

## PROSPECTUS

### **CHANEL CERES PLC**

*(incorporated with limited liability in England and Wales)*

**EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2026**  
**unconditionally and irrevocably guaranteed by Chanel Limited**  
**Issue price: 99.726 per cent.**

**and**

**EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2031**  
**unconditionally and irrevocably guaranteed by Chanel Limited**  
**Issue price: 99.400 per cent.**

The EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2026 (the "**2026 Notes**") and the EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2031 (the "**2031 Notes**" and together with the 2026 Notes, the "**Notes**") are issued by Chanel Ceres PLC (the "**Issuer**") and are unconditionally and irrevocably guaranteed by Chanel Limited (the "**Guarantor**" and, together with its subsidiaries, the "**Group**"). Each of the 2026 Notes and the 2031 Notes is a separate Series and is referred to herein as a "**Series**".

References herein to the "**Conditions**" shall be construed as references to the Terms and Conditions of the relevant Series of Notes and references to a numbered "**Condition**" shall be construed accordingly.

The 2026 Notes will be issued on 1 October 2020 (the "**Issue Date**") and will bear interest at a rate of 0.50 per cent. *per annum* from (and including) the Issue Date payable annually in arrear on 31 July in each year, and for the first time on 31 July 2021 for the period from (and including) the Issue Date to (but excluding) 31 July 2021.

The 2031 Notes will be issued on the Issue Date and will bear interest at a rate of 1.00 per cent. *per annum* from (and including) the Issue Date payable annually in arrear on 31 July in each year, and for the first time on 31 July 2021 for the period from and including the Issue Date to (but excluding) 31 July 2021.

If certain sustainability targets are not met during the term of a Series and following the occurrence of a Premium Trigger Event (as defined in Condition 6 (*Premium Payment*)), the Issuer shall pay an amount to the Noteholders of such Series, calculated in accordance with such Condition. Investors should have regard to the "*Description of the relevant Sustainability Targets*", which describes the basis on which the Guarantor and the External Verifier (as defined in Condition 6.2 (*Interpretation*)) will assess whether the sustainability targets have been met. Such sustainability targets will be based on sustainability improvements of the Guarantor, together with its CHANEL brand (the "**Brand**") subsidiaries, which for the avoidance of doubt, excludes any non-Brand subsidiaries, such as Eres or Orlebar Brown, and wineries owned by the Group such as Château Canon, Domaine de l'Ile, Rauzan Segla and St. Supéry ("**Chanel**").

The 2026 Notes will be redeemed in full at the Final Redemption Amount on the 2026 Maturity Date and the 2031 Notes will be redeemed in full at the Final Redemption Amount on the 2031 Maturity Date (all as defined in Condition 8.1 (*Redemption at Maturity*)), in each case, unless previously redeemed in accordance with the Conditions. The Notes of a Series may, in certain circumstances, be redeemed, in whole but not in part, at the Early Redemption Amount together with accrued interest thereon, upon the occurrence of certain tax events. The Notes of a Series may also be redeemed at the option of the Issuer, in whole, but not in part, (i) in the event that at least 95 per cent. of the initial aggregate nominal amount of such Series have been redeemed or purchased (and consequently cancelled), at the Optional Redemption Amount together with accrued interest thereon or (ii) at any time prior to the relevant Optional Make-Whole Redemption Date at their applicable Make-Whole Redemption Amount. In addition, upon the occurrence of a Change of Control

the Noteholder of a Note of a Series may require the Issuer to redeem such Note at the Put Redemption Amount together with accrued interest thereon.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "CSSF"), as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") and the Luxembourg law of 16 July 2019 on prospectuses for securities (the "**Luxembourg Prospectus Law**"). The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or the Guarantor or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. In accordance with article 6(4) of the Luxembourg Prospectus Law, the CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer. Application has been made to the Luxembourg Stock Exchange (*Société de la Bourse de Luxembourg*) for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). **This Prospectus is valid until 29 September 2021, being 12 months after the date of its approval. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply once the Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market.**

The Notes will not be rated.

The Notes of each Series will initially be represented by a temporary global note (the "**Temporary Global Note**"), which will be deposited on or about 1 October 2020 (the "**Closing Date**") with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Note in respect of a Series will be exchangeable for interests in a permanent global note for such Series (the "**Permanent Global Note**" and, together with the Temporary Global Note for such Series, the "**Global Notes**" for such Series) on or after 10 November 2020 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. See "*Summary of Provisions relating to the Notes of a Series while represented by Global Notes*".

**An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 6.**

#### **Joint Lead Managers**

**BNP Paribas**

**HSBC**

The date of this Prospectus is 29 September 2020

This Prospectus comprises a prospectus for the purposes of Article 6 of the Prospectus Regulation. When used in this Prospectus, "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the CSSF.

The Managers (as described under "*Subscription and Sale*", below) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or any of the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

**IMPORTANT – EEA AND UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail

investor in the European Economic Area ("EEA") or in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

## STABILISATION

**IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS AS STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

All references in this document to "U.S. dollars", "U.S.\$" and "\$" refer to the currency of the United States of America, and to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

## SUITABILITY OF INVESTMENT

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal, premium or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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## **RISK FACTORS**

*In purchasing the Notes, investors assume the risk that the Issuer and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes or under the Guarantee. There is a wide range of factors which individually or together could result in the Issuer and the Guarantor becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due. All of these factors are contingencies which may or may not occur. The Issuer and the Guarantor confirm that the risks stated to apply to the Group below also by construction apply to the Issuer and the Guarantor, which are both part of the Group.*

*Factors which the Issuer and the Guarantor believe are specific to the Issuer, the Guarantor or the Notes and material for an informed investment decision with respect to investing in the Notes are described below. The most material risks are set out first in each sub-category below, based on an assessment by the Issuer and the Guarantor, taking into account the expected magnitude of their negative impact and the probability of their occurrence as they relate to the Group as a whole.*

*The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes to the best of their current knowledge as at the date of this Prospectus, but the inability of the Issuer or the Guarantor, as the case may be, to pay interest, principal or other amounts on or in connection with the Notes and/or, as the case may be, the Guarantee may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **RISKS RELATED TO THE BUSINESS OF THE ISSUER, THE GUARANTOR AND THE GROUP**

#### **Strategic and Operational Risks**

*The COVID-19 pandemic poses risks to the continuity of the Group's short-term strategy and business operations.*

The impact of COVID-19 caused a significant disruption to the Group's business, resulting in temporary boutique closures around the world, as well as a temporary suspension in manufacturing activity and temporary closures of distribution centres in France and Italy during the first half of 2020. The full operational impact of the pandemic is difficult to predict due to its evolving nature, and any further set-backs and closures that may be imposed for spikes in occurrences of the virus and the extent to which any such measures could be implemented remain uncertain, including whether any more temporary or permanent boutique closures or restructurings may need to be considered if the virus persists. Local lockdowns and further governmental restrictions could continue to cause additional temporary operational closures on short notice, which if sufficiently wide-scale, could have a material adverse effect on the Group's financial condition and operating results.

*As an international luxury business, the Group is exposed to macro-economic and geopolitical risks.*

The Group conducts business internationally and as a result it is subject to various geopolitical and macro-economic risks and uncertainties. The risks and uncertainties that could pose a risk to the Group include changes in government and political strategies which impact consumer attitudes and spending, changes in

client purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one geographic region to another, and provisions of corporate or tax law, customs regulations, tariffs or import restrictions imposed by some countries that may, under certain circumstances, penalise the Group. Examples of recent geopolitical factors which have impacted or could in the future impact the Group include political unrest in Hong Kong and the United States, the "gilets jaunes" (yellow vests) movement in France and the on-going trade tensions between the United States, China and Europe, each of which could reduce consumer footfall in some of the Group's key markets and, if significant, have a material adverse effect on the Group's financial condition and operating results.

The slowdown of travel and the tourism industry due to COVID-19 led to significantly reduced revenues in the Group's travel retail business in the first half of 2020 and this trend of lower revenue is expected to continue. It cannot be predicted when the global travel and tourism industry generally, and specifically the Group's travel retail business, will recover. The COVID-19 pandemic also affects, in particular, those of the Group's boutiques that rely heavily on tourists as their clientele. Other events likely to reduce the number of tourists, such as geopolitical instability and insecurity (e.g., terrorist attacks) and weakening of the economic environment may also have an adverse impact on Group sales.

Any failure in the Group's efforts and strategies to maintain the strength of the Brand in the face of adverse macroeconomic or geopolitical developments outside of the Group's control could have a material adverse effect on the Group's financial condition and operating results.

*The Group is exposed to cyber risks relating to information systems.*

The Group is exposed to cyber risks relating to its information systems, arising either from internal or external attacks or from unintended events. The materialisation of any of these risks could result in the loss, corruption or disclosure of sensitive data, including information relating to products, customers or financial data. Partial or total unavailability of some systems, impeding the normal operation of the processes and business activities concerned, could also have an adverse effect on the Group's results, in particular in a world that relies to an ever-increasing extent on access to data and information systems for communications and operations.

Data privacy laws are evolving rapidly in many different regions in which the Group operates and at times conflict with each other. A cyber-attack or other data loss or breach could have an adverse effect on the Group's results, strategy and reputation if confidential or private information were to enter the public domain, subjecting the Group to damage claims and significant regulatory penalties (e.g., up to 4% of global turnover under the EU General Data Protection Regulation, as well as under other data protection regulations, which are rapidly evolving in all markets in which the Group operates), significant legal and other costs for dealing with the consequences of such data breaches, as well as the loss of trust from its clients.

It is impossible for the Group to guarantee that cyber-attacks or other security risks can be avoided by appropriate preventive security measures in every case. The occurrence of any of these risks could result in the loss, corruption or disclosure of sensitive data, including information relating to products, customers or financial data. Given the complexity of the issues and the rapidity with which legislation, business models and cyber-threats evolve, there can be no assurances that a cyber-attack or other data breach would not have a material adverse effect on the Group's results of operations or financial condition.

*Increasing competition in the luxury market could have a material adverse effect on the Group's market share and profitability.*

The Group has many well-established competitors, regularly competes with new market entrants, and its business is subject to competitive pressures. Increasing competition in the markets in which the Group operates could negatively impact sales and profitability and result in a decreased market share for the Group, which could have a material adverse effect on the Group's market share and profitability.



*There are risks related to failing to properly anticipate changes in the Group's client expectations, including the use of the right media to target the desired client groups, and adjusting distribution channels in line with the evolution of e-commerce or other business model evolutions.*

The Group must continuously identify new trends and changes in consumer behaviour in order to offer products and experiences that meet consumers' expectations and ensure continued desire for the Brand. Traditional forms of media such as TV and print are being increasingly supplemented or even replaced by new forms of media, including digital and social media. These developments make it more challenging for the Group to target the desired clients through the right channels and respond to new trends. An unsuccessful media strategy could have a negative impact on the Group's sales and profitability and could lead to a reduction in the Group's market share, which could have a material adverse effect on the Group's profitability.

The Group's traditional routes to market through a mixture of wholesale and retail channels are being increasingly disrupted by the evolution of e-commerce as well as the aggregation and weakening of some of its traditional retail partners. There is a risk that the Group could be unable to fully adjust its methods of distribution in line with new client expectations at all times and this could negatively impact sales and profitability. Any change in the legal framework applicable to its distribution and, in particular, in competition rules (such as, in the EU, the renewal of the selective distribution block exemption in 2022) could have a significant impact on the Group's distribution models, which in turn could have a material adverse effect on the Group's financial condition and operating results.

*Negative impacts on the Group's global brand image and reputation could adversely affect sales.*

Compliance issues within the Group or with any of the Group's suppliers, agents or business partners are a risk to the Group's global brand image and reputation, and, consequently, could adversely impact sales and cause client and stakeholder trust in the Brand to deteriorate.

The reputation of the Brand depends on the quality and exclusiveness of its products, its distribution networks, as well as the impact of its promotional and marketing strategies, but also on its overall reputation as a responsible company. Products or marketing strategies not in line with its global brand image objectives, inappropriate behaviour by the Group's brand ambassadors, employees, distributors or suppliers, or any detrimental information circulating in the media could all endanger the reputation of the Brand and could adversely impact sales.

The Group sells a large proportion of its Fragrance & Beauty products and part of its Watches & Fine Jewellery at wholesale through select channels of distribution (as opposed to, at retail, through its Group-owned and leased boutiques or on [https://www.chanel.com/en\\_GB/](https://www.chanel.com/en_GB/)), and on the e-commerce platforms of its authorised retailers, as well as, to a lesser degree, through multibrand and other wholesale partners in Fashion, which means that third-party distributors are partly responsible for sales to end-customers for these products. The reputation of the Brand thus depends in part on compliance by all distributors with the Group's requirements for the handling and presentation of products, the training of sales personnel, marketing and communications or other policies and the respect of the Brand image. Any breach by third party distributors of these requirements or any act which could harm the Brand image or the Group's reputation could adversely impact sales and consumer and stakeholder trust.

Given that the Group is a large multi-national group with a myriad of partners, suppliers and other third-party agents, any compliance issue in particular, such as a case of significant fraud, any instance of corruption or human rights violation or any other material violation of the law could significantly harm the Group's reputation and impact clients' trust in the Brand. The Group's commitments to high ethical and sustainability standards may cause new additional adaptations to the Group's sustainable business transition that may be prioritised ahead of financial profit and which, if they are unsuccessful, could have a material adverse effect on the Group's financial condition and operating results.

*The Group is dependent on key employees, yet there is no guarantee that the Group will always be able to retain these key employees or attract new qualified employees in the future.*

The Group is dependent on the expertise, commitment and performance of key members of its management team and key employees with specific talent, experience and expertise. Any loss of key employees could have an adverse impact on the Group's ability and timelines to execute its core strategies. Further, the Group may need to hire specific additional qualified employees if its future growth exceeds its current platforms and there can be no assurance that those qualified employees will be available or attracted to the Group.

The Group, like other businesses, is also facing increased difficulties in coordinating, incentivising and managing its employees due to the new measures introduced as a response to the ongoing COVID-19 pandemic which include social distancing measures, as well as travel restrictions and border closures between the countries in which the Group operates. Due to these events, the Group's key employees are unable to travel freely, or participate in and carry out some of their usual responsibilities.

*The Group's operations could be impacted by contractual constraints.*

In the context of its business activities, the Group enters into long-term agreements with many of its partners and suppliers (especially in relation to leases for office space or boutiques and concession or distribution agreements). Should any of these long-term agreements be terminated before their expiration date or, for agreements with no expiration date, after years of collaboration, any separation might entail substantial compensation payments under the terms of the agreement or settlement in question or by law, which could represent a large expense without any immediate offsetting income item. The risk of litigation or negative reputational impact of individual terminations of these types of agreements cannot be excluded. There is also always a risk of negative reputational impact from disgruntled partners in respect of terminations of the Group's other contractual arrangements, whether for non-performance, compliance issues or another reason.

*Risk of counterfeit and parallel retail networks could negatively impact the Group's revenue and profit.*

Like with any high-end, luxury products, the Brand and the Group's products are often subject to being counterfeited or copied. Some products, in particular leather goods, perfumes and cosmetics, are susceptible to being distributed in parallel retail networks, including online sales networks, without the Group's consent and in ways that could damage the global brand image.

Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit and the same networks that drive counterfeit products are usually linked to other illegal activities, including terrorist financing activities. Activities in illegitimate channels may thus damage the brand equity and have the potential to lower consumer confidence in the Brand. In some instances, in particular in relation to Fragrance & Beauty products, counterfeit products, or products that are no longer traceable due to their illegitimate distribution through parallel trade, can potentially be detrimental to consumers in terms of health and safety. Any such safety issues could lead to negative publicity for the Brand and the Group and have a material adverse effect on the Group's financial condition and operating results. There can be no assurances that the Group will be successful in combating counterfeiting or other illegal distribution activities and the continued availability of counterfeit and parallel market goods may have a material adverse effect on the Group's results of operations and financial condition.

*Major incidents due to natural disasters, terrorist activities, or further global pandemics affecting one or more of the Group's locations could cause business disruptions and have an adverse impact on the Group's operations.*

A major incident due to natural disasters or further global pandemics similar to that of COVID-19 in one or more of the Group's key locations could significantly impact business operations, with the impact varying depending on the location and its nature. Disruptions or inefficiencies in the Group's supply chain and/or

boutiques could for example lead to delayed deliveries and by extension lower sales, which could have a material adverse effect on the Group's financial condition and operating results.

*Extreme weather conditions resulting from man-made climate change are a threat to business through disruptions in the supply chain and sourcing of raw materials used in the Group's products.*

Extreme weather conditions could cause disruptions in the Group's supply chain and sourcing of raw materials that are used in its products. To the extent such conditions occur or persist, they could have an adverse impact on the results of operation and financial condition of the Group.

*Existing insurance policies held by the Group do not entirely protect against risks associated with natural and industrial disasters, terrorist activities, or global pandemics.*

Insurance policies taken out by the Group, including coverage against fire, natural disasters, operational interruptions and third-party liability, are subject to exclusions and limitations of each policy's terms and conditions both in amount and with respect to the insured events. Such events may cause damage to a property or have other impacts in excess of insurance coverage and may thus lead to significant costs that must be borne by the Group in connection with remediation and repair work. Even in cases where the Group has obtained sufficient insurance coverage, its insurance providers could become insolvent, forcing the Group to bear any costs itself. In almost all of the Group's corporate insurance policies, pandemics like COVID-19 are not covered.

*The seasonality of sales means unexpected events in the final months of a year can have significant effects on business volume and earnings.*

Seasonality affects some lines of the Group's business. For example, in the Fragrance & Beauty division, a significant proportion of sales is generated during the fourth-quarter holiday period. The Fashion division increases in sales around the six collection launch dates, while the Watches & Fine Jewellery division experiences more sales around its launch calendar. Any decrease in sales or margins during these periods could have a material adverse effect on the Group's results of operations, financial condition and cash flows. In particular, unexpected events in the final months of the year may have a significant effect on the Group's business volume and, by extension, earnings.

Seasonal fluctuations also affect the Group's cash and inventory levels, since the boutiques usually order products in advance of peak selling periods and sometimes before new fashion trends are confirmed by client purchases. The Group must carry a significant amount of inventory, especially before the holiday season selling period. If the Group is unsuccessful in selling inventory, it may have to sell the inventory at reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on the Group's results of operations, financial condition and cash flows.

## **Economic and Financial Risks**

*Exchange rate fluctuations and changes in interest rates could significantly impact the Group's results and financial condition.*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. A substantial portion of the Group's sales are denominated in currencies other than the euro, particularly the US dollar, the Chinese yuan, the Korean won, the UK pound and the Japanese yen, while most of its manufacturing expenses are euro-denominated. Exchange rate fluctuations between the euro and the other main currencies in which the Group's sales are denominated can, therefore, have an adverse impact on its revenue and earnings reported in US dollars and complicate comparisons of its year-on-year performance.

The Group's international operations are subject to unstable economic, financial and market conditions and increased expenses due to inflation, or higher interest rates. If the Group holds fixed income investments, changes in interest rates, credit spreads, credit ratings, reduced liquidity, declining credit quality of particular investments and other economic variables could affect profitability. In addition, the Group's variable rate indebtedness subjects it to interest rate risk, which could cause its debt services obligations to increase.

The Group uses derivative instruments to manage its foreign exchange and interest rate risk exposures. However, it is possible that the Group will not maintain interest rate swaps with respect to its currency exposure or any of its variable rate indebtedness. Alternatively, any swaps the Group enters into may not fully or effectively mitigate the currency or interest rate risk. Given the uncertainty in the financial markets, including the impact of a prolonged COVID-19 pandemic and the increased uncertainty related to the United Kingdom's withdrawal from the European Union, there can be no assurance that these strategies, if continued, will be successful and that interest rate or currency exchange rate volatility will not have a material adverse effect on the Group's financial condition and operating results.

*Global market uncertainty related to the COVID-19 pandemic, especially the Group's reduced capacity to supply and the global drop in demand for its products, will likely result in a reduction in revenues and earnings in 2020.*

The Group could be adversely affected by negative developments in the European and global economy and luxury markets, which are susceptible to changes in the overall economy and volatile. Factors that directly or indirectly affect the overall economy also impact supply and demand for the Group's luxury products. The Group's business is highly dependent on macroeconomic and political developments, including changes in legislation, as well as other general economic trends.

The COVID-19 global pandemic is currently contributing to a considerable economic downturn and increased business uncertainty. The economic downturn has resulted and is still expected to result in disrupted global supply chains, increased unemployment rates, lower household income, lower valuation of retirement savings accounts, lower consumer spending and significant volatility and disruption in financial markets, all of which may adversely affect the demand for the products the Group sells.

This reduced capacity to supply as discussed above, together with the decreases in global demand, will result in a reduction in the Group's revenues and earnings in 2020 compared to 2019 and previous years.

*A small portion of the Group's sales are exposed to consumer credit risk.*

The Group is exposed to client credit risk in certain of its lines of business and widespread defaults by the Group's clients could have a material adverse effect on the Group's financial condition and results of operations.

The Group provides for trade receivables, or a portion of trade receivables where it considers that, based on the evidence available to it, there is a reasonable chance that it will not be fully recovered. There can be no assurance that the inability of customers to pay amounts owed would not have an adverse impact on the business operations of the Group.

*Debt held by the Group, denominated in various currencies with variable rate borrowings, exposes the Group to the risk of unfavourable interest rate fluctuations and this may have an adverse impact on profitability.*

The Group's debt is denominated in various currencies, with variable rate borrowings. The Group is therefore exposed to the risk of unfavourable fluctuations in interest rates that may adversely affect its

overall profitability. Additionally, there may be market interest rate fluctuations in response to the economic challenges stemming from COVID-19, which may also negatively affect the Group's profitability.

*The Group is exposed to the risk of share price changes due to the Group's holdings of listed equity investments, and the risk resulting from exposure to fluctuations in commodity prices.*

The Group could be exposed to risks of share price changes as a result of its holdings of listed equity investments in its investment portfolio. A fall in the overall value of the Group's listed equity investments could negatively affect the Group's financial position. In addition, the Group, mainly through its Watches & Fine Jewellery division, may be exposed to changes in the prices of certain precious metals, such as gold. It cannot be excluded that such fluctuations could have a material impact on the business, operating results or financial condition of these specific product lines.

*Financial liabilities settled in cash pose a liquidity risk to the Group.*

The Group may encounter difficulties in meeting its financial liabilities that are settled in cash. There can be no assurance that in an illiquid market, the Group will be able to sell assets to meet its cash payment obligations.

### **Compliance Risks (including Legal and Tax Risks)**

*There may be changes to the regulatory environment in countries in which the Group operates in response to COVID-19, and this could have an adverse impact on the Group's business model.*

It is not possible to predict accurately how legal and regulatory responses to concerns about the COVID-19 pandemic will impact the Group. The Group is strongly committed to conducting its business in compliance with all applicable labour and employment-related laws, rules and regulations of each location in which it does business and across its supply chain. This includes, but is not limited to, laws, rules and regulations relating to wages and hours worked, equal employment opportunity, non-discrimination, harassment, immigration and work authorisation, privacy, collective bargaining, and child, prison and forced labour as well as health and safety. Given these commitments, any changes to the regulatory environment of the countries of operation of suppliers may potentially have an adverse effect on the Group.

*Changes to regulations around consumer safety could adversely affect the production of specific products.*

In the European Union, and in particular in France, and other countries in which the Group operates, a number of products, in particular of the Fragrance & Beauty division, are subject to very specific regulations, such as, in particular, production and manufacturing conditions, distribution, consumer safety, product labelling or ingredients. Any changes to these regulations could adversely affect the production of specific products.

*The relationship of the United Kingdom with the European Union may affect the business of the Group.*

Following the withdrawal of the UK from the EU on 31 January 2020, under the terms of the ratified EU-UK article 50 withdrawal agreement, a transition period commenced which will last until 31 December 2020. During this period, most EU rules and regulations will continue to apply to and in the UK and negotiations in relation to a free trade agreement will be ongoing. The deadline for extending this transition period has passed. While this does not entirely remove the prospect that the transition period will be extended (for example, it could be achieved under a new treaty which deals solely with an extension), the likelihood of a further extension has been reduced. During the transition period, the UK and the EU may not reach agreement on the future relationship between them, or may reach a significantly narrower agreement than that envisaged by the political declaration of the European Commission and the UK Government.

The UK Government continues preparations (including the UK Government publishing further draft secondary legislation under powers provided in the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020)) to ensure that there is a functioning statute book in the UK at the end of the transition period.

However, due to the on-going political uncertainty as regards the structure of the future relationship between the UK and the EU, the precise impact on the business of the Group is difficult to determine. The Group continues to assess the potential impact on its business based on forecasted scenarios and does not believe there is any significant risk to its business model, given that the United Kingdom historically operated as a separate region from Europe within the Group. No assurance can be given that such matters would not adversely affect the operations of the Group, the ability of the Issuer to satisfy its obligations under the Notes, the Guarantor to satisfy its obligations under the Guarantee and/or the market value and/or the liquidity of the Notes in the secondary market.

*Changes in the tax environment may have adverse consequences for the Group.*

As a global business, the Group is subject to a number of tax laws and regulations, the most significant of which are corporation taxes, sales taxes, and customs duties. Changes in tax legislation, administrative practice, especially as regards transfer pricing, or case law, or changes in the interpretation thereof, which are possible at any time on short notice, may have adverse tax consequences for the Group and a material adverse effect on the Group's net assets, financial condition and results of operations.

There can be no assurance that the Group will not, from time to time, be alleged to have underpaid its taxes and become subject to interest, penalties and other legal sanctions, which could also result in damage to the Group's reputation. In addition, it cannot be excluded that the actually assessed taxes resulting from current tax audits will exceed the Group's provisions.

*The Group is a party to various legal proceedings.*

As part of its day-to-day management, the Group is party to legal proceedings concerning the protection of Brand and intellectual property rights, the setup of selective distribution networks, licensing arrangements, employee relations, distribution agreements and other areas relating to its business. It cannot be excluded, given the scope of operations, that there could, at any time, be material litigation that significantly impacts the Group's operations and results at any time in the future.

## **RISKS RELATED TO THE NOTES**

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes or the Guarantor's ability to fulfil its obligations under the Guarantee**

*Noteholders are exposed to the creditworthiness of the Issuer and the Guarantor.*

Any person who purchases Notes is relying on the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. Noteholders are subject to the risk that the Issuer or the Guarantor fail to make payments, in whole or in part, of interest, premium or principal on the Notes, which the Issuer or the Guarantor is obliged to make under the Conditions of the relevant Series of Notes. If the creditworthiness of the Issuer or the Guarantor were to deteriorate, the risk that a Noteholder would suffer a loss would increase. Investors should also have regard to the risk factors set out under the heading "*Risks Related to the Business of the Issuer, the Guarantor and the Group*" above.

*The Issuer is entirely dependent on the Guarantor and other subsidiaries of the Group.*

The Issuer acts as a financing subsidiary of the Guarantor. The Issuer has been established for the purpose of issuing the Notes. In the future, its principal activity will be the provision of loans to Group companies financed with the proceeds of the issuance of the Notes and, potentially, further funds acquired from the capital markets, bank loans and loans from other companies of the Group. Any material adverse consequences of the risks described under the heading "*Risks Related to the Business of the Issuer, the Guarantor and the Group*" above could be detrimental to the Issuer's ability to fulfil its obligations under the Notes and investors could suffer a loss should such risks materialise.

### **Risks related to the structure of the Notes**

*The Issuer and the Guarantor are not restricted from incurring additional debt.*

The Conditions of the Notes do not restrict the Issuer or any member of the Group (including the Guarantor) from incurring additional debt. The Conditions of the Notes contain a negative pledge that prohibits the Issuer, the Guarantor and the Guarantor's Subsidiaries from creating or permitting to subsist any mortgage, charge, lien to secure any present or future indebtedness in respect of any securities, borrowed money or guarantee in respect of such indebtedness other than as permitted by the Conditions of the Notes (see Condition 4 (*Negative Pledge*)). The Notes do not contain any other covenants restricting the operations of the Issuer, the Guarantor or the Group. If the Issuer's and/or the Guarantor's financial condition were to deteriorate they may be unable to repay any such additional debt or make payments under the Notes. As a consequence, the Noteholders could suffer direct and materially adverse consequences in relation to their investment in the Notes, including a suspension and/or reduction of interest and principal payments and, if the Issuer and/or the Guarantor were to be liquidated, the Noteholders could suffer a loss of their entire investment in their Notes.

*The Notes may be redeemed prior to maturity at the option of the Issuer.*

In the event that the Issuer or, as the case may be, the Guarantor would be obliged to pay additional amounts due to any withholding as provided in Condition 8.2 (*Redemption for Taxation Reasons*), the Issuer may redeem in whole, but not in part, the then outstanding Notes of a Series at the Early Redemption Amount together with accrued interest thereon, in accordance with such Condition.

The Notes of a Series may also be redeemed at the option of the Issuer, in whole, but not in part, (i) in the event that at least 95 per cent. of the initial aggregate nominal amount of such Notes have been redeemed or purchased (and consequently cancelled), at the Optional Redemption Amount together with accrued interest thereon, in accordance with Condition 8.3(a) (*Clean-up call option*), or (ii) at any time prior to the relevant Optional Make-Whole Redemption Date at the applicable Make-Whole Redemption Amount, in accordance with Condition 8.3(b) (*Make-whole redemption by the Issuer*). In the case of redemption pursuant to Condition 8.3(a), there is no obligation for the Issuer to inform investors if and when this percentage has been reached or is about to be reached, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of this option, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

During any period when the Issuer may elect to redeem the Notes of a Series, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Partial exercise of the Change of Control Put Option may affect the liquidity of any Notes in respect of which the Change of Control Put Option is not exercised.*

If a Change of Control occurs (as defined in Condition 8.4 (*Redemption at the option of the Noteholders upon a Change of Control*)), each Noteholder of a Note of a Series will have the right to request that the Issuer redeem or purchase (or procure purchase of) all or part of its Notes of such Series at the Put Redemption Amount plus accrued interest (if any). In such case, any trading market in respect of Notes of such Series which are not redeemed or purchased following such Change of Control may become illiquid. In respect of any Notes redeemed or purchased, investors may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

*Noteholders are exposed to capital market risks associated with fixed rate notes.*

The Notes will bear interest at a fixed rate. Noteholders are exposed to the risk that the price of the Notes falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal rate of interest for the Notes is fixed during the term of the Notes, the Market Interest Rate typically changes on a daily basis. If the Market Interest Rate increases, the price of the Notes is likely to fall. If the Market Interest Rate falls, the price of the Notes is likely to increase. Potential investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for Noteholders if they sell the Notes on the secondary market prior to maturity.

*The Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics.*

Although a premium payment may be payable by the Issuer if certain sustainability targets are not met, as set out above, the Notes may not satisfy an investor's requirements or any future legal or quasi legal standards for investment in assets with sustainability characteristics. If certain sustainability targets are not met, this may have material adverse effect on the value of the Notes.

In addition, the premium payment amount in respect of the Notes depends on (a) in the case of the 2026 Notes, a definition of Renewable Electricity Percentage or (b) in the case of the 2031 Notes, definitions of Scope 1 and 2 Emissions Amount and Scope 3 Emissions Amount, that may be inconsistent with investor requirements or expectations or other definitions relevant to renewable electricity and/or carbon dioxide equivalent emissions. The Issuer and the Guarantor define the Renewable Electricity Percentage as the percentage of the electricity used in the operations of Chanel that is derived from any of the following technologies: wind, solar, hydro and geothermal and any other non-fossil fuel source of generation deriving from natural resources (including, but not limited to, on-site generation, the purchase of green tariffs and direct financial support for new renewable electricity projects). The Issuer and the Guarantor define the Scope 1 and Scope 2 Emissions Amount as the amount of Chanel's Scope 1 and 2 direct absolute greenhouse gas emissions expressed as a total amount in tonnes of carbon dioxide equivalent and as an amount of tonnes of carbon dioxide equivalent per unit sold, as calculated in good faith by the Guarantor and confirmed by the External Verifier, and the Scope 3 Emissions Amount as the amount of Chanel's Scope 3 absolute greenhouse gas emissions expressed as a total amount in tonnes of carbon dioxide equivalent and as an amount of tonnes of carbon dioxide equivalent per unit sold, as calculated in good faith by the Guarantor and confirmed by the External Verifier. In each case, neither the Issuer nor the Guarantor has obtained third-party analysis of such definitions or how such definitions relate to any sustainability-related standards other than the External Verifier's confirmation of each of the Renewable Electricity Percentage, Scope 1 and 2 Emissions Amount and Scope 3 Emissions Amount as of the relevant Premium Trigger Reference Date, each according to the Issuer's and the Guarantor's definition thereof.

Although Chanel targets (i) increasing the proportion of the electricity used in its operations derived from renewable electricity sources and (ii) decreasing its carbon dioxide equivalent emissions, there can be no assurance from either the Guarantor or the Managers as to the extent to which Chanel will be successful in



doing so or that any future investments it makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact.

No event of default shall occur, nor shall the Issuer or the Guarantor be required to redeem or repurchase the Notes, if the Guarantor fails to (a) in the case of the 2026 Notes, increase its Renewable Electricity Percentage, or (b) in the case of the 2031 Notes, decrease its Scope 1 and 2 Emissions Amount and Scope 3 Emissions Amount.

In addition, no assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of the Notes. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Managers or any other person to buy, sell or hold any Notes of the relevant Series. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

### **Risks related to the characteristics of the Notes**

*Market value of the Notes will be affected by several factors.*

Application has been made for the Notes of each Series to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The market value of the Notes of each Series will be affected by the creditworthiness of the Issuer and the Guarantor and a number of additional factors, including, but not limited to, the volatility of market interest and yield rates and the time remaining to the relevant maturity date. There is also a possibility that the Notes of a Series may subsequently be delisted despite the Issuer's best efforts to maintain such listing and, although no assurance is made as to the liquidity of the Notes of a Series as a result of listing, any delisting of the Notes of a Series may have a material effect on a Noteholder's ability to resell such Notes on the secondary market.

The value of the Notes of a Series depends on a number of interrelated factors, including economic, financial and political events in the United Kingdom or elsewhere, including factors affecting capital markets generally and the Luxembourg Stock Exchange's regulated market in particular. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder. Accordingly, all or part of the capital invested by the Noteholder may be lost upon any transfer of the Notes, so that the Noteholder in such case would receive significantly less than the total amount of capital invested.

*The value of the Notes could be adversely affected by a change in English law or administrative practice.*

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

*The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors.*

The Conditions of the Notes contain provisions for calling meetings of Noteholders of a Series (including by way of conference call) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders of a Series including Noteholders who did not attend and vote at the relevant meeting

or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority. While it is not possible to assess the likelihood that the Conditions will need to be amended during the term of the Notes of a Series by a meeting of the Noteholders of such Series, if a decision is adopted by a majority of the Noteholders of such Series and such modifications impair or limit the rights of Noteholders of such Series, this may negatively affect the market value of the Notes of the relevant Series, although the probability of such a decision being taken by Holders is considered to be low.

*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.*

The Notes have denominations consisting of a minimum of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including denominations of EUR 199,000. It is possible that such Notes may be traded in amounts that are not integral multiples of EUR 100,000. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than EUR 100,000 in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of EUR 100,000. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than EUR 100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of EUR 100,000 such that its holding amounts to at least EUR 100,000.

### **Risks related to the market**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.*

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

*If an investor's home currency is not the euro, such investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to the Notes could result in an investor not receiving payments on those Notes.*

The Issuer will pay principal, interest and premium, if any, on the Notes of each Series and the Guarantor will make any payments under the Guarantee in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**Legal investment considerations may restrict certain investments**

*The Notes may not meet the investment criteria prescribed by legal investment laws and regulations to which certain investors are subject.*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes of a Series are legal investments for it, (2) the Notes of a Series can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes of a Series. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. If an investor does not adhere to such investment laws and regulations an investment in the Notes of a Series may attract adverse legal or financial consequences for the investor.

## DOCUMENTS INCORPORATED BY REFERENCE

The pages set out below, which are extracted from the following documents, shall be deemed to be incorporated by reference in, and to form part of, this Prospectus:

- (a) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2018 of the Guarantor, available at <http://dl.bourse.lu/dlp/109a55f446f3044f378af71b068c8725d8>, including the information set out at the following pages in particular:

Consolidated Statement of Financial Position.....	Page 20
Consolidated Statement of Income.....	Page 18
Consolidated Statement of Cash Flows.....	Page 22
Accounting Policies and Notes.....	Pages 23 to 68
Audit Report.....	Pages 15 to 17

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No 809/2004 (the "**Delegated Regulation**"); and

- (b) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2019 of the Guarantor, available at <http://dl.bourse.lu/dlp/101c8e43aa726c4a2aa57034052910952f>, including the information set out at the following pages in particular:

Consolidated Statement of Financial Position.....	Page 27
Consolidated Statement of Income.....	Page 25
Consolidated Statement of Cash Flows.....	Page 29
Accounting Policies and Notes.....	Pages 30 to 81
Audit Report.....	Pages 22 to 24

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Delegated Regulation.

Since the Issuer was incorporated on 4 July 2020, there are no audited financial statements available with respect to the Issuer. Please see the section entitled "*Description of the Issuer*" for a summary of the Issuer's financial position as at the date of its incorporation.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any information not incorporated by reference in this Prospectus but contained in one of the documents listed above is either deemed not relevant for an investor or is otherwise covered elsewhere in this Prospectus.

Any statement contained in a document which is incorporated by reference in, and forms part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Electronic versions of the documents incorporated by reference in this Prospectus may be obtained on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):*

The issue of the (a) EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2026 (the "**2026 Notes**") and (b) the EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2031 (the "**2031 Notes**" and, together with the 2026 Notes, the "**Notes**" and each a "**Series**", which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes of a Series) of Chanel Ceres PLC (the "**Issuer**") was authorised by a resolution of the Board of Directors of the Issuer passed on 8 September 2020. The Notes of each Series are issued subject to and with the benefit of an Agency Agreement dated on or around 29 September 2020 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Chanel Limited (the "**Guarantor**" and, together with its subsidiaries, the "**Group**") as guarantor, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and (the "**Fiscal Agent**") and as paying agent (the "**Paying Agent**"). The Issuer and the Guarantor have entered into a Calculation Agency Agreement dated on or around 29 September 2020 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Calculation Agency Agreement**") with Aether Financial Services UK Limited as calculation agent (the "**Calculation Agent**"). The holders of the Notes of each Series (the "**Noteholders**") and the holders of the interest coupons appertaining to the Notes of such Series (the "**Couponholders**" and the "**Coupons**" respectively) are entitled to the benefit of a Deed of Covenant (the "**Deed of Covenant**") dated on or around 29 September 2020 and made by the Issuer. The original of the Deed of Covenant is held by the Common Depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement, the Calculation Agency Agreement and the Deed of Covenant are available for inspection during normal business hours by the Noteholders and Couponholders of each Series at the specified office of the Paying Agent, being at the date of these Conditions at 60, avenue J.F. Kennedy, L-1855 Luxembourg, Luxembourg. The Noteholders and the Couponholders of each Series are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Calculation Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Paying Agent and the Calculation Agent shall include any successor appointed under the Agency Agreement or the Calculation Agency Agreement respectively.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes of each Series are in bearer form, serially numbered, in the denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 each with Coupons attached on issue. Notes of a Series of one denomination may not be exchanged for Notes of such Series of any other denomination.

The Calculation Amount (the "**Calculation Amount**") in respect of the Notes is EUR 1,000.

#### 1.2 Title

Title to the Notes and to the Coupons of each Series will pass by delivery.

### 1.3 Noteholder Absolute Owner

The Issuer, the Guarantor, the Fiscal Agent and the Paying Agent will (except as ordered by a court of a competent jurisdiction or otherwise required by law) deem and treat the bearer of any Note or Coupon of a Series as the absolute owner for all purposes (whether or not the Note or Coupon is overdue and regardless of any notice of ownership, trust or any interest therein, any writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

## 2. STATUS OF THE NOTES

The Notes and the Coupons of each Series are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 3. GUARANTEE

### 3.1 Guarantee

The payment of the principal, interest and premium, if any, in respect of the Notes of each Series has been unconditionally and irrevocably guaranteed by the Guarantor under a first demand guarantee (the "**Guarantee**") dated on or around 29 September 2020 and executed by the Guarantor.

### 3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute an unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligation of the Guarantor and ranks (save for statutorily preferred exceptions) *pari passu* with all other existing or future unsecured and unsubordinated obligations of the Guarantor. The original of the Guarantee is held by the Fiscal Agent on behalf of, and copies are available during normal business hours for inspection by, the Noteholders and Couponholders of each Series at its specified office.

## 4. NEGATIVE PLEDGE

### 4.1 Negative Pledge

So long as any Note of a Series remains outstanding:

- (a) the Issuer will not create or permit to subsist any mortgage, charge, lien, pledge or other form of security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly takes any and all action necessary to ensure that:
  - (i) all amounts payable by it under the Notes and the Coupons of such Series are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
  - (ii) such Security Interest is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders of such Series; and

- (b) the Guarantor will not, and the Guarantor will procure that none of its Subsidiaries will, create or have outstanding any Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Guarantor and/or any of its Subsidiaries to secure any Relevant Indebtedness unless the Guarantor, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly takes any and all action necessary to ensure that:
- (i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
  - (ii) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders of such Series.

## 4.2 Interpretation

For the purposes of these Conditions:

**"Relevant Indebtedness"** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock, U.S. private placement, Schuldschein or other securities which are for the time being or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, multilateral trading facility, over-the-counter or other securities market, (ii) money borrowed or liabilities under or in respect of any acceptance or acceptance credit and (iii) any guarantee or indemnity in respect of any such indebtedness. For the avoidance of doubt, such Relevant Indebtedness does not include indebtedness for borrowed money arising under loan or credit facility agreements; and

**"Subsidiary"** means in relation to any person (the **"first person"**) at any particular time, any other person (the **"second person"**):

- (a) whose affairs and policies the first person controls or has power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

## 5. INTEREST

### 5.1 Interest Rate and Interest Payment Dates

The 2026 Notes bear interest from and including 1 October 2020 at the rate of 0.50 per cent. *per annum*, payable annually in arrear on 31 July in each year (each an **"Interest Payment Date"**). The first payment (for the period from and including 1 October 2020 to but excluding 31 July 2021 and amounting to EUR415.068 per Calculation Amount) shall be made on 31 July 2021. For each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date (each an **"Interest Period"**) the amount of interest payable in respect of each nominal amount of 2026 Notes equal to the Calculation Amount will be EUR500.

The 2031 Notes bear interest from and including 1 October 2020 at the rate of 1.00 per cent. *per annum*, payable annually in arrear on each Interest Payment Date (as defined above). The first payment (for the period from and including 1 October 2020 to but excluding 31 July 2021 and amounting to EUR830.137) shall be made on 31 July 2021. For each successive Interest Period (as



defined above), the amount of interest payable in respect of each nominal amount of 2031 Notes equal to the Calculation Amount will be EUR1,000.

## 5.2 Interest Accrual

Each Note of a Series will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Paying Agent and notice to that effect has been given to the Noteholders of such Series in accordance with Condition 13 (*Notices*).

## 5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of (a) in the case of the 2026 Notes, 0.50 per cent. *per annum* or (b) in the case of the 2031 Notes, 1.00 per cent. *per annum*, to each Calculation Amount of such Notes and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards.

## 6. PREMIUM PAYMENT

### 6.1 Premium Payment Amount and Premium Payment Date

If the Calculation Agent determines that a Premium Trigger Event has occurred, the Issuer shall pay in respect of each Note of a Series an amount equal to the Premium Payment Amount on the Premium Payment Date.

The Issuer shall notify the Noteholders of a Series in accordance with Condition 13 (*Notices*) if a Premium Trigger Event in respect of such Series has occurred.

### 6.2 Interpretation

For the purposes of this Condition 6:

"**Assurance Report**" means the report issued by the External Verifier and published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) in respect of (a) in the case of the 2026 Notes, the Renewable Electricity Condition or (b) in the case of the 2031 Notes, the Emissions Condition.

"**Base Scope 1 and 2 Emissions Amount**" means 41,800 tCO<sub>2</sub>e (being an amount equivalent to 0.000456 tCO<sub>2</sub>e per unit sold), as reported in the Chanel Sustainability-Linked Bond Framework.

"**Base Scope 3 Emissions Amount**" means 829,000 tCO<sub>2</sub>e (being an amount equivalent to 0.009040 tCO<sub>2</sub>e per unit sold), as reported in the Chanel Sustainability-Linked Bond Framework.

**"Chanel Sustainability-Linked Bond Framework"** means the framework published on or around 29 September 2020 and available on the Luxembourg Stock Exchange's website: [www.bourse.lu](http://www.bourse.lu).

**"Emissions Condition"** means the notification in writing by the Guarantor to the Calculation Agent and the Fiscal Agent (with a copy to the Issuer) on or prior to the Premium Trigger Event Notification Date that (i) as of the Premium Trigger Reference Date the Scope 1 and 2 Emissions Amount was at least 50 per cent. lower than the Base Scope 1 and 2 Emissions Amount (being a reduction equivalent to a 66 per cent. reduction in tCO<sub>2</sub>e per unit sold), and (ii) as of the Premium Trigger Reference Date the Scope 3 Emissions Amount was at least 10 per cent. lower than the Base Scope 3 Emissions Amount (being a reduction equivalent to a 40 per cent. reduction in tCO<sub>2</sub>e per unit sold), and (iii) such Scope 1 and 2 Emissions Amount and Scope 3 Emissions Amount have been published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) and confirmed by the External Verifier in the Assurance Report delivered in accordance with its customary procedures.

**"Emissions Event"** means a failure by Chanel to satisfy the Emissions Condition.

**"External Verifier"** means Deloitte LLP, or in the event that Deloitte LLP resigns or is otherwise replaced such other qualified provider of third party assurance or attestation services appointed by the Guarantor for the purposes of this Condition 6.

**"Premium Payment Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to (a) in the case of the 2026 Notes, EUR500 or (b) in the case of the 2031 Notes, EUR750.

**"Premium Payment Date"** means (a) in the case of the 2026 Notes, 31 July 2026 or (b) in the case of the 2031 Notes, 31 July 2031.

**"Premium Trigger Event"** means (a) in the case of the 2026 Notes, a Renewable Electricity Event, or (b) in the case of the 2031 Notes, an Emissions Event.

**"Premium Trigger Event Notification Date"** means (a) in the case of the 2026 Notes, the earlier of the date falling 15 days after the publication of the Group's audited annual consolidated financial statements for the year ended 31 December 2025 (provided in accordance with Condition 14.3) and 30 June 2026 or (b) in the case of the 2031 Notes, the earlier of the date falling 15 days after the publication of the Group's audited annual consolidated financial statements for the year ended 31 December 2030 (provided in accordance with Condition 14.3) and 30 June 2031.

**"Premium Trigger Reference Date"** means (a) in the case of the 2026 Notes, 31 December 2025, or (b) in the case of the 2031 Notes, 31 December 2030.

**"Renewable Electricity Condition"** means the notification in writing by the Guarantor to the Calculation Agent and the Fiscal Agent (with a copy to the Issuer) on or prior to the Premium Trigger Event Notification Date that (i) as of the Premium Trigger Reference Date, the Renewable Electricity Percentage was 100 per cent. and (ii) such Renewable Electricity Percentage has been published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) and confirmed by the External Verifier in the Assurance Report delivered in accordance with its customary procedures.

**"Renewable Electricity Event"** means a failure by Chanel to satisfy the Renewable Electricity Condition.

**"Renewable Electricity Percentage"** means the percentage of the electricity used in the operations of Chanel that is derived from any of the following technologies: wind, solar, hydro and geothermal and any other non-fossil fuel source of generation deriving from natural resources (including, but not

limited to, on-site generation, the purchase of green tariffs and direct financial support for new renewable electricity projects).

**"Scope 1 and 2 Emissions Amount"** means the amount of Chanel's Scope 1 and 2 direct absolute greenhouse gas emissions expressed as a total amount in tCO<sub>2</sub>e and as an amount of tCO<sub>2</sub>e per unit sold, as calculated in good faith by the Guarantor and confirmed by the External Verifier.

**"Scope 3 Emissions Amount"** means the amount of Chanel's Scope 3 absolute greenhouse gas emissions expressed as a total amount in tCO<sub>2</sub>e and as an amount of tCO<sub>2</sub>e per unit sold, as calculated in good faith by the Guarantor and confirmed by the External Verifier.

**"tCO<sub>2</sub>e"** means tonnes of carbon dioxide equivalent.

### **6.3 Notifications, etc. to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Calculation Agent, will (in the absence of negligence, default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agents and all Noteholders and Couponholders of a Series and (in the absence of negligence, default or bad faith) no liability to the Issuer, the Guarantor or the Noteholders or the Couponholders of such Series shall attach to the Calculation Agent in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition.

## **7. PAYMENTS**

### **7.1 Payments in respect of Notes**

Payments of principal, interest and premium, if any, in respect of each Note of a Series will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of the Paying Agents.

### **7.2 Method of Payment**

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

### **7.3 Missing Unmatured Coupons**

Each Note of a Series should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only or payment of premium, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 10 (*Prescription*)) or, in the case of the 2031 Notes, if later, five years after the date on which the Coupon would have become due, but not thereafter.

#### **7.4 Payments subject to applicable laws**

Payments in respect of principal, interest and premium, if any, on the Notes of a Series are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

#### **7.5 Payment only on a Presentation Date**

A Noteholder or Couponholder shall be entitled to present a Note or Coupon of a Series, as applicable, for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to Condition 10 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, "**Business Day**" means, in relation to any place, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and "**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

#### **7.6 Initial Fiscal Agent and Paying Agent**

The names of the initial Fiscal Agent and Paying Agent and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent or the Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) so long as the Notes of a Series are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Fiscal Agent) having a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders of the relevant Series promptly by the Issuer in accordance with Condition 13 (*Notices*).

## 8. REDEMPTION AND PURCHASE

### 8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes of a Series at the Final Redemption Amount on (a) in the case of the 2026 Notes, 31 July 2026 (the "**2026 Maturity Date**") or (b) in the case of the 2031 Notes, 31 July 2031 (the "**2031 Maturity Date**"). The 2026 Maturity Date and the 2031 Maturity Date shall constitute the "**Maturity Date**" in respect of the relevant Series of Notes.

"**Final Redemption Amount**" means in respect of each nominal amount of Notes equal to the Calculation Amount, EUR 1,000.

### 8.2 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 1 October 2020, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders of the relevant Series in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all the Notes of a Series, but not some only, at any time at the Early Redemption Amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes of such Series then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent to make available at its specified offices to the Noteholders of the Series (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment.

"**Early Redemption Amount**" means, in respect of each nominal amount of Notes equal to the Calculation Amount, EUR 1,000.

### 8.3 Redemption at the Option of the Issuer

- (a) Clean-up call option

The Issuer may, at its option, subject to having given not more than thirty (30) nor less than fifteen (15) calendar days' irrevocable notice to the Noteholders of a Series in accordance

with Condition 13 (*Notices*), redeem the outstanding Notes of such Series, in whole, but not in part, at any time prior to their Maturity Date, at the Optional Redemption Amount plus accrued interest up to, but excluding, the date fixed for redemption, in the event that at least ninety-five per cent. (95%) of the initial aggregate nominal amount of the Notes of such Series have been redeemed or purchased and cancelled, other than through a make-whole redemption by the Issuer in accordance with Condition 8.3(b) below.

**"Optional Redemption Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, EUR 1,000.

(b) Make-whole redemption by the Issuer

The Issuer will, subject to compliance by the Issuer with all relevant laws, regulations and directives and subject to having given not more than thirty (30) nor less than fifteen (15) calendar days' irrevocable notice to the Noteholders in accordance with Condition 13 (*Notices*), have the option to redeem the Notes of a Series, in whole, but not in part, at any time prior to (i) in the case of the 2026 Notes, 31 July 2025 or (ii) in the case of the 2031 Notes, 31 July 2029 (the **"Optional Make-Whole Redemption Date"**) at the Make-Whole Redemption Amount.

**"Make-Whole Redemption Amount"** means, in respect of each nominal amount of Notes of such Series equal to the Calculation Amount, an amount calculated by the Calculation Agent and rounded to the nearest cent (half a cent being rounded upwards) being the greater of (x) EUR 1,000 and (y) the sum of the then present values on the relevant Optional Make-Whole Redemption Date of (i) EUR 1,000 and (ii) the remaining scheduled payments of interest on such Notes per Calculation Amount (excluding any interest accruing on such Notes to, but excluding, such Optional Make-Whole Redemption Date), discounted to such Optional Make-Whole Redemption Date on an annual basis at the relevant Early Redemption Rate (as defined below) plus the relevant Early Redemption Margin (as defined below), plus in the case of (x) or (y) above, any interest accrued on such Notes to, but excluding, the Optional Make-Whole Redemption Date.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties. The Calculation Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

**"Early Redemption Margin"** means (a) in the case of the 2026 Notes, 0.20 per cent. or (b) in the case of the 2031 Notes, 0.25 per cent.

**"Early Redemption Rate"** means, with respect to the relevant Optional Make-Whole Redemption Date, the rate per year equal to the annual equivalent yield to maturity of the relevant Reference Security, as determined by the Calculation Agent on the fourth (4<sup>th</sup>) Business Day preceding the relevant Optional Make-Whole Redemption Date. If the relevant Reference Security is no longer outstanding, a Similar Security will be chosen by the Calculation Agent after prior consultation with the Guarantor if practicable, no later than 11.00 a.m. (Central European time (CET)) on the third (3<sup>rd</sup>) business day in Berlin preceding the relevant Optional Make-Whole Redemption Date. The identity of the Similar Security will be notified as soon as practicable after selection by the Issuer to the Noteholders of the relevant Series in accordance with Condition 13 (*Notices*).

**"Reference Security"** means (a) in the case of the 2026 Notes, the 0.50 per cent. Federal Government Bund of the German Federal Republic due 2026 with ISIN DE0001102390, or

(b) in the case of the 2031 Notes, the 0.00 per cent. Federal Government Bund of the German Federal Republic due 2030 with ISIN DE0001102507.

"**Similar Security**" means a reference bond or reference bonds issued by the German Federal Republic having an actual or interpolated maturity comparable with the remaining term of the Notes of the relevant Series that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

#### **8.4 Redemption at the Option of the Noteholders upon a Change of Control**

If at any time while a Note of a Series remains outstanding a Change of Control occurs, each Noteholder of such Series will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the relevant Change of Control Put Event Notice (as defined below), the Issuer has given notice to redeem the Notes of such Series in accordance with Condition 8.3) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) the Notes held by it on the Change of Control Put Option Date at the Change of Control Put Redemption Amount together with (or, where purchased, together with an amount equal to) interest (if any) accrued to but excluding the Change of Control Put Option Date.

"**Change of Control Put Redemption Amount**" means, in respect of each nominal amount of Notes equal to the Calculation Amount, EUR 1,000.

Promptly upon a Change of Control having occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders of a Series in accordance with Condition 13 (*Notices*) specifying the circumstances giving rise to the Change of Control, the procedure for exercising the Change of Control Put Option and the Change of Control Put Option Date.

In order to exercise the Change of Control Put Option, the Noteholder of any Note of a Series must deposit such Note with the Fiscal Agent at its specified office at any time during normal business hours of the Fiscal Agent, accompanied by a duly signed and completed option exercise notice in the form (for the time being current) available from the specified office of the Fiscal Agent (a "**Change of Control Put Notice**") within the period (the "**Change of Control Put Period**") of 45 days after a Change of Control Put Event Notice is given. No Note so deposited and option so exercised may be revoked or withdrawn without the prior approval of the Issuer.

Each Note should be delivered together with all Coupons relating to it maturing after the Change of Control Put Option Date, failing which the amount of any such missing unmatured Coupon will be deducted from the sum due for payment in the manner provided in Condition 7.3. The Fiscal Agent will issue to the Noteholder concerned a non-transferable receipt in respect of all Notes so delivered. Payment in respect of any Note so delivered will be made, if the Noteholder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Option Date, by transfer to that bank account and, in every other case, on or after the Change of Control Put Option Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office the Fiscal Agent. For the purposes of these Conditions, receipts issued pursuant thereto shall be treated as if they were Notes.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Option Date unless previously redeemed (or purchased) and cancelled.

For the purposes of this Condition 8.4:

A "**Change of Control**" shall be deemed to have occurred if Litor Limited ceases to have control of the Guarantor, where "**control**" means:

- (a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
  - (i) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the Guarantor; or
  - (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the Guarantor; or
  - (iii) give directions with respect to the operating and financial policies of the Guarantor which the directors or other equivalent officers of the Guarantor are obliged to comply with; or
- (b) the holding of more than one-half of the issued share capital of the Guarantor (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

**"Change of Control Put Option Date"** means the seventh calendar day after the last day of the Change of Control Put Period.

## **8.5 Purchases**

The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries (as defined in Condition 4.2) may at any time purchase Notes of a Series (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

## **8.6 Cancellations**

All Notes of a Series which are (a) redeemed or (b) purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

## **8.7 Notices Final**

Upon the expiry of any notice as is referred to in paragraph 8.2, 8.3 or 8.4 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

# **9. TAXATION**

## **9.1 Payment without Withholding**

All payments in respect of the Notes of a Series by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders of such Series after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons of such Series in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any such Note or Coupon:



- (a) the Noteholder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a Noteholder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 7 (*Payments*)).

## 9.2 Interpretation

In these Conditions:

- (a) "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Paying Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders of a Series by the Issuer in accordance with Condition 13 (*Notices*); and
- (b) "**Relevant Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal, interest and premium, if any, on the Notes and Coupons of a Series.

## 9.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes of a Series shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 10. PRESCRIPTION

Notes and Coupons of a Series will become void unless presented for payment within periods of 10 years (in the case of principal and premium, if any) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 7 (*Payments*).

## 11. EVENTS OF DEFAULT

### 11.1 Events of Default

The Noteholder of any Note of a Series may give notice to the Issuer that such Note is, and it shall accordingly forthwith become, immediately due and repayable at the Early Redemption Amount, together with interest accrued to the date of repayment, if any of the following events ("**Events of Default**") shall have occurred and be continuing:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes of such Series or any of them and the default continues for a period of 15 calendar days; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Guarantee in respect of such Notes and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned

will be required) the failure continues for the period of 30 days following the service by any Noteholder of such Series on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same; or (iv) default is made by the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; or
- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or
- (e) if the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business (not including the closure of stores where not permitted or able to remain open by applicable governmental rules or advice), save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, or the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i)(A) proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (other than in respect of a solvent liquidation or reorganisation of any of the Guarantor's Material Subsidiaries other than the Issuer), or (B) an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator (other than in respect of a solvent liquidation of any of the Guarantor's Material Subsidiaries other than the Issuer) or other similar official, or an administrative or other receiver, manager, administrator, liquidator (other than in respect of a solvent liquidation of any of the Guarantor's Material Subsidiaries other than the Issuer) or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or (C) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against any undertaking or assets of any of them having an aggregate value of at least U.S.\$75,000,000 or its equivalent in any other currency or currencies, and (ii) in any such case (other than the appointment of an administrator) is not discharged within 14 days; or
- (g) if the Issuer, the Guarantor or any of the Guarantor's Material Subsidiaries initiates or consents to proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium)

or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors (other than the Noteholders and Couponholders of the relevant Series)) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors (other than the Noteholders and Couponholders of the relevant Series)); or

- (h) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or
- (i) if the Issuer ceases to be a direct subsidiary wholly-owned and controlled by the Guarantor.

## 11.2 Interpretation

For the purposes of this Condition:

"**Consolidated EBIT**" means, in respect of any Relevant Period, the consolidated operating profit of the Group before taxation (including the results from discontinued operations):

- (a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Relevant Period, with the exception of interest expense on lease liabilities in accordance with IFRS 16;
- (b) not including any accrued interest owing to any member of the Group;
- (c) before taking into account any Exceptional Items;
- (d) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Group which is attributable to minority interests;
- (e) plus or minus the Group's share of profits or losses (after finance costs and tax) of non-Group entities;
- (f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instrument which is accounted for on a hedge accounting basis);
- (g) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset;
- (h) before taking into account any Pension Items;
- (i) excluding (i) any non-cash expenses resulting from the grant or period remeasurement of stock options, restricted stock grants or other equity incentive programs (including any stock appreciation and similar rights) and (ii) any costs or expenses incurred pursuant to any management equity plan or stock option plan or other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent, in the case of paragraph (ii), that such cost or expenses are funded with cash proceeds contributed to the common equity capital of a member of the Group;
- (j) after adding back any expenses, costs or charges incurred, or any amortization thereof for such period, in any connection with any equity offering, investment, acquisition, disposal, recapitalisation or incurrence or repayment of indebtedness permitted (or not otherwise restricted) under these Conditions, including a refinancing thereof (in each case whether or not successful), and all gains

and losses realised in connection with any business disposal or any disposal of assets outside the ordinary course of day to day business or the disposal of securities or the early extinguishment of any permitted indebtedness, together with any related provision for taxes on any such gain, loss, income or expense and any applicable agency or trustee fees in connection with the foregoing; and

(k) after including any amounts claimed under business interruption insurance (or its equivalent);

**"EBITDA"** means, in respect of any Relevant Period, Consolidated EBIT for that Relevant Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group (and taking no account of the reversal of any previous impairment charge made in that Relevant Period), with the exception of depreciation of right of use assets in accordance with IFRS 16;

**"Exceptional Items"** means any items of an exceptional, one-off, extraordinary, nonrecurring nature which represent gains or losses including those arising on:

(a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;

(b) disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write down or impairment;

(c) disposals of assets associated with discontinued operations; and

(d) any other examples of "exceptional items";

**"Indebtedness for Borrowed Money"** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities, which indebtedness has an aggregate principal amount of at least U.S.\$75,000,000 or its equivalent in any other currency or currencies;

**"Material Subsidiary"** means a Subsidiary of the Guarantor which has earnings before interest, tax, depreciation and amortisation calculated on the same basis as EBITDA representing 7.5 per cent. or more of adjusted consolidated EBITDA or has gross assets (excluding intra-group items) representing 7.5 per cent. or more of the gross assets of the Group, calculated on a consolidated basis, determined by reference to the latest audited financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group;

**"Pension Items"** means any income or charge attributable to a post-employment benefit scheme other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme; and

**"Relevant Period"** means each period of twelve months ending on the last day of the Guarantor's financial year and each period of twelve months ending on the last day of the first half of the Guarantor's financial year.

## 12. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may

reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **13. NOTICES**

### **13.1 Notices to the Noteholders**

All notices to the Noteholders of a Series will be valid if published in a leading English language daily newspaper published in London and, so long as the Notes of such Series are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, published in one daily newspaper in Luxembourg or the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that publication in a newspaper will normally be made in the *Financial Times* and the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes of the relevant Series are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

### **13.2 Notices from the Noteholders**

Notices to be given by any Noteholder of a Series shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent.

## **14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND UNDERTAKING TO PROVIDE FINANCIAL STATEMENTS**

### **14.1 Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of the Noteholders of each Series (including by way of conference call) to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or the Guarantee or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes of a Series for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes of such Series held or represented by him or them, except that at any meeting the business of which includes any matter defined in the Agency Agreement as a Basic Terms Modification, including the modification of the Guarantee or certain of these Conditions (including the date of maturity of the Notes of such Series or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes of such Series or altering the currency of payment of the Notes of such Series), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes of such Series for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-quarters of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in principal amount of the Notes of a Series for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the Noteholders of not less than three-quarters in principal amount of the Notes of such Series for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders of a Series will be binding on

all Noteholders of such Series, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders of such Series.

## **14.2 Modification**

The Fiscal Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders or Couponholders of a Series, to:

- (a) any modification of, the Notes or the Coupons of such Series or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes or the Coupons of such Series or the Agency Agreement which is not prejudicial to the interests of the Noteholders of such Series.

Any modification shall be binding on the Noteholders and the Couponholders of a Series and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders of such Series as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

## **14.3 Undertaking to Provide Financial Statements**

So long as any of Notes of a Series are outstanding, the Issuer shall deliver to (or procure delivery to) the Fiscal Agent the audited annual consolidated financial statements of the Group within one hundred and fifty (150) days after its financial year end.

The Issuer may satisfy its obligation to deliver any financial statements pursuant to this Condition by making such financial statements available in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and giving notice thereof to the Fiscal Agent.

Upon receipt of such financial statements or notice of their availability on the website designated by the Issuer, the Fiscal Agent shall notify the Noteholders in accordance with Condition 13 (*Notices*). Such notice shall include details of how the relevant financial statements may be accessed or obtained.

## **15. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders of a Series create and issue further notes, having terms and conditions the same as those of the Notes of such Series, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes of such Series.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **16.1 Governing Law**

The Agency Agreement, the Guarantee, the Deed of Covenant, the Calculation Agency Agreement, the Notes and the Coupons of each Series and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Deed of Covenant, the Calculation Agency Agreement or the Notes and the Coupons of each Series are governed by, and construed in accordance with English law.

## **16.2 Submission to Jurisdiction**

- (a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes or the Coupons of a Series, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with such Notes and/or Coupons (a "**Dispute**") and each of the Issuer and any Noteholders and Couponholders of such Series in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders and the Couponholders of a Series may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

## **16.3 Other Documents and the Guarantor**

Each of the Issuer and, where applicable, the Guarantor has in the Agency Agreement, the Deed of Covenant, the Guarantee and the Calculation Agency Agreement submitted to the jurisdiction of the English courts.

## **17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes of a Series, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES OF A SERIES WHILE REPRESENTED BY GLOBAL NOTES**

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the "**Global Notes**") which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes of a Series are represented by the Global Notes.*

### **1. Accountholders**

For so long as all of the Notes of a Series are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 11 (*Events of Default*)) other than with respect to the payment of principal, interest and premium, if any, on such principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **2. Payments**

On and after 10 November 2020, no payment will be made on the Temporary Global Note for a Series unless exchange for an interest in the Permanent Global Note for such Series is improperly withheld or refused. Payments of principal, interest and premium, if any, in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note for a Series (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Notes of a Series are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders of such Series may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 13 (*Notices*), provided that, so long as such Notes are listed on the Luxembourg Stock Exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders of such Series on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.



While any of the Notes of a Series held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

#### 4. Interest Calculation

For so long as Notes of a Series are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note for such Series will be calculated by applying the rate of (a) in the case of the 2026 Notes, 0.50 per cent. *per annum* or (b) in the case of the 2031 Notes, 1.00 per cent. *per annum* to the principal sum for the time being outstanding of the Global Note and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure is rounded to the nearest cent (half a cent being rounded upwards).

#### 5. Exchange and benefits

The Permanent Global Note for a Series will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if (each of the following being an "**Exchange Event**"):

- (a) an event of default (as set out in Condition 11 (*Events of Default*)) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to Noteholders of a Series if an Exchange Event occurs. Thereupon the holder of the relevant Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent of its intention to exchange the relevant Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Exchanges will be made upon presentation of the relevant Permanent Global Note at the office of the Fiscal Agent on any day on which banks are open for general business in the Grand Duchy of Luxembourg. In exchange for the relevant Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the relevant Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the relevant Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

In the event that (a) a Global Note (or any part of it) for a Series has become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the bearer, or (b) following an Exchange Event, the Permanent Global Note for a Series is not duly exchanged for definitive Notes by the day provided in the relevant Permanent Global Note, then from 8.00 p.m. (London time) on such day each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms of the Deed of Covenant executed by the Issuer on or around 29 September

2020 in respect of the Notes of a Series and the bearer will have no further rights under the relevant Global Note (but without prejudice to the rights any person may have under the Deed of Covenant).

**6. Put Option**

For so long as the Notes of a Series are represented by one or both of the Global Notes, the option of the Noteholders provided for in Condition 8.4 (*Redemption of the option of the Noteholders upon a Change of Control*) may be exercised by an Accountholder giving notice to the Fiscal Agent in accordance with the standard procedure of Euroclear and/or Clearstream, Luxembourg (as the case may be) and in a form acceptable to Euroclear and Clearstream, Luxembourg of the principal amount of the Notes of such Series in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Fiscal Agent for notation accordingly within the time limits set forth in that Condition.

**7. Prescription**

Claims against the Issuer and the Guarantor in respect of principal, interest and premium, if any, on the Notes represented by a Global Note for a Series will be prescribed after 10 years (in the case of principal and premium, if any) and five years (in the case of interest) from the Relevant Date (as defined in Condition 9 (*Taxation*)).

**8. Cancellation**

Cancellation of any Note represented by a Global Note for a Series and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

**9. Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

## FORM OF THE GUARANTEE

*The following is the form of Guarantee that the Guarantor granted in favour of the Noteholders on or around 29 September 2020:*

### DEED OF GUARANTEE

**THIS DEED OF GUARANTEE** is made by way of deed poll on or around 29 September 2020 by Chanel Limited, a private limited company registered in England and Wales with registered number 00203669 and whose registered office is at 5 Barlow Place, London W1J 6DG (the "**Guarantor**") in favour of the Accountholders (as defined in the Deed of Covenant referred to below) and the holders for the time being of the Notes (as defined below) and the interest coupons (if any) appertaining to the Notes (the "**Coupons**", which expression shall include the receipts for the repayment of principal in instalments (if any) appertaining to the Notes). Each Accountholder, each holder of a Note and each holder of a Coupon is referred to herein as a "**Noteholder**".

#### WHEREAS:

- (A) Chanel Ceres plc, a public limited company registered in England and Wales with registered number 12718807 and whose registered office is at 5 Barlow Place, London W1J 6DG (the "**Issuer**") has authorised the issue of (i) the EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2026 (the "**2026 Notes**") and (ii) the EUR300,000,000 Sustainability-Linked Guaranteed Notes due 2031 (the "**2031 Notes**" and together with the 2026 Notes, the "**Notes**");
- (B) The Issuer has executed a Deed of Covenant dated on or around the date of this Guarantee (the "**Deed of Covenant**") relating to the Notes; and
- (C) The Issuer and the Guarantor have entered into an Agency Agreement (the "**Agency Agreement**") dated on or around the date of this Guarantee with the agents named therein.

**NOW THIS DEED WITNESSES** as follows:

#### 1. DEFINITIONS

Terms defined in the Terms and Conditions of the Notes as provided in the Prospectus dated 29 September 2020 relating to the Notes (the "**Conditions**") shall have the same meaning when used in this Guarantee.

#### 2. GUARANTEE

The Guarantor irrevocably and unconditionally guarantees by way of deed poll to each Noteholder that, if for any reason, the Issuer does not pay any sum payable by it to such Noteholder in respect of any Note or Coupon or under the Deed of Covenant, as the case may be, (including any premium or any other amounts of whatever nature or additional amounts which may become payable under any of the foregoing) as and when the same shall become due under any of the foregoing, the Guarantor will within 15 Business Days after receipt of written notice pay to such Noteholder the amount payable by the Issuer to such Noteholder.

#### 3. GUARANTOR AS PRINCIPAL DEBTOR

Without affecting the Issuer's obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, the Guarantor will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its

liability if it were the sole principal debtor (including (a) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (b) any amendment to any Note, any Coupon or the Deed of Covenant or to any security or other guarantee or indemnity, (c) the making or absence of any demand on the Issuer or any other person for payment, (d) the enforcement or absence of enforcement of any Note, any Coupon, the Deed of Covenant or of any security or other guarantee or indemnity, (e) the release of any such security, guarantee or indemnity, (f) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (g) the illegality, invalidity or unenforceability of or any defect in any provision of any Note, any Coupon or the Deed of Covenant or any of the Issuer's obligations under any of them).

#### **4. GUARANTOR'S OBLIGATIONS CONTINUING**

Subject as provided below, the Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under any Note, any Coupon or the Deed of Covenant. Furthermore, these obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a Noteholder, whether from the Guarantor or otherwise.

#### **5. REPAYMENT TO THE ISSUER**

If any payment received by a Noteholder is, on the subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment had at all times remained owing by the Issuer.

#### **6. STATUS OF GUARANTEE**

The Guarantee will constitute an unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*) of the Notes) unsecured obligation of the Guarantor and ranks (save for statutorily preferred exceptions) *pari passu* with all other existing or future unsecured and unsubordinated obligations of the Guarantor.

#### **7. INCORPORATION OF CONDITIONS**

So long as any of the Notes or Coupons remains outstanding (as defined in the Agency Agreement), the Guarantor will comply with the provisions applicable to it in the Conditions of the Notes as though the same were set out in full herein.

#### **8. POWER TO EXECUTE**

The Guarantor hereby warrants, represents and covenants with each Noteholder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Guarantee, and that this Guarantee constitutes a legal, valid and binding obligation of the Guarantor in accordance with its terms.

#### **9. DEPOSIT OF GUARANTEE**

This Guarantee shall take effect as a Deed Poll for the benefit of the Noteholders from time to time and for the time being. This Guarantee shall be deposited with and held by the Fiscal Agent, for the benefit of the Noteholders until all the obligations of the Guarantor have been discharged in full.

**10. PRODUCTION OF GUARANTEE**

The Guarantor hereby acknowledges the right of every Noteholder to the production of, and the right of every Noteholder to obtain (upon payment of a reasonable charge) a copy of, this Guarantee, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Noteholder, and that each Noteholder shall be entitled severally to enforce the said obligations against the Guarantor.

**11. SUBROGATION**

Until all amounts which may be payable under the Notes, the Coupons and/or the Deed of Covenant have been irrevocably paid in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Noteholder or claim in competition with the Noteholders against the Issuer.

**12. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

The Fiscal Agent shall have the right to enforce the terms of this Guarantee, notwithstanding the fact that it is not a party hereto. Subject to the preceding sentence, no rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Guarantee, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**13. EXECUTION AND DELIVERY**

The execution and delivery of this Guarantee by electronic means shall be sufficient to bind the Guarantor to the terms and conditions of this Guarantee and no exchange of wet ink originals is necessary.

**14. GOVERNING LAW AND JURISDICTION**

**14.1 Governing Law**

This Guarantee and any non-contractual obligations arising out of or in connection with the Guarantee are governed by, and construed in accordance with, English law.

**14.2 Submission to Jurisdiction**

- (a) Subject to clause 14.2(c), the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Guarantee, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee (a "**Dispute**") and the Guarantor submits to the exclusive jurisdiction of the English courts.
- (b) The Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

**IN WITNESS** whereof this Guarantee has been executed as a deed on behalf of the Guarantor.

Executed as a deed by )  
**CHANEL LIMITED** )  
acting by ..... ) .....  
a director )  
in the presence of: ) .....  
Witness's Signature: .....  
Name .....  
Address .....

## **USE OF PROCEEDS**

The net proceeds of the issue of the 2026 Notes, amounting to approximately EUR298,128,000, will be applied by the Issuer for its general corporate purposes, including in support of the CHANEL Mission 1.5 strategy.

The net proceeds of the issue of the 2031 Notes, amounting to approximately EUR297,150,000, will be applied by the Issuer for its general corporate purposes, including in support of the CHANEL Mission 1.5 strategy.

## DESCRIPTION OF THE RELEVANT SUSTAINABILITY TARGETS

The following is a summary of the Chanel Sustainability-Linked Bond Framework published on or around 29 September 2020 and available on the Luxembourg Stock Exchange's website: [www.bourse.lu](http://www.bourse.lu).

### Rationale For Issuing Sustainability-Linked Guaranteed Notes

The rationale in support of the Issuer issuing the Notes is to demonstrate the Group's sustainability commitments and to link the objectives set in CHANEL Mission 1.5° (see "*Description of the Guarantor and the Group—Climate Strategy—CHANEL Mission 1.5°*" below) with its funding strategy. The Chanel Sustainability-Linked Bond Framework is issued in accordance with ICMA's Sustainability-Linked Principles 2020 (the "**ICMA SLBP**").

### Summary of the Chanel Sustainability-Linked Bond Framework

The Chanel Sustainability-Linked Bond Framework comprises five elements: (i) the selection of key performance indicators ("**KPIs**"), (ii) the calibration of sustainability performance targets ("**SPTs**"), (iii) specific characteristics of the Notes, (iv) reporting on the foregoing and (v) independent verification of the components listed in (i)-(iv).

#### *Key Performance Indicators*

The Group has selected three KPIs, which are part of the CHANEL Mission 1.5° strategy, and which will measure the future sustainability improvements of Chanel, which, for the avoidance of doubt, excludes any non-Brand subsidiaries, such as Eres or Orlebar Brown, and wineries owned by the Group such as Château Canon, Domaine de l'Ile, Rauzan Segla and St. Supéry. These KPIs are:

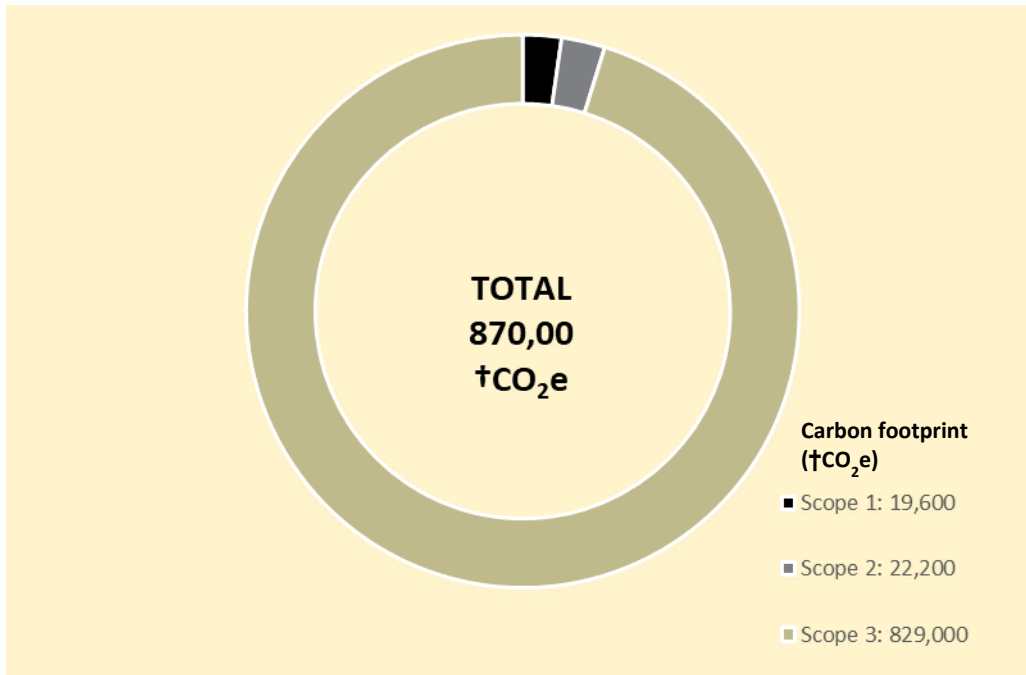
- **KPI 1: Carbon Footprint Emissions** — Scope 1 and 2 Emissions Amount (measured in tCO<sub>2</sub>e and an amount of tCO<sub>2</sub>e per unit sold);
- **KPI 2: Value Chain Emissions** — Scope 3 Emissions Amount (measured in tCO<sub>2</sub>e and an amount of tCO<sub>2</sub>e per unit sold); and
- **KPI 3: Percentage of Renewable Electricity in Operations** (measured as a percentage of total electricity used).

#### *KPI 1 and KPI 2*

Chanel's carbon footprint provides the business with a deep understanding of where it is generating carbon emissions and where it needs to focus its attention in order to make a material difference. The Scope 3 Emissions Amount makes up over 95% of the total footprint of Chanel. 50% of its carbon footprint is generated by just two greenhouse gas ("**GHG**") protocol categories: (i) the production of raw materials and (ii) the transportation of finished goods.

The Group conducted its first corporate-wide carbon footprint exercise in 2015 and, in 2018, it extended the scope of the exercise so that it now includes all of Chanel and all GHG protocol categories. In 2015, the Scope 1 and 2 Emissions Amount was 44,000 tCO<sub>2</sub>e. The results of the 2018 exercise are set out in the chart below:





### *KPI 3*

The Group joined RE100, a coalition of global companies that are committed to using 100% renewable electricity. Globally, Chanel sourced 41% of its electricity from renewable sources in 2019 and aims to achieve 97% renewable electricity by 2021, with a target of 100% by 2025. Chanel is investing in solar and other renewable electricity technologies for its sites and will support its suppliers to increase their use of renewable electricity too. Chanel's approach is also designed to stimulate the creation of additional generating capacity and provide access to clean and affordable energy for the communities that need it most.

### *Sustainability Performance Targets*

In line with CHANEL Mission 1.5° and embedded into its business, Chanel set the following SPTs in relation to its carbon footprint emissions (Scope 1 and 2 Emissions Amount) and value chain emissions (Scope 3 Emissions Amount), using 2018 as the base year for measuring performance:

- **SPT1:** To decrease the absolute Scope 1 and 2 Emissions Amount by 50% by 2030 at Chanel's own sites (i.e., manufacturing sites, boutiques and offices) (equivalent to 66% per unit sold); and
- **SPT2:** To decrease the Scope 3 Emissions Amount by 10% by 2030 (equivalent to 40% per unit sold).

These objectives were approved by the Science Based Targets initiative's ("**SBTi**") in November 2019 as being consistent with reductions required to keep global mean temperature increases to 1.5 degrees Celsius in line with the UN Climate Change Paris Agreement (the "**Paris Agreement**").

In relation to KPI 3, Chanel has set the following SPT:

- **SPT3:** To shift to 100% renewable electricity in Chanel's own operations by 2025.

Chanel has a three-step renewable electricity strategy: (i) to maximise capacity for on-site green power generation by installing renewable electricity sources, particularly solar voltaic panels, in all new manufacturing and distribution sites, and retrofitting renewable technologies into existing estates, whenever possible, (ii) to choose to purchase green tariffs when making a direct purchase of electricity, wherever readily available on the market — currently, in France, for example, 100% of electricity procured is via a

green tariff, and (iii) to provide direct financial support (i.e., via power purchasing agreements) for new renewable-energy projects at a community level in key regions. Chanel is committed to creating additional renewable electricity equivalent to a minimum of 65% of its global electricity consumption by 2025 by making strategy investments in key regions. Chanel will continue to work on other regions as investment opportunities become feasible to increase this figure. This will add new, low-carbon and renewable electricity resources and supporting infrastructure to the energy grid, with an ambition to also generate positive impacts for local communities where Chanel's businesses operate.

Chanel will also start to integrate its tier 1 suppliers into its renewable electricity strategy from 2020 onwards in parallel with collecting the suppliers' key sustainability KPIs and assessing their performance.

### *Specific Characteristics of the Notes*

The proceeds of the Notes will be used for general corporate purposes, including in support of the CHANEL Mission 1.5 strategy. If there is a material change to Chanel's business and the perimeters of the KPIs or the calibration of the SPTs change, such change will be communicated within the annual reporting. There are two tranches of Notes: the 2026 Notes and the 2031 Notes.

The Notes are not being marketed as bonds that have the specific green, social or sustainability characteristics within the meaning of the Use of Proceeds core component of the ICMA Green Bond Principles, ICMA Social Bond Principles or ICMA Sustainability Bond Guidelines ("**ICMA Green, Social or Sustainability Bonds**"). Although the Issuer will invest significant amounts towards achieving the sustainability targets as defined above, the Issuer will not allocate all of the net proceeds specifically to projects or business activities meeting environmental, social or sustainability criteria. Additionally, although the Chanel Sustainability-Linked Bond Framework is issued in accordance with ICMA SLBP, the Notes will not be subject to any other limitations associated with ICMA Green, Social or Sustainability Bonds.

#### *2026 Notes (SPT3)*

The Group's external auditor will verify the percentage of renewable electricity used in Chanel's operations as of 31 December 2025, the Premium Trigger Reference Date for the 2026 Notes. If Chanel has not achieved SPT 3 by the relevant Premium Trigger Reference Date, the Issuer will be obliged to pay the relevant Premium Payment Amount to Noteholders on the relevant Premium Payment Date.

#### *2031 Notes (SPT1 and SPT2)*

The Group's external auditor will verify the Scope 1 and 2 Emissions Amount and Scope 3 Emissions Amount measured as of 31 December 2030, the Premium Trigger Reference Date for the 2031 Notes, and calculate the evolution of each scope compared to the Base Scope 1 and 2 Emissions Amount and the Base Scope 3 Emissions Amount, respectively. If Chanel has not achieved SPT 1 and SPT 2, the Issuer will be obliged to pay the relevant Premium Payment Amount to Noteholders on the relevant Premium Payment Date.

### *Reporting*

The Guarantor will provide information on the Scope 1 and 2 Emissions Amounts and the Scope 3 Emissions Amount for Chanel, measured regularly through the GHG protocol method. The Scope 1 and 2 Emissions Amounts will be reported on an annual basis whereas the Scope 3 Emissions Amount will be integrated category-by-category into the Group's internal reporting for Chanel, starting with three of the most material categories: (i) raw materials, (ii) transportation and (iii) business travel in 2020 (to be reported on in 2021). Full reporting on the Scope 3 Emissions Amount will be made available before 2025. On an annual basis, the Guarantor will also provide the percentage of renewable electricity that Chanel uses in its electricity mix globally as part of the Group's commitment to RE100. Progress on the KPIs will be available

on the Group's website ([https://www.chanel.com/en\\_GB/](https://www.chanel.com/en_GB/)) as part of Chanel's commitment to report on the progress of CHANEL Mission 1.5°.

***Verification***

The Group's external auditor will verify KPI 1, KPI 2 and KPI 3 to a reasonable level of assurance prior to the relevant publication date of such KPI. In an effort to enhance the quality of the sustainability disclosures relating to Chanel and strengthen its credibility, the Guarantor will also seek assurance over the performance of Chanel against sustainability targets in the annual reporting periods leading up to 2025.

The Group's SBI framework has been reviewed by a recognised external reviewer who will be providing a second party opinion and confirming the alignment with the ICMA SLBP.

## DESCRIPTION OF THE ISSUER

### General Information

The legal name of the Issuer is Chanel Ceres plc. It operates under the commercial name "CHANEL". It was incorporated on 4 July 2020 under the laws of England and Wales as a public limited company and is registered with the Companies House of the United Kingdom under number 12718807 with its legal entity identifier being 549300FLGOWWSVNA4480.

The Issuer has its registered office at 5 Barlow Place, London, W1J 6DG, United Kingdom and its telephone number is +44 (0) 203 961 0505. Its first financial year will end on 31 December 2021. Each following financial year will be the calendar year.

The address of the webpage of the Group is [https://www.chanel.com/en\\_GB/](https://www.chanel.com/en_GB/) (information on the website of the Group does not form part of the Prospectus and has not been scrutinised or approved by the CSSF as the competent authority). The Prospectus will be available on the Luxembourg Stock Exchange's website at <https://www.bourse.lu/>.

The Issuer is a newly incorporated company that has not yet commenced operations. No historical financial statements have been made up as of the date of this Prospectus.

### Corporate Purpose and Business Overview of the Issuer

The Issuer acts as a financing subsidiary of the Guarantor, the principal activity of which is the provision of financing and support to Group companies with funds acquired from the capital markets, bank loans and loans from other companies of the Group.

Because it acts as a financing subsidiary, the Issuer does not have any markets in which it competes and, therefore, the Issuer cannot make a statement regarding its competitive position in any markets.

### Issuer Structure

The Issuer is a wholly-owned subsidiary of the Guarantor. The Issuer does not have any subsidiaries of its own. The Issuer is dependent upon the administrative and management services provided by the Guarantor. Investors should have regard to the section entitled "*Description of the Guarantor and the Group*" below for a description of the Group.

### Board of Directors

The following is a list of directors of the Issuer and the principal activities (if any) performed by them outside the Group, which are, or may be, significant with respect to the Issuer, as of the date of this Prospectus:

<b>Name</b>	<b>Title</b>	<b>Principal activities performed by them outside of the Group (if any)</b>
Philippe Bernard Blondiaux	Director	N/A
Steven Wright	Director	N/A

The members of the board of directors of the Issuer may be contacted via the Guarantor's business address at 5 Barlow Place, London W1J 6DG. There are no actual or potential conflicts of interest between the duties of the members of the board of directors of the Issuer and their respective private interests or other duties.

### **Share Capital**

The issued share capital of the Issuer as at 4 July 2020 amounts to £50,000, divided into fifty thousand (50,000) shares with a nominal value of £1 each, which are fully-paid up and held by the Guarantor.

### **Constitutional Documents**

The Issuer adopted the model articles of association for public companies on its incorporation, a copy of which is available on the Luxembourg Stock Exchange's website at <https://www.bourse.lu/>.

### **Investments**

There have been no material investments made by the Issuer since its incorporation on 4 July 2020 and no new material investments have been approved as of the date of this Prospectus.

### **Material Contracts**

As of the date of this Prospectus, the Issuer has not entered into any material contract which could result in any Group company (including the Issuer) being under an obligation or entitlement that is material to the ability of the Issuer or the Guarantor to meet its obligations to Noteholders in respect of the Notes being issued.

### **Recent Events Material to the Issuer's Solvency**

Since the incorporation of the Issuer on 4 July 2020, there have been no recent events particular to the Issuer which are to a material extent relevant for the evaluation of the solvency of the Issuer.

### **Summary Financial Information of the Issuer**

The Issuer is a newly incorporated company that has not yet commenced operations. No historical financial statements have been made up to and as of the date of this Prospectus. The Issuer has therefore prepared the following summary of its financial situation:

- As at 4 July 2020, the Issuer has £50,000 of called up share capital.
- As of the date of this Prospectus, the Issuer has no indebtedness other than its debt related to the issue of the Notes in an aggregate amount of €600,000,000.

### **Credit Ratings**

The Notes will not be rated and no credit ratings have been assigned to the Issuer at its request or with its cooperation in the rating process for securities similar to the Notes.

## DESCRIPTION OF THE GUARANTOR AND THE GROUP

### General Information

The Guarantor, Chanel Limited, is the parent company of the Issuer and it operates under the commercial name "CHANEL". It was incorporated on 6 February 1925 under the name 'Parfums Chanel Limited' under the laws of England and Wales as a private limited company and is registered with the Companies House of the United Kingdom under number 00203669 with its legal entity identifier being 213800F4541KT2KTVC78. On 4 December 1957, the Guarantor changed its name from Parfums Chanel Limited to Chanel Limited and received a certificate of incorporation on change of name.

In 2018, the CHANEL group of companies were reorganised and the Guarantor became the global holding company of the Group. The Guarantor adopted its current memorandum and articles of association on 8 June 2018. The Group is privately owned.

The address of the registered office of the Guarantor is 5 Barlow Place, London, W1J 6DG and its telephone number is +44 (0) 203 961 0505.

The Guarantor's financial year is the calendar year, ending on 31 December each year.

The address of the webpage of the Guarantor and the Group is [https://www.chanel.com/en\\_GB/](https://www.chanel.com/en_GB/) (information on the website does not form part of the Prospectus and has not been scrutinised by the CSSF as the competent authority).

### History and Development

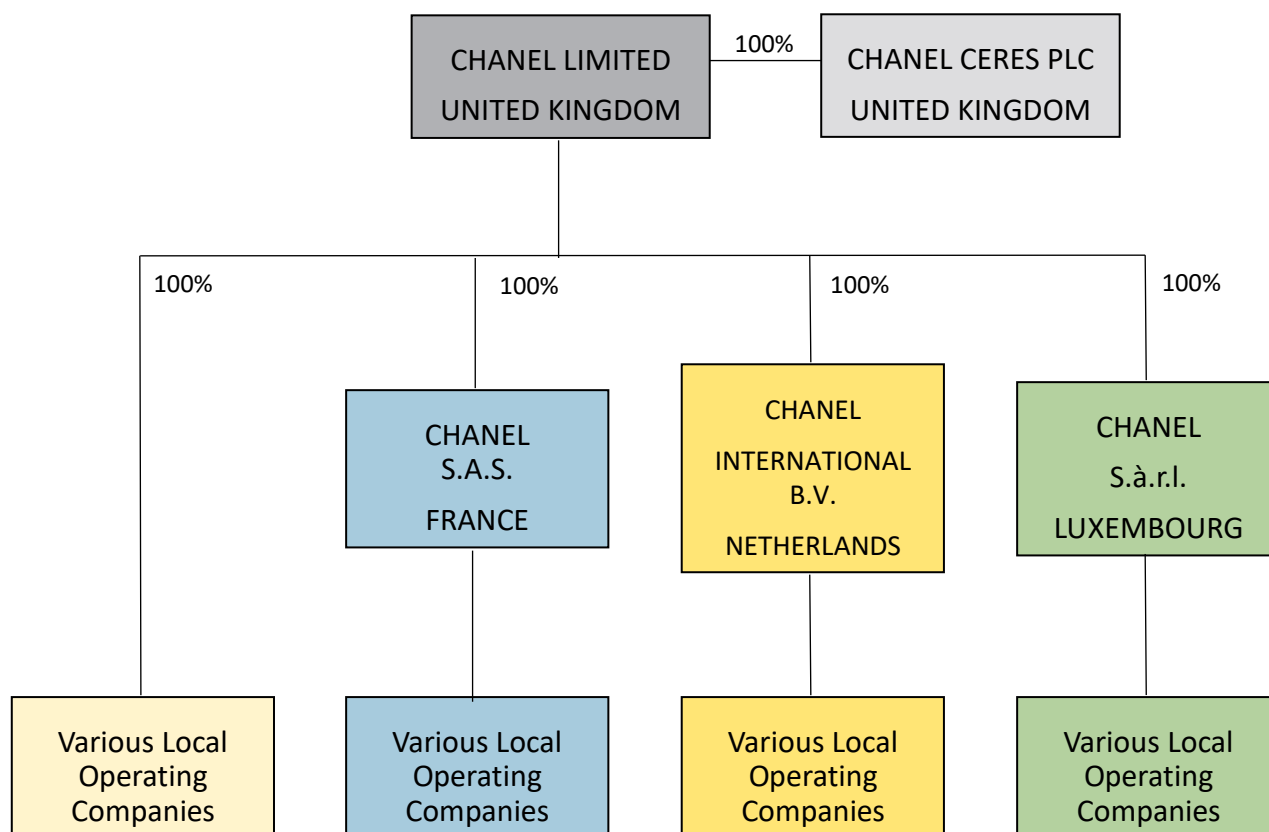
The nature of the Guarantor and the Group's business includes the sale of luxury products under the Brand, focused on three principal business divisions that define the Brand's strategy: Fashion, Fragrance & Beauty and Watches & Fine Jewellery. The Group operates across multiple geographies where the local markets carry out the Group's strategy, coordination and product distribution.

The House of Chanel originated in 1910 when Gabrielle Chanel opened her first milliner boutique at 21 rue Cambon, "Chanel Modes". In 1912, the first Fashion boutique was opened in Deauville, then another boutique and workshop in Biarritz, and in 1918 the main boutique was established at 31 rue Cambon. In 1921, its first fragrance, "N° 5", was created and in 1932, Gabrielle Chanel created her first unique fine jewellery collection. With creation at the heart of the Group, the Group continuously designs and manufactures products of the highest quality and finest craftsmanship. The Group operates worldwide and serves an international clientele.

### Group Structure

The Guarantor is the direct parent of the Issuer. The Guarantor and its subsidiaries publish the Group's financial statements on a consolidated basis in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The following diagram shows a simplified summary of the Group's current corporate structure.



### Selected Consolidated Financial Information of the Group

The following financial information of the Group is taken or derived from the audited consolidated financial statements of the Guarantor and its subsidiaries as of and for the financial years ended 31 December 2018 and 31 December 2019, which have been prepared in accordance with IFRS and the Companies Act 2006.

Deloitte LLP has audited the Guarantor's consolidated financial statements as of and for the financial years ended 31 December 2018 and 31 December 2019, and issued, in each case, an unqualified independent auditor's report thereon.

All the financial information presented in the text and tables below is shown in millions of USD (in \$ million), except as otherwise stated. Certain financial information (including percentages) in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub-totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

The following selected financial information should be read together with the consolidated financial statements, including the related notes (not reproduced below), incorporated by reference into this Prospectus.

#### *Consolidated Statement of Income*

**CONSOLIDATED STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**  
(In millions of U.S. dollars)

	<b>2019</b>	<b>2018</b>
Revenue .....	12,273.3	11,118.9
Cost of sales .....	(2,619.0)	(2,472.8)
<b>Gross Profit</b> .....	<b>9,654.3</b>	<b>8,646.1</b>
Distribution .....	(156.9)	(138.6)
Advertising, promotion and demonstration .....	(1,769.6)	(1,652.6)
Selling, general and administrative .....	(4,232.1)	(3,856.8)
<b>Opening profit</b> .....	<b>3,495.7</b>	<b>2,998.1</b>
Finance costs, net .....	(276.2)	(105.8)
Investment income, net .....	54.9	16.8
Equity income (loss) on investments, net .....	3.6	(0.1)
<b>Profit before income tax</b> .....	<b>3,278.0</b>	<b>2,909.0</b>
Income tax expense .....	(867.9)	(743.1)
<b>Profit before non-controlling interest</b> .....	<b>2,410.1</b>	<b>2,165.9</b>
Non-controlling interests .....	(2.8)	(2.8)
<b>Profit for the year</b> .....	<b>2,407.3</b>	<b>2,163.1</b>

*Consolidated Statement of Financial Position*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019 AND 2018**  
(In millions of U.S. dollars)

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Non-current assets:		
Intangible assets .....	506.5	469.9
Property, plant and equipment .....	3,788.1	3,515.1
Investment property .....	132.0	132.4
Right-of-use assets .....	1,689.8	-
Investments in associates and joint ventures .....	213.8	28.0
Deferred income tax assets .....	554.4	466.5
Other assets .....	425.3	517.7
<b>Total non-current assets</b> .....	<b>7,309.9</b>	<b>5,129.6</b>
Current assets:		
Inventories .....	1,456.8	1,372.7
Trade receivables and other assets .....	1,754.6	1,621.8
Income taxes receivable .....	60.1	41.8
Cash and cash equivalents .....	2,850.8	2,478.0
Assets classified as held for sale .....	57.4	-
<b>Total current assets</b> .....	<b>6,179.7</b>	<b>5,514.3</b>
<b>TOTAL ASSETS</b> .....	<b>13,489.6</b>	<b>10,643.9</b>

**SHAREHOLDER'S EQUITY AND LIABILITIES**

**SHAREHOLDER'S EQUITY**

Share capital .....	-	-
Share premium .....	-	963.4



Reserves.....	(75.4)	(30.8)
Retained earnings .....	5,582.0	3,988.8
Non-controlling interest.....	17.7	12.3
<b>TOTAL SHAREHOLDER'S EQUITY .....</b>	<u>5,524.3</u>	<u>4,933.7</u>
<b>LIABILITIES</b>		
Non-current liabilities:		
Borrowings .....	2,114.6	2,174.2
Lease liabilities .....	1,510.1	-
Retirement benefit obligations.....	340.7	281.1
Provisions .....	119.4	104.4
Deferred income tax liabilities.....	92.3	92.5
Other liabilities .....	294.4	323.6
<b>Total non-current liabilities .....</b>	<u>4,471.5</u>	<u>2,975.8</u>
Current liabilities:		
Trade payables and other liabilities .....	2,646.8	2,340.3
Income tax liabilities .....	302.6	173.2
Borrowings .....	89.8	64.1
Lease liabilities .....	306.9	-
Provisions .....	147.7	156.8
<b>Total current liabilities .....</b>	<u>3,493.8</u>	<u>2,734.4</u>
<b>TOTAL LIABILITIES.....</b>	<u>7,965.3</u>	<u>5,710.2</u>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES .....</b>	<u>13,489.6</u>	<u>10,643.9</u>

*Consolidated Cash Flow Statement Data*

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018**

(In millions of U.S. dollars)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating profit .....	3,495.7	2,998.1
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation and amortization of fixed assets and intangibles .....	375.5	389.9
Depreciation on right-of-use assets.....	333.8	-
Impairment of property, plant, and equipment and intangibles .....	29.0	4.7
Loss on disposal of property, plant, and equipment and intangibles .....	1.2	4.7
Non-cash tax credits .....	(38.6)	(42.6)
Settlement of derivatives .....	(6.5)	0.2
Net defined benefit pension plan contribution.....	(48.1)	(58.5)
Other .....	(7.3)	(11.0)
Cash flows from operations before changes in working capital .....	<u>4,134.7</u>	<u>3,285.5</u>
Changes in working capital .....	58.1	(219.5)
Cash flows from operations .....	4,192.8	3,066.0
Interest received.....	40.9	20.0
Interest paid on financial borrowings .....	(99.8)	(86.0)
Interest paid on lease liabilities.....	(52.2)	-
Income taxes paid .....	(768.5)	(779.8)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<u>3,313.2</u>	<u>2,220.2</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant, and equipment .....	(653.3)	(909.4)

Additions to investment property .....	(1.0)	-
Purchase of intangibles .....	(116.7)	(98.0)
Acquisitions, net of cash acquired .....	(19.0)	(122.8)
Purchase of associates .....	(145.4)	(20.5)
Purchase of financial assets .....	(33.5)	(90.8)
Related parties .....	-	(43.8)
Purchase of non-controlling interests .....	(11.2)	-
Other .....	(0.4)	2.7
<b>NET CASH USED IN INVESTING ACTIVITIES</b> .....	<u>(980.5)</u>	<u>(1,282.6)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings .....	58.8	414.5
Repayment of borrowings .....	(74.7)	(126.6)
Repayment of lease liabilities .....	(298.4)	-
Related parties .....	-	(17.5)
Dividends paid .....	<u>(1,684.5)</u>	<u>(843.1)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b> .....	<u>(1,998.8)</u>	<u>(572.7)</u>
<b>EFFECT OF EXCHANGE ON CASH AND CASH EQUIVALENTS AND TRANSLATION ADJUSTMENTS</b> .....	<u>38.9</u>	<u>(113.7)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b> .....	372.8	251.2
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b> .....	<u>2,478.0</u>	<u>2,226.8</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b> .....	<u>2,850.8</u>	<u>2,478.0</u>

### Additional Key Performance Indicators

The Group uses the following key performance indicators: comparable revenue growth, investment in advertising, promotion and demonstration, operating profit, EBITDA and free cash flow, as the most important indicators for measuring the operating and financial performance of its business and its internal controlling.

However, other than operating profit, the key performance indicators described in this section are not recognised as measures under IFRS and should not be considered as substitutes for figures on net assets, earnings before taxes, net income, net cash flow from operating activities or other data from the consolidated statement of comprehensive income, the consolidated cash flow statement or the consolidated statement of financial position, as determined in accordance with IFRS, or as measures of profitability or liquidity. Such key performance indicators do not necessarily indicate that cash flows will be sufficient or available for the Group's cash requirements, nor is any such measure indicative of the Group's historical operating results. The key performance indicators described in this section are not meant to be indicative of future results. Because not all companies calculate these key performance indicators in the same way, the Group's presentation of such key performance indicators is not necessarily comparable with similarly-titled measures used by other companies, including companies in the same sector.

The Group's financial key performance indicators in 2019, and their rationale are:

- **Comparable revenue growth** – measures growth across all sales channels excluding the impact of foreign exchange and for a comparable legal entity structure, which excludes revenues from current and prior year business acquisitions and disposals 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** – provides an alternative measure of the Group's operational profitability as a new key performance indicator added in 2019, without the impact of changes in interest, taxes, depreciation and amortization 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 to the Guarantor's consolidated financial statements incorporated by reference into this Prospectus. The addback of depreciation excludes depreciation on right-of-use assets.
- **Free cash flow** – measures the Group's ability to generate positive cash needed for growth

## General Description of the Guarantor's Business

### *Principal Activities*

The Group sells luxury products worldwide, and depending on the products, at retail, mainly through Group-owned and leased boutiques or, at wholesale, through select channels of distribution, including via chains, department stores, export and travel sales and on e-commerce platforms, including [https://www.chanel.com/en\\_GB/](https://www.chanel.com/en_GB/) and the e-retail sites of its authorised distributors. It is a leading brand in the global luxury products space. The Group's mission to be the ultimate house of luxury is maintained by defining style for today and tomorrow. It has developed its business as uncompromising and visionary in its passion for excellence, dedication to innovative and high-quality craftsmanship, and provision of a luxury experience to clients worldwide. The Group maintains its iconic position by drawing upon its creative talents, inimitable heritage and unique vision.

The CHANEL trademarks and associated intellectual property are owned by companies within the Group by business line in a set of distinct territories (the "**Brand Owners**"). Those Brand Owners are Chanel S.A.S., Chanel, Inc., the Guarantor and Chanel S.à r.l.

The Brand Owners enter into licence agreements, granting the right to manufacture and sell the Group's products in certain countries either to a different Brand Owner or to an affiliated licensee. The Brand Owners help to jointly develop the Group's product offerings and build the Brand's notoriety and reputation by staging fashion shows and global product launches and promotional events, sharing the costs through expense pooling arrangements.

The primary beneficiaries of such licence agreements are (i) Chanel S.A.S., which as a result of its own trademark ownership, plus licences from Chanel S.à r.l. and the Guarantor, has the right to distribute the Group's products in all of Continental Europe, the Middle East and Africa, (ii) Chanel Limited (HK), which is the licensee of Chanel S.A.S. and Chanel S.à r.l., with the right to sell the Group's products in most of the Asia-Pacific region and (iii) Compania Universal de Perfumeria Francesa (CUPFSA) (Panama), which is the licensee of Chanel S.à r.l., with the right to sell certain of the Group's products in most of Latin America, the Caribbean and in duty-free stores in North America. Chanel, Inc. sells the Group's products in the United States (with the exception of U.S. duty-free stores) and the Guarantor sells the Group's products in the United Kingdom, Ireland, Canada, Australia, New Zealand and South Africa).

The Brand is a premier luxury brand that defines itself through consistency in maintaining the legacy of Gabrielle Chanel, including a belief in creativity, avant-garde, boldness, comfort and simplicity in its products. The Group's iconic heritage allows it to enjoy a unique positioning in its markets. The Group believes it has powerful consumer recognition and brand loyalty as well as an innovative, high quality

product offering driven by a renowned global design team. The Group maintains a disciplined approach to distribution with the long-term health of the Brand being paramount and has close and longstanding relationships with the major luxury retailers. It also enjoys strong and consistent performance reflecting the strength of the Group's management team and its high cash flow generation and low leverage underpin its solid investment grade credit profile.

### *Fashion*

Fashion is a very important focus of the Group. It includes haute couture, ready-to-wear, leather goods, eyewear, shoes, costume jewellery and accessories. The Fashion division produces six collections each year, designed by its new Creative Director, Virginie Viard, who succeeded Karl Lagerfeld after his passing in February 2019. Its products are primarily distributed, at retail, through its own boutiques (owned or leased) and, at wholesale, through multibrand partner retailers and specialty and department stores carrying all product lines, including ready-to-wear, shoes and accessories.

In 2019, the Fashion division had an outstanding performance, achieving double-digit growth in all regions and across all product lines. Ready-to-wear, in particular, delivered strong results, driven by the praised collections designed by Virginie Viard, drawing from the legacy of Gabrielle Chanel and Karl Lagerfeld, and reaffirming the Group's leadership in fashion.

Since 1985, Chanel has acquired 37 *Maisons d'Art* and manufacturers (as of the date of this Prospectus) to preserve and sustain unique craftsmanship, setting up supply chains around textiles, leather, silk and jewellery, and investing in tanners, manufacturers and tailors. The objective is to protect and perpetuate these companies and their *savoir faire* and support their capacity for innovation. The Group's *Maisons d'Art* showcased once again their creativity and exceptional know-how during the latest *Metiers d'Art* collection, taking the show back to Paris at the Grand Palais in December 2019. Chanel's craftsmen and manufacturers comprising its *Maisons d'Art* work without exclusivity for other companies in the fashion industry.

### *Fragrance & Beauty*

Gabrielle Chanel launched the fragrance, "N°5", in 1921. In 1924 she partnered with Pierre Wertheimer and they created the French company "Chanel Parfums". A few years later, in 1927, she launched her first care products together with Pierre Wertheimer. The Group is one of the very few major perfumers in the world integrating all stages of the production of its perfumes, from design to manufacturing. The development of a new perfume can take several years making each launch a rare and desired event.

The Group seeks to ensure that its make-up line is at the forefront of innovative trends, combining new textures and original colours. Make-up sets the tone each season and offers a sensory universe of pleasure and comfort. In 2000, the Group re-launched its skincare range with its "Precision" product. This approach is consolidated with significant resources allocated to research.

In 2019, Fragrance & Beauty continued to deliver robust growth across all product categories and channels. In Fragrance, the Group reinforced its leadership, supported by the launch of "Chance Eau Tendre Eau de Parfum". The new "Gabrielle Essence" confirmed its position as a new pillar of the Group's fragrances along with the sustained success of "Bleu De Chanel". In Beauty, the Group continued to gain market shares in make-up, boosted by the success of "Rouge Coco Flash" and "Ultra Le Teint", while "Sublimage", along with "Le Lift" fuelled the growth of the skincare category.

The Group has established and intends to continue investing in a number of innovation initiatives in the Fragrance & Beauty area, where it plans to experiment with new ideas and initiatives. The Group has already set up a number of innovation labs and plans to observe and optimise the learnings from these labs across its business in the future.

### *Watches & Fine Jewellery*

The Watches & Fine Jewellery division was created after the Fashion and Fragrance & Beauty divisions. This luxury and prestige universe is closely linked to the history of Gabrielle Chanel herself who launched a unique collection in 1932. The Group's finest jewellery pieces are manufactured in its own workshop located at the Place Vendôme in Paris and its watches are manufactured in the Group's own facility, G&F Châtelain, in Switzerland.

For Watches & Fine Jewellery, 2019 was a year of double-digit growth, supported by the relaunch of the iconic "J12" watch with its manufactured 12.1 calibre by Kenissi and honoured with an award in the ladies category at *Le Grand Prix d'Horlogerie de Genève* in November 2019. In precious jewellery (currently defined as fine jewellery pieces below U.S.\$50,000 in retail price), "Coco Crush" has had accelerated growth in all regions, which the Group believes has given it iconic status within the Brand. In high jewellery (currently defined as fine jewellery pieces above U.S.\$50,000 in retail price), the Watches & Fine Jewellery division explored the beauty of the camellia flower for the creative new 1.5 collection and launched the "LE PARIS RUSSE" collection, inspired by Gabrielle Chanel's fascination with Russian culture and design.

The Group operates a limited number of Watches & Fine Jewellery boutiques across the world. Watches are sold in those boutiques, in most of the Group's Fashion boutiques, and in a number of third-party watch and jewellery specialty stores.

#### *Principal Markets and COVID-19*

The Group operates within a growing global luxury consumer space which has seen substantial growth in recent years. The global luxury industry grew by 4% in 2019, to an estimated €1.3 trillion, with positive performance across most segments. Sales of personal luxury products have almost tripled over the past 20 years, with a strong rebound following the financial crisis of 2008. In the global luxury market, the Group competes with many strong multi-national competitors (e.g., Hermes, LVMH group, Dior, Louis Vuitton, Bulgari, Fendi, Kering group, Gucci, Yves Saint Laurent, Compagnie Financiere Richemont, Cartier, Van Cleef and Arpels, Moncler, L'Oreal group, Lancôme, Estee Lauder, MAC and Tom Ford). Its approach to the luxury business differs significantly from most of its principal competitors: while those competitors tend to specialise either in the cosmetics business, clothing and accessories products or watches and fine jewellery, the Group successfully combines all those product lines under a single brand.

The Group competes across almost all of the product lines that make up the personal luxury products segment of the luxury industry. It has seen continuous growth in the Fragrance & Beauty and Watches & Fine Jewellery divisions, and in particular the Fashion division with ready-to-wear being a product line that has had notable growth in 2019.

As set forth above in "*Risk Factors—Risks Related to the Business of the Issuer, the Guarantor and the Group—Strategic and Operational Risks—The COVID-19 pandemic poses risks to the continuity of the Group's short-term strategy and business operations*", the recent and unforeseeable impact of COVID-19 has resulted in disruption to the Group's business that has led to temporary boutique closures around the world as well as a temporary suspension of manufacturing activity and temporary closures of the Group's distribution facilities in France and Italy during the height of the crisis. This will result in reduced revenues and earnings in 2020, although it is not possible to predict what the ultimate impact for the Group will be. The Group has taken several actions to ensure business continuity including protecting employees (by obtaining preventative and protective materials, implementing strict health and safety measures and allowing remote working, as well as maintaining salaries), securing liquidity (with credit lines negotiated and entered into), managing cash (with the postponement of non-critical projects and protecting key capital expenditure for the future), managing supply and logistics (including actions on buying to control inventory levels and inventory reallocation), monthly forecasts (including continuous re-evaluation of sales, expenses and cash flows, and scenario planning) and reducing costs (freezing the headcount, reducing advertising and promotion expenses, reducing selling, marketing, general and administrative expenses and re-negotiating rent where possible). The Group continues to be deliberate and thoughtful with respect to the numbers and mix of locations of its boutiques, constantly reviewing and adapting to meet market opportunities and business needs, including in the event that the virus and the resulting disruption were to persist, for any

prolonged slowdown in global travel and the tourism industry generally and the related impact on travel sales.

Despite the challenging near term economic circumstances, however, the Group's core business is and remains strong. From May 2020, the Group reopened its production facilities and distribution centres and most of its boutiques on a location-by-location basis and in accordance with local government guidelines. While navigating through these unprecedented times, the Group's top priority remains the health and wellbeing of its clients and employees, in addition to supporting its business partners whenever needed.

### *Group Strategy*

The Group retains a long legacy of excellence, innovation and style. As the ultimate house of luxury, its strategy is to ensure its business remains iconic and has pursued this goal through:

*Sophisticated channels for distribution.* The Group maintains and develops a high-end distribution network across the world for Fashion, Watches & Fine Jewellery and advances a seamless omni-channel client experience for Fragrance & Beauty. The Group has recently invested heavily in its boutique portfolio and developed iconic projects. For example, in April 2019, the Group opened a seven-floor flagship boutique in the heart of Seoul's cosmopolitan Cheongdam-dong district, its 10th store in South Korea, offering a unique high-end retail experience. As of 31 December 2019, the Group operated 204 Fashion boutiques, 51 Watches & Fine Jewellery boutiques and 144 Fragrance & Beauty boutiques around the world. Together with its e-commerce platform (26 websites, the main one being [https://www.chanel.com/en\\_GB/](https://www.chanel.com/en_GB/), selling exclusively Fragrance & Beauty products as well as eyewear) these boutiques continue to promote the experience and creativity of the Brand.

*Investments in infrastructure and employee wellbeing.* In 2019, the Group strengthened its information technology infrastructure with interactive video-tech solutions and augmented retail experiences (including through client applications and other interactive technologies such as, for example, the use of connected mirrors in fitting rooms, which offer a state-of-the-art seamless meeting of high-tech customer journey combined with the anticipation of and follow-up from a boutique visit). Investments in improving employee wellbeing through improved work environments across all regions were also made.

*A commitment to sustainable growth.* Integrity and social responsibility are core to the business of the Group. As outlined in "*Risk Factors—Risks Related to the Business of the Issuer, the Guarantor and the Group—Strategic and Operational Risks—Negative impacts on the Group's global brand image and reputation could adversely affect sales*", the Group's global ethical principles are clearly set out in its global code of conduct, Ethics@Chanel, which are shared with all employees through the Group's established "Compliance Programme". The extent to which these standards are adhered to is measured.

The Group is committed to embracing its social responsibility to its stakeholders in all markets in which it operates and strives to be a positive driving force in how it addresses sustainability challenges in particular, such as climate change, both within its own value chain and in society at large.

Underpinning the Group's approach to sustainability is a recognition that collective action is needed to accelerate the transition to a more sustainable future and a more resilient society, both within its own sector and beyond. The Group is a member and supporter of a number of cross-sectoral and industry initiatives, including the SBTi, RE100, Fashion for Good, the International Insetting Platform and SPICE (Sustainable Packaging Initiative for Cosmetics). In 2019, it signed up to the Fashion Pact, a coalition of leading companies in the fashion industry committed to tackling climate change and protecting biodiversity and the oceans.

The Group works closely with its suppliers to ensure a responsible supply chain. The main principles of supplier responsibility are shared through its "Responsible Purchasing Charter", which mirrors the values and principles of the Group's internal code of conduct, Ethics@Chanel, and the Group runs an internal audit

programme to engage and monitor its suppliers on social, environmental, ethical and transparency requirements.

### *Climate Strategy*

#### *CHANEL Mission 1.5°*

In 2020, the Group published its CHANEL Mission 1.5° ("**CHANEL Mission 1.5°**"), which is the commitment on the part of Chanel to mobilise and transform its business in line with the Paris Agreement, with a view to decarbonising the business and value chain to help limit average global mean temperature increases to 1.5 degrees Celsius above pre-industrial levels. Scientists have made a clear and compelling case that failing to achieve this puts the planet at risk. In keeping with the timeframe of the United Nations Sustainable Development Goals, CHANEL Mission 1.5° is a plan of action for the next decade, setting out what the Group aims to achieve by 2030.

The ambition builds on Chanel's existing progress to reduce its carbon footprint by reducing the emissions in its own operations and those generated in its global value chain. Chanel signed up to the SBTi to ensure that the methodology set for its carbon targets is ambitious and externally validated to be in line with the Paris Agreement. Chanel has been carbon neutral since 2019. The Group is also committed to help accelerate the transition to a lower carbon use and more resilient future in general by supporting such initiatives.

The Group has made four commitments for the decade ahead:

- To reduce the carbon footprint in Chanel's own operations by 50% (equivalent to 66% per unit sold) and in its entire supply chain by 40% per unit sold by 2030 (compared with its 2018 emissions) to meet Science Based Targets approved by the SBTi;
- To shift to 100% renewable electricity in Chanel's own operations on a worldwide basis by 2025, including in its manufacturing sites and state-of-the-art distribution centres;
- To balance residual carbon emissions by taking action outside of Chanel's own business activities, through investing in nature-based solutions, such as projects to protect and restore forests, mangroves and peatlands. The offset in carbon emissions that these initiatives achieve is at least equal to Chanel's entire carbon footprint; and
- To finance climate change adaptation by investing in projects that enable vulnerable communities to adapt to the impact of climate change with the objective of reducing smallholder farmers' and entrepreneurs' vulnerability while also building resilient raw material supply chains, both outside and within Chanel's own value chain.

### *Fondation CHANEL*

Fondation CHANEL was created in 2011 to support projects that aim to improve the economic and social conditions of women and adolescent girls around the world. Fondation CHANEL's mission is to advance girls' and women's independence and empowerment by increasing their access to economic resources and entrepreneurship opportunities, education and training, leadership and decision-making as well as health and social protection throughout the world. In 2018, the Group published its inaugural "Report to Society" (the "**2018 Sustainability Report**") which gave a first insight into how it was aiming at transforming its core business to address environmental and social impacts; how it was transitioning towards responsible and sustainable practices; and how it was delivering positive social and environmental impacts to society outside of the direct value chain.

*A brand based on strong research and development.* The long-term vision of the Group is based on creativity, innovation and excellence and as such research and development investments are substantial: in 2019 the Group invested \$147 million in research and development.

### *Competitive Position*

The Group believes that the luxury sector is a competitive, dynamic sector where innovation and understanding of consumer habits is paramount. It has undertaken assessments of the value of its brand equity, measuring all activities it engages in to ensure its products remain modern, relevant and luxurious when compared to its competitors'. As the global luxury retail market has grown significantly in recent years, the Group has been selective in how and where it expands its footprint, in order to ensure that its brand saliency remains very strong whilst enabling its clients to receive the best service and experience.

### **Organisational Structure and Governance**

The Guarantor's organisational structure is comprised of a board of directors, senior management and its shareholder(s).

#### *Board of Directors*

The board of directors of the Guarantor has ten members comprised of Presidents of the Brand Owners and the Chanel Limited (HK) licensee, the Global Chief Financial Officer and four independent non-executive directors. The Board meets at least four times per year. 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 directors are responsible for preparing the annual report and the audited financial statements in accordance with applicable law and regulations for each financial year. The following is a list of directors of the Guarantor and the principal activities (if any) performed by them outside the Group, which are, or may be, significant with respect to the Issuer, as of the date of this Prospectus:

<b>Name</b>	<b>Title</b>	<b>Principal activities performed by them outside of the Group (if any)</b>
Paul Alain Abecassis	Director	Eaton Place Advisors Limited – Executive Director  OneHealth Partners SLR – Executive Director  45 Eaton Place Limited – Non-executive Director
Philippe Bernard Blondiaux	Director	N/A
Richard Maurice Collasse	Director	N/A
John Stephen Galantic	Director	Ferrari – Director  Bacardi – Director  Population and Community Development Association –



		Director
Bertrand Henry Gros	Director	<p>Rolex Holding SA – Executive Chairman of the Board of Directors</p> <p>Rolex SA – Executive Chairman of the Board of Directors</p>
Suzanne Elizabeth Heywood	Director	<p>Exor – Managing Director</p> <p>Exor Investments Ltd – Director</p> <p>CNH Industrial – Chairman</p> <p>The Economist – Board Member</p> <p>The Economist Group Trustee Company Limited – Director</p> <p>Quartz Associates – Director</p> <p>Royal Opera House – Deputy Chair</p> <p>Royal Opera House Enterprises Ltd – Chairman</p> <p>Royal Academy of Arts Trust – Director</p> <p>Heywood Foundation – Chairman</p>
Martha Lane Fox	Director	<p>The House of Lords – Cross-bench peer</p> <p>Government Digital Service – Member of Board of Advisors</p> <p>The Open University – Chancellor</p> <p>Just For Kids Law – Patron</p> <p>AbilityNet – Patron</p> <p>Reprieve – Patron</p> <p>Cambfed – Patron</p>

		LuckyVoice – Chairman
		Twitter – Director
		The Queens's Commonwealth Trust – Non-Executive Director
Olivier Nicolay	Director	Chambre de Commerce Françaises de Grande Bretagne – Board member
Bruno Andrew Jean Pavlovsky	Director	Accor – Director
		Rémy Cointreau – President of the Comité Nomination-Remuneration
		Delta Drone – Member of the Supervisory Board
		Fédération de la mode et Haute Couture – Member of the Comité de Direction
		L'Institut Français de la Mode – Member of the Comité d'Administration
		Fondation Institut Français de la Mode – President
		Fashion Pact – Member of the Comité de Direction
Vincent Graham Shaw	Director	N/A

The current members of the board of directors of the Guarantor can be contacted at the registered office of the Guarantor. There are no actual or potential conflicts of interest between the duties of the members of the board of directors of the Guarantor and their respective private interests or other duties.

#### *Corporate Governance*

For the year ended 31 December 2019, the Guarantor adopted the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council in December 2018, to comply with The Companies (Miscellaneous Reporting) Regulations 2018.

#### *Share Capital and Shareholder Structure*

The Guarantor is a direct, wholly-owned subsidiary of Litor Limited, a company incorporated and registered in the Cayman Islands, which holds 100% of the share capital and voting rights in the Guarantor. The share capital is represented by 155 ordinary shares as at 31 December 2019 with a nominal value of £1 each, which are fully-paid up and each of which carries one vote per share.

The Guarantor paid interim dividends in a total amount of \$843.1 million in 2018 and \$1,710.0 million in 2019. The Guarantor does not intend to declare or pay any dividends in 2020.

On 2 October 2019, the Guarantor carried out a reduction of capital by way of the solvency statement procedure under the Companies Act 2006. The Guarantor cancelled and reduced its share premium account from \$963.4 million to \$0 in order to create distributable reserves. The directors approved the cancellation of the share premium to a distributable reserve account unanimously and each signed the solvency statement and the resolution approving the reduction of capital was passed by the Guarantor's sole member on 2 October 2019. Each of the directors then signed a compliance statement in accordance with the statutory procedure. This distributable reserve account was fully extinguished in 2019 through the payment of an interim dividend to the Guarantor's parent company.

### **Incorporation by Reference**

The financial statements consolidated at the level of the Guarantor and its subsidiaries represents the largest group in which the financial statements of the Group are consolidated and publicly available.

The Guarantor's consolidated audited financial statements (including the auditor's report thereon and notes thereto) in respect of the years ended 31 December 2018 and 31 December 2019 as prepared in accordance with IFRS and the Companies Act 2006 shall be deemed to be incorporated by reference in, and to form a part of, this Prospectus.

Copies of the documents specified above may be inspected, free of charge, at Luxembourg Stock Exchange's website (<https://www.bourse.lu/>).

The Prospectus will be available on the Luxembourg Stock Exchange's website at <https://www.bourse.lu/>.

### **Constitutional Documents**

The Guarantor's articles of association adopted on 8 June 2018 are available on the Luxembourg Stock Exchange's website at <https://www.bourse.lu/>.

### **Investments, New Products or Services**

There have been no material investments made by the Guarantor since 31 December 2019 and no new material investments have been approved as of the date of this Prospectus.

### **Material Contracts**

Beyond the agreements entered into by the Guarantor within the context of its normal business, including for acquisitions, third-party service providers and sustainability partnerships, the Guarantor is not a party to any other relevant arrangements that may affect its ability to comply with its obligations before the Noteholders.

### **Credit Ratings**

The Notes will not be rated and no credit ratings have been assigned to the Guarantor at its request or with its cooperation in the rating process for securities similar to the Notes.

### **Recent Developments and Outlook**

Since 31 December 2019, there have been no recent events particular to the Guarantor (including those outlined below) that are to a material extent relevant for the evaluation of the solvency of the Guarantor other than the COVID-19 pandemic, as set forth in "*Description of the Guarantor and the Group—General Description of the Guarantor's Business—Principal Markets and COVID-19*", which has had a significant impact on the global economy and, therefore, the Group's business.

However, the Group has always maintained a healthy balance sheet with strong cash flows and, to further secure this position, the Group has obtained additional funding in 2020 so that it can continue to invest in the long-term vision of the Brand, whilst it navigates through these unprecedented times (see Note 31 (Subsequent Events) to the audited consolidated financial statements for the year ended 31 December 2019, which is incorporated by reference herein).

Despite having a strong cash position at the end of 2019 of \$2,850.8 million, due to the extreme uncertainty surrounding the impact of COVID-19 and to further strengthen the Guarantor's liquidity position, the directors took action in March, April and May of 2020 to secure additional credit lines in the form of a commercial paper and revolving credit facilities for a total of \$1,874.7 million. These credit lines will also serve to support the Group's working capital requirements, especially in markets that have experienced longer periods of closed businesses due to the COVID-19 pandemic.

Concurrently with the offering of the Notes pursuant to this Prospectus, as part of a restructuring to consolidate the Group's indebtedness at the holding company level, the Guarantor is planning to assume all obligations (including payment of principal and interest thereon) under certain of its subsidiaries' existing private placement borrowings, consisting of fixed rate senior unsecured notes with an aggregate principal amount outstanding as at 31 December 2019 of approximately US\$1.273 billion, to be assigned to the Guarantor by Chanel, Inc. and Chanel SAS, (the "**Assignment and Assumption Transactions**"), such notes as more particularly described below:

- US\$200,000,000 3.77% Senior Notes, Series A, due 14 October 2024, US\$175,000,000 3.92% Senior Notes, Series B, due 15 October 2026, US\$100,000,000 4.07% Senior Notes, Series C, due 15 October 2029 and US\$125,000,000 4.59% Senior Notes, Series D, due 15 October 2034, in each case, issued and sold by Chanel, Inc.
- €205,000,000 1.839% Senior Notes, Series A, due 30 March 2026, €190,000,000 2.044% Senior Notes, Series B, due 30 March 2028, €115,000,000 2.282% Senior Notes, Series C, due 30 March 2031 and €90,000,000 2.753% Senior Notes, Series D, due 30 March 2036, in each case, issued and sold by Chanel SAS.

The Assignment and Assumption Transactions are contemplated to close on or around 1 October 2020 subject to satisfaction of certain closing conditions.

Additionally, the Guarantor is planning to raise a minimum of approximately US\$300 million (in the form of fixed rate senior unsecured notes) in a new private placement notes offering in the United States.

## TAXATION

### UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's and the Guarantor's understanding of current United Kingdom law and published HM Revenue and Customs' practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes of a Series. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes of a Series. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

Payments of interest on the Notes of a Series may be made without deduction of or withholding on account of United Kingdom income tax provided that such Notes carry a right to interest and such Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange. The Notes of a Series will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Luxembourg Stock Exchange. Provided, therefore, that the Notes of a Series carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes of a Series will be payable without deduction of or withholding on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. The application of the FATCA withholding tax to passthru payments by foreign financial institutions is still uncertain, however, because the scope of these rules are still being determined by U.S. tax authorities. Proposed U.S. Treasury Regulations provide that withholding tax on passthru payments will not be imposed before the date that is two years after the date of publication in the U.S. Federal Register of final regulations defining the term "foreign passthru payment" and would apply to notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued or deemed issued after the date that is six months after the date on which such final regulations are filed with the U.S. Federal Register. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Issuer, the Guarantor, BNP Paribas and HSBC (the "**Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 29 September 2020, jointly and severally agreed to subscribe or procure subscribers for (a) the 2026 Notes at the issue price of 99.726 per cent. of the principal amount of the 2026 Notes, less a management commission of 0.30 per cent. of the principal amount of the 2026 Notes and (b) the 2031 Notes at the issue price of 99.400 per cent. of the principal amount of the 2031 Notes, less a management commission of 0.30 per cent. of the principal amount of the 2031 Notes. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Issuer or the Guarantor (as the case may be) may, at their discretion, pay an additional commission of (a) in the case of the 2026 Notes, 0.05 per cent and (b) in the case of the 2031 Notes, 0.05 per cent. of the principal amount of the relevant Series of Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### **United States**

The Notes of a Series have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities law. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes of a Series are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Notes of a Series (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the relevant issue date of the Notes of a Series (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each Manager has further agreed that it will send to each dealer to which it sells any Notes of a Series during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes of such Series within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Notes of a Series, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### ***Prohibition of sales to EEA and UK Retail Investors***

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes of a Series which are the subject of the offering contemplated by this Prospectus to any retail investor in the EEA or in the UK. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes of a Series to be offered so as to enable an investor to decide to purchase or subscribe for the Notes of such Series.

### **United Kingdom**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **General**

No action has been taken by the Issuer, the Guarantor or any of the Managers that would, or is intended to, permit a public offer of the Notes of a Series in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any Prospectus, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes of a Series by it will be made on the same terms.

None of the Issuer, the Guarantor nor the Managers represents that Notes of a Series may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes of each Series was duly authorised by a resolution of the Board of Directors of the Issuer dated 8 September 2020 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor dated 8 September 2020.

### Listing of the Notes

Application has been made to the CSSF to approve this document as a prospectus in accordance with the Prospectus Regulation and the Luxembourg Prospectus Law. Application has also been made to the Luxembourg Stock Exchange for the Notes of each Series to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). An estimate of total expenses related to admission to trading is EUR19,600.

### Documents Available

For so long as any of the Notes of a Series are listed, copies of the following documents will, when published, be available for inspection from <http://www.bourse.lu/>:

- (a) the certificate of incorporation and the memorandum and articles of association of the Issuer and the memorandum and articles of association of the Guarantor;
- (b) the 2018 Sustainability Report, CHANEL Mission 1.5° and the Chanel Sustainability-Linked Bond Framework;
- (c) the Guarantee;
- (d) the documents incorporated by reference in this Prospectus; and
- (e) a copy of this Prospectus.

### Clearing Systems

The 2026 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for this issue is XS2239845097 and the Common Code is 223984509.

The 2031 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for this issue is XS2239845253 and the Common Code is 223984525.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### No significant or material adverse change

There has been no significant change in the financial performance or financial position of (i) the Guarantor or the Group since 31 December 2019 (being the date of the Guarantor's most recently published financial



statements) or (ii) the Issuer since the date of its incorporation, other than as described under "*Description of the Guarantor and the Group—Recent Developments and Outlook*".

There has been no material adverse change in the prospects of the Issuer since 4 July 2020, being the date of its incorporation.

There has been no material adverse change in the prospects of the Guarantor or the Group since 31 December 2019.

### **Litigation**

Neither the Issuer nor the Guarantor nor any other Subsidiary of the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Guarantor or the Group.

### **Auditors**

The auditors of the Issuer are Deloitte LLP located at 1 New Street Square, London EC4A 3HQ. Since the Issuer was incorporated on 4 July 2020, there are no audited financial statements available with respect to the Issuer. Please see the section "*Description of the Issuer*" above for a summary of the financial position of the Issuer as at the date of its incorporation.

The auditors of the Guarantor are Deloitte LLP located at 1 New Street Square, London EC4A 3HQ, who have audited the Guarantor's accounts, without qualification, in accordance with IFRS as adopted by the European Union and in accordance with the requirements of the Companies Act 2006 and the International Standards on Auditing (UK) for each of the two financial years ended on 31 December 2018 and 31 December 2019.

Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

There are no potential conflicts of interest between the duties of the auditor toward the Issuer, the Guarantor or the Group and their other duties.

### **Managers Transacting with the Issuer and the Guarantor**

The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor and/or any of their respective affiliates. The Managers or their affiliates that have a lending relationship with the Issuer, the Guarantor and/or any of their respective affiliates routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Yield**

The yield in respect of (a) the 2026 Notes is 0.548 per cent. and (b) the 2031 Notes is 1.059 per cent of the principal amount of the relevant Notes. The yield is calculated at the Issue Date of the relevant Notes on the basis of the relevant Issue Price and the fixed rate of interest for such Notes. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the relevant Notes and will not be an indication of future yield or any premium payable in respect of the relevant Series of Notes.

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