241.9 million that were put in place in May 2020, in direct response to the pandemic. Terms of the facilities include: a participation fee; a commitment fee; a utilisation fee; an extension fee; and a margin and will result on an all-in financing cost between 0.8% and 2.05% plus the borrowing rate under LIBOR or EURIBOR, depending on the drawdown currency. The Group is subject to specific covenants if the draw down amount exceeds 40% of the individual facility amount. The facilities have not been utilised to date so the covenants were not applicable as of 31 December 2020. These facilities expire on the first anniversary of the signing of the agreement, with two six month extension options available at the Group's request. As of 31 December 2020, total outstanding borrowings against other lines of credit were $17.6 million (2019: $20.9 million).

Letters of credit
As of 31 December 2020, the Group had letters of credit of $5.5 million (2019: $5.6 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 2020.

20. 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 $55.4 million (2019: $45.0 million) related to its defined contribution plans in 2020. 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 United Kingdom and Japan. The liabilities for defined benefit retirement plans are computed on actuarial bases and are either funded currently or accumulated in unfunded reserves. 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 2020 (2019: $0.6 million) related to its executive retiree medical plans. The Group recognised net liabilities related to its executive retiree medical plans of $10.6 million in 2020 (2019: $8.9 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 2020. 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:

	2020	2019
Discount rate	1.5%	2.0%
Expected rate of salary increase	3.4%	3.3%
The average life expectancy in years of pensioner retiring at age 65:		
Male	21.9	21.0
Female	23.3	23.1

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	
	2020	2019
	$ millions	$ millions
Service cost:		
Current service cost, including administrative expenses	71.8	58.0
Past service cost (credit)	1.0	(6.9)
Net interest	6.0	8.6
Components of defined benefit costs recognised in consolidated statement of income	78.8	59.7
Remeasurements on the net defined benefit liability:		
Return on plan assets, excluding amounts included in net interest	(53.9)	(75.2)
Actuarial losses (gains) due to changes in demographic assumptions	1.1	(15.5)
Actuarial losses due to changes in financial assumptions	92.1	162.3
Actuarial losses due to experience adjustments	0.7	25.6
Other adjustments	1.2	(1.7)
Components of defined benefits costs recognised in other comprehensive income	41.2	95.5
Components of defined benefit costs recognised in consolidated statement of comprehensive income	120.0	155.2

Accumulated actuarial losses recognised in shareholder's equity were $495.8 million as of 31 December 2020 (2019: $454.6 million).

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

	Defined Benefit Plans	
	2020	2019
	$ millions	$ millions
Present value of funded defined benefit obligation	(1,216.5)	(991.6)
Fair value of plan assets	1,058.5	952.5
Funded shortfall	(158.0)	(39.1)
Present value of unfunded defined benefit obligation	(265.5)	(287.1)
Net liability on the consolidated statement of financial position	(423.5)	(326.2)

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

	Defined Benefit Plans	
	2020	2019
	$ millions	$ millions
Defined benefit obligation, at 1 January	1,278.7	1,100.0
Current service cost	70.3	56.5
Interest cost	24.1	31.6
Contributions from plan participants	2.5	2.4
Past service cost (credit)	1.0	(6.9)
Net increase (decrease) from acquisitions/disposals	0.7	(40.9)
Actuarial losses (gains) due to changes in demographic assumptions	1.1	(15.5)
Actuarial losses due to changes in financial assumptions	92.1	162.3
Actuarial losses due to experience adjustments	0.7	25.6
Benefits paid	(51.2)	(32.0)
Settlements	-	(6.9)
Exchange differences	62.0	2.5
Defined benefit obligation, at 31 December	1,482.0	1,278.7

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

	Defined Benefit Plans	
	2020	2019
	$ millions	$ millions
Fair value of plan assets, at 1 January	952.5	820.0
Interest income	18.1	23.0
Return on plan assets, excluding amounts in interest income	53.9	75.2
Contributions from the employer	43.1	107.1
Contributions from plan participants	2.5	2.4
Benefits paid	(51.2)	(32.0)
Administrative expenses paid	(1.5)	(1.5)
Net decrease from acquisitions/disposals	-	(37.5)
Settlements	-	(7.8)
Exchange differences	41.1	3.6
Fair value of plan assets, at 31 December	1,058.5	952.5

The fair value of the plan assets at 31 December 2020 and 31 December 2019 for each category are as follows:

	2020	2019
	Fair value of plan assets	Fair value of plan assets
	$ millions	$ millions
Equity securities	372.3	332.4
Insurance contracts	262.3	243.7
Corporate bonds	209.9	208.2
Government bonds	89.7	66.5
Property	39.4	37.2
Other	84.9	64.5
	1,058.5	952.5

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 minimum funding level of 80%.

The Group expects the portfolio to remain fully invested and frequently reviews the need to have cash available to pay retirement benefits without disrupting the portfolio strategy. In 2021, the Group is committed to make a contribution of $47.9 million with additional contributions of $1.3 million expected.

The average duration of the defined benefit obligation is 14.3 years (2019: 14.0 years). Further breakdown is as follows:

- Active members: 13.9 years (2019: 14.8 years);
- Deferred vested members: 20.6 years (2019: 8.1 years); and
- Retired members: 10.3 years (2019: 5.6 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 $109.3 million.

An increase in the expected rate of salary increase of half a percentage point would increase the defined benefit obligation by $21.3 million.

A decrease in the mortality rate of 10% for both men and women would increase the defined benefit obligation by $4.2 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.

21. PROVISIONS

	Product-related	Asset retirement obligations	Litigation	Restructuring costs	Other	Total
	$ millions	$ millions	$ millions	$ millions	$ millions	$ millions
Balances at 1 January 2020	155.5	65.0	9.7	0.7	36.2	267.1
Additional provisions recognised	137.3	6.1	7.5	8.9	9.0	168.8
Used during the year	(96.5)	(1.1)	(1.9)	(0.1)	(4.6)	(104.2)
Unused amounts reversed	(17.3)	(0.5)	(1.3)	-	(2.3)	(21.4)
Unwinding of the discount	-	0.4	-	-	-	0.4
Exchange difference	7.9	3.3	1.0	0.7	0.9	13.8
Balances at 31 December 2020	186.9	73.2	15.0	10.2	39.2	324.5
Of which, at 31 December 2020:						
Non-current	6.3	70.1	8.5	9.2	34.0	128.1
Current	180.6	3.1	6.5	1.0	5.2	196.4
	186.9	73.2	15.0	10.2	39.2	324.5

Product related
Provisions for product sales returns are recognised based on sales performance and historical trends and represent the refund liability for the expected refunds to customers.

Asset retirement obligations
The Group records a provision reflecting the cost to restore an item of property, plant and equipment back to its original condition at the end of its useful life.

Litigation
Litigation includes provisions for legal claims brought against the Group.

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

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

22. TRADE PAYABLES AND OTHER LIABILITIES

	2020		2019	
	Current	Non-current	Current	Non-current
	$ millions	$ millions	$ millions	$ millions
Financial [a]				
Trade payables	677.0	-	670.1	-
Derivatives	2.3	4.1	53.4	15.6
Other liabilities	1,581.7	197.3	1,635.6	212.0
Salaries, commissions and related	485.0	-	479.5	-
Loans from related parties	398.2	-	411.1	3.9
Employee profit sharing	24.0	167.6	17.9	178.0
Inventory accruals	169.4	-	181.5	-
Advertising, promotion and demonstration	153.3	-	164.4	-
Accrued expenses	139.8	-	216.9	-
Due to customers	109.7	-	63.0	-
Interest payable	16.9	-	15.1	-
Other	85.4	29.7	86.2	30.1
	2,261.0	201.4	2,359.1	227.6
Non-financial				
Other taxes payable	153.7	-	187.0	-
Customer deposits	71.0	-	100.7	-
Deferred compensation payable	-	70.7	-	62.2
Other	1.5	3.5	-	4.6
	226.2	74.2	287.7	66.8
Total trade payables and other liabilities	2,487.2	275.6	2,646.8	294.4

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.

23. FINANCIAL INSTRUMENTS

Classification

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

Financial Assets

	2020		2019	
	Current	Non-Current	Current	Non-Current
	$ millions	$ millions	$ millions	$ millions
Financial assets at amortised cost:				
Trade receivables	956.4	-	1,090.1	-
Cash and cash equivalents	4,649.8	-	2,850.8	-
Other [(a)]	58.9	168.5	60.3	175.7
Financial assets at FVOCI:				
Listed equity investments [(a)]	-	1.2	87.8	1.0
Non-listed equity investments [(a)]	0.2	49.5	0.2	28.6
Financial assets at FVTPL:				
Convertible bonds [(a)]	1.0	3.6	-	17.1
Derivatives:				
Forward contracts and options [(a)]	0.3	-	36.8	-
Interest rate swaps [(a)]	-	-	0.1	-
	5,666.6	222.8	4,126.1	222.4

[(a)] See Note 15

Financial Liabilities

	2020		2019	
	Current	Non-Current	Current	Non-Current
	$ millions	$ millions	$ millions	$ millions
Financial liabilities at amortised cost:				
Borrowings	80.4	3,144.7	89.8	2,114.6
Trade payables	677.0	-	670.1	-
Lease liabilities	312.1	1,425.4	306.9	1,510.1
Other [(a)]	1,581.7	197.3	1,635.6	212.0
Financial liabilities at FVTPL:				
Derivatives:				
Forward contracts and options [(a)]	1.4	-	50.4	-
Interes rate swaps [(a)]	0.9	4.1	3.0	15.6
	2,653.5	4,771.5	2,755.8	3,852.3

[(a)] See Note 22

Fair Value Measurement and Hierarchy Levels

The carrying amounts of financial assets and liabilities measured at amortised cost approximate fair value.

There is an active market for the Group's listed equity investments so the fair value is determined based on quoted market prices on the last day of the period for all years presented. The quoted market price used for financial assets held by the Group is the current bid price.

The fair values of non-listed equity investments that were purchased in 2020 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.

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:	**$ millions**	**$ millions**	**$ millions**	**$ millions**
Listed equity investments	1.2	-	-	1.2
Non-listed equity investments	-	-	49.7	49.7
Convertible bonds	-	-	4.6	4.6
Derivatives:				
Forward contracts and options	-	0.3	-	0.3
	1.2	0.3	54.3	55.8
Financial liabilities:				
Derivatives:				
Forward contracts and options	-	1.4	-	1.4
Interest rate swaps	-	5.0	-	5.0
	-	6.4	-	6.4

2019	Level 1	Level 2	Level 3	Total
Financial assets:	$ millions	$ millions	$ millions	$ millions
Listed equity investments	88.8	-	-	88.8
Non-listed equity investments	-	-	28.8	28.8
Convertible bonds	-	-	17.1	17.1
Derivatives:				
Forward contracts and options	-	36.8	-	36.8
Interest rate swaps	-	0.1	-	0.1
	88.8	36.9	45.9	171.6
Financial liabilities:				
Derivatives:				
Forward contracts and options	-	50.4	-	50.4
Interest rate swaps	-	18.6	-	18.6
	-	69.0	-	69.0

The reconciliation of Level 3 financial assets designated at fair value through OCI is as follows:

	Total
	$ millions
As of 1 January 2019	13.4
Remeasurement recognised in OCI	0.4
Purchases	33.5
Sales	(1.2)
Exchange difference	(0.2)
As of 31 December 2019	45.9
Remeasurement recognised in OCI	(2.1)
Purchases	7.3
Sales	(1.3)
Exchange difference	4.5
As of 31 December 2020	54.3

Risks associated with financial instruments

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. 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. In 2020, the Group issued Sustainability-Linked Bonds and Senior Notes through a private placement to further guarantee its liquidity (Note 19).

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.

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. In response to the pandemic, the Group temporarily suspended its hedging programme in 2020. As of 31 December 2020, the total notional amount of the Group's outstanding forward currency contracts with third parties was $42.7 million (2019: $1,746.9 million), and offsetting contracts with a related party of $45.5 million (2019: $1,561.4 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	
	2020	2019	2020	2019
	$ millions	$ millions	€ millions	€ millions
Profit (loss) before income tax	63	109	(266)	(253)
Shareholder's equity	-	-	-	-

Interest rate risk

The Group holds interest rate swaps to manage the exposure to interest rate risk arising from its variable rate borrowings. Interest rate swaps are not designated in hedge accounting relationships. With respect to the Group's outstanding interest rate swap agreements, the Group receives a floating rate of interest and pays interest based on a fixed rate. As of 31 December 2020, the total notional amount of the Group's outstanding interest rate swap agreements were $256.4 million (2019: $485.9 million).

The Group performed an analysis and determined that a 1% increase or decrease in market interest rates would not materially impact profit for the years ended 31 December 2020 nor 2019.

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 2020 and 2019, the Group deemed this risk to be insignificant.

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 12.

2020	Less than 1 year	1-5 years	5+ years	Total
	$ millions	$ millions	$ millions	$ millions
Financial liabilities at amortised cost:				
Borrowings	144.9	899.9	2,822.0	3,866.8
Trade payables	677.0	-	-	677.0
Loans from related parties	398.2	-	-	398.2
Other	1,183.5	149.3	48.0	1,380.8
Derivatives (at FVTPL):				
Forward contracts and options	1.4	-	-	1.4
Interest rate swaps	0.9	4.1	-	5.0
	2,405.9	1,053.3	2,870.0	6,329.2

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 minimizing the potential risk of principal loss, with limits on the amount of credit exposure to any one counterparty.

24. EQUITY DIVIDENDS AND SHARE PREMIUM

	2020	2019
	$ millions	$ millions
Interim dividends paid		
Chanel Limited interim dividends paid (2019: $10.9 million per ordinary share)	-	1,683.6
Chanel Limited dividend-in-kind paid	-	25.5
Total dividends paid to the parent	-	1,709.1
Dividends paid to non-controlling interests	0.7	0.9
Total dividends paid	0.7	1,710.0

In 2020, no interim dividends were paid by Chanel Limited to its parent. A final dividend with respect to the year ended 31 December 2020 has not been proposed (2019: $nil). Additionally, no interim dividends have been proposed in 2021.

Chanel Limited paid interim dividends to its parent of $507.9 million and $1,175.7 million in July and December 2019, respectively. In July 2019, Chanel Limited also paid a dividend-in-kind to its parent with a value of $25.5 million for 100% of the outstanding shares in a subsidiary.

In 2019, the directors approved the cancellation of the share premium of $963.4 million to a distributable reserve account. Hence, of the total cash dividends paid in 2019 of $1,683.6 million, $963.4 million was distributed out of share premium and the remaining balance of $720.2 million was distributed out of retained earnings.

25. CALLED UP SHARE CAPITAL

Authorised:

	2020	2019
	£	£
1,000 (2019: 1,000) ordinary shares of £1 each	1,000.0	1,000.0

Called up, allotted and fully paid:

	2020	2019
	£	£
155 (2019: 155) ordinary shares of £1 each	155.0	155.0

26. CHANGES IN WORKING CAPITAL

Changes in working capital consisted of the following components:

	2020	2019
	$ millions	$ millions
Inventories	(1.5)	(114.1)
Trade receivables	144.7	(15.1)
Trade payables	(45.9)	73.6
Other receivables and payables	(43.6)	113.7
	53.7	58.1

27. 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	
	2020	2019	2020	2019
	$ millions	$ millions	$ millions	$ millions
Trade receivables and other current assets	0.6	55.2	17.1	14.8
Other non-current assets	51.1	47.0	-	-
Trade payables and other current liabilities	405.1	428.6	66.1	72.5
Other liabilities	-	3.9	-	-
Revenue	-	-	25.1	29.2
Cost of sales	-	-	346.4	423.8
Finance (costs) income	(45.1)	(106.1)	0.3	0.4

As of 31 December 2020, the Group had a loan from its parent of $398.2 million (2019: $411.1 million), which carried an interest rate based on the twelve-month Euribor rate plus 82 basis points. The loan is revalued based on the fair market value of certain real estate properties.

Compensation of key management personnel

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

	2020	2019
	$ millions	$ millions
Short-term benefits	74.6	71.0
Post-employment benefits	19.7	6.0
Other long-term benefits	23.7	25.4
Termination benefits	-	3.1
	118.0	105.5

Information regarding directors

Directors' emoluments totalled $15.7 million (2019: $14.3 million) and pension costs totalled $2.5 million (2019: $2.2 million). All emoluments are considered short-term benefits with the exception of long-term incentive arrangements of $11.9 million (2019: $15.8 million) and compensation for loss of office of $nil (2019: $nil).

Three (2019: three) directors accrued benefits under defined benefit pension plans. Four directors (2019: three) accrued benefits under defined contribution plans. The highest paid director received remuneration of $10.4 million (2019: $9.6 million) and participated in defined benefit pension plans with an accrued annual entitlement of $0.3 million (2019: $0.9 million).

28. BUSINESS COMBINATIONS

2020 Transactions

In 2020, the Group made five acquisitions that support manufacturing functions of the business for $34.0 million. In addition, the Group recognised non-controlling interests of $1.6 million, liabilities for its obligation to purchase the remaining shares of $2.0 million, and a gain on purchase of the acquisition of $3.8 million. As a result of the acquisitions, the Group recognised goodwill in the consolidated financial statements of $11.3 million.

2019 Transactions

In 2019, the Group made four acquisitions that support manufacturing functions of the business for $20.5 million. In addition, the Group recognised non-controlling interests of $0.5 million and liabilities for its obligation to purchase the remaining shares of $8.4 million. As a result of the acquisitions, the Group recognised goodwill in the consolidated financial statements of $23.1 million.

Assets acquired and liabilities assumed in business combinations 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 consideration transferred for businesses acquired are shown in aggregate as follows:

	2020 $ millions	2019 $ millions
Cash consideration	34.0	20.5
Less: Cash acquired	(8.2)	(1.5)
	25.8	19.0

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 $11.3 million (2019: $23.1 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 preliminary allocation of the total purchase price for businesses acquired is summarised as follows:

	2020 $ millions	2019 $ millions
Cash consideration	34.0	20.5
Fair value of assets acquired in excess of liabilities assumed	(30.1)	(6.3)
Non-controlling interests	1.6	0.5
Obligation to purchase non-controlling interests	2.0	8.4
Bargain purchase option	3.8	-
Goodwill arising on acquisitions	11.3	23.1

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

	2020	2019
	$ millions	$ millions
Non-current assets:		
Property, plant and equipment	28.0	8.3
Intangible assets	2.5	-
Right-of-use assets	-	1.5
Deferred income tax assets	2.7	-
Other assets	0.6	0.4
Current assets:		
Inventories	12.9	6.0
Trade receivables and other assets	5.6	8.6
Cash and cash equivalents	8.2	1.5
Assets classified as held for sale	2.3	-
Non-current liabilities:		
Borrowings	(11.3)	(1.5)
Lease liability	-	(1.1)
Deferred income tax liabilities	(2.9)	-
Other liabilities	(1.3)	(2.2)
Current liabilities:		
Trade payables and other liabilities	(14.2)	(11.5)
Borrowings	(2.2)	(3.4)
Lease liability	-	(0.3)
Income tax liabilities	(0.8)	-

	2020	2019
	$ millions	$ millions
Acquisition costs	3.4	1.4
Net revenue of business combinations:		
As of acquisition date	18.0	8.0
Full year	29.6	26.9
Net income of business combinations:		
As of acquisition date	(1.1)	(0.5)
Full year	1.1	(0.6)

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

29. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Group has reported various liabilities due to contractual commitments pursuant to its property (Note 10) and retirement benefit plans (Note 20). The Group also has other commitments of $31.7 million related to global climate initiatives (2019: $22.6 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.

30. 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 Litor Limited, a company incorporated and registered in the Cayman Islands.

31. SUBSEQUENT EVENTS

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

- On 1 January 2021, the Group purchased the loan as referred to in note 27 from its parent company.
- On 1 January 2021, the Group acquired a non-controlling interest of 49.0% in Bell & Ross B.V. from an entity under common control.
- On 12 January 2021, the Group sold 72,402 ordinary shares of CAPSUM to L'Occitane en Provence, resulting in L'Occitane en Provence acquiring a 26.7% stake in CAPSUM with the Group retaining a 68% stake. The remaining 5.3% is owned by a minority shareholder.
- In April 2021, the Group acquired a non-controlling interest of 20.0% in Montres Journe S.A. from an entity under common control.
- On 14 May, the Group obtained a $1.0 billion (€835 million) syndicated revolving credit facility arranged by Citibank, N.A. The facility terminates on the fifth anniversary of the signing of the agreement, with two one-year extension options available at the Group's request, meaning that the total length of the facility could be up to seven years. Terms of the facility include: a participation fee; a commitment fee; a utilisation fee; an extension fee; and a margin and will result in an all-in financing cost between 0.66% and 1.21%, plus the relevant rate adjustment per the agreement, depending on the drawdown currency

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 2020
(In millions of Sterling)

ASSETS	Notes	2020	2019
Non-current assets:			
Intangible assets	E	3.2	4.6
Property, plant and equipment	F	389.3	67.9
Investment property	G	49.8	50.1
Right-of-use assets	H	98.1	185.3
Investment in subsidiaries	I	1,248.0	1,041.3
Retirement benefit asset	N	2.7	6.9
Deferred income tax assets	J	4.2	7.5
Investment in associate		-	1.7
Loans to affiliates	K	1,797.6	-
Other assets	Q	23.6	22.3
Total non-current assets		3,616.5	1,387.6
Current assets:			
Inventories	L	29.6	30.5
Trade receivables and other assets	K	141.2	160.7
Prepayments		5.4	9.4
Other taxes receivable		50.1	-
Cash		2,173.9	1,754.6
Total current assets		2,400.2	1,955.2
TOTAL ASSETS		6,016.7	3,342.8
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	25	-	-
Share premium	24	-	-
Reserves		-	5.4
Retained earnings		3,847.2	2,907.2
TOTAL SHAREHOLDER'S EQUITY		3,847.2	2,912.6
LIABILITIES			
Non-current liabilities:			
Borrowings	M	1,413.2	64.9
Loan from related party	Q	531.0	-
Lease liabilities	H	96.8	178.6
Other liabilities	Q	-	5.6
Total non-current liabilities		2,041.0	249.1
Current liabilities:			
Trade payables and other liabilities	O	102.8	131.7
Income tax liabilities		8.2	11.2
Borrowings	M	-	1.9
Lease liabilities	H	6.5	10.4
Provisions	P	11.0	9.9
Other taxes payable		-	16.0
Total current liabilities		128.5	181.1
TOTAL LIABILITIES		2,169.5	430.2
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		6,016.7	3,342.8

Profit for the year was £923.2 million (2019: £2,932.3 million).

The financial statements of Chanel Limited (registered number 00203669) on pages 95 through 117 were approved by the board of directors and authorised for issue on 26 May 2021. They were signed on its behalf by:

P.B. Blondiaux
Director

COMPANY STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(In millions of Sterling)

	Share capital	Share premium	Equity investment revaluation reserve	Other reserves	Retained earnings	Total shareholder's equity
Balances as of 1 January 2019	-	738.6	47.3	-	556.1	1,342.0
Profit for the period	-	-	-	-	2,932.3	2,932.3
Other comprehensive income for the period	-	-	(41.9)	-	5.6	(36.3)
Total comprehensive income for the period	-	-	(41.9)	-	2,937.9	2,896.0
Share premium reduction	-	(738.6)	-	738.6	-	-
Payment of dividends	-	-	-	(738.6)	(586.8)	(1,325.4)
Balances as of 31 December 2019	-	-	5.4	-	2,907.2	2,912.6
Profit for the period	-	-	-	-	923.2	923.2
Other comprehensive income for the period	-	-	15.0	-	(3.6)	11.4
Total comprehensive income for the period	-	-	15.0	-	919.6	934.6
Gain on disposal of financial asset	-	-	(20.4)	-	20.4	-
Balances as of 31 December 2020	-	-	-	-	3,847.2	3,847.2

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(In millions of Sterling)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit		80.6	218.2
Adjustments to reconcile operating profit to net cash provided by operating activities:			
Depreciation and amortisation of fixed assets and intangibles		14.7	15.7
Depreciation on right-of-use assets		12.2	13.0
Net impairment of property, plant, and equipment	F	2.4	-
Loss (gain) on disposal of property, plant and equipment		0.2	(0.2)
Settlement of derivatives		(0.9)	(4.8)
Net retirement benefit pension plan contribution		0.1	0.2
Other		(7.5)	7.4
Cash flows from operations before changes in working capital		101.8	249.5
Changes in working capital		(5.0)	43.2
Cash flows from operations		96.8	292.7
Interest received		14.0	7.9
Interest paid on financial borrowings		(29.1)	(3.9)
Interest paid on lease liabilities	H	(5.7)	(5.8)
Income taxes paid		(39.8)	(57.6)
NET CASH PROVIDED BY OPERATING ACTIVITIES		36.2	233.3
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	F	(335.5)	(17.4)
Refundable VAT on purchase of property, plant, and equipment		(61.0)	-
Purchase of intangibles		(0.6)	(1.7)
Increase in subsidiaries due to capitalisation of loans	I	(206.5)	(33.0)
Purchases of subsidiaries from entities under common control		(0.2)	-
Dividends received		903.3	2,783.5
Return of capital	I	-	38.5
Proceeds on sale of financial assets		86.2	-
Other		2.0	(0.5)
NET CASH PROVIDED BY INVESTING ACTIVITIES		387.7	2,769.4
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	M	1,060.4	-
Repayment of borrowings	M	(667.0)	(1.9)
Repayment of lease liabilities	H	(9.5)	(11.1)
Related parties	R	(348.7)	(16.4)
Dividends paid		-	(1,305.0)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		35.2	(1,334.4)
EFFECT OF EXCHANGE ON NON-STERLING CASH AND CASH EQUIVALENTS		(39.8)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		419.3	1,668.3
CASH AND CASH EQUIVALENTS, Beginning of year		1,754.6	86.3
CASH AND CASH EQUIVALENTS, End of year		2,173.9	1,754.6

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 43. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 through 23.

The separate financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The information regarding the ultimate parent company is consistent with that provided in Note 30 of the consolidated financial statements.

B. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those given on pages 43 through 58 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 for impairment annually. 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

	2020	2019
	No.	No.
Average monthly number of persons employed (including directors)		
Sales and distribution	1,086	1,139
Administration	306	271
	1,392	1,410

	2020	2019
	£ millions	£ millions
Staff costs during the year (including directors)		
Wages and salaries	89.2	85.4
Social security costs	10.6	8.6
Pensions costs	5.7	6.1
Other personnel costs	8.6	4.5
	114.1	104.6

E. INTANGIBLE ASSETS

	Capitalised software and related licenses	Leasehold rights and other	Total
	£ millions	£ millions	£ millions
Cost:			
Balance at 1 January 2019	7.3	6.0	13.3
Additions	1.7	-	1.7
Transfer to right-of-use assets	-	(6.0)	(6.0)
Balance at 31 December 2019	9.0	-	9.0
Additions	0.6	-	0.6
Balances at 31 December 2020	9.6	-	9.6
Accumulated amortisation and impairment:			
Balance at 1 January 2019	2.2	1.8	4.0
Amortisation expense	2.2	-	2.2
Transfer to right-of-use assets	-	(1.8)	(1.8)
Balance at 31 December 2019	4.4	-	4.4
Amortisation expense	2.0	-	2.0
Balance at 31 December 2020	6.4	-	6.4
Carrying amount at 31 December 2019	4.6	-	4.6
Carrying amount at 31 December 2020	3.2	-	3.2

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	Leasehold improvements	Machinery, furniture and equipment	Construction in progress	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Cost:						
Balances at 1 January 2019	-	5.1	93.4	38.1	4.1	140.7
Additions	-	-	10.3	2.1	6.3	18.7
Disposals	-	-	(8.1)	(6.6)	-	(14.7)
Transfers	-	-	3.2	1.7	(4.9)	-
Balances at 31 December 2019	-	5.1	98.8	35.3	5.5	144.7
Additions	298.6	29.3	-	-	8.3	336.2
Disposals	-	-	(2.1)	(0.1)	(0.2)	(2.4)
Transfers	-	-	7.7	2.0	(9.7)	-
Balances at 31 December 2020	298.6	34.4	104.4	37.2	3.9	478.5
Accumulated depreciation and impairment:						
Balances at 1 January 2019	-	0.5	62.7	15.1	0.2	78.5
Disposals	-	-	(8.1)	(6.8)	-	(14.9)
Depreciation expense	-	0.1	10.3	2.8	-	13.2
Balances at 31 December 2019	-	0.6	64.9	11.1	0.2	76.8
Disposals	-	-	(2.1)	(0.1)	(0.2)	(2.4)
Depreciation expense	-	0.1	9.6	2.7	-	12.4
Impairment losses	-	-	1.3	0.9	0.2	2.4
Balances at 31 December 2020	-	0.7	73.7	14.6	0.2	89.2
Carrying amount at 31 December 2019	-	4.5	33.9	24.2	5.3	67.9
Carrying amount at 31 December 2020	298.6	33.7	30.7	22.6	3.7	389.3

On 8 October 2020, the Company purchased the site of its flagship store at 158-159 New Bond Street in London for £323.6 million. The acquisition of the building resulted in a lease liability reduction of £87.7 million (Note H).

Depreciation expense related to property, plant and equipment was reported in cost of sales and within other components of operating profit.

The Company had contractual commitments of £3.4 million related to leasehold improvements planned for 2021 (2019: £nil).

G. INVESTMENT PROPERTY

	2020	2019
	£ millions	£ millions
Cost:		
Balance at 1 January and 31 December	51.9	51.9
Accumulated depreciation and impairment:		
Balance at 1 January	1.8	1.5
Depreciation expense	0.3	0.3
Balance at 31 December	2.1	1.8
Carrying amount at 31 December	49.8	50.1
Fair value at 31 December	140.0	163.0

The Company obtains valuations periodically related to its investment property from a third-party. 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 less costs of disposal 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 less costs of disposal of the building is within Level 2 of the fair value hierarchy. There was no change to the methods and assumptions in determining fair value less costs of disposal from the prior year.

The Company had pledged its investment property to secure a bank loan in 2019, however the loan was repaid in 2020. The Company had no contractual commitments related to its investment property as of 31 December 2020 (2019: £nil).

The property rental income earned by the Company from its investment property, which is leased out under operating leases, amounted to £2.9 million (2019: £3.0 million). Direct operating expenses including depreciation arising on the investment property, all of which generated rental income in the period, amounted to £0.2 million (2019: £0.2 million).

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 2019	197.2	0.3	197.5
New leases	-	0.4	0.4
Remeasurements	0.4	-	0.4
Leases terminated	-	(0.1)	(0.1)
Balance at 31 December 2019	197.6	0.6	198.2
New leases	10.6	0.6	11.2
Remeasurements	(0.1)	-	(0.1)
Leased properties acquired	(95.8)	-	(95.8)
Leases terminated	-	(0.2)	(0.2)
Balance at 31 December 2020	112.3	1.0	113.3
Accumulated depreciation and impairment:			
Balance at 1 January 2019	-	-	-
Depreciation expense	12.7	0.3	13.0
Leases terminated	-	(0.1)	(0.1)
Balance at 31 December 2019	12.7	0.2	12.9
Depreciation expense	11.9	0.3	12.2
Leased properties acquired	(9.7)	-	(9.7)
Leases terminated	-	(0.2)	(0.2)
Balance at 31 December 2020	14.9	0.3	15.2
Carrying amount at 31 December 2019	184.9	0.4	185.3
Carrying amount at 31 December 2020	97.4	0.7	98.1

Lease liabilities

Changes in lease liabilities during the period:

	Current	Non-current	Total
	£ millions	£ millions	£ millions
Gross:			
Balance at 1 January 2019	10.1	188.4	198.5
New leases	0.1	0.3	0.4
Repayments	(16.9)	-	(16.9)
Accrued interest	6.7	-	6.7
Remeasurements	-	0.3	0.3
Transfers	10.4	(10.4)	-
Balance at 31 December 2019	10.4	178.6	189.0
New leases	-	11.4	11.4
Repayments	(15.2)	-	(15.2)
Accrued interest	5.9	-	5.9
Leased properties acquired	(4.3)	(83.4)	(87.7)
Remeasurements	-	(0.1)	(0.1)
Transfers	9.7	(9.7)	-
Balance at 31 December 2020	6.5	96.8	103.3

On 8 October 2020, the Company purchased the site of its flagship store at 158-159 New Bond Street in London for £323.6 million. The acquisition of the building resulted in a lease liability reduction of £87.7 million.

Maturity analysis of lease liabilities:

	2020	2019
	£ millions	£ millions
Less than one year	9.8	16.9
One to five years	41.1	66.7
More than five years	81.1	164.3
	132.0	247.9

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 2020 or 2019. There were no expenses relating to variable lease payments which were not dependent on an index or a rate (2019: £0.2 million).

Variable lease payments based on sales
Some leases of retail stores contain variable lease payments that are based on sales that are made within a particular store. Total fixed and variable lease payments were £15.2 million (2019: £16.9 million) and £0.1 million (2019: £0.2 million), respectively, as of 31 December 2020. Overall, the variable payments constitute 0.7% (2019: 1.2%) of the Company'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. The Company did not recognise any Covid-19-related rent concessions during the year (Note 2.2).

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 £5.0 million (2019: £5.4 million). Of that amount, £2.1 million (2019: £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:

	2020	2019
	£ millions	£ millions
Less than one year	5.0	5.0
One to two years	5.0	5.0
Two to three years	5.0	5.0
Three to four years	5.0	5.0
Four to five years	4.3	5.0
More than five years	22.9	27.1
Total undiscounted lease payments	47.2	52.1

The Company does not have any finance leases.

I. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consisted of the following components:

	2020	2019
	£ millions	£ millions
Investment in subsidiaries	1,264.5	1,057.8
Impairment	(16.5)	(16.5)
	1,248.0	1,041.3

	2020	2019
	£ millions	£ millions
Cost:		
Balance at 1 January	1,057.8	1,131.3
Additions	206.7	33.0
Return of capital	-	(38.5)
Disposals	-	(68.0)
Balance at 31 December	1,264.5	1,057.8
Accumulated impairment:		
Balance at 1 January	16.5	56.4
Impaired	-	7.7
Disposals	-	(47.6)
Balance at 31 December	16.5	16.5
Carrying Amount at 31 December	1,248.0	1,041.3

Capitalisation of Loans
The Company capitalised outstanding loans from two of its subsidiaries for a total amount of £206.7 million, thereby increasing the cost basis of it investments in those subsidiaries.

Acquisitions, Disposals and Return of Capital
On 25 June 25 2019, the Company paid a dividend-in-kind to its parent, comprising the entire issued share capital of Holland & Holland Limited, having a value of £20.4 million.

On 26 September 2019, the Company purchased the entire issued share capital of Trochair Limited from an affiliate for £33 million, which represents the enterprise value of the shares as of the sale date.

On 16 December 2019, the Company received a return of share premium of £38.5 million from its subsidiary, Chanel SARL.

Impairment
The Company assessed all investments in subsidiaries for impairment indicators at 31 December 2020. The Company did not recognise any impairments in 2020 (2019: £7.7 million).

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

J. INCOME TAXES

The following is a roll-forward of the deferred tax asset as of 31 December 2020 and 31 December 2019:

2020 £ millions	Opening balance	Recognised in income statement	Recognised directly in equity	Closing balance
Property, plant, and equipment	4.0	(1.9)	-	2.1
Other financial assets	2.9	(2.8)	(0.1)	-
Retirement benefit obligations	(1.2)	-	0.6	(0.6)
Provisions	1.5	0.8	-	2.3
Other	0.3	0.1	-	0.4
	7.5	(3.8)	0.5	4.2

2019 £ millions	Opening balance	Recognised in income statement	Recognised directly in equity	Closing balance
Property, plant, and equipment	4.2	(0.2)	-	4.0
Other financial assets	(9.2)	2.3	9.8	2.9
Retirement benefit obligations	(0.1)	-	(1.1)	(1.2)
Provisions	1.1	0.4	-	1.5
Other	0.4	(0.1)	-	0.3
	(3.6)	2.4	8.7	7.5

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. These changes were not substantively enacted at the balance sheet date and hence its effects are not included in these financial statements.

K. TRADE RECEIVABLES AND OTHER ASSETS

	2020		2019	
	Current	Non-current	Current	Non-current
	£ millions	*£ millions*	*£ millions*	*£ millions*
Trade receivables	67.4	-	91.7	-
Loans to related parties	55.6	1,797.6	-	-
Other	18.2	23.6	69.0	22.3
	141.2	1,821.2	160.7	22.3

Loans to related parties are interest bearing at arms-length commercial borrowing rates.

Trade receivables consisted of the following components:

	2020	2019
	£ millions	£ millions
Gross trade receivables	67.8	92.9
Allowance for doubtful accounts	(0.4)	(1.2)
Net carrying amount	67.4	91.7
Aging of trade receivables:		
Not past due	25.9	37.5
Less than one month past due	9.7	11.9
Greater than one month past due	1.1	2.2
Due from related party	31.1	41.3
	67.8	92.9
Movement in allowance for doubtful accounts:		
Balance at 1 January	(1.2)	(1.2)
Impairment losses	(0.2)	-
Amounts written-off as uncollectible	1.0	-
Balance at 31 December	(0.4)	(1.2)

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

The Company does not have any significant exposure to credit risk. There is no concentration of credit risk with respect to trade receivables as the Company has a large number of customers. The Company has established screening and credit check procedures to ensure the high creditworthiness of its customers and mitigates some of that risk by having credit insurance for some of its customers.

L. INVENTORIES

Inventories consisted of the following components:

	2020	2019
	£ millions	£ millions
Finished goods	57.4	46.8
Reserves	(27.8)	(16.3)
	29.6	30.5

The cost of inventories recognised in the consolidated statement of income was £119.0 million (2019: £162.8 million).

In addition, the Company recognised £19.0 million (2019: £8.6 million) related to the write-down of inventory to net realisable value.

M. BORROWINGS

Borrowings consisted of the following:

	2020
	£ millions
	Senior notes
Current	-
2022	-
2023	-
2024	146.0
2025	-
Beyond	1,268.1
Unamortised debt issuance costs	(0.9)
Balance at 31 December	1,413.2

New financing arrangements

On 22 April 2020, the Company issued £600 million of commercial paper through the HM Treasury's and the Bank of England's Covid-19 Corporate Financing Facility. This commercial paper was unsecured and short-term in nature and was fully drawn down at the prevailing SONIA rate plus 40bps, resulting in an all-in borrowing cost of 0.5%. The amount was fully repaid in September 2020.

On 13 October 2020, the Company issued £439.0 million ($600.0 million) of Senior Notes in four Series in a private placement transaction pursuant to a Note Purchase Agreement as follows: (i) $75 million 2.45% Senior Notes due 13 October 2030, (ii) $175 million 2.55% Senior Notes due 13 October 2032, (iii) $175 million 2.70% Senior Notes due 13 October 2035 and (iv) $175 million 3.2% Senior Notes due 13 October 2040. On that same day, two existing Senior Notes borrowing arrangements held by two of the Company's subsidiaries were novated to the Company at their principal amounts of £439.0 million ($600 million) and £536.1 million (€600 million), respectively. Details of the terms of these Notes are provided in Note 19.

Lines of credit

As of 31 December 2020, the Company had confirmed lines of credit totalling £707.6 million (2019: £20.0 million). The line is primarily a new syndicated revolving credit facility that was put in place in May 2020, in direct response to the pandemic. The facility terminates on the first anniversary of the signing of the agreement, with two six month extension options available at the Company's request. The Company has not drawn down on these lines in 2020 or 2019. Details of the terms of these lines are provided in Note 19.

N. RETIREMENT BENEFIT OBLIGATIONS

A description of the retirement plan and detail of the risks and actuarial assumptions of the plan are explained in Note 20 of the consolidated financial statements. The Company recognised an expense of £2.4 million and £2.3 million related to its defined contribution plans in 2020 and 2019, respectively.

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

	2020 Defined Benefit Plans	2019 Defined Benefit Plans
Discount rate	1.4% - 2.7%	2.0% - 3.1%
Expected rate of salary increase	3.0%-4.3%	3.0% - 3.8%
Future pension increases	2.7%	2.7% - 3.1%
Inflation	2.1%-2.7%	2.1% - 3.3%
The average life expectancy in years of pensioner retiring at age 65:		
Male	21.9	22.5
Female	23.3	23.8

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

	Defined Benefit Plans 2020 £ millions	 2019 £ millions
Service cost:		
Current service cost, including administrative expenses	2.6	2.4
Net interest	0.2	0.4
Components of defined benefit costs recognised in statement of income	2.8	2.8
Remeasurements on the net defined benefit liability:		
Return on plan assets, excluding amounts included in net interest	(5.3)	(11.8)
Actuarial losses (gains) due to changes in demographic assumptions	0.3	(1.5)
Actuarial losses due to changes in financial assumptions	9.2	6.6
Components of defined benefits costs recognised in other comprehensive income	4.2	(6.7)
Components of defined benefits costs recognised in statement of income	7.0	(3.9)

The Company recognised £4.2 million of actuarial losses and £6.7 million of actuarial gains on defined benefit retirement plans directly in shareholder's equity in 2020 and 2019, respectively. Accumulated actuarial losses recognised in shareholder's equity were £0.5 million (2019: £3.7 million actuarial gains).

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

	Defined Benefit Plans	
	2020	2019
	£ millions	£ millions
Present value of funded defined benefit obligation	(83.9)	(74.3)
Fair value of plan assets	86.6	81.2
Funded status	2.7	6.9
Present value of unfunded defined benefit obligation	-	-
Net asset on the statement of financial position	2.7	6.9

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

	Defined Benefit Plans	
	2020	2019
	£ millions	£ millions
Defined benefit obligation, 1 January	74.3	68.2
Current service cost	2.5	2.4
Interest cost	2.0	2.6
Contributions from plan participants	0.1	0.1
Actuarial losses (gains) due to changes in demographic assumptions	0.3	(1.5)
Actuarial losses due to changes in financial assumptions	9.2	6.6
Net decrease from acquisitions/disposals	(2.2)	(2.2)
Benefits paid	(2.3)	(1.9)
Defined benefit obligation, 31 December	83.9	74.3

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

	Defined Benefit Plans	
	2020	2019
	£ millions	£ millions
Fair value of plan assets, 1 January	81.2	68.6
Interest income	1.8	2.2
Return on plan assets, excluding amounts in interest income	5.3	11.8
Contributions from the employer	0.7	0.7
Contributions from plan participants	0.1	0.1
Net decrease from acquisitions/disposals	(0.2)	(0.3)
Benefits paid	(2.3)	(1.9)
Fair value of plan assets, 31 December	86.6	81.2

The fair value of the plan assets at 31 December 2020 and 31 December 2019 for each category are as follows:

	2020 Fair value of plan assets £ millions	2019 Fair value of plan assets £ millions
Equity securities	61.8	61.4
Government bonds	16.4	12.2
Corporate bonds	3.7	3.4
Property	3.6	3.6
Other	1.1	0.6
	86.6	81.2

In 2021, the Company is committed to make a contribution of £0.7 million.

The average duration of the defined benefit obligation is 20.3 years (2019: 18.9 years). Further breakdown is as follows:

- Active members: 23.1 years (2019: 21.9 years);
- Deferred vested members 23.1 years (2019: 21.6 years); and
- Retired members: 12.2 years (2019: 11.5 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 £8.4 million.

An increase in the expected rate of salary increase of half a percentage point would increase the defined benefit obligation by £1.8 million.

A decrease in the mortality rate of 10% for both men and women would increase the defined benefit obligation by £2.8 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.

O. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities consisted of the following:

	2020	2019
	£ millions	£ millions
Trade payables	23.4	59.5
Derivatives:		
Forward contracts and options	-	10.2
Interest rate swaps	-	0.8
Other liabilities:		
Salaries, commissions, and related	50.3	37.5
Advertising, promotion, and demonstration	3.0	4.2
Other liabilities	26.1	19.5
	79.4	72.2
	102.8	131.7

P. PROVISIONS

	Product-related	Asset retirement obligations	Provisions with related parties	Total
	£ millions	£ millions	£ millions	£ millions
Balances at 1 January 2020	4.1	0.2	5.6	9.9
Additional provisions recognised	0.1		1.0	1.1
Used during the year	-	-	-	-
Balances at 31 December 2020	4.2	0.2	6.6	11.0

Product related

Provisions for product sales returns are recognised based on sales performance and historical trends and represent the refund liability for the expected refunds to customers.

Asset retirement obligations

The Company records a provision reflecting the cost to restore an item of property, plant and equipment back to its original condition at the end of its useful life.

Provisions with related parties

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

Q. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

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

Financial Assets

	2020		2019	
	Current	Non-Current	Current	Non-Current
	£ millions	£ millions	£ millions	£ millions
Financial assets at amortised cost:				
Trade receivables	67.4	-	91.7	-
Loans to related parties	55.6	1,797.6	-	-
Cash and cash equivalents	2,173.9	-	1,754.6	-
Other	18.2	23.6	2.7	22.3
Financial assets at FVOCI:				
Listed equity investments	-	-	66.3	-
	2,315.1	1,821.2	1,915.3	22.3

Financial Liabilities

	2020		2019	
	Current	Non-Current	Current	Non-Current
	£ millions	£ millions	£ millions	£ millions
Financial liabilities at amortised cost:				
Borrowings	-	1,413.2	1.9	64.9
Trade payables	23.4	-	59.5	-
Lease liabilities	6.5	96.8	10.4	178.6
Loan from related party	-	531.0	-	-
Other	79.4	-	61.2	-
Financial liabilities at FVTPL:				
Derivatives:				
Forward contracts and options	-	-	10.2	-
Interest rate swaps	-	-	0.8	5.6
	109.3	2,041.0	144.0	249.1

The fair value measurement and hierarchy levels are disclosed in Note 23.

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.

2020	Less than 1 year	1-5 years	5+ years	Total
	£ millions	£ millions	£ millions	£ millions
Financial liabilities at amortised cost:				
Borrowings	-	146.0	1,267.2	1,413.2
Trade payables	23.4	-	-	23.4
Loan from related party	-	531.0	-	531.0
Other	79.4	-	-	79.4
	102.8	677.0	1,267.2	2,047.0

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 23 of the consolidated financial statements.

R. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and entities under common control

	2020	2019
	£ millions	£ millions
Trade receivables and other current assets	102.7	41.3
Other non-current assets	1,821.2	22.4
Trade payables and other current liabilities	550.5	62.0
Revenue	162.9	179.7
Cost of sales	42.4	44.6
Dividend income	903.1	2,783.4
Investment income, net	16.3	-
Finance costs, net	(3.3)	(0.6)

Cash flow analysis

	2020	2019
	£ millions	£ millions
Cash flows from financing activities:		
Loans to related parties	(2,142.6)	-
Proceeds from Chanel Ceres PLC	539.5	
Payments received from related parties loans	1,254.4	1.2
Repayment of loans from related parties	-	(17.6)
	(348.7)	(16.4)

S. GUARANTEES AND COMMITMENTS

On 1 October 2020, a newly-incorporated subsidiary of the Company, Chanel Ceres PLC, issued Sustainability-Linked Guaranteed Notes on the Luxembourg Stock Exchange, details of which are included in Note 19. 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 £15.6 million related to global climate initiatives (2019: £7.3 million).

T. ENTITIES INCLUDED IN CONSOLIDATION

Entity (Legal Name)	Location of Incorporation	Ownership Percentage (%)
Chanel Limited	United Kingdom	Parent
Activite Creation Tissage 3	France	100%
Adobinve SL	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 [1]	France	100%
Barrie France	France	100%
Barrie Knitwear Limited	United Kingdom	100%
Blue Wave USA Inc. [2]	United States	93%
Calzaturificio Gensi Group S.r.l	Italy	80%
Capsum	France	95%
Capsum Inc.	United States	95%
Cellini 04 R.E. S.r.l. [1]	Italy	100%
Chanel *	Monaco	100%
Chanel *	France	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 [1] *	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	Turkey	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 Emira	100%
Chanel LLC	Ukraine	100%
Chanel Moda ve Lüks Tüketim Ürünleri Limited Sirketi	Turkey	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 [2]	Czech Republic	100%
Chanel Saint Honoré	France	100%
Chanel SARL *	Luxembourg	100%
Chanel SARL *	Switzerland	100%
Chanel spółka z ograniczoną odpowiedzialnością [1] *	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%
Colomer Leather Group S.L.	Spain	98%
Compania Universal de Perfumeria Francesca (CUPFSA) S.de R.L. *	Panama	100%
Conceria Gaiera Giovanni S.p.A. [1]	Italy	73%
Conceria Samanta S.p.A. [2]	Italy	53%
Croydon Logistics Limited *	United Kingdom	100%
Crushlab SARL [1]	Luxembourg	100%
CUPFSA Colombia S.A.S. [1]	Colombia	100%
Défiluxe SAS	France	51%
Desrues	France	100%
Diprolux Inc.	United States	100%
Domaine de l'Ile [2]	France	90%
ERES *	France	100%
Eres Belgique SPRL	Belgium	100%
Eres Fashion UK Limited	United Kingdom	100%
Eres GmbH	Germany	100%
Eres Italie S.r.l.	Italy	100%
Eres LLC	United States	100%
Eres Moda ve Lüks Tüketim Ürünleri Limited	Turkey	100%
Eres Paris S.L.	Spain	100%
Eres U.S. Inc.	United States	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	Hong Kong S.A.R.	100%
Excelsia S.R.L [2]*	Costa Rica	100%
Fragrances Exclusive Inc.	United States	100%
Fyma Production [1]	France	100%
G.K. Chanel Research and Innovation	Japan	100%
Gant Causse	France	100%
Goossens Paris	France	100%
Goossens UK Limited [1]	United Kingdom	100%
Grupo Ledexport	Spain	100%
Hugotag Ennoblissement	France	100%
Icarus Limited	Hong Kong S.A.R.	100%
Immobili Rosmini S.r.l.	Italy	100%
International Metal and Jewelry Co., Ltd.	Thailand	100%
ISPB	France	100%
Kamel	France	100%
Lapoduk SARL	Luxembourg	100%
L'Atelier des Matier [2]	France	100%

Entity (Legal Name)	Location of Incorporation	Ownership Percentage (%)	Entity (Legal Name)	Location of Incorporation	Ownership Percentage (%)
Lemarié	France	100%	Perfumeria Francesca (Bolivia) S.r.l [2]	Bolivia	100%
Les Ateliers de Verneuil-en-Halette	France	100%	Pieles del Segura, SA	Spain	100%
Les Moulinages de Riotord	France	80%	Pieles Quintana SA	Spain	100%
Lesage Intérieurs	France	73%	Pile S.A.	Panama	100%
Lesage Paris	France	100%	Pourunefoi	France	100%
Maison Massaro	France	100%	Roveda S.r.l.	Italy	100%
Maison Michel	France	100%	SC Ateliers de Verneuil-en-Halatte	France	100%
Maison Michel UK Limited	United Kingdom	100%	SCEA Du Château Berliquet	France	100%
Manufacture de Cuir Gustave Degermann [2]	France	100%	SCI Aineuil	France	100%
Manufactures de Mode	France	100%	SCI Anbras	France	100%
Manufactures de Mode Italia S.r.l [1]	Italy	100%	SCI Bokoutro	France	100%
Med Participations	France	100%	SCI Faimin	France	100%
Mégisserie Richard	France	80%	SCI Kamel 2	France	100%
Montex	France	100%	SCI ODACE [1]	France	100%
Moussax	France	100%	SCI Onurb	France	100%
Mousstree	France	100%	SCI Pantino	France	100%
MUSPAC [2]	France	93%	SCI Passysimple [2]	France	100%
Neverwill	France	100%	SCI Saroule	France	100%
NILLAB Manufacture Italiene S.p.A [1]	Italy	60%	SCI Sarouleagain	France	100%
OOO Chanel	Russia	100%	SCI Teteatete	France	100%
Orlebar Brown (US) Wholesale LLC	United States	100%	SCI Traudepezze [2]	France	100%
Orlebar Brown Australia Pty Ltd [1]	Australia	100%	SCI Venette [1]	France	100%
Orlebar Brown France [2]	France	100%	SCI YNOD [1]	France	100%
Orlebar Brown Inc.	United States	100%	Sevy LLC	United States	100%
Orlebar Brown Limited *	United Kingdom	100%	Société en Nom Collectif Encorin	France	100%
Orlebar Brown Miami, LLC	United States	100%	Sotraflor	France	50%
Orlebar Brown NY1, LLC	United States	100%	Spring Roll, L..P.	United States	75%
Orlebar Brown Spain S.L. [2]	Spain	100%	St. Supéry, Inc.	United States	100%
Overland Realty LLC.	United States	100%	Sushi LLC	United States	100%
Paloma	France	100%	Tannerie Haas	France	100%
Paraffection	France	100%	TCC Direct, Inc.	United States	100%
Pardesir	France	100%	The Chanel, Inc. Statutory Trust	United States	100%
Pardestin	France	100%	Tmine Inc.	United States	100%
Parfumerie Versailles (1991) Limittée	Canada	100%	Trochair Limited *	United Kingdom	100%
Parfumerie Versailles, S de R.L. de C.V.	Mexico	100%	Ultimate Yarns & Fibres Limited [1]	United Kingdom	100%
Parfums Chanel Limited *	Ireland	100%	Ulysse Cazbonne	France	100%
Parivresse	France	100%	Vastrakala Exports Private Limited	India	90%
Partrois	France	100%	Versailles International Inc.	United States	100%
Pavliaux SAS	France	100%	Vimar 1991 S.R.L.	Italy	100%
Pells del Llobregat, SA	Spain	60%			

[1] Entity was acquired/created in 2020.

[2] Entity was acquired/created in 2019.

* 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 and Goossens UK Limited are companies registered in the United Kingdom under company number 00893083, 09083976, 00246398 and 12572546 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 2020, pursuant to Article 479A of the UK Companies Act 2006.