

FONDATION CHANEL

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Company Limited by Guarantee

Registration No.: 12786875 (England and Wales)

Charity Registration No.: 1195353

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LEGAL AND ADMINISTRATIVE DETAILS

REGISTERED OFFICE

5 Barlow Place
London W1J 6DG

Company registration no.: 12786875
Charity registration no.: 1195353

INDEPENDENT AUDITOR

Ernst & Young LLP (UK)
Statutory Auditor
Citygate
St. James' Boulevard
Newcastle upon Tyne NE1 4JD

TRUSTEES (DIRECTORS)

P. B. Blondiaux (appointed 2 August 2020)
A. d'Avack (appointed on 2 August 2020; resigned 1 July 2021)
C. Isnard (appointed 2 August 2020)
M. Nitsch (appointed 2 August 2020)
Y. Peel (appointed 2 August 2020)
M. van Oranje (independent Trustee; appointed 22 June 2021)
C. Woodcraft (independent Trustee; appointed 22 June 2021)
K. Wylie (appointed 1 July 2021)

LEGAL ADVISORS

Bates Wells & Braithwaite London LLP
10 Queen Street Place
London EC4R 1BE

BANKERS

Citibank, N.A. London
Canada Square
Canary Wharf
London E14 5LB

OFFICERS

Chair: **K. Wylie**

Secretary: **E. Jones-Ransley**

KEY MANAGEMENT PERSONNEL

President: **K. Wylie**

Managing Director: **V. Meunier**

TRUSTEES' REPORT

INTRODUCTION

The Trustees of Fondation Chanel in the United Kingdom (the "Charity" or "Fondation Chanel"), who are also directors of the company for the purposes of the Companies Act 2006, present their annual report on the affairs of the Charity, together with the financial statements and independent auditor's report for the extended reporting period from 2 August 2020 through 31 December 2021, which represents the Charity's first year of operations. This report sets out its first annual accounts, which conform to FRS 102 and the Charities Statement of Recommended Practice (SORP).

Fondation Chanel was incorporated on 2 August 2020 as a company limited by guarantee registered in England and Wales under company registration number 12786875 and registered as a charity with the Charity Commission for England and Wales on 30 July 2021 under charity registration number 1195353. It is governed by its Articles of Association dated 26 January 2021.

The sole member of the Charity is Chanel Limited, a company registered in England and Wales under company registration number 00203669 with its registered office at 5 Barlow Place, London, W1J 6DG.

Fondation Chanel works in close collaboration with sister foundations registered in France (founded in 2011) and the United States (founded in 2016) with similar charitable purposes and strategy. Further details on this connection are outlined in note 12 of the financial statements.

AIMS & ACTIVITIES

Objects and purpose

As outlined in its Articles of Association, Fondation Chanel's charitable objects are, for the public benefit, (i) the relief of need amongst women and girls caused by discrimination on the basis of sex, financial disadvantage or other forms of disadvantage and (ii) such other purposes as are regarded as exclusively charitable under the law of England and Wales.

To further its objects, Fondation Chanel is a grantmaking charity and supports purposes aligned with those listed in the Charities Act of 2011. In accordance with its grantmaking policy enumerated below, it makes grants to support a wide range of charitable projects, initiatives, and organisations for the benefit of individuals and communities, its ecosystem of grantee partners and peers, and society as a whole.

All grants awarded since the Charity's inception have furthered these charitable purposes. The Trustees have complied with their duty to have due regard to the Charity Commission's guidance on public benefit in awarding these grants.

Grantmaking priorities

Fondation Chanel aims for all women and adolescent girls to be free to shape their own destinies; it strives to achieve maximum impact by centering the needs of women with overlapping vulnerabilities. To this end, the Charity pursues its grantmaking along two interdependent thematic pillars: (i) safety and (ii) economic and social autonomy. It works in partnership with nonprofit organisations, international organisations, alliances, academic and research institutions, social businesses and other charitable funds and foundations in the United Kingdom and internationally.

As 2021 was its first full year of operations, Fondation Chanel is undergoing a rigorous strategic planning process to further define its priorities with the aims of increasing impact and promoting learning.

Grantmaking policy

The Fondation Chanel team engages in an in-depth prospection process to identify potential grantee partners. Programmatic staff consult with regional and local experts and other funders, gather data, conduct landscape analysis and research, and perform other fieldwork to inform the Charity's grantmaking approach.

TRUSTEES' REPORT

The Charity aims to build long-term, trust-based relationships with its grantee partners. New grant proposals are developed in collaboration with the potential recipients. Before presenting a grant proposal to the Trustees for consideration, programmatic staff conduct robust due diligence with regard, among other things, to: establishing that grant purposes are charitable; ensuring the legality of making grants to the recipients; and understanding the governance, operating structure, and intended impact of the organisation and/or project. The Charity does not award grants to individuals.

The following are important considerations to the staff and Trustees of Fondation Chanel when assessing grant proposals:

- The anticipated social and environmental impact of grant;
- The potential for learning afforded by the grant; and
- The track record of the organisation or project to be funded.

Once a grant is approved, the Charity's staff draft a grant agreement in discussion with the grantee partner. As most grants are awarded on a long-term basis (three to five years), annual reporting milestones are agreed to provide an update on grant progress and ongoing learning and ensure that funds have been used for the agreed charitable purpose.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Trustees

The names of the Trustees who served during the reporting period are outlined in the legal and administrative details on page 3 of this Trustees' report. The Board of Trustees is currently comprised of five Trustees, three of whom are senior leadership employees of the sole member, as well as two independent Trustees.

Recruitment and appointment

The appointment of Trustees is governed by the Charity's Articles of Association. The two independent Trustees were recruited by the existing Trustees and appointed on the basis of their extensive, diverse expertise and range of skills in the fields of philanthropy and gender equality, as well as their experience on charity boards as chair or trustee. Trustees are appointed to office for three-year terms and may serve a maximum of three consecutive terms. None of the Trustees currently receive remuneration with respect to their services as a Trustee.

New Trustees may be appointed by ordinary resolution of the member or by decision of the existing Trustees. There must at all times be a minimum of two Trustees.

Induction and training

All current and new Trustees undergo a thorough induction process. They receive an induction pack comprised of Charity's main governing documents, an overview of programmatic priorities, financial position, and copies of relevant Charity Commission guidance. Additionally, any newly appointed Trustees engage in series of introductory training sessions with existing Trustees and staff members of Fondation Chanel.

The Charity manages conflicts of interest by requiring all Trustees to declare their interest in any potential recipient of a grant and step out of any subsequent discussions prior to any decision being made in respect of which they have a conflict.

Management and structure

The Trustees meet three to four times per year to agree on the strategic direction of the Charity, review grant proposals, award grants in line with the Charity's grantmaking policy, and assess and monitor the Charity's financial position and key risks.

TRUSTEES' REPORT

The Trustees delegate responsibility for day-to-day management of the Charity to the President, Fondation Chanel, Managing Director—UK, and other highly qualified staff. The President and/or the Managing Director—UK typically share a management update at each meeting of the Board of Trustees.

All staff are employees of Chanel Limited or its subsidiaries (together the “Chanel Group”) and do not receive direct compensation from the Charity outside of expense reimbursements incurred in relation to carrying out the Charity's charitable activities. Staff and office facilities costs of Fondation Chanel are borne by the Chanel Group and recorded as donated services and facilities offset by an equivalent expense in the financial statements as further described in notes 1, 5, and 12.

Related parties

Details on relationships and transactions with related parties are further described in note 12 of the financial statements.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS102 “The Financial Reporting standard applicable in the United Kingdom and Republic of Ireland”, and applicable law (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of its income and expenditure during that period.

In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (Statement of Recommended Practice);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that sufficiently disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Trustees are aware:

- there is no relevant audit information of which the Charity's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

TRUSTEES' REPORT

FINANCIAL REVIEW

Results and financial position

As described in the principal accounting policies outlined in note 1 of the financial statements, Fondation Chanel's functional and presentation currency is U.S. dollars. During the reporting period ended 31 December 2021, total income amounted to US\$33,305,697 with total expenditure of US\$3,439,060. After accounting for the impact of foreign exchange gains and losses, the net movement in funds during the period reflected a surplus of US\$29,846,384.

Income was derived from the support of the Chanel Group and comprised of cash donations received during the period totaling US\$9,200,009, pledged donations of US\$10,620,000 payable in 2022 and US\$11,505,000 payable in 2023, and donated services and facilities utilised during the period of US\$1,980,688.

For the accounting period ended 31 December 2021, expenditure on charitable activities was comprised of grants payable to seven organisations totaling US\$1,095,957 and support costs of US\$2,343,103. While not formally recognised as liabilities as of year-end 2021, the Board of Trustees also agreed in principle to make estimated future grant commitments to thirteen organisations in subsequent years totaling US\$4,881,552. Given that this period represented the first year of Fondation Chanel's operations out of the UK, details on achievements will be shared in future reporting periods.

A complete overview of the Charity's financial position as of 31 December 2021 is set out on page 12.

Reserves

As of the date of these financial statements, the Trustees have not established a formal reserves policy. The Charity currently has ample unrestricted funds to meet all of its current and anticipated future financial commitments while allowing for additional flexibility. Cash reserves as of 31 December 2021 are in excess of current and future commitments by US\$2,813,322. The Charity is not reliant on fundraising or public donations and is solely funded by the Chanel Group, which pledged in 2021 its minimum funding commitments for 2022 and 2023. Cash inflows and outflows are actively managed throughout the year.

As Fondation Chanel continues to expand its activities, this approach will be continually reviewed in light of changes in risks, financial position, and long-term strategic goals. The Trustees understand the critical importance of reserves in ensuring the Charity's resilience and capacity to manage unforeseen financial challenges. Additionally, the Trustees are aware of the potential that an excessive cash reserve holding may not be aligned with the Charity's impact aims. Any future decision regarding the establishment of a reserves policy will be made with these considerations in mind.

Risk management

The Trustees have assessed the principal risks facing the Charity with a particular focus on those that would impede its potential for impact. They ensure the implementation of mitigating actions in relation to each risk and monitor their status accordingly throughout the year.

| Risk area | Current mitigation actions |
|---|--|
| Impact: no impact or adverse impact on the Charity's grantees and the individuals and communities they serve | <ul style="list-style-type: none">- Consultation with regional and local experts in designing programmatic strategies and in new grantee prospection- Leverage expertise of independent Trustees- Obtain regular feedback from existing grantees- Hire experienced staff to conduct due diligence and manage grantee relationships- Annual reporting, routine check-ins with grantees, and site visits during grant term, when possible- Internal impact framework in development |

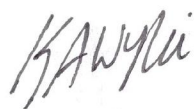
TRUSTEES' REPORT

| Risk area | Current mitigation actions |
|--|---|
| Financial sustainability: loss of funding or in-kind support from the Chanel Group | <ul style="list-style-type: none"> - Chanel Group financially sound and fully committed to maintaining funding and in-kind support - Trustees ensure ample funding is available to cover current and future grant commitments before approving any new grant commitments - Financial update shared at each Trustees meeting - Chanel Group CFO Trustee of the Charity |
| Legal and compliance: failure to meet accounting, regulatory, and legal compliance requirements | <ul style="list-style-type: none"> - Trustee on-boarding includes overview of legal duties - Annual conflicts of interest disclosures - Robust due diligence process and ongoing grant management conducted by programmatic staff - Experienced internal support from the Chanel Group Legal department and external advisors to provide advice as necessary |
| Other financial: internal fraud or failure of internal controls; foreign exchange rate fluctuations | <ul style="list-style-type: none"> - Internal delegations of authority - Shared authorisation procedures, including maker-checker processes - Regular review of appropriateness of currency hedging |

FUTURE PLANS

In 2022, the Trustees and Fondation Chanel staff will advance work on the strategic planning process to further define the Charity's programmatic priorities with the aim of increasing impact so women and adolescent girls can be free to shape their own destinies. Staff will also continue to prospect for new grantee proposals that are aligned with Fondation Chanel's charitable objects.

This Trustees' Report was approved by the Board of Trustees on 2 August 2022 and signed on their behalf by:



Kate Wylie
Chair and President, Fondation Chanel

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FONDATION CHANEL

Opinion

We have audited the financial statements of Fondation Chanel for the period ended 31 December 2021 which comprise the statement of financial activities, balance sheet, statement of cash flows and the related notes 1 to 13 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as of 31 December 2021 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period to 31 August 2023.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained in the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If,

INDEPENDENT AUDITOR'S REPORT

based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have identified no material misstatements included within the Trustees' report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement on page 6, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the charitable company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant are Charities SORP (FRS 102) Accounting and Reporting by Charities, Companies Act 2006, Charities Act 2011 and Her Majesty's Revenue and Customs (HMRC).
- We understood how Fondation Chanel is complying with those frameworks by making enquiries of management and those responsible for the legal and compliance procedures. We corroborated our enquiries through our inspection of the board minutes as well as consideration of the results of our audit procedures across the entity.
- We assessed the susceptibility of the charitable company's financial statements to material misstatement, including how fraud might occur by reviewing the ethics handbook that the company and its representatives are responsible for and performed management inquiries of the procedures to identify risk of material misstatement due to fraud and error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reviewing legal and professional correspondence and corroborating with management inquiries.

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

Use of our report

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



Caroline Mulley (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

2 August 2022

STATEMENT OF FINANCIAL ACTIVITIES

For the period from 2 August 2020 ending 31 December 2021

| | Note | Unrestricted Funds US\$ | Restricted Funds US\$ | Total Funds US\$ |
|--|---------|-------------------------------|-----------------------------|------------------------|
| Income from: | | | | |
| Donations | 2 | 33,305,697 | - | 33,305,697 |
| Total | | 33,305,697 | - | 33,305,697 |
| Expenditure on: | | | | |
| Grants payable | 3 | 1,095,957 | - | 1,095,957 |
| Support costs | 4, 5, 6 | 2,343,103 | - | 2,343,103 |
| Total | | 3,439,060 | - | 3,439,060 |
| Net income/(expenditure) | | 29,866,637 | - | 29,866,637 |
| Other recognised gains/(losses) - foreign exchange | | 2,259 | - | 2,259 |
| Other unrecognised gains/(losses) - foreign exchange | | (22,513) | - | (22,513) |
| Net movement in funds | | 29,846,384 | - | 29,846,384 |
| Reconciliation of funds: | | | | |
| Total funds brought forward | | - | - | - |
| Total funds carried forward | | 29,846,384 | - | 29,846,384 |

All income and expenditure are derived from continuing operations.

All income and expenditure relate to unrestricted funds during the reporting period.

The statement of financial activities includes all gains and losses recognised during the reporting period.

The notes on pages 15 - 22 form part of these financial statements.

BALANCE SHEET

As of 31 December 2021

| | Note | 2021 US\$ |
|--|------|-------------------|
| Non-current assets: | | |
| Debtors | 7 | 11,505,000 |
| Total | | 11,505,000 |
| Current assets: | | |
| Debtors | 8 | 10,620,000 |
| Prepayments | 8 | 26,510 |
| Cash at bank and in hand | 9 | 8,121,119 |
| Total | | 18,767,629 |
| Current liabilities: | | |
| Creditors: amounts falling due within one year | 10 | 426,245 |
| Total assets less current liabilities, being net assets | | 29,846,384 |
| The funds of the charity: | | |
| Restricted funds | | - |
| Unrestricted funds | | 29,846,384 |
| Total charity funds | | 29,846,384 |

The financial statements on pages 12 - 22 were approved by the Board of Trustees and authorised for issue on 2 August 2022 and were signed on their behalf by:



P.B. Blondiaux
Director

STATEMENT OF CASH FLOWS

For the period from 2 August 2020 ending 31 December 2021

| | 2021 \$US |
|--|-------------------------|
| Cash flows from operating activities: | |
| Donations received | 9,200,009 |
| Operating expenditure paid | (1,078,890) |
| Net cash provided by/(used in) operating activities | <u>8,121,119</u> |
| Change in cash and cash equivalents in the reporting period ⁽¹⁾: | 8,121,119 |
| Cash and cash equivalents at 2 August 2020 | - |
| Cash and cash equivalents at 31 December 2021 | <u><u>8,121,119</u></u> |

Note:

(1) Cash balance at 31 December 2021 reflects unrecognised loss due to foreign exchange movements on Sterling account.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Practice and other applicable standards including the Charities SORP FRS 102 (second edition – October 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006, and the Charities Act 2011. The Charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in U.S. dollars and rounded to the nearest dollar. Any transactions undertaken in foreign currency are translated into U.S. dollars, the predominant currency in which the Charity receives income and expends cash and therefore both its functional and presentation currency.

Reporting period

The financial statements are presented on the extended reporting period from 2 August 2020 through 31 December 2021. Given that this period represents Fondation Chanel's first year of operations, there are no comparative amounts presented in the accounts.

On 21 January 2021, the Charity filed a change of accounting reference date with Companies House to extend the end date of its accounting reference period from 31 August 2021 to 31 December 2021 to align with the calendar year. Subsequent reporting periods in future years will constitute a 12-month period ending on 31 December.

Income recognition

All income is recognised in the statement of financial activities when the Charity is legally entitled to the income, the amount can be quantified reliably, any conditions for receipt have been met, and receipt is probable. Income is comprised of monetary donations and donated services and facilities.

Monetary donations are recognised as income upon receipt. In the event of monetary donations pledged but not yet received, the amount is accrued for as income where entitlement has been established and receipt is considered probable.

Donated services and facilities represent the value of services borne by the Chanel Group during the reporting period in providing seconded staff, office facilities, and office equipment to the Charity. They are valued at cost and recognised in the financial statements as income offset by an equal corresponding amount as expenditure when they are receivable and quantifiable.

Expenditure recognition

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure, the amount of the obligation can be quantified reliably, and settlement is probable. All expenditure is accounted for on an accruals basis in the period in which it is incurred. Expenditure is comprised of charitable grantmaking activity as well as all support costs related to grantmaking and the overall administration of the Charity.

Grants are recognised as payable when there is a legal or constructive obligation to pay established by the Trustees' approval of the grant, signature of a grant agreement, and the recipient's fulfillment of any related conditions, as applicable. Any awards meeting these recognition criteria but not paid at the end of the reporting period are accrued for.

Most of the Charity's grants are multi-year commitments. Release of funding in subsequent years is contingent upon receipt of reporting on the recipients' activities, priorities, and confirmation of how the grant has been used.

NOTES TO THE FINANCIAL STATEMENTS

Grants subject to future conditions which are not recognised as liabilities at year-end are disclosed as future grant commitments in note 3.

Cash at bank and cash in hand

Cash at bank and cash in hand consists of all accounts that are available on demand.

Debtors and creditors

Debtors are recognised as an asset when a past event results in a present obligation that will result in the Charity receiving funds from a third party and the receivable amount can be quantified reliably. Debtors are recognised at their anticipated settlement amount.

Creditors and other payables are recognised as a liability when a past event results in a present obligation that will result in transfer of funds to a third party and the amount payable can be measured or reliably estimated. Creditors are recognised at their anticipated settlement amount.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into U.S. dollars at the closing exchange rate as of the balance sheet date. Foreign currency transactions are translated into U.S. dollars at the closing exchange rate as of the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than U.S. dollars at year-end exchange rates are recognised as other gains and losses and hence are considered in arriving at the net movement of funds.

Taxation

Fondation Chanel is a registered charity and therefore has no liability to income tax or corporation tax, on income derived from its charitable activities as it falls within the various exemptions available to registered charities.

Any irrecoverable VAT is reflected in expenditure amounts charged to the statement of financial activities.

Critical accounting estimates and judgements

In the application of the Charity's accounting policies described elsewhere in note 1, the Trustees are required to make estimates, judgements, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Trustees do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure.

Fund accounting

All funds are held on an unrestricted basis and can be used in accordance with Fondation Chanel's charitable objects at the discretion of the Trustees.

NOTES TO THE FINANCIAL STATEMENTS

Assessment of going concern

The Trustees are satisfied that Fondation Chanel has sufficient net assets to continue its operations for the foreseeable future and meet all expected future financial commitments. Accordingly, the financial statements have been prepared on a going concern basis.

In their assessment, the Trustees have reviewed the Charity's balance sheet and anticipated future cash inflows and outflows as of the approval date of the financial statements. The Trustees believe that the Charity is well placed to manage its business risks successfully and that it will have sufficient financial resources to meet all liabilities as they fall due for at least the next 12 months. Based on this, the Trustees consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements with no material uncertainties to disclose.

2. DONATIONS

| | 2021 US\$ |
|-------------------------------|-------------------|
| Monetary donations received | 9,200,009 |
| Monetary donations receivable | 22,125,000 |
| Donated services | 1,081,232 |
| Donated facilities | 899,456 |
| Total | 33,305,697 |

3. GRANTS PAYABLE

| Grant portfolio and recipient | Award Currency Local | Total Grant Awarded Local | 2021 Grants Payable US\$ |
|--|----------------------------|------------------------------------|-----------------------------------|
| Asia | | | 388,000 |
| CorStone | USD | 500,000 | 250,000 |
| Dasra UK | USD | 750,078 | - |
| Root Impact | USD | 450,000 | 138,000 |
| UK for UNHCR | EUR | 350,000 | - |
| Urgent Action Fund for Women's Human Rights Asia and Pacific Limited | EUR | 150,000 | - |
| Global/multi-region | | | - |
| French Ministry for Europe and Foreign Affairs | EUR | 360,000 | - |
| The National Foundation of Political Sciences | EUR | 240,000 | - |
| Latin America | | | 400,000 |
| CARE France | EUR | 1,000,000 | - |
| Pro Mujer, Inc. | USD | 600,000 | 200,000 |
| The Womanity Foundation | USD | 600,000 | 200,000 |
| United Kingdom | | | 307,957 |
| Imkaan | EUR | 499,487 | 189,522 |
| Rosa Fund | GBP | 43,000 | 58,949 |
| Street League | GBP | 43,000 | 59,486 |
| Total | | | 1,095,957 |

NOTES TO THE FINANCIAL STATEMENTS

Future grant commitments

As of 31 December 2021, Fondation Chanel had estimated future grant commitments as follows:

| Grant portfolio & recipient | 2022 US\$ | 2023 US\$ | 2024 US\$ | Total US\$ |
|--|------------------|------------------|----------------|------------------|
| Asia | 1,177,180 | 424,024 | 280,024 | 1,881,228 |
| CorStone | 250,000 | - | - | 250,000 |
| Dasra UK | 190,030 | 280,024 | 280,024 | 750,078 |
| Root Impact | 168,000 | 144,000 | - | 312,000 |
| UK for UNHCR | 398,405 | - | - | 398,405 |
| Urgent Action Fund for Women's Human Rights Asia and Pacific Limited | 170,745 | - | - | 170,745 |
| Global/multi-region | 591,916 | 91,064 | - | 682,980 |
| The National Foundation of Political Sciences | 182,128 | 91,064 | - | 273,192 |
| French Ministry for Europe and Foreign Affairs | 409,788 | - | - | 409,788 |
| Latin America | 781,967 | 790,589 | 365,744 | 1,938,300 |
| CARE France | 381,967 | 390,589 | 365,744 | 1,138,300 |
| Pro Mujer, Inc. | 200,000 | 200,000 | - | 400,000 |
| The Womanity Foundation | 200,000 | 200,000 | - | 400,000 |
| United Kingdom | - | 189,522 | 189,522 | 379,044 |
| Imkaan | - | 189,522 | 189,522 | 379,044 |
| Total | 2,551,063 | 1,495,199 | 835,290 | 4,881,552 |

Future commitments will be deemed payable in accordance with the recognition policy set out in note 1. All future commitments will be funded with cash in hand or pledged donations from the Chanel Group.

4. SUPPORT COSTS

| | 2021 US\$ |
|---|------------------|
| Grant management and charity administration costs | 2,062,576 |
| Accounting advisory services | 36,536 |
| Audit fees | 40,596 |
| Legal fees | 45,883 |
| Tax advisory services | 157,512 |
| Total | 2,343,103 |

All support costs are incurred in relation to Fondation Chanel's charitable activities since no fundraising is undertaken by the Charity.

5. STAFF COSTS

| | 2021 US\$ |
|-----------------------|------------------|
| Salary costs | 865,450 |
| Social security costs | 183,255 |
| Pension costs | 19,330 |
| Other benefits | 13,198 |
| Total | 1,081,232 |

NOTES TO THE FINANCIAL STATEMENTS

All Fondation Chanel staff are employed and remunerated by the Chanel Group and seconded to the Charity on either a full-time or part-time basis to support grant portfolio management, administration, and overall management of the Charity. An estimate of the appropriate proportion of their time dedicated to the Charity is included within donated services.

During the reporting period, the average number of full-time equivalent staff was 6, of which full-time employees was 4 and part-time employees was 2.

The Charity's key management personnel consist of the President, Fondation Chanel and Managing Director—UK. The President holds a broader role within the Chanel Group, thus the staff cost incurred by the Charity is an apportioned estimate based on time committed to the Charity. Total remuneration received by key management personnel was US\$391,611 (£288,456) during the reporting period ended 31 December 2021.

The number of Chanel Group staff working on the Charity whose apportioned emoluments (salary and other benefits, excluding pension) during the period totaled £60,000 or above were as follows:

| | 2021 £ |
|-------------------|-----------|
| 60,000 - 70,000 | 1 |
| 70,001 - 80,000 | 1 |
| 110,001 - 120,000 | 1 |
| 160,001 - 170,000 | 1 |

Defined contribution plan

Defined contribution pension plan benefits for Fondation Chanel staff are provided under various Chanel Group plans. Contributions made to the plan during the reporting period totaled US\$19,330.

6. GOVERNANCE COSTS

| | 2021 US\$ |
|------------------------------|----------------|
| Accounting advisory services | 36,536 |
| Audit fees | 40,596 |
| Legal fees | 45,883 |
| Tax advisory services | 157,512 |
| Travel & meetings | 2,058 |
| Total | 282,586 |

Governance costs are included within support costs.

No Trustee received any remuneration from Fondation Chanel or a related party during the reporting period.

Travel and accommodation expense totaling US\$777 was covered by the Charity related to Board meeting attendance by one Trustee.

7. DEBTORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

| | 2021 US\$ |
|--------------|-------------------|
| Debtors | 11,505,000 |
| Total | 11,505,000 |

NOTES TO THE FINANCIAL STATEMENTS

The non-current debtors balance consists of pledged monetary donations from the Chanel Group anticipated for payment in 2023.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 US\$ |
|--------------|-------------------|
| Debtors | 10,620,000 |
| Prepayments | 26,510 |
| Total | 10,646,510 |

The current debtors balance consists of pledged donations from the Chanel Group anticipated for payment in 2022.

Prepayments balance relates to philanthropic network annual membership fees and professional development trainings that span 2021 and 2022.

9. CASH AT BANK AND IN HAND

| | 2021 US\$ |
|------------------|------------------|
| Sterling account | 1,227,950 |
| US\$ account | 6,893,169 |
| Total | 8,121,119 |

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 US\$ |
|-----------------|----------------|
| Grants payable | 189,522 |
| Other creditors | 236,723 |
| Total | 426,245 |

Grants payable balance consists of an initial grant installment payable to Imkaan following grant agreement signature in December 2021.

Other creditors balance consists of accrued expense for accounting, legal, and tax advisory services and audit fees.

NOTES TO THE FINANCIAL STATEMENTS

11. RECONCILIATION OF NET EXPENDITURE TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

| | 2021 US\$ |
|--|---------------------|
| Net expenditure for the reporting period | 29,866,637 |
| Adjustments for: | |
| Increase/(decrease) in debtors | (22,151,510) |
| (Increase)/decrease in creditors | 426,245 |
| Other recognised gains/(losses) - foreign exchange | (22,513) |
| Other unrecognised gains/(losses) - foreign exchange | 2,259 |
| Total | (21,745,518) |
| Net cash provided by (used in) operating activities | 8,121,119 |

12. RELATED PARTY TRANSACTIONS

Connected companies

During the reporting period, Fondation Chanel received donated income of US\$33,305,697 from the Chanel Group comprised of monetary donations and donated services and facilities as outlined in note 2. Monetary donations of US\$9,200,009 were received in cash with pledged donations payable in future years of US\$22,125,000 remaining outstanding.

The Charity operates from Chanel Group office premises. Grant and charity administration was undertaken by employees of the Chanel Group who are seconded to the Charity. Both staff and usage of office facilities and equipment utilised during the period were donated in-kind to the Charity and valued at US\$1,980,688.

In 2021, Chanel Limited invoiced the Charity US\$16,764 for Fondation Chanel staff travel expenditure incurred on its behalf related to its charitable activities.

Five of the seven current directors and members of the Board of Trustees are employed by the Chanel Group.

Travel and accommodation expense totaling US\$777 was covered by the Charity related to Board meeting attendance by one Trustee.

| | 2021 US\$ |
|-------------------------------|-------------------|
| Monetary donations received | 9,200,009 |
| Monetary donations receivable | 22,125,000 |
| Donated services | 1,081,232 |
| Donated facilities | 899,456 |
| Total | 33,305,697 |

Connected foundations

Fondation Chanel works with sister foundations in France ("Fondation d'Entreprise Chanel" or the "French Foundation") and the United States ("Fondation Chanel, Inc." or the "U.S. Foundation") in so far as the sister foundations' activities are compatible with the Charity's objects. Each of the sister foundations exists for charitable purposes in their own jurisdictions as outlined below, and is regulated as such.

NOTES TO THE FINANCIAL STATEMENTS

REGISTERED OFFICE

Fondation Chanel, Inc.
The Corporation Trust Company
Corporation Trust Center
1209 Orange St.
Wilmington, DE 19801
United States

PURPOSE

The general purposes for which Fondation Chanel, Inc. was formed are to conduct similar charitable activities to the purposes of the Charity. For the purposes of U.S. regulation, these purposes are qualified as being exclusively those that allow it to qualify as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, or any successor statute thereto (the "Code"), including, for such purposes, the making of distributions to organisations which qualify as tax-exempt organizations under the Code. The specific and primary purpose for which Fondation Chanel, Inc. was formed is to advance women as agents of change throughout the world, both by supporting women's empowerment through (i) participation and leadership, (ii) health and social protection (iii) economic independence and entrepreneurship and (iv) education and training, as well as by supporting women in arts and culture.

Fondation d'Entreprise Chanel
135 avenue Charles de Gaulle
Neuilly-sur-Seine 92200
France

The purpose of Fondation d'Entreprise Chanel is also aligned with those of the Charity and in particular, its purpose is to work in France and Europe to improve the economic and social condition of women and adolescent girls regardless of their origin.

Although the purposes of the different Fondation Chanel sister entities are aligned with regard to the vision, they are legally independent in their decision taking and grantmaking. There is no direct structural legal relationship between the entities. One Trustee of the Charity also serves on the Board of the French Foundation as President. One Trustee of the Charity also serves as a director on the Board of the U.S. Foundation.

13. SUBSEQUENT EVENTS

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