

4

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY*

4.1	INTRODUCTION	170	4.4	L'ORÉAL FOR THE FUTURE: 2021 RESULTS	258
4.1.1	A Group with a longstanding commitment	173	4.5	METHODOLOGICAL NOTES	260
4.1.2	Constant dialogue with stakeholders	174	4.5.1	Social and health and safety data	260
4.2	MAIN NON-FINANCIAL RISKS	177	4.5.2	L'Oréal for the Future data	262
4.2.1	Risk identification process	177	4.5.3	Human Rights data	266
4.2.2	Main risks for corporate social responsibility, Human Rights and corruption	177	4.6	CROSS-REFERENCE TABLES, INCLUDING NFIS AND GHG FOOTPRINT	267
4.3	POLICIES, PERFORMANCE INDICATORS AND RESULTS	179	4.6.1	Table of concordance for reporting standards in respect of social, environmental and societal matters	267
4.3.1	Environmental policy	179	4.6.2	SASB cross-reference table	269
4.3.2	Human Resources policy	228	4.6.3	GRI Standards Content Index	270
4.3.3	Human rights policy	246	4.6.4	GHG balance	273
4.3.4	Policy to prevent corruption	254	4.7	STATUTORY AUDITOR'S REPORTS	274
4.3.5	Tax policy	255	4.7.1	Report of one of the Statutory Auditors, appointed as independent third party, on the verification of the consolidated non-financial performance statement	274
			4.7.2	Reasonable assurance report of the Statutory Auditors on a selection of consolidated non-financial information published in the Group Management Report	280

* This information forms an integral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.

This chapter reports on the social, environmental and societal policies and progress achieved by the Group, and presents the assessment of the second generation of L'Oréal's sustainable development commitments at the end of 2021: L'Oréal for the Future programme. This chapter forms the Group's Non-Financial Performance Statement.

L'Oréal's commitments and policies contribute to 16 of the United Nations' 17 Sustainable Development Goals⁽¹⁾.

4.1. INTRODUCTION

L'Oréal's strategy is based on Glocalization that is the globalisation of brands with profound understanding and respect for local differences to meet the beauty expectations and needs of women and men around the world, while at the same time being an environmental and societal leader.

L'Oréal's Ethical Principles – Integrity, Respect, Courage and Transparency – guide the Group's development and help establish its reputation. These principles are the basis of its sustainable development, social and societal responsibility, compliance and philanthropy policies.

Sustainable development approach

For many years, L'Oréal has begun a profound transformation of its model, in all areas, to adapt to the great changes in the world. Sustainable development is a fundamental pillar of this transformation and a strategic priority for all of the teams. In the firm belief that sustainable development is an essential factor for success and durability, L'Oréal is deploying an ambitious social, societal and environmental policy, which is shared by its management and teams.

In June 2020, L'Oréal initiated the second generation of its commitments to sustainable development, under the umbrella of a programme called L'Oréal for the Future, with a new set of particularly ambitious and concrete targets for 2030, in order to cover all the impacts associated with its value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers.

In 2015, the Group also undertook to define Science-Based Targets to reduce its greenhouse gas emissions across its entire value chain and over the long term, in accordance with the Paris Agreement on climate change. In December 2017, the SBT initiative validated the Group's proposal and L'Oréal committed to reduce the greenhouse gas emissions on its Scopes 1, 2, and 3 by 25% in absolute value by 2030, compared to the 2016 baseline.

The L'Oréal for the Future programme, which is subject to public reporting every year, is based on three pillars:

- Transforming L'Oréal's business to ensure that it is included within the "planetary boundaries", i.e. in the context of what the planet can withstand, according to environmental science;
- Involving L'Oréal's business ecosystem in the Group's transformation and helping the Group's transition to a more sustainable model; and

- Contributing to solving the challenges of the world by supporting the most urgent social and environmental needs.

CSR governance

To support this process, the Group has developed a strong governance structure.

Every year, the **Board of Directors** determines L'Oréal's strategic directions, which integrate the challenges of climate change and, more generally, the issues of sustainable development, as well as the Group's sense of purpose (*raison d'être*) to "Create the Beauty that moves the world". In order to monitor the determination and successful implementation of these strategic directions, the Board of Directors can rely on its four Board Committees that are responsible for investigating the issues within their area of expertise in the determination and monitoring of the non-financial strategy (see section 2.3.2.1. "Main Remits and Internal Rules" of this document). The Chief Corporate Responsibility Officer reports on the Group's activities to the Board of Directors every year and to each meeting of the Strategy and Sustainability Committee. Before each meeting, all members of the Board of Directors receive **a status update** on the L'Oréal for the Future programme that details the programme's specific advances.

In order to implement this comprehensive plan for the transformation of the Group, which affects all Divisions, Zones and support functions, the Chief Executive Officer can rely on the commitment of every **member of the Executive Committee** within their respective scope. The Executive Committee works with the CEO to implement strategic directions regarding non-financial matters. Status updates on sustainable development issues are conducted regularly to define and implement the necessary action plans. A network of sustainability leaders, members of the Management Committees is responsible for the operational deployment of the L'Oréal for the Future programme in each Division, each geographic Zone and each entity.

More specifically, within the Executive Committee, **the Chief Corporate Responsibility Officer** ensures strategic consistency between the measures, the Group takes to integrate sustainable development across its entire value chain and its charitable contributions. She is responsible for the formulation and implementation of the sustainable development strategy, assesses and manages risks and opportunities related to environmental and societal challenges at Group level through the action plans of the sustainability programmes (Sharing Beauty with All and, now, L'Oréal for the Future).

(1) L'Oréal's contribution to the United Nations Sustainable Development Goals is detailed in section 4.1 of this document.

Under her direction, different **internal Committees related to sustainable development**, composed of the experts responsible for the deployment of the programme, define the roadmaps for each of the entities represented (Operations, Research, Divisions, Zones). Each of the internal Committees defines annual objectives and directs their deployment throughout the L'Oréal value chain.

The mission of the **Sustainable Finance Department** created in 2020, is to integrate the environmental challenges from a financial standpoint. This Department, which reports to the Chief Administrative and Financial Officer and to the Chief Corporate Responsibility Officer, aims at developing and directing Sustainable Finance actions by coordinating the actions within the finance teams and by continuing to integrate sustainability in decisions on investments and acquisitions.

All **L'Oréal employees** are encouraged to receive training on sustainable development issues through a full range of online courses that are delivered as part of the L'Oréal for the Future programme, which are available in 15 languages. In 2021, over 41,400 employees completed the Green Steps or Green tests training modules.

Because sustainable development is a strategic transformation that must be driven by all teams, remuneration structures have been revised. At the highest level, the **variable portion of the Chief Executive Officer's annual remuneration** incorporates quantitative and qualitative non-financial objectives, including objectives associated with the L'Oréal for the Future programme (and previously, the Sharing Beauty with All programme). The long-term remuneration of the Chief Executive Officer will introduce criteria for non-financial performance in addition to financial performance in order to correlate them with L'Oréal's strategy for which economic and social performance go hand-in-hand (see section 2.4. "Remuneration of directors and corporate officers" of this document). Moreover, from 2016, non-financial objectives in line with the Group's goals for sustainability have been included in the **variable remuneration** of the top management, including international brand managers and country managers.

Finally, within the framework of ongoing dialogue and as part of a process which aims at making continual progress, L'Oréal takes into account **its stakeholders' expectations** in its strategy. For this purpose, the Group has defined and developed a method of *ad hoc* interaction, which it considers to be the most efficient and appropriate, with a representative panel of outside experts around the world. It has also set up bodies dedicated to important issues, for example in the form of a women advisory board, to ensure that these issues sufficiently meet the expectations of civil society. Section 4.1.2. "Constant dialogue with stakeholders" of this document sets out the primary stakeholder interactions.

Convinced that acting ethically is the only way for a company to succeed over time, the Chief Executive Officer can also rely on the **Chief Ethics, Risk & Compliance Officer** who reports directly to the CEO so that strong ethical principles continue to guide L'Oréal's development and contribute to establishing its reputation.

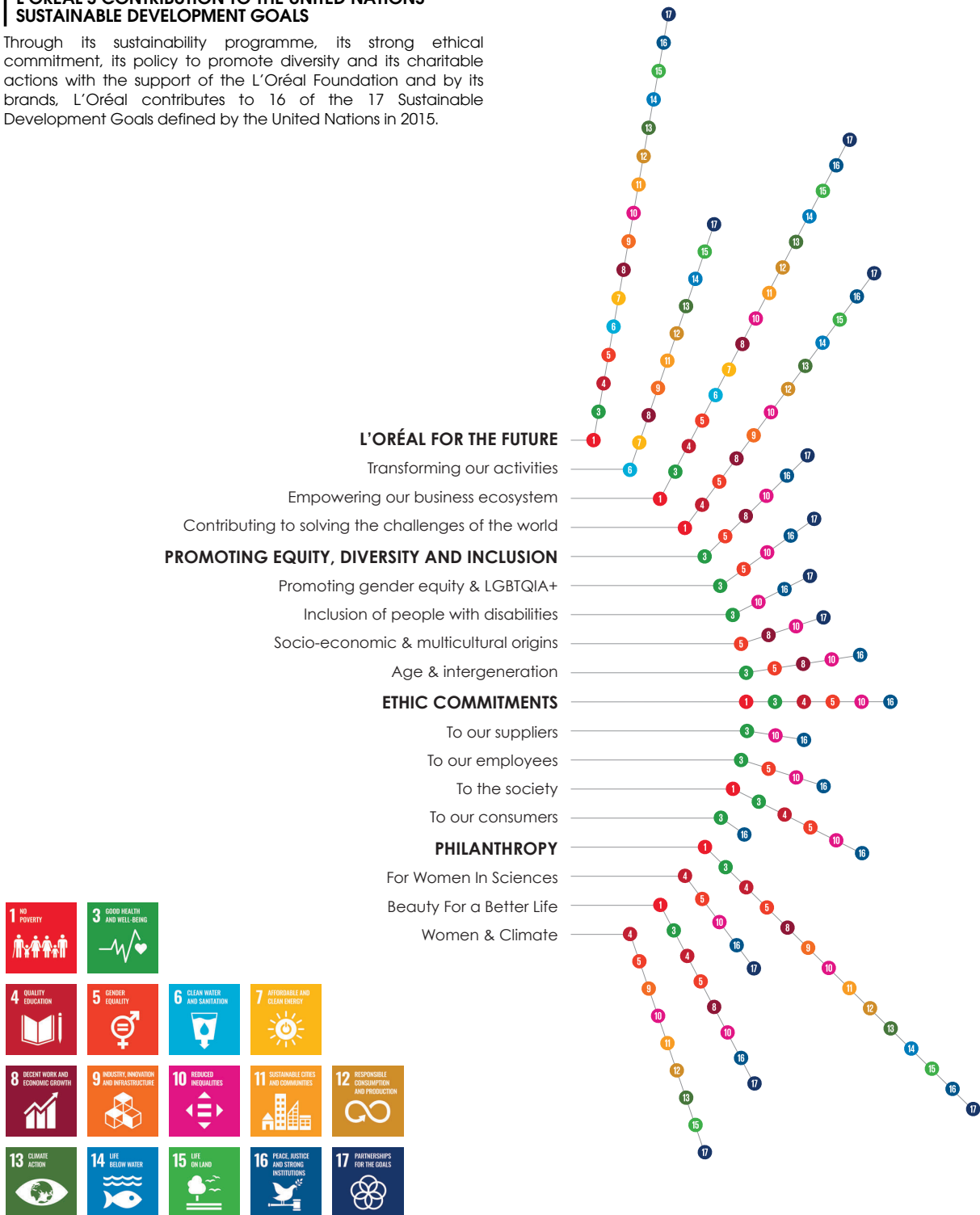
In 2021, for the seventh consecutive year, L'Oréal was recognised as a Global Compact LEAD company for its continued commitment to the Ten Principles of the UN Global Compact and for placing the UN Sustainable Development Goals at the centre of its growth strategy.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

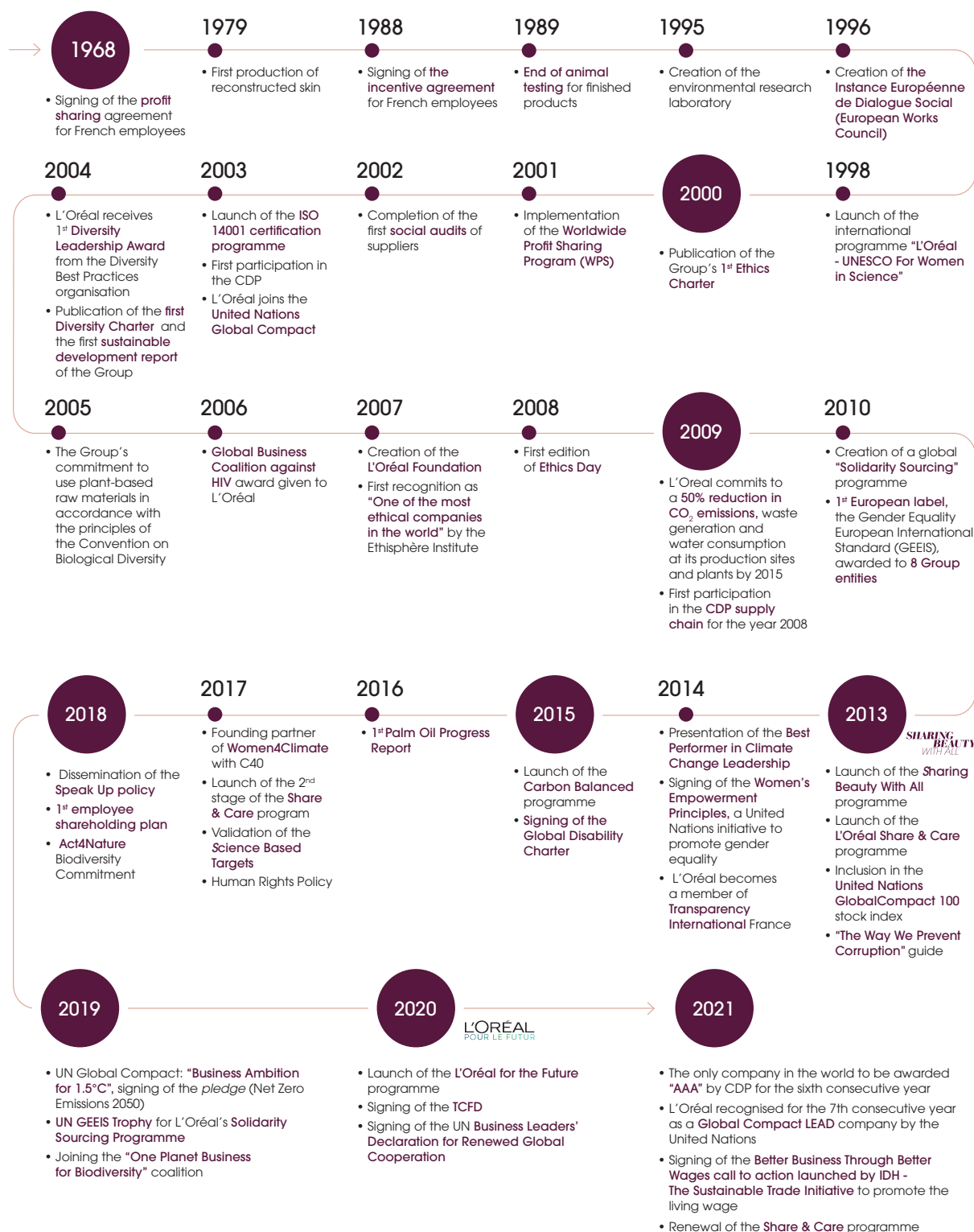
• Introduction

L'ORÉAL'S CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Through its sustainability programme, its strong ethical commitment, its policy to promote diversity and its charitable actions with the support of the L'Oréal Foundation and by its brands, L'Oréal contributes to 16 of the 17 Sustainable Development Goals defined by the United Nations in 2015.



4.1.1. A Group with a longstanding commitment



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Introduction

4.1.2. Constant dialogue with stakeholders

L'Oréal is perfectly aware that, to grow sustainably, a company must take into consideration its ecosystem composed of its stakeholders. The Group attaches great importance to dialogue with all stakeholders.

Within the framework of ongoing dialogue and as part of a process aimed at making continual progress, L'Oréal endeavours to take into account its stakeholders' expectations in its strategy. For this purpose, the Group has defined and developed a method of *ad hoc* interaction, that it considers the most efficient and appropriate, with all the stakeholders involved.

The dialogue conducted by L'Oréal with its stakeholders has grown in importance over time. Stakeholders were consulted in the context of the construction of the Group's first sustainability programme, Sharing Beauty with All, both before the definition of its commitments and during follow-up.

In defining the L'Oréal for the Future programme for 2030, since April 2019, seven internal expert panels have coordinated independent studies and worked with outside partners and civil society to define L'Oréal's next steps in sustainability. The outcome of these dialogues and consultations is an ambitious strategy, built on quantified impact reduction targets and make a positive contribution to its ecosystem.

The Group conducts ongoing dialogues with NGOs, associations and experts on a large number of environmental and societal issues around the world to review its policies and action plans, and ensure their relevance.

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2021
Employees	L'Oréal sets up a large number of dialogue arrangements with its employees to ensure their health, safety and well-being at work while listening to their concerns.	More than 60% of employees logged on to the Ethics Day sessions and more than 8,000 questions were asked worldwide. In 2021, 91% of the employees invited took part in the "Pulse" engagement survey, which showed significant progress on all components of the Simplicity management programme.
Suppliers	L'Oréal maintains an extensive dialogue with its suppliers and shares its ambitions and best practices in the area of sustainable development with them.	During annual Business Reviews ⁽¹⁾ , L'Oréal discusses five primary issues with its suppliers: quality, CSR, innovation, delivery/supply chain and competitiveness. In 2021, 627 Business Reviews took place. L'Oréal shares the information and best practices with its suppliers around the world: since 2018, more than 700 suppliers of "Retail & Promo" Sourcing Domain have been trained on the eco-design of point-of-sales materials.
Consumers	L'Oréal is heedful of both current and future needs and concerns of its consumers, in particular with regard to sustainable development.	In 2021, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its active policy of listening to consumers on sustainable development issues through consumer panels in the United States, India, China and Europe in order to understand their expectations and fine-tune its policies.
Shareholders	L'Oréal is committed to developing a relationship of trust with all its shareholders, particularly in the context of the Covid-19 health crisis. Thus, the Financial Communication Department offers a range of multimedia and digital tools, organises regular meetings with shareholders and their associations, and takes part in the discussions of professional associations.	<ul style="list-style-type: none"> The Group published an interactive digital Annual Report along with an Integrated Report; "Letters to Shareholders" and newsletters were distributed; The 2021 Annual General Meeting was broadcast live and the recording can be accessed on the loreal-finance.com website, with the possibility for shareholders to ask questions using a dedicated email address and telephone conference number; In June, the Group took part in the inaugural BoursorLive, a completely online trade fair organised by Boursorama; In September, in partnership with École de La Bourse (the Euronext training arm) and several issuers, the Group launched the MOOC "Invest in Stocks". This fully online course helps future shareholders to develop an interest in and make sense of investing in companies and in the real economy and to understand what investing in the stock market is all about; In November, the Group participated in the third edition of the Investir Day shareholders fair, which took place in both remote and physical formats at the Palais Brongniart; and All multi-annual meetings of the Individual Shareholder Consultation Committee held during the first half of the year took place remotely, after which they were held in person.
Customers (distributors)	As it does with its suppliers, L'Oréal builds close relationships with its distributors by involving them in the preparation of joint sustainable development projects.	L'Oréal develops Green Joint Business plans with its main customers. This year, for example, Germany was the pilot country for the roll-out of collaborative projects with seven of its distributors, with a focus on the development of sustainable beauty commitment campaigns for consumers and on reducing the impact of the Group's business activities in its value chain.
Employee commitment	Once a year, all L'Oréal's employees are invited to spend a day on volunteering actions for associations, on public utility projects and supporting the surrounding communities, while continuing to receive their salary.	In 2021, 16,411 employees across 52 countries participated in Citizen Day to help over 400 organisations via 650 solidarity missions. In most cases, it was possible to host the event in person; however, hybrid and remote formats were also organised to comply with health measures implemented in some countries.

(1) Annual review of the supplier's business activity, its performance over the past year and its objectives for the following year.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Introduction

CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2021
<p>International organisations, coalitions, NGOs and associations</p>	<p>The Human Rights Department is engaged in a dialogue and partnerships with outside stakeholders, including NGOs, institutions, and associations specialised in this area.</p> <p>Thus, L'Oréal maintains a partnership with:</p> <ul style="list-style-type: none"> the Danish Institute for Human Rights, the independent national Human Rights institution of Denmark; Fair Wage Network, an NGO based in Geneva which provides the Group with a database on living wages in 200 countries and assists it in defining its strategy for deployment in operations and with strategic suppliers; The SciencesPo Law School clinic; and the United Nations Global Compact. <p>In addition, L'Oréal joined:</p> <ul style="list-style-type: none"> the Shift Business and Human Rights Learning Programme at Harvard; the Human Rights Coalition of the Consumer Goods Forum; and Open for Business, a coalition of companies committed to LGBTQIA+ inclusion.
<p>Non-financial rating agencies and investors</p>	<p>Every year, L'Oréal makes every effort to improve the information made available to its stakeholders and regularly discusses CSR topics with non-financial rating agencies and investors.</p> <p>L'Oréal is in regular contact with numerous non-financial rating agencies, including CDP, Vigeo-Eiris, ISS-Oekom, MSCI, FTSE, Sustainalytics, etc. These interactions enable discussions on the Group's non-financial performance and the identification of potential areas for improvement.</p>
<p>The scientific community including researchers and academics</p>	<p>Research and Innovation is an integral part of L'Oréal's identity and maintains close links with a large number of public or private research centres all over the world, in the form of partnerships or collaborations, in areas as varied as green chemistry, synthetic biology, genomics, skin stem cells, microfluidics, bioprinting, and microbiomes.</p> <p>The Group's researchers also participate in the implementation of sustainable agricultural practices, optimising tools and measurement methods with agronomic research institutes to monitor the environmental benefits of more resilient practices on-site. These agile tools are designed to be effective, regardless of the level of development of the country in which they are used. This is the case of BiofuncTool⁽¹⁾ which aggregates land indicators to monitor soil health and assess practices, including in the plantations.</p> <p>Through the L'Oréal Foundation's For Women in Science programme, the Foundation recognises women scientists and awards scholarships to young female researchers.</p> <p>L'Oréal's teams continue their collaboration with the Stockholm Resilience Centre⁽²⁾ to define its sustainable development goals by integrating the concept of planetary boundaries which, if crossed, will compromise the survival of humans on Earth.</p> <p>The environmental research teams continue to work with the University of Nantes to develop innovative methods for being able to easily assess the biodegradability of mixtures of chemical substances.</p> <p>Moreover, these teams are collaborating with the Fraunhofer Institute in the development of one method to evaluate the bioaccumulation of substances in aquatic environments.</p> <p>The Group's researchers participate in various programmes to identify and test substances likely to be subject to endocrine disruption, both in France (FEATS ANR), Europe (ERGO - Endocrine Guideline Optimization) and the United States (HESI - Health and Environmental Sciences Institute).</p>
<p>The public authorities</p>	<p>At the local, national, or international level, L'Oréal maintains close relationships with the public authorities, in particular via professional associations and its own associations.</p> <p>L'Oréal is a member of many associations all over the world, including: the FEBEA (French federation for beauty companies), Cosmetics Europe, AIM (Association des Industries de Marque), WFA (World Federation of Advertisers), PCPC (US cosmetics industry association), CAFFCI (China Association of Fragrance Flavour and Cosmetic Industries), ISTMA (Indian Soap and Toiletries Mfrs Association), CTPA (Cosmetic, Toiletry & Perfumery Association), etc.</p> <p>In 2021, L'Oréal also partnered with a number of major institutional events, such as the Paris Peace Forum, the UN Global Compact Leaders Summit and the IUCN World Conservation Congress, which facilitated discussions with governments about the role companies can play on major environmental and societal issues.</p>
<p>Students and young graduates</p>	<p>L'Oréal is recognised as one of the most attractive companies for students. The Group has unique know-how in working on university campus, making it possible to play a central role in meeting the expectations and needs of students around the world.</p> <ul style="list-style-type: none"> Brandstorm, an international student competition, brings together more than 61,000 students from 65 different countries. In 2021, the Group also launched "L'Oréal for Youth", a programme aimed at supporting youth employment and improving employment prospects for young people. Through this comprehensive and long-term programme, the Group is committed to increasing the number of job opportunities aimed at those under the age of 30, offering training packages and rolling out coaching and mentoring initiatives. As part of this programme, L'Oréal also grants scholarships to support students coming from disadvantaged areas. The Group financially supports several academic chairs: the Multi-Capital Global Performance chair and the "Chief Value Officer" Executive MBA with Audencia, the Consumer-driven Innovation and Entrepreneurship chair with HEC, the Leadership and Diversity and the Circular Economy chairs with ESSEC, the Creativity in Marketing professorship with ESCP, the Marketing, Innovation & Creativity Chair with INSEAD and the Marketing chair with Saïd Business School at Oxford University. L'Oréal is also a long-standing partner of CEVMS, an alliance of more than 30 business schools worldwide, including Bocconi University, LSE, Stockholm School of Economics, ESADE, Tsinghua University School of Economics, etc.



(1) A low tech and low cost toolbox created by the research institute for development (Institut de Recherche pour le Développement, IRD) and the French agricultural research and international cooperation organisation (Centre International de Recherche Agronomique pour le Développement, CIRAD).
 (2) The result of cooperation between Stockholm University and the Beijer Institute of Ecological Economics at the Royal Swedish Academy of Sciences.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Introduction

L'ORÉAL RECOGNISED FOR ITS NON-FINANCIAL PERFORMANCE



CDP: AAA for the 6th consecutive year

Global leader in sustainable development for our actions to fight climate change, protect forests and manage water sustainably.

The CDP is a non-profit organisation that encourages companies to publish their environmental data and assesses their sustainable development performance as well as their transparency efforts.



S&P Global Ratings: 85/100

The ESG assessment reflects the Group's ability to deliver strong performance through the commitment of the senior managers of L'Oréal to an ambitious sustainability strategy.

The ESG rating conducted by S&P Global Ratings assesses a company's ability to prepare for future risks and opportunities in terms of sustainable development.



UN Global Compact Lead for the 7th consecutive year

L'Oréal was recognised as a Global Compact LEAD company by the United Nations for its continued commitment to the Ten Principles of the UN Global Compact and for placing the UN Sustainable Development Goals at the centre of its growth strategy.

Launched in 2000, the United Nations Global Compact is a call for companies to align their activities and strategies with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of the UN goals and challenges expressed in the Sustainable Development Goals.



Sustainalytics: score of 16.9 – Low risk

L'Oréal has been assessed as a "Low-Risk" company, ranked #2 in the Household Products sector in November 2021.

Sustainalytics is a company that assesses the sustainability of listed companies based on their environmental, social and governance performance.



Score of 76/100, 1st in all sectors combined, from this international non-financial rating agency. Vigeo evaluates the environmental, social and governance performance of companies. This recognition allows L'Oréal to be included in the CAC40 ESG index.

Vigeo is an international non-financial rating agency that assesses the environmental, social and governance performance of companies. Since 2021, Vigeo has been part of Moody's ESG Solutions, which responds to the growing global demand for knowledge on ESG factors and climate.



MSCI

In 2021, L'Oréal was rated AAA (on a scale of AAA-CCC) by MSCI.

MSCI, a non-financial rating agency, provides in-depth research, ratings and analysis on environmental, social and governance issues on thousands of companies.



ISS

For the 10th consecutive year, ISS ESG Corporate Rating has awarded L'Oréal "Prime" status, recognising companies that are global leaders in sustainability in their industry.

ISS is a leading non-financial rating agency for sustainable investment, enabling investors to develop policies, integrate practices and engage with responsible investment issues.



FTSE

FTSE Russell has confirmed that the group has been independently assessed against the FTSE4Good criteria and has met the requirements to become a constituent of the FTSE4Good Index Series.

Created by global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies that demonstrate strong environmental, social and governance practices. The FTSE4Good indices are used by a wide range of market participants to create and evaluate responsible investment funds and other products.



Ethisphere: 12th year

In 2021, L'Oréal was recognised for the twelfth time as one of the world's most ethical companies.

Ethisphere Institute, the world leader in defining and promoting ethical business standards.



Bloomberg Gender-Equality Index

L'Oréal was again recognised by the Bloomberg Gender-Equality Index, acknowledging the most advanced companies in the area of gender parity among 380 companies evaluated in 44 countries.

The Bloomberg Gender-Equality Index acknowledges the most advanced companies in the area of gender parity.



Refinitiv

In September 2021, L'Oréal was once again included in Refinitiv's Diversity & Inclusion Index, which ranks the world's top 10 companies out of the 11,000 global companies it assesses.

The Refinitiv Diversity & Inclusion Index scores and ranks companies on 24 indicators across four categories: diversity, inclusion, employee development and controversy.



Universum: 5th place

In 2021, L'Oréal was ranked #5 in the world (business schools), making it the first EU multinational company in the Top 5.

The Universum "World's Most Attractive Employers" ranking compiles the results of surveys conducted in 10 countries: United States, China, Germany, United Kingdom, France, India, Italy, Brazil, Russia and Canada.

4.2. MAIN NON-FINANCIAL RISKS

L'Oréal presents its Corporate Social Responsibility strategy⁽¹⁾ in order to meet the requirements of the Non-Financial Information Statement⁽²⁾ in particular. This Declaration sets out the Group's main non-financial risks and then describes the policies implemented to address them, which are monitored and measured by performance indicators and their results. This presentation refers to the Group's business model, set out in

section 1.2. "Business model: economic and societal excellence to create lasting value for all" of this document.

As L'Oréal has had a long-standing commitment to corporate social responsibility, section 4.3. "Policies, performance indicators and results" of this document also includes the policies and actions voluntarily implemented beyond a response to the main risks.

4.2.1. Risk identification process

In application of the European Directive of 22 October 2014 on the disclosure of non-financial information, as transposed into French law, the main environmental and social risks, the main risks related to Human Rights and the main corruption risks⁽³⁾ are detailed in this section 4.2. to the extent necessary to gain an understanding of the Company's position, business development, economic and financial results, and impacts of its activity.

The Group's significant risks, *i.e.* the risks that could have a material impact on its business, financial position, or outlook, are described in chapter 3 of this document (see section 3.5. "Risk factors and risk management" of this document) and have been established in conjunction with the Group risk mapping (see section 3.5.2. "Risk mapping" of this document).

These risks cover all areas of the Group's activities. Some of these risks are specific to non-financial issues; others are broader and may stem from environmental or societal causes.

These so-called "CSR" risks were the subject of detailed analysis to select the main risks within the meaning of the Non-Financial Information Statement. This analysis was carried out based on the work of Group experts, in conjunction with the Ethics, Risk and Compliance Department and in compliance with the Group's business model. This work also draws on the sustainable development materiality analysis, the Group's Human Rights and corruption mapping and corruption mapping conducted for each country, as well as on the risk analysis carried out within the framework of the Vigilance Plan (see section 3.4. "Vigilance plan" of this document).

The risks associated with climate change have been the subject of a long-term approach – more than 10 years – given their specific nature.

The main risks have been validated at the highest level of responsibility of the organisation by the relevant General Managements.

4.2.2. Main risks for corporate social responsibility, Human Rights and corruption

The main risks in respect of corporate social responsibility, Human Rights and corruption identified by the Group, as described in section 4.2.1. "Risk identification process" of this document, are set out below. Other risks, of which the Group is not currently aware or which it does not consider material at the date of this Document, could have a negative impact.

For the main environmental risks, the concept of risk covers both risks related to the impact of the Group's business activities on its ecosystem and the risks of the impact of climate change in the short and medium terms on its business model, activity and financial performance⁽⁴⁾.

(1) The acronym "CSR" refers to Corporate Social Responsibility.

(2) NFIS, Non-Financial Information Statement – Prepared pursuant in particular to Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code, resulting from French Order no. 2017-1180 which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial information.

(3) In accordance with the regulations, information on the fight against tax evasion is given in section 4.3.5. "Tax policy" of this document.

(4) Pursuant to French Financial Markets Authority - AMF recommendation no. 2018-12 of 29 October 2018, the 2019 AMF report on the "Corporate social responsibility of listed companies", and the Guidelines of the European Commission on Climate of 20 June 2019.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Main non-financial risks

Main environmental risks

Industrial risks

As with any production, distribution, research and general administration activity, L'Oréal is exposed to a variety of industrial risks that may impact the environment and safety: fires, explosions, technical failure of facilities, safety system installations, or even human failure in the operation of existing facilities (such as those dedicated to the treatment of wastewater and/or their discharge), or when managing exceptional works. These events can generate accidental pollution (surface and underground water, air, soils, etc.) that may have consequences inside or outside the sites, which are sometimes located near an inhabited area.

Physical and transition risks associated with climate change

The Group is exposed to risks of natural origin in many countries. Risks of natural origin are those related to the occurrence of extreme weather events such as cyclones or floods, or those resulting from long-term climate change such as the rise in average temperatures, noticeable change in precipitation levels and the reduction of available water. The increase in these risks could impact the availability of finished products by disturbing the Group's operations and/or supply chain. To be sold, the products manufactured by the Group must be available on the market on the dates scheduled to respect consumer demands and launch plans, in a cosmetics market where the need for responsiveness is growing constantly. A major stoppage of activity at a factory or distribution centre could therefore have an adverse effect on the achievement of commercial objectives.

These risks may impact the Group directly on its sites, or indirectly *via* the sites of suppliers and subcontractors, thereby reducing the availability of raw materials or filling and packing components necessary to manufacture products. For instance, an exceptionally steep rise in the price of basic raw materials because of their scarcity, or in the energy costs necessary for their production due to carbon taxation, or even their total unavailability or the resulting failure of suppliers, could affect the Group's performance.

Risks related to the use and end of life of products

The use of cosmetics and their disposal after use by consumers and professional customers (mainly hairdressers and beauticians) generate environmental impacts. So-called "rinsed" formulas (shampoos in particular) require water for their use, and the ingredients used in their composition can be found after use in domestic wastewater, the treatment of which is dependent on existing sanitation systems in place in the relevant geographic areas. Insufficient consideration of these impacts related to the usage phase during the design of L'Oréal products could represent a risk in certain areas of the world affected by water stress or the lack of adapted infrastructures for the collection and treatment of wastewater. Similarly, the use of predominantly plastic containers may represent an environmental risk with regard to the disposal of plastic waste, depending largely on the collection and treatment channels available.

Risk related to changing stakeholder and consumer expectations in terms of environmental and social performance

The Group anticipates that the choices made by certain categories of consumers could increasingly be influenced by the impact associated with using a product (its carbon footprint, water footprint and impact on biodiversity) and the global environmental performance of industrial producers. If the Group is unable to anticipate changes in such behaviours, meet stakeholders' expectations, overcome major environmental and social challenges and respond in particular with appropriate product innovation, a significant contribution in the transition towards a low carbon economy and the preservation of water, natural resources and biodiversity within its value chain, the Group's performance and reputation could be affected.

Risk of regulatory non-conformity

L'Oréal operates through subsidiaries located in many countries. Like any international business, L'Oréal is subject to a wide range of constantly changing local laws and regulations in the areas of safety and environment, including fight against climate change, and the preservation of water resources, biodiversity and natural resources. This exposes it to the risk of regulatory non-compliance of higher compliance costs for its activities in a global context of increasingly diverse norms.

Main social risks

Employee health and safety risk

Given L'Oréal's activities, particularly its industrial operations, the risk of occupational injuries or illnesses could become a reality.

Human resources management risk

One of the keys to L'Oréal's success lies in the talent of its employees to ensure its growth. This is all the more true as L'Oréal is changing within a complex, highly competitive, and rapidly changing environment (globalisation, diversity and inclusion challenges, sustainable development issues, acceleration of the digital transformation, etc.) that requires specific expertise. The labour market is characterised by major changes related to the Covid-19 pandemic, particularly to the hybrid organisation mode, both in-person and remote. If L'Oréal fails to identify, attract, retain and train competent and involved employees who behave responsibly, the development of its activities and its results could be affected.

Main Human Rights risks

Following an initial analysis conducted in 2017, the Group wanted to expand its mapping in 2020, by identifying the potential salient Human Rights risks. To do so, L'Oréal relied on the reporting framework of the Guiding Principles on Business and Human Rights (UNGP Reporting Framework). This identification process takes into consideration the severity, scale and remediability, as well as the likelihood of its impacts for people throughout its value chain. The identification process at the global level and in 27 markets was finalised in 2021. This study was conducted with an NGO specialised in the area, providing independent analysis.

The following list of the main risks results from the 2017 risk analysis, complemented by the work to identify the detected salient risks in 2021:

- the Human Rights of L'Oréal's employees (discrimination because of gender, age, disability, gender identity, and sexual orientation);
- the Human Rights of L'Oréal's suppliers' employees (child labour, forced labour, discrimination because of gender, age, disability, gender identity and sexual orientation, and lack of a living wage);
- the Human Rights of consumers (failure in the quality and safety of products, and lack of protection of personal data); and
- the Human Rights of communities (stereotypes in advertising).

Another risk identified concerns the Human Rights of communities potentially impacted by the Group's activities (respect for the environment, right of access to water, consideration of Human Rights in the choice of raw materials, and in particular, the right of access of local populations to their land and respect for their traditional knowledge under the Nagoya Protocol).

Main corruption risks

L'Oréal operates in many countries where the risk of corruption can be significant and could lead L'Oréal's employees, as well as third parties acting in its name or on its behalf, directly or indirectly, voluntarily or involuntarily, to adopt practices contrary to the Group's ethical principles and the prevailing regulations. Corruption takes a variety of forms that are not necessarily easy for employees to identify. For instance, the exchange of gifts or invitations of excessive value could be perceived as corruption.

The assessment of corruption risk is materialised by specific mapping, carried out at the Group level and by each country in its local context.

The Group's activities involve in particular relations with:

- public authorities and their representatives, either directly or via intermediaries or professional bodies, to obtain the authorisations necessary for the Group's activities, for instance. The countries in which the Group operates must be given support in the fight against public corruption;
- the Group's customers and suppliers; and
- journalists, doctors, etc., to whom products can be given so that they can recommend them. Relationships are also maintained with third parties that, beyond the Group's products themselves, issue various or general opinions on L'Oréal. Any action potentially deemed as being intended to cause the persons in question to breach their obligation of loyalty must be avoided.

Any breach of the Group's corruption prevention principles may be detrimental to L'Oréal and its partners. Equally, any failure of a partner may be detrimental to L'Oréal.

4.3. POLICIES, PERFORMANCE INDICATORS AND RESULTS

The Group's policies, described in this section, address the need to prevent the main CSR risks and mitigate their impact. By contributing to preventing and controlling the risks to which the Group is exposed, these policies are intended to contribute to the Group's sustainable growth in a controlled environment suited to its business lines. There are however limits inherent in any system and process. These limits result from several factors, in particular the uncertainties of the outside world or malfunctions that may occur due to technical or human failures.

These policies also reflect a proactive approach by the Group that considers stakeholder expectations (see section 4.1.2. "Constant dialogue with stakeholders" of this document).

4.3.1. Environmental policy

L'Oréal, whose strategy is Glocalization, sees its economic performance and its environmental and social performance as being inextricably bound. Long committed to reducing its environmental footprint, the Group has the ambition to appear among the exemplary companies in the field by proving that it is possible to decouple growth and impact, and to contribute positively to its ecosystem, throughout the world.

In 2013, L'Oréal intensified its environmental ambitions by launching the Sharing Beauty With All programme based on four pillars: "Innovating sustainably", "Producing sustainably", "Living sustainably" and "Developing sustainably". In 2015, the Group announced its aim of becoming a Carbon Balanced company by the end of 2020. In 2016, a programme was rolled out within Sharing Beauty With All: Working sustainably. It brought administrative sites and research centres into the process of improving L'Oréal's environmental and social impacts. In 2017, through its membership of the Science-Based Targets programme, an initiative of the CDP, the United Nations Global Compact, the World Resources Institute and WWF, L'Oréal signalled its goal of reducing its global greenhouse gas emissions by 25% compared to their 2016

levels by the end of 2030 and of going one step further by putting its environmental policy at the service of a major collective challenge, namely efforts to fight climate change. To progress further, in 2018, in the context of the individual Act4nature commitments, L'Oréal set a goal of 100% renewable raw materials coming from sustainable sources by 2030. Also in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation, with the aim of adopting refillable, reusable, recyclable, or compostable plastic for 100% of packaging by 2025. Finally, in 2019, L'Oréal was one of the first companies to sign the Business Ambition for 1.5°C pledge of the UN Global Compact, thereby committing to reach "zero net emissions" by 2050 over its entire value chain, in accordance with the 1.5°C paths of the IPCC⁽¹⁾.

All these programmes have allowed L'Oréal to broaden the scope of its actions. Beyond its commitment to preserving the health and safety of its employees and reducing the impact of its sites on their environment, the Group has implemented an ambitious policy to reduce its environmental footprint by preserving natural resources (energy, water, materials, biodiversity) on all sites operated and throughout the product life cycle, from the supply of raw materials to the end of life of products. L'Oréal is increasingly involving its suppliers in this process, sharing its ambitions and best practices, with the vision of a comprehensive and inclusive environmental policy.

In June 2020, L'Oréal announced its new L'Oréal for the Future sustainability programme built on three pillars: "Transforming ourselves", "Empowering our business ecosystem", and "Contributing to solving the challenges of the world". In order to reconcile the Group's needs to preserve a planet with limited resources, L'Oréal has raised its goals and defined targets for improvement by 2030 that cover all its direct and indirect impacts, related for example to the activity of its suppliers or the use of its products by consumers.

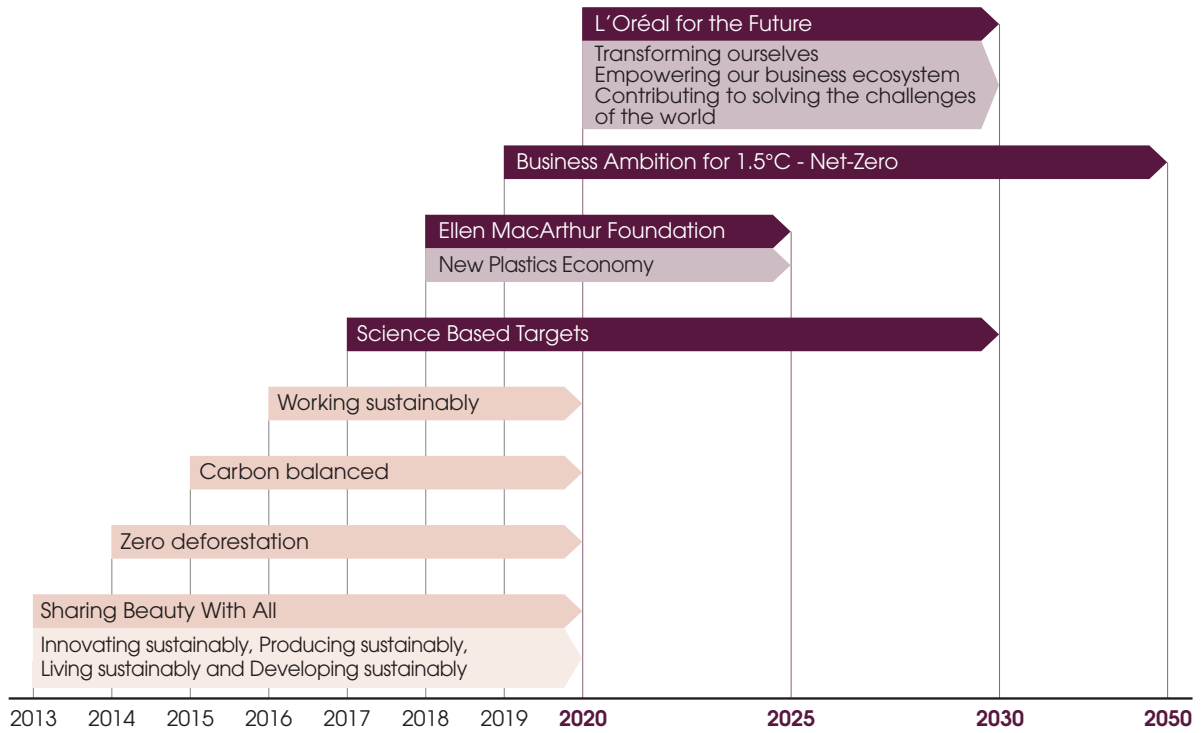
L'Oréal's commitment is to ensure that its activities respect the "planetary boundaries", meaning what the planet can withstand, as defined by environmental science.

(1) Intergovernmental Panel on Climate Change.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results



L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

POLICY	INDICATORS AND PRINCIPAL RESULTS
An ambitious EHS policy shared by all	<ul style="list-style-type: none"> • a worldwide organisation and a unique reference manual • trainings in EHS policy and practices: 13,459 training actions worldwide • a worldwide audit programme: 39 EHS audits • a continuous improvement process: 34 ISO 14001 certifications, 23 ISO 50001 certifications, 34 ISO 45001 certifications (factory scope) • a process of systematic integration of new sites
Managing risks and controlling the impact of sites on their environment	<ul style="list-style-type: none"> • an environmental analysis conducted on a regular basis and whenever a significant change occurs • consideration of biodiversity and soil use in the design or operation of sites • monitoring of surface water: no accidental spill • monitoring of industrial wastewater: quality index for wastewater after treatment (0.33g of COD/FP)^z • monitoring of air emissions, excluding greenhouse gases: SO₂ 0.3t; VOC 156t; ozone-depleting substances 1.1t ^z • monitoring of noise pollution
Fighting climate change on operated sites	<ul style="list-style-type: none"> • reducing greenhouse gas emissions (Scopes 1 and 2, according to the GHG Protocol): -35% for industrial sites (vs 2019); -77% for administrative sites and research centres (vs. 2019) • Scopes 1 and 2 CO₂ emitted by sites: 100 "carbon neutral" sites at the end of 2021^z • reducing energy consumption: total energy consumption of sites: 783,211 MWh ^z for industrial sites and 170,582 MWh for administrative sites and research centres • increasing renewable energy use: part of renewable energy consumed by sites: 80% for industrial sites; 82% for administrative sites and research centres • reducing Group emissions from product transport (Scope 3 as per the GHG Protocol): CO₂ emitted by transport: +12% (tCO₂eq./unit sold vs 2016) • preserving water resources: total water withdrawal of sites: -5% for industrial sites (in litres per finished product vs 2019); +36% for administrative sites and research centres (in litres per 100 hours worked vs 2019); 6 "Waterloop Factories" at the end of 2021^z • preserving biodiversity: 80 biodiversity inventories carried out • reducing waste and preserving material resources: total generation of transportable waste of sites: -1% for industrial sites (in grams per finished product vs. 2019); +55% for administrative sites and research centres (in kg per 100 hours worked vs. 2019); recovery index: 97% for industrial sites^z; 92% for administrative sites and research centres; material recovery index: 59% for industrial sites^z; 48% for administrative sites and research centres
Involving suppliers in the Group's transformation	<ul style="list-style-type: none"> • 82% of the direct and indirect strategic suppliers have completed a self-assessment of their sustainable development policy with the support of L'Oréal Group. • encouraging strategic suppliers to reduce their greenhouse gas emissions: 565 suppliers participated in the CDP <i>supply chain</i>, representing 87% of the expenditures made for direct suppliers • engaging strategic suppliers: 1,236 social audits were conducted in 2021 ^z • 767 suppliers completed an assessment by Ecovadis of their social, environmental and ethical policies. • 89,093 people gained access to work through the Solidarity Sourcing programme
Sustainability: from product design to end consumer	<ul style="list-style-type: none"> • 96% of the Group's products are eco-designed • 60% of our ingredients in formulas are from biobased sources, derived from abundant minerals or from circular processes • "Zero Deforestation" commitment: 100% of purchases of palm oil and of palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria ⁽¹⁾ • 39% of the Group's plastic packaging is refillable, reusable, recyclable or compostable. • 91% of the advertising displays at points of sale are eco-designed • number of people who have benefitted from the commitment of our brands: 985,089
Meeting the most demanding standards	<ul style="list-style-type: none"> • GHG assessment, an annual exercise: Scopes 1, 2 and 3: 12,526 thousand tonnes of CO₂ equivalent • Science-Based Targets commitment • <i>UN Global Compact Pledge: "Business Ambition for 1.5°C"</i> • adapting the model to the climate emergency: alignment of the Group with the TCFD principles • alignment with the European Taxonomy, the priority target of which is the sectors with the largest environmental footprint, in which L'Oréal is not included

^z The Statutory Auditors have expressed reasonable assurance about this indicator.

(1) Roundtable on Sustainable Palm Oil.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

- Policies, performance indicators and results

4.3.1.1. Sustainable development at the heart of the Group's strategy and ambitions

4.3.1.1.1. An ambitious EHS policy shared by all

A pioneering, socially responsible company, L'Oréal applies an ambitious policy with regard to the Environment (E), Health (H) and Safety (S) to minimise its environmental impact and guarantee the health and safety of employees⁽¹⁾, customers and the communities in which the Group carries out its business activities.

This has been reflected, for many years, in the desire to systematically control the risks related to the safety of people and the environment that are inherent in the Group's business activities. Any establishment or renovation of a site, any launch of new equipment or production processes, and any changes

in industrial processes give rise to a risk assessment and action plans that make it possible to reduce their potential impact.

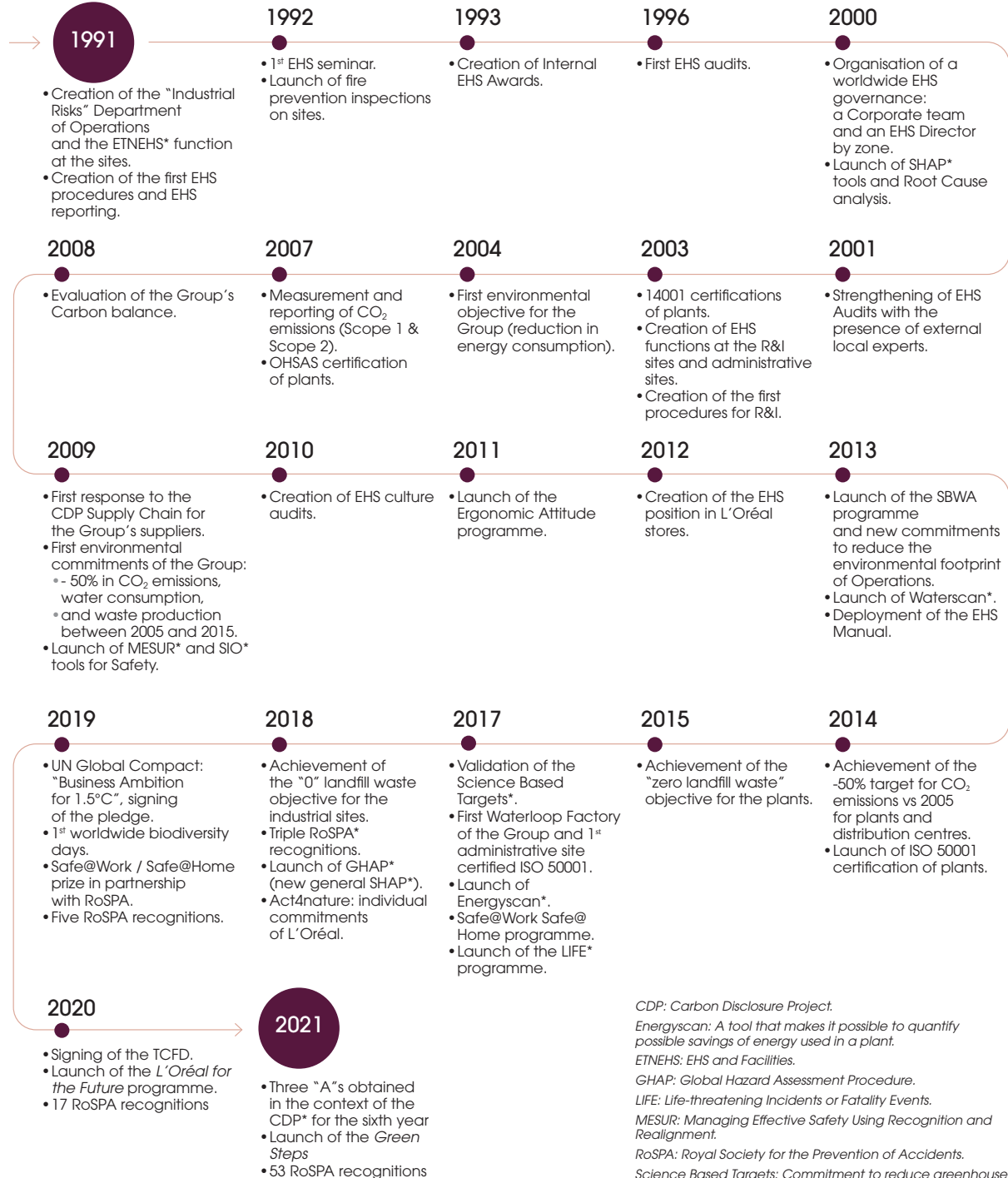
This commitment has led to the deployment of the Group's EHS policy over the entire spectrum of its business activities, but also beyond it. Indeed, the Group strives to ensure the regulatory compliance of its activities, compliance with its own standards on its sites (industrial or administrative sites, research centres, stores), and makes sure that its subcontractors and suppliers ensure the safety of people and the environment through a specifically dedicated audit programme.

⁽¹⁾ The Health and Safety policy addressing the health and safety risk of employees (see section 4.2.2. "Main risks for corporate social responsibility, Human Rights and corruption" of this document) is presented and described in the Human Resources policy (section 4.3.2. "Human Resources policy" of this document).

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

A SYSTEM BUILT UP OVER MANY YEARS



CDP: Carbon Disclosure Project.

Energyscan: A tool that makes it possible to quantify possible savings of energy used in a plant.

ETNEHS: EHS and Facilities.

GHAP: Global Hazard Assessment Procedure.

LIFE: Life-threatening Incidents or Fatality Events.

MESUR: Managing Effective Safety Using Recognition and Realignment.

RoSPA: Royal Society for the Prevention of Accidents.

Science Based Targets: Commitment to reduce greenhouse gas emissions over the long term and across the entire value chain, in accordance with the Paris Agreement.

SHAP: Safety Hazards Assessment Procedure.

SIO: Safety Improvement Opportunity.

TCFD: Task Force on Climate-related Financial Disclosures.

Waterscan: A tool that allows to quantify possible savings of water used in a plant.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

A unique reference manual

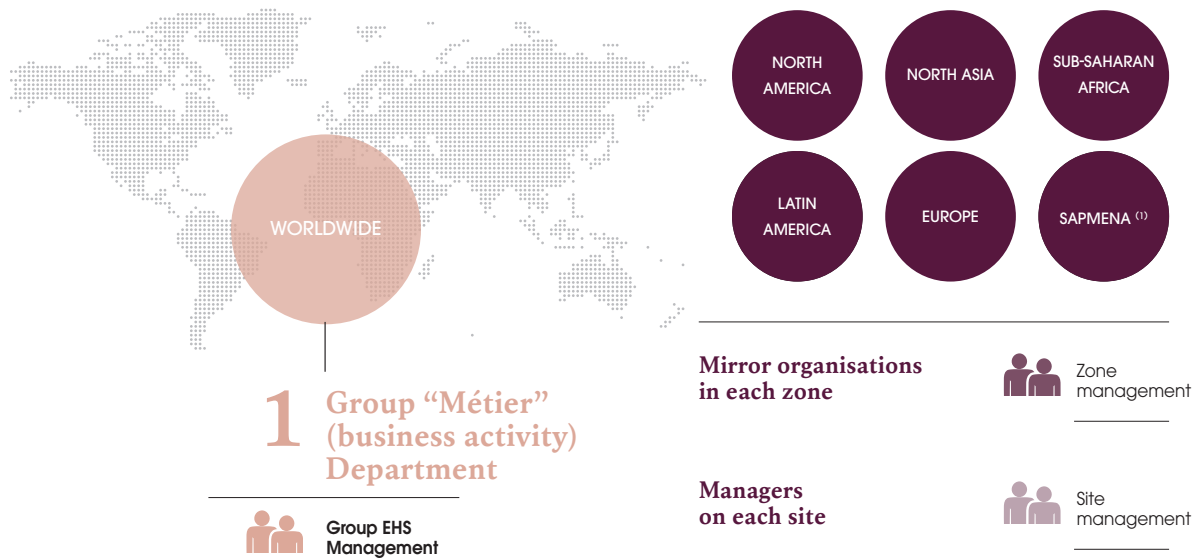
The Group's EHS policy is based on a set of stringent standards, compiled in an EHS manual that is a reference manual for all the sites all over the world. While knowledge of and compliance with these procedures are fundamental, the lasting improvement of the safety results and environmental performance essentially requires the dissemination of a sustainable EHS culture to each and every employee and large programmes of actions aimed at improving the safety and environmental impact of its activities. A dedicated training programme has been established for this purpose with the aim of passing on this EHS culture at every level of the

organisation. Lastly, in a manner consistent with this entire approach, an audit system combining both a "risk" and a "culture" evaluation serves to assess the compliance of activities with the key regulatory requirements, the proper application of the Group's standards and the degree to which the EHS culture is spread.

A worldwide organisation

The EHS organisation, under the responsibility of Operations, is built in line with the Group's worldwide organisation. It includes a Group "Métier" (business activity) Department, mirror organisations in each geographic zone and managers at each site.

WORLDWIDE EHS ORGANISATION



(1) South Asia, Pacific, Middle East, North Africa.

In support of this organisation, the EHS manual is the reference tool for the Group sites. It is essential to the improvement of their performance and respect for the key EHS commitments: moving towards "zero accidents" for the Group and to reduce

the sites' environmental footprint (see "A continuous improvement process" section below). It defines the EHS management system and the responsibilities shared at all levels of the organisation, up to the operational responsibilities:

General Management	The Chief Operations Officer, a member of the Executive Committee who reports to the Chief Executive Officer, is responsible for the Environment, Health and Safety for the Group.
Site managers (factories, distribution centres, administrative sites, research centres)	Site managers are responsible for the deployment and effective implementation of the policies defined. Their remuneration is partially tied to their performance in the areas of the environment, health and safety.
EHS managers	Managers dedicated to compliance with the EHS policy ensure compliance with local regulations and the implementation of the rules. Group procedures and associated performance objectives in all the Group's entities.

The EHS manual also defines the measures to be applied to control the facilities and activities, in particular, to reduce to the greatest extent possible the risks of injury to people and damage to the environment and property⁽¹⁾. It covers the following areas in particular:

- the safety of people and property;
- fire protection;

- maintenance and work;
- pollution risks;
- efficiency of the use of resources, water and energy consumption;
- preservation of biodiversity;
- greenhouse gas emissions, wastewater discharges, waste generation and treatment.

(1) In collaboration with the Security and Real Estate Departments for property.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

This EHS policy is accompanied by monthly reporting of detailed indicators used to monitor evolutions in results in each of these areas and to identify anomalies and incidents.

The EHS manual is rolled out at all industrial sites, research centres and administrative sites, free-standing stores, and point of sales.

Training in EHS policy and practices

Training sessions dedicated to L'Oréal's EHS policy and practices have been provided at all levels of the Company. They constitute one of the cornerstones of implementing risks identification and management systems, and deploying the EHS culture in all Group entities, with the following main objectives:

- defining and sharing the EHS vision, challenges and values across the Group;

- enabling managers to implement the EHS policy effectively within their entities;
- identifying the EHS risks inherent in a role, task, behaviour or the use of equipment and adopting appropriate preventive and corrective measures; and
- enabling managers to identify, in their activities, the actions that could help to improve the EHS performance of their site.

TRAINING	OBJECTIVE	PROFILES CONCERNED	2021 RESULTS
EHS Excellence	Guaranteeing a high level of expertise for EHS managers in the Group	EHS teams	73 people trained worldwide
Leadership & Safety culture Mastering DOP role		Top managers Operations Directors (DOP)	83 people trained worldwide 13 people trained worldwide
EHS Operations & Labs	Training managers in the EHS culture of their unit	Managers and operational supervisors	46 people trained worldwide
EHS for stores		Managers of free standing stores	38 people trained worldwide
Ergonomic Attitude programme	Training in health and safety issues specific to Operations sites	Experts, managers and employees	18 experts and 848 employees trained (managers, technicians, etc.) 11 EHS people trained as trainers

Since 2020, in the context of the Covid-19 health crisis, work was done to restructure the different EHS training courses to make them compatible with remote learning. In addition, webinars were rolled out to animate the different EHS programmes, and, in particular, *Green steps for all* increased awareness of the challenges related to climate, water, biodiversity and resources for 12,419 Operations employees in 2021.

In addition to these specialised training sessions, every new L'Oréal employees receive general and specific training at their workstation including the Group's EHS rules before taking up their position.

A worldwide audit programme

In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been set up since 1996, and was reinforced in 2001 with the presence of external auditors, who are experts in local contexts and regulations. These audits take place regularly at all L'Oréal sites: every three years for production sites and every four years for distribution centres, administrative sites and research centres. A follow-up visit is scheduled for the following year for the sites where it is necessary.

Two types of audits known as "risks" or "culture" are performed depending on the maturity and type of activity at the sites. The risks audits primarily assess:

- compliance of practices and facilities with the significant requirements of local regulations and Group procedures and rules;

- controls of risks to health, safety and the environment generated by technical equipment, processes and operating modes implemented and used by employees; and
- progress in environmental, health and safety performances.

These audits are carried out by external independent experts.

The results of these audits give the Group's General Management objective knowledge of the risks in the areas of EHS on L'Oréal sites and provide the assurance that they are under control.

In the same way, within the framework of the culture audits, the leadership of site management, all operational managers, and the deployment level of the EHS culture with all employees are evaluated.

These audits are carried out by internal EHS specialists through interviews with at least 20% to 30% of the site's workforce.

The results of these audits provide information on the level of knowledge of EHS management tools and the maturity of audited sites with regard to the safety and environment culture at all structural levels.

Depending on the case, EHS audits are exclusively risks or culture audits, audits that combine risks and culture, or even audits that combine risks, culture, quality and performance.

Because of the Covid-19 health crisis, specific new audits were rolled out since 2020 to evaluate the level of prevention necessary to avoid the spread of Covid-19. After an initial audit, a follow-up audit is conducted after one month, and then audits are performed every four to five months based on the results. Most of these audits are conducted remotely.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

L'Oréal also shares with its subcontractors the objective of improving Environmental, Health and Safety performances. Audits are carried out in addition to social audits by independent third party specialists on manufacturing or logistics subcontracting sites, in accordance with the criteria defined by L'Oréal and similar to those used for the Group's entities.

In 2021, in the context of the Covid-19 health crisis:

- 2 risk audits were conducted on-site;
- 2 combined risks and EHS culture audits were conducted on site;
- 2 combined Quality, Environment, Health, Safety and Performance audits were conducted on-site;
- More than 270 Covid audits were carried out, most of them remotely; and
- 29 additional EHS audits of subcontracting sites were carried out in factories and 4 in distribution centres. All of these audits were conducted on-site.

In addition to these audit programmes, prevention inspections are regularly conducted by experts from the Group's insurance companies as part of external Fire and Environment insurance policies. In 2021, given the Covid-19 health crisis, site inspections were reduced: 9 sites (6 factories, 2 distribution centres and 1 administrative site) were inspected for environmental risks in four countries (France, Germany, Spain and China). 5 remote reviews were also completed to ensure progress in the effective implementation of recommendations made during previous inspections. With regard to fire prevention inspections, only 4 sites were inspected in 2021 (3 factories and 1 administrative site) in France. 18 sites around the world were reviewed remotely.

100% of all preventive audits and inspections described above involved a risk component which is always carried out by external independent auditors specialised in the area being audited.

A continuous improvement process

The implementation of the standards, the spread of the L'Oréal EHS culture and the governance system in place contributes to the continuous improvement of the Group's EHS performance. Major developments occurring within the framework of the Group's Operations are also included with this same goal, whether it involves the construction of a new factory, the purchase of new equipment or the definition of new processes, each industrial development is an opportunity to reduce the environmental footprint and safety risks.

Lastly, some major programmes within EHS, or more generally within the Group, are vectors for progress in the areas of safety or the environment for all entities, and are the subject of detailed improvement plans, the effectiveness of which is evaluated during the audits.

2021 Certifications	ISO 14001		ISO 50001		ISO 45001	
	Number of sites	%	Number of sites	%	Number of sites	%
Factories	34	87	23	59	34	87

An internal Group communication system exists so that each site is informed when accidents, near misses, or significant incidents occur. Specific communication is circulated worldwide so that the facts and lessons to be learnt, the

LIFE programme (Life-threatening Incidents or Fatality Events)

For all L'Oréal sites, this programme covers activities posing risks that, if not controlled, could result in serious injury or illness. Over time the Group is prolonging the ambition of moving towards "zero accidents" by ensuring the sustainability of actions and defining the requirements in terms of preparing for emergencies following an incident. It is backed up by a three-year communication campaign relayed by managers to cover the 10 identified families of LIFE risks.

The L'Oréal for the Future programme

Building on the Sharing Beauty With All programme, L'Oréal for the Future, the Group's new sustainability programme announced in June 2020, has set a second generation of particularly ambitious and concrete targets for 2030, covering all the impacts of the Group's value chain (supply chains, consumer product use, etc.) and its operated sites (production and distribution sites, administrative sites, and research centres).

The main environmental objectives of the programme concerning operated sites are as follows:

- Climate: reaching carbon neutrality for all operated sites by 2025, by improving energy efficiency and using 100% renewable energy. L'Oréal is also committed to halving the transport footprint of its products by 2030.
- Water: in 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop.
- Biodiversity: by 2030, all of our operated buildings and all industrial sites will have a positive impact on biodiversity compared to 2019.
- Natural resources: by 2030, 100% of the waste generated in our operated sites will be recycled or reused. L'Oréal is also committed to no longer send waste to landfill.

The Group is committed to an ISO certification process to permanently anchoring EHS performance on its industrial sites:

- Since 2003, L'Oréal has committed to ISO 14001 certification "Environmental Management" in all of its factories;
- In 2015, the Group launched an ISO 50001 "Energy Management" certification programme with the goal of certifying all its factories in accordance with a clearly defined roadmap. Some administrative sites and research centres have also initiated this process; and
- Since 2007, L'Oréal has committed to OHSAS 18001 certification, and then ISO 45001 "Occupational Health and Safety Management" certification to all its plants.

existing rules and the new requirements to be applied are taken into account. Finally, a historical record is accessible by each site covering the nature and root causes of EHS incidents/accidents that have occurred in all sites.

A process of integrating new sites

The Group regularly acquires new sites. A formal integration process then makes it possible to provide these sites⁽¹⁾ with extra support and assistance in order for them to become compliant with all EHS requirements defined, and to bring potential risks under control.

The purpose of this process is to enable these sites to rapidly achieve the performance level expected by the Group. It comprises:

1. a regulatory compliance audit carried out by an independent third party within six months of the acquisition;
2. deployment of the EHS processes described above (EHS manual, EHS reporting, training, audit programme); and
3. monitoring of the integration within the Group.

4.3.1.1.2. Managing risks and controlling the impact of sites on their environment

The Group systematically anticipates industrial risks of its activities, specifically the environmental impacts in the places where it operates, whether they concern soil, water or air.

Controlling and limiting risks to the environment

Each site has a general environmental analysis that must be updated on a regular basis and whenever a significant change occurs.

All activities performed by employees (permanent or temporary) are covered by an environmental aspects analysis, including routine and maintenance activities. The preventive measures described in the internal procedures must be complied with in order to avoid all forms of pollution (soil, surface water, groundwater, air, etc.). Contingency plans in the event of accidents are planned and are the subject of training for the people concerned. Proper implementation of these measures is verified during prevention inspections by insurers and periodic EHS audits.

Depending on the site, if significant risks are identified or if L'Oréal's standards or regulations impose specific requirements, a more detailed evaluation is carried out for the activities concerned. Appropriate action plans – with immediate action where necessary – are implemented to reduce significant risks to an acceptable level.

Any establishment or site renovation, any introduction of new equipment or manufacturing processes, and any change in industrial processes is also the subject of a risk assessment and action plans to reduce the potential impacts. In the same way, at the time of purchasing land or buildings, L'Oréal conducts due diligence, which includes, in particular, a review of the environmental aspects.

Biodiversity and soil use

L'Oréal's biodiversity and soil use commitments are based on the following principles:

- establish an ecological inventory of the site: the purpose of this inventory, through the resulting action plan, is to preserve, restore and develop the biodiversity of the site in

its ecosystem. This inventory is performed by a local expert and may be based on the SITES v2 standards (Reference guide for Sustainable Land Design and Development), which is aligned with the LEED environmental certification (Leadership in Energy and Environmental Design);

- reduce the impact of construction on the environment, for instance by choosing a zone that is already industrially developed, even an existing industrial site or brownfield site or, for administrative sites, an urban area with a high population density close to a residential neighbourhood, ideally located in the city centre or in a neighbourhood well served by public transport; a sustainable building site charter includes these recommendations and requires selective sorting of building site waste and minimised impact on residents during the project phase;
- if possible, place the site on land located more than 30 metres from any wetland (sea, ponds, lakes, rivers, etc.), outside natural areas, public green spaces, land with endangered or threatened species, or any other unbuilt areas (farmland, etc.);
- prevent soil erosion that may result from rainwater runoff or wind erosion during construction, inter alia by protecting the stored arable soil layer to enable it to be reused;
- maintain or restore native natural habitats and biodiversity on the built site;
- maximise green space areas or natural spaces on the site (even in excess of local regulations) and minimise impermeable surfaces;
- focus on cleaning up polluted sites (brownfield site) where development is more difficult due to environmental contamination (real contamination or contamination perceived as such), thus avoiding construction on natural or undeveloped land; and
- for future administrative sites, lease buildings that are certified LEED Gold or Platinum or equivalent in mature real estate markets.

Surface water

The Group has adopted standards for rainwater management in order to monitor its quality and avoid polluting it. For instance, sites are equipped with oil separators for parking areas. Similarly, any retention and operating area where accidental spills are liable to occur must have adequate retention capacities. Sites must also have retention capacity to contain fire extinguishing water.

In 2021, no accidental spill was recorded.

Industrial wastewater

31 L'Oréal factories have their own wastewater treatment plant. They use a range of technologies, including physical, chemical and biological processes adapted to the characteristics of the wastewater and local discharge conditions. L'Oréal continues to install wastewater treatment plants for its wastewater, as for example in India in 2021.

Equipment operation and wastewater management are the sites' responsibility, and are subject to specific procedures and instructions. An internal audit or self-assessment of the corresponding facility is organised and documented at least once each year.

(1) Excluding stores.

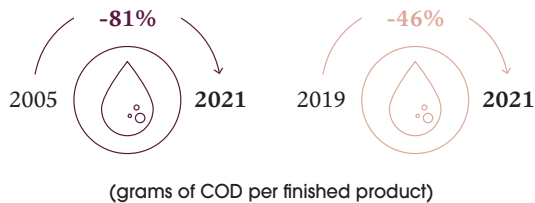
4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

A self-monitoring system representative of wastewater discharges has been established in each factory, and serves to monitor regulated and contractual parameters such as chemical oxygen demand (COD), biochemical oxygen demand (BOD), pH, the temperature of wastewater and substances that could disturb the operation of an internal or external wastewater management facility. This self-monitoring is a tool for detecting the risk of overshooting, which helps anticipate any non-conformities and initiate corrective actions.

In 2021, the total chemical oxygen demand of the Group's wastewater at the exit of the site was 0.33 grams per finished product. [☒] This was down 46% in tonnes compared to 2019 (a 73% decrease compared to 2005) and by 46% in grams per finished product compared to 2019 (a decrease of 81% compared to 2005). These reductions are related to the operational start-ups of new wastewater treatment plants and the optimisation of existing treatment plants at several Group factories.

WASTEWATER QUALITY INDEX



Furthermore, as part of the L'Oréal for the Future programme, the Group has established a L'Oréal internal standard for the quality of industrial wastewater at the exit of the sites: by 2030, 100% of the wastewater at the exit of factories must not exceed a chemical oxygen demand of 1,000 mg COD/l (if local regulations impose a lower threshold, the site must comply with the lower value).

At year-end 2021, 24 factories were in compliance with this internal standard [☒], representing 62% of the Group's factories.

Scope of industrial sites	2020	2021
Accidental spills (m ³)	2	0
Wastewater at the exit of the site (m ³)	1,039,630	885,423
COD at the exit the site (in tonnes)	3,392	2,022 [☒]

The Group's air emissions, excluding greenhouse gases

Industrial sites have an inventory and mapping of air emissions, which is updated once a year. The operation and maintenance of air emission collection and treatment facilities are subject to specific procedures and instructions.

Scope of industrial sites (in tonnes)	2020	2021
SO ₂	0.4	0.3
VOC	143	156
Ozone depleting substances	0.8	1.1 [☒]

[☒] The Statutory Auditors have expressed reasonable assurance with regard to this indicator.

Noise pollution

L'Oréal's industrial activities are not particularly noisy. The sites comply with the noise standards to which they are subject. Internal environmental reporting is one way in which to ensure monthly readings of any non-conformity on this issue.

Provisions for environmental risks

The amount of the provisions for environmental risks is not material (see Note 13.1 of the Consolidated Financial Statements).

4.3.1.1.3. Fighting climate change on operated sites

L'Oréal has set itself a major objective of fighting climate change and preserving natural resources in the overall exercise of its activity. All efforts are being made to achieve this objective in the sites where its activities are performed and across its entire value chain, from the search for renewable ingredients and the sustainable sourcing of raw materials to the transport of products, their consumption and their end of life. L'Oréal is committed to continuously improving the impact of its products throughout their life cycle.

As part of the L'Oréal for the Future programme, L'Oréal is committed to improving the environmental footprint of all operated sites.

The Group strives to reduce greenhouse gas emissions⁽¹⁾, water consumption, waste generation, and to protect biodiversity. It is also committed to reducing the footprint of product transport, and no longer sending waste to landfill (without regulatory constraints).

The specific context of the Covid-19 health crisis impacted the amount of hours worked at the administrative sites and research centres, which decreased by 54% in 2021 from 2019, because of the different lockdown periods that resulted in the periodic or partial closure of some of these sites as well as an increase in telecommuting for eligible positions. The nature of the activities maintained on-sites – laboratories, pilots, etc. – which generally consume more resources than the administrative activities, increased the effects of this activity decline on certain environmental ratios (energy, water, and waste per 100 hours worked).

On the other hand, the production of the industrial sites remained stable in comparison with 2019 (decrease of 0.4%).

[☒] The Statutory Auditors have expressed reasonable assurance about this indicator.

(1) In this Document, the Group's performance in terms of CO₂ emissions is expressed in CO₂ equivalent, i.e. CO₂ eq. As per the Greenhouse Gas Protocol (GHG Protocol): Scope 1: "direct emissions from sources owned or controlled by the reporting entity"; Scope 2: "indirect emissions related to the consumption of electricity, heat or steam necessary for product processing or operating the reporting entity"; Scope 3: "other indirect emissions related to product supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

A/ Fighting climate change

As the cosmetics industry has low energy consumption and low CO₂ emissions compared with other industries, L'Oréal is not subject to the CO₂ emission quotas provided for by European regulations, whether for the industrial sites, administrative sites or research centres. However, L'Oréal, which has been committed to the efforts to fight climate change for many years, applies a particularly proactive policy for the reduction of its CO₂ emissions.

Group greenhouse gas emissions

(Scopes 1 and 2, according to the *GHG Protocol*)

Under the L'Oréal for the Future programme, the Group has set itself a target to reduce the CO₂ emissions of all sites operated by the Group by 100% by the year 2025 (Scopes 1 and 2).

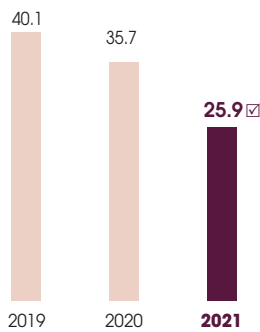
To limit its impact on climate change and achieve this target, L'Oréal has implemented a strategy based on three pillars:

1. Reducing its energy needs by improving energy efficiency across all its facilities (buildings, equipment, etc.);
2. Increasing the use of local renewable energy wherever possible;
3. Achieving the targets defined for the sites without recourse to carbon offsetting.



CO₂ EMISSIONS – SCOPE 1 OF INDUSTRIAL SITES

(thousands of tonnes of CO₂ equivalent)⁽¹⁾

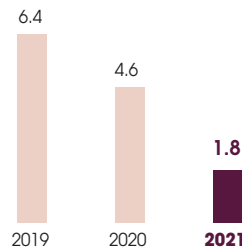


☑ The Statutory Auditors have expressed reasonable assurance about this indicator.



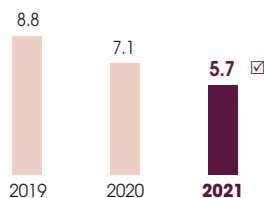
CO₂ EMISSIONS – SCOPE 1 OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

(thousands of tonnes of CO₂ equivalent)⁽¹⁾



CO₂ EMISSIONS – SCOPE 2 OF MARKET BASED INDUSTRIAL SITES

(thousands of tonnes of CO₂ equivalent)⁽¹⁾

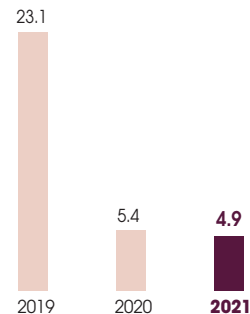


☑ The Statutory Auditors have expressed reasonable assurance about this indicator.



CO₂ EMISSIONS – SCOPE 2 OF MARKET BASED ADMINISTRATIVE SITES AND RESEARCH CENTRES

(thousands of tonnes of CO₂ equivalent)⁽¹⁾



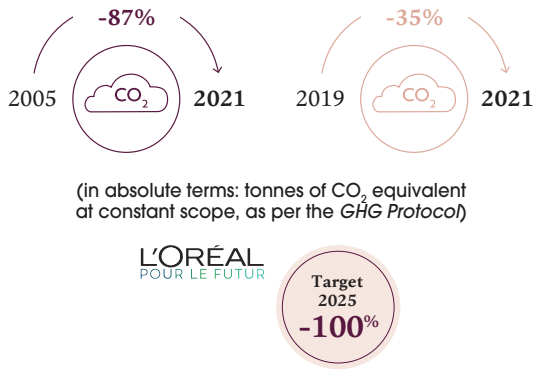
(1) In this Document, the Group's performance in terms of CO₂ emissions is expressed in CO₂ equivalent, i.e. CO₂ eq. As per the Greenhouse Gas Protocol (GHG Protocol): Scope 1: "direct emissions from sources owned or controlled by the reporting entity"; Scope 2: "indirect emissions related to the consumption of electricity, heat or steam necessary for product processing or operating the reporting entity"; Scope 3: "other indirect emissions related to product supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

CO₂ EMISSIONS – SCOPES 1 AND 2 OF INDUSTRIAL SITES

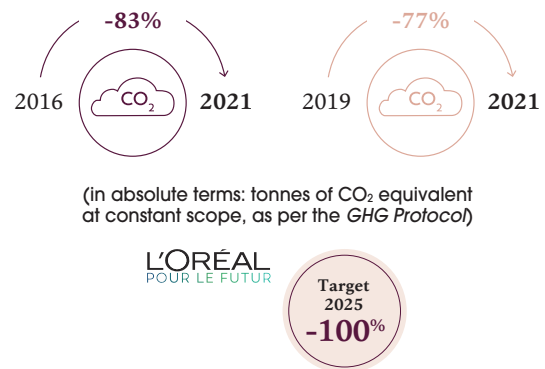
In 2021, CO₂ emissions decreased by 35% compared to 2019 (a decrease of 87% compared to 2005), while production decreased by 0.4% compared to 2019 (an increase of 37% compared to 2005).



CO₂ EMISSIONS – SCOPES 1 AND 2 OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

In 2021, CO₂ emissions decreased by 77% compared to 2019 (a decrease of 83% compared to 2016).

This reduction was achieved thanks to the decrease in energy consumption from 2019 and the increased use of renewable energy for a large number of administrative sites and research centres. Indeed, energy consumption was down 9% from 2019, and the share of renewable energy rose to 82% (compared with 51% in 2019). In addition to the improvement projects in place, which continued in 2021, the Covid-19 health crisis also had a favourable impact on this result due to the lower number of hours spent on-site by teams.



B/ Reducing energy consumption and making increased use of renewable energy

Reducing energy consumption

For over 20 years, the Group has been endeavouring to reduce its energy consumption. These efforts essentially concern two areas:

- continuous improvement of industrial processes and the performance of associated equipment; and
- optimisation of energy consumption in the buildings. In this respect, any new Group building has to comply with the strictest environmental standards.

AT INDUSTRIAL SITES

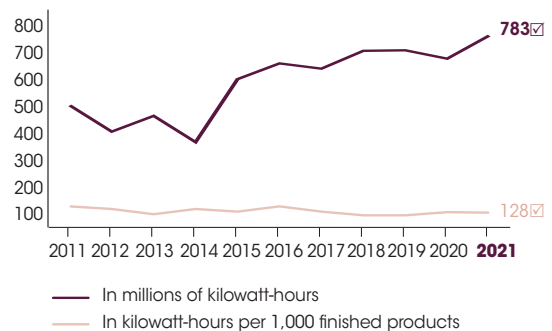
As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the energy consumption of its factories and distribution centres by 40% per thousand units of finished product, compared to 2019.

In 2021, the total energy consumption of the industrial sites was 783,211 megawatt-hours for 2021, a 5% increase in absolute value compared to 2019. This increase is driven by the change in the activity mix among the industrial sites, and the energy efficiency projects will continue in 2022.

Consumption in kilowatt-hours per finished product remained stable in 2021 compared to 2020 (decrease of 1%) and was up 5% compared to 2019.



TOTAL ENERGY CONSUMPTION OF INDUSTRIAL SITES IN KILOWATT-HOURS



☑ The Statutory Auditors have expressed reasonable assurance with regard to this indicator.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

AT ADMINISTRATIVE SITES AND RESEARCH CENTRES

As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the energy consumption of administrative sites and research centres by 40% per 100 hours worked, compared to 2019.

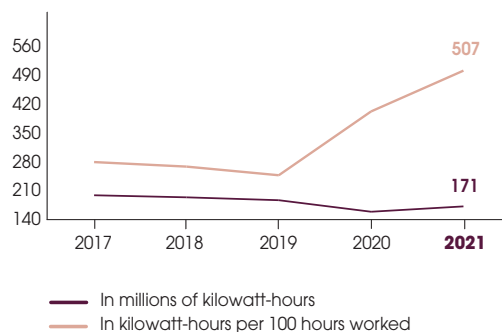
Total water consumption in the administrative sites and research centres was 170,582 megawatt-hours for 2021, a decrease of 9% in absolute value compared to 2019.

In 2021, the total energy consumption of the administrative sites and research centres was 507 kilowatt-hours per 100 hours worked, a 98% increase compared to 2019 (increase of 21% compared to 2020).

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on-site of 54% compared to 2019 (a 13% decrease compared to 2020). This difference between the decrease in hours worked on-site and the consumption of energy is primarily linked to the nature of activities that continued on the sites (laboratories, pilots, etc.), which are energy consuming.



TOTAL ENERGY CONSUMPTION OF ADMINISTRATIVE SITES AND RESEARCH CENTRES IN KILOWATT-HOURS



DATA ON CONSUMPTION WITH AN IMPACT ON CLIMATE CHANGE

	Administrative sites and research centres		Industrial sites	
	2020	2021	2020	2021
Renewable electricity (MWh)	103,834	108,888	372,693	390,736 [□]
Biogas (MWh)	5,180	20,220	96,352	166,389 [□]
Other renewable energies (MWh) ⁽¹⁾	9,455	10,831	59,064	68,325
Total renewable energy consumption (MWh)	118,469	139,939	528,109	625,450 [□]
Non-renewable electricity (MWh)	10,756	8,396	15,266	15,046 [□]
Gas (MWh)	18,977	4,838	175,912	122,797 [□]
Fuel (MWh)	141	151	6,634	5,889 [□]
Other non-renewable energies (MWh) ⁽²⁾	13,962	17,258	12,667	14,029
Total non-renewable energy (MWh)	43,836	30,643	210,479	157,761 [□]
TOTAL ENERGY CONSUMPTION (MWh)	162,305	170,582	738,588	783,211 [□]

[□] The Statutory Auditors have expressed reasonable assurance with regard to this indicator.

(1) Biomass including wood and wood waste; biofuels; solar thermal energy; renewable heat cooling and steam networks

(2) Non-renewable heat cooling and steam networks.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

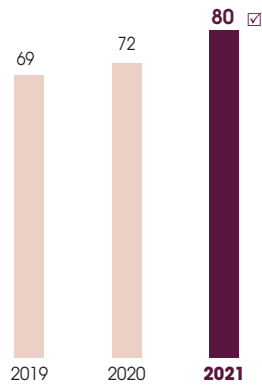
• Policies, performance indicators and results

Making increased use of renewable energy



SHARE OF RENEWABLE ENERGY CONSUMED BY INDUSTRIAL SITES

(as a percentage)



☑ The Statutory Auditors have expressed reasonable assurance about this indicator.

L'Oréal has drafted a strategy involving the use of renewable energy, based on the possibilities offered by each local context.

In recent years, many projects have been rolled out that allow some sites to directly produce their own renewable energy, establish PPAs (Power Purchase Agreements) or use locally produced renewable energy.

In 2021, 80%☑ of the energy consumed by the factories and distribution centres and 82% of the energy consumed by the administrative sites and research centres was renewable.

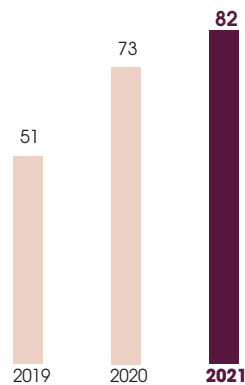
100 of the Group's sites were "carbon neutral" at the end of 2021☑:

"CARBON NEUTRAL" SITES							
Type of site	Industrial sites	factories	distribution centres	Administrative sites and research centres	administrative sites	research centres	Group total
Number of neutral sites	60	25	35	40	35	5	100
Total number of sites	84	39	45	87	79	8	171
% of total number of sites	71%	64%	78%	46%	44%	63%	58%☑



SHARE OF RENEWABLE ENERGY CONSUMED BY THE ADMINISTRATIVE SITES AND RESEARCH CENTRES

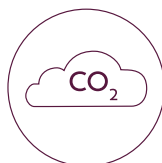
(as a percentage)



Certain sites are now able to claim the status of "carbon neutral" if they meet the following two requirements:

- Direct CO₂ (Scope 1) = 0 with the exception of the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO₂eq./year; and
- Indirect CO₂ Market Based (Scope 2) = 0.

The renewable energy sources must be located on-site or less than 500 kilometres from the site and be connected to the same distribution network.



At the end of 2021, **58%** of the Group's sites were carbon neutral.

L'ORÉAL
POUR LE FUTUR



☑ The Statutory Auditors have expressed reasonable assurance about this indicator.

☑ The Statutory Auditors have expressed reasonable assurance about this indicator.

C/ Reducing emissions from product transport (Scope 3 as per the GHG Protocol)

L'Oréal has a long-standing commitment to reducing the greenhouse gas emissions generated by the transportation of its products. The Sharing Beauty With All programme initiated the reduction of greenhouse gas (GHG) emissions by 24% per unit sold per kilometre between 2011 and 2020.

As part of its new commitments, L'Oréal is going further and has set itself a target to reduce greenhouse gas emissions by 50% per finished product by 2030. The scope of consolidation covers the transportation flows of finished products from the production sites up to the first customer delivery point.

The commitments have been shared with the entire internal and external transport ecosystem: sustainable transportation was ranked as a priority and one of the major strategic components of the Group's sustainability transformation. L'Oréal's sustainable transport strategy is based on five pillars with particular emphasis on the heaviest contributors to the greenhouse gas emissions related to product transport—the use of air and road transport.

The sustainable transport strategy was built on five pillars:



1. The sustained and ongoing reduction in the use of air transport and the specific monitoring measures put in place

The reduction of air transport is a pillar of the distribution strategy. It is included in the budget targets of each Division and is integrated into our sourcing strategies; for example, by favouring local production.

In 2021, the Group transported 0.4% of its products by weight by air, representing 44.5% of its transportation-related carbon footprint. As a result, the total carbon footprint of air transport in 2021 was reduced by 7% compared to 2020.

The Group continues to capitalise on its earlier results, and continues to reduce the carbon footprint of air transport with a 7% reduction in 2021 compared to 2020 (-43% in 2020 compared to 2019).

For example:

- the commitment and collaboration of its supply chain, operations and sales teams made it possible for the L'Oréal Luxe Division to reduce its CO₂ emissions by 25% from 2020; and
- the programme deployed in China reduced the tonnage of the CO₂ emissions tied to the importation of finished products into the country by 10% compared to 2020.

The implementation and use of the online platform Global Freight Cockpit also provided precise monthly oversight of air transport activity, with visibility by site, by brand, and by goods flow line, leading to more informed and proactive decision-making. Related information is shared with all of the Group's Management Committees and stakeholders at performance review meetings or specific meetings focused on this subject.

2. The Greener Lanes programme dedicated to long-distance road transport

This programme implements solutions that will reduce CO₂ emissions on long-distance road flows with the highest emissions. In 2021, transportation of finished products by road represented 46.6% of the Group's greenhouse gas emissions.

To cut these emissions, new solutions are being rolled out gradually for all flows between the Group's factories, distribution centres and customers:

- the use of multimodal transport with, for example, the use of river or rail freight as an alternative to roads; and
- using energy with a lower environmental impact, such as biogas or biofuel vehicles, as an alternative to diesel.

Thus, the Group has identified priority transport lines, which requires a change to an alternative method of transport, one of the main ways to reduce greenhouse gas emissions.

These priority lines have been identified according to several factors, including: the distance traveled, the weight of the finished products transported, and their contribution to the CO₂ emissions related to road transport.

As a result, new solutions were deployed in 2021. For example:

- 29 multimodal, rail or maritime, transport lines or transport using alternative energy such as HVO (Hydrotreated Vegetable Oil) or LNG (Liquefied Natural Gas) have been put in place in Europe;
- in Brazil, a biomethane solution has been implemented between the Sao Paulo factory and the Rio De Janeiro distribution centre; and
- in Mexico, a rail flow has been set up between the subsidiary's distribution centre and customers located in the North-West of the country.

3. The GLAM (Green Last Mile) programme targets the implementation of solutions that will reduce CO₂ emissions from urban transport.

The Group is also specifically addressing the environmental impact of urban transport with the goal of deploying lower-impact solutions such as electric vehicles, cargo-bikes or vehicles running on natural gas.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Launched in 2019 as one of the Group's ongoing actions, more sustainable transport initiatives have now been deployed in 34 cities in 13 countries. In 2021, a number of initiatives were implemented combining deliveries on bicycles, in biogas and electric vehicles, which also contributes to a reduction of emissions of fine particles in urban areas.

For example, in 2021, as part of the overall decarbonisation strategy in the North Asia Zone, the Group introduced cargo bikes in Tokyo in Japan, a key country in the region.

In China, 70% of urban deliveries in Shanghai use more sustainable vehicles (electric, biofuel, and gas).

The Group's goal is to expand this programme to 50 cities by 2025.

4. Performance management, an important aspect of the Group's strategy

For several years, the Group committed to a sustainable decarbonisation policy and has implemented robust action plans that are specific to each country.

Digitalisation that facilitates access to data is a strategic vector: by analysing the precise data associated with the upstream and downstream transport from the distribution centres of the Group's commercial subsidiaries, the supply chain and transport teams are thus able to prioritize their actions according to their impact.

This regular monitoring of action plans and performance across all modes of transport used is key to provide internal and external stakeholders with the visibility they need to implement the Group's carbon footprint reduction strategy.

Thus, the Global Freight Cockpit was developed and deployed in 2020. These tools monitor all the Group's air and sea flows. In addition, the Transport Management Systems (TMS), which are operational in a number of countries, give access to operational data for a pertinent and precise analysis of performance.

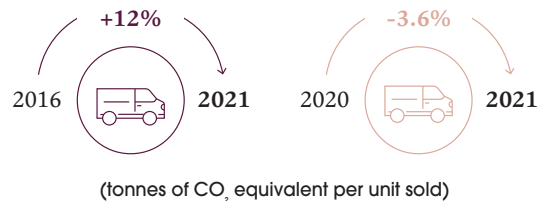
5. Working in partnership with the stakeholders in its ecosystem: a key driver of the Group's carbon footprint reduction roadmap

The Group selects and assesses its suppliers and transportation partners considering their environmental and social policy and the actions they take to support the Group in its efforts to reduce its carbon footprint.

Their ability to create innovative sustainable solutions, such as green energies (biogas, biofuel, or hydrogen) or alternative modes of transport (cargo bikes, train), is an essential selection criterion.

The Group also carries out regular monitoring to identify new opportunities and organises workshops on the decarbonisation of transportation with its partners.

During strategic meetings with its partners, decarbonisation of transport and monitoring of the implementation of the previously defined action plans are routinely discussed. Specific in-depth discussions are organised if necessary.



The transport of products led to 450,460 tonnes of CO₂ equivalent being emitted in 2021, which represents ² 69 g/CO₂ per unit sold.

L'ORÉAL
POUR LE FUTUR



The Group's carbon footprint linked to the transport of finished products rose by 12% between 2016 and 2021. This change is primarily due to the increase in the use of air transport over the same period because of the growth of the Asian markets and the increase in the Luxury Division flows to this zone.

Between 2020 and 2021, global consolidation of the CO₂ emissions related to the transport of finished products shows stable CO₂ emissions (-0.4%), a 3.6% decrease in intensity of the Group's carbon footprint (gCO₂/unit sold) over the same period. In 2021, CO₂ emissions linked to air transport fell by 7% compared to 2020, with a beneficial carry-over to maritime and rail transport modes, the use and carbon footprint of which increased by 19% and 16%, respectively.

Thanks to the actions put in place by the Supply Chain teams across the five pillars of the Group's transport decarbonisation strategy, as described above, CO₂ emissions per tonne of goods transported and per kilometre traveled decreased by 14% from 2020.

4.3.1.1.4. Preserving water resources on operated sites

L'Oréal Group is committed to preserving water resources throughout its value chain, especially on each of the sites operated. The action plans implemented around the world are based notably on the following key principles:

- mapping the volumes of water used, particularly by the Group's factories, using a L'Oréal internal tool that carries out a comprehensive analysis of the various uses of water on a site: the Waterscan tool. Each type of use is quantified and compared with a benchmark value in order to identify potential reductions;

- the installation of reduction equipment and processes, particularly during the cleaning phase of production equipment and factory filling and packing lines, following the OPTICIP (OPTimisation Cleaning In Place) approach developed by L'Oréal; and
- the reuse of untreated industrial water for a new purpose and recycling of the water used, after a specific additional treatment step.

By the end of 2021, 17 Group factories had such recycling facilities allowing them to reuse process water.

As part of the L'Oréal for the Future programme, the Group set a new target for 2030: 100% of the water used in our industrial processes will be recycled and reused in a loop, *i.e.* 100% of factories will be *Waterloop factories*.

At the end of 2021, 6 factories were awarded the status of Waterloop Factory, *i.e.* 15% of the Group's factories.



In 2021, **15%** of the Group's factories were Waterloop.



The "Waterloop Factory" concept

The "Waterloop Factory" concept consists of using city mains water only for human consumption and for the production of the high-quality water used as raw material for product processing; all the water required by the utilities (cleaning equipment, steam production, etc.) is derived from water that is reused or recycled in a loop on the site.

It involves the implementation of a two-step system:

- the optimisation of industrial processes in order to minimise water consumption, which leads to a reduction of water withdrawals; and

- the installation of a water recycling system: industrial wastewater, after pre-treatment in the on-site treatment plant, are reprocessed using various technologies (ultrafiltration, reverse osmosis, nanofiltration, etc.) in order to extract very high-quality water. This is then used in a loop to clean production tools and services as a replacement for municipal mains water. As such, water requirements for utilities are fully covered.

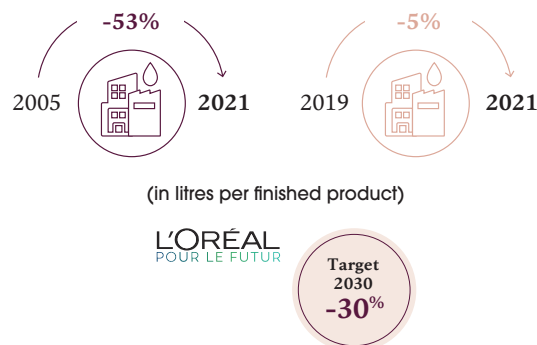
The Waterloop Factory concept was adopted for the first time in 2017 by the Burgos factory in Spain. In 2021, this concept was also extended to the factories in Settimo in Italy, Vorsino in Russia, Libramont in Belgium, Mexico City in Mexico and Yichang in China. It will gradually be deployed to all Group factories.

| WATER WITHDRAWAL AT INDUSTRIAL SITES

As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the water withdrawal of factories and distribution centres by 30% per 100 hours worked by 30%, compared to 2019.

The total volume of water withdrawal of the industrial sites at the industrial sites was 2,057 thousands m³ for 2021, decreased by 5% compared to 2019, while the production of finished products decreased by 0.4% over the same period.

Water withdrawal was 0.34 litres per finished product in 2021, representing a decrease of 5% from 2019 (and a decrease of 8% from 2020).



∩ The Statutory Auditors have expressed reasonable assurance about this indicator.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

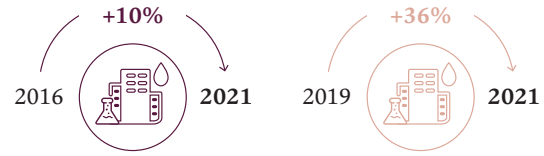
WATER WITHDRAWAL AT ADMINISTRATIVE SITES AND RESEARCH CENTRES

As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the water withdrawal of administrative sites and research centres per 100 hours worked by 30%, compared to 2019.

Total water withdrawal of the administrative sites and research centres was 253 thousand m³ in 2021, a decrease of 38% compared to 2019.

Water withdrawal is currently 753 litres per 100 hours worked for 2021, representing an increase of 36% from 2019 (an increase of 13% from 2020).

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on-site of 54% compared to 2019 (a 13% decrease from 2020). This difference between the decrease in hours worked on-site and the withdrawal of water is primarily linked to the nature of activities that continued on the sites (laboratories, pilots, etc.), which are water consuming.



(in litres per 100 hours worked)

L'ORÉAL
POUR LE FUTUR

Target
2030
-30%

WATER CONSUMPTION AND QUANTITATIVE WATER FOOTPRINT OF PRODUCTION SITES

Water is a resource that requires local management tailored to the watershed in which a site is located. A watershed is the land irrigated by water sources and waterways that converge towards the same point. Availability, access, and water needs may vary greatly from one watershed to another: they differ depending on the nature and intensity of human activities, and according to the natural needs of ecosystems.

In order to take into account this local aspect of water-related issues, the Group created a new indicator in 2021: the quantitative water footprint. It is calculated based on the water consumption of a site (the difference between the water withdrawal and the wastewater at the exit of the site) and the level of water stress in the watershed in which it is located.

Water stress describes the gap between the need for and the availability of water resources for a given watershed.

The quantitative water footprint is calculated only for the factories, which are the sites that account for the majority of the Group's water withdrawal (they represent 85% of the withdrawals of all the sites operated by the Group in 2021).

In 2021, 10 of the Group's 39 factories were located in watersheds subject to water stress, representing 26% of the Group's factories.

Water consumption and quantitative water footprint of the Group's factories	2021
Municipal water withdrawn (or other supplier) (m ³)	1,718,988
Rain water (m ³)	92
Water withdrawn from groundwater (m ³)	256,003
Total withdrawal (m ³)	1,975,083 ^z
Wastewater at the exit of the site (m ³)	885,423
Water consumption (m ³)	1,089,660
Quantitative water footprint (m ³ eq)	8,511,553 ^z

The Water Disclosure Project: a CDP initiative for transparency in information on water and water risk management across the value chain

Since 2010, L'Oréal has taken part in the Water Disclosure Project, of which it is one of the Founding Responders. This programme is aimed at encouraging companies to publish every year their water management strategy, their results and the projects they have launched to improve their performances and to reduce the risks with regard to their activities related to water consumption. It was launched by the CDP, an important, independent not-for-profit organisation

that promotes transparency and environmental information reporting on several issues: climate change, water, deforestation, etc.

In 2021, L'Oréal was recognised for the sixth consecutive year as one of the world leaders for its strategy and actions in sustainable water management throughout its entire value chain, from the production of raw materials to the use of products by consumers and the end of life of products, receiving a score of "A", which is the highest possible level of performance in the CDP ranking.

L'Oréal is also working with its Supply Chain on sustainable water management (see section 4.3.1.2.2. "Involving strategic suppliers in the Group's ambitions" of this document).

^z The Statutory Auditors have expressed reasonable assurance about this indicator.

4.3.1.1.5. Protecting biodiversity on operated sites

L'Oréal is committed to limiting the impact of its activity on biodiversity throughout its value chain, especially on each of the sites it operates. Projects that promote the protection or development of biodiversity were initiated on most of the sites, along with actions to raise awareness among employees. All these actions must be harmonised with the environment in which these sites are located.

In 2018, in addition to the rules laid down by L'Oréal on the use of soils (see section 4.3.1.1.2. "Managing risks and controlling the impact of sites on their environment" of this document), it was proposed that each of the sites should implement a suitable system to roll out a specific biodiversity roadmap. Partnerships with external organisations such as the French League for the Protection of Birds (Ligue pour la Protection des Oiseaux - LPO) may be established to carry out on-site

biodiversity inventories and propose suitable action plans. These inventories take into account local, regional and national challenges, and cover soil permeability, the proportion and connection of green spaces, the diversity of habitats and plant populations, the number of species (flora and fauna), including protected, endangered, and invasive species. In this way, the inventories contribute towards a basis of scientific knowledge in order to define targeted biodiversity action plans, conducted with associations or local experts, in line with the ecosystem in which the sites operate. These projects may result in the transformation of available spaces on-site to promote biodiversity. They may also contribute to actions aimed at educating L'Oréal employees and local stakeholders by encouraging them to better connect with nature and thus enabling them to become key players in protecting biodiversity.

At year-end 2021, 80 biodiversity inventories were conducted in the Group, 73% of which by industrial sites.



At year-end 2021, **80** sites conducted a biodiversity inventory.



As part of the L'Oréal for the Future programme, the Group has set itself a new target: by 2030, all buildings and all industrial sites operated by the Group will have a positive impact on biodiversity compared to 2019.

A methodology for monitoring this commitment was developed in 2021 and will be rolled out to all of the Group's sites in 2022. Becoming "net biodiversity positive" is achieved through:

- Meeting a target for the improvement of habitat and biodiversity quality: at site level, this improvement is measured using an indicator called the Site Biodiversity Score (SBS). The information required to calculate the SBS is taken from biodiversity inventories. This enables the improvement in the quality of biodiversity on a given site to be assessed and monitored; and
- Reaching a biodiversity culture threshold:: developing a biodiversity culture involves raising awareness among and training all teams at a site, incorporating biodiversity considerations into the roll-out of new projects (extending a building, etc.) and into the everyday life of the site (responsible purchasing, awareness of food waste, etc.).

In addition, L'Oréal wishes to eliminate the use of phytosanitary products (insecticides, fungicides, and herbicides) in the maintenance of green spaces, as they can have an impact on the environment and human health. Sites operated by the Group must report on whether or not these products are being used.

The Group commits to ensuring that phytosanitary products are not used on any of the sites it operates by 2030.

At the end of 2021, 143 sites, i.e. 84% of L'Oréal sites, do not or no longer use phytosanitary products to maintain green spaces.

4.3.1.1.6. Preserving resources and reducing waste on operated sites

For several years, an ambitious approach to waste optimisation that goes well beyond regulatory compliance has been implemented in the Group within the framework of the Sharing Beauty With All programme, and the L'Oréal for the Future programme is continuing this work. An ambitious challenge, in light of L'Oréal's exacting definition of waste. Indeed, any solid discharge that is not a finished product intended for consumers is considered as waste, whatever its treatment and future recovery.

As part of the L'Oréal for the Future programme, the Group set a new target for 2030 to preserve natural resources: 100% of the waste generated on the operated sites will be recovered (reused, or recycled).

Furthermore, building on the Sharing Beauty With All programme, the Group has set itself new targets for reducing the waste it generates:

- reducing the waste production of factories and distribution centres by 30% per finished product, compared to 2019; and
- reducing the waste production of administrative sites and research centres by 30% per 100 hours worked, compared to 2019.

Finally, L'Oréal remains committed to ensuring that none of its waste is sent to landfill (without regulatory constraints).

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Reducing waste generation at source

Waste reduction requires the involvement of a large number of players. It is an environmental performance indicator, first for its industrial sites, administrative sites, and research centres, but also across the entire value chain of the Group:

- for the packaging teams, who are mobilised through an eco-design approach to filling and packing components and transportation packaging (reduction of weight, optimisation, reuse, etc.) aimed at reducing waste and improving their recyclability;
- for the purchasing teams, privileged contacts with suppliers, with the aim of optimising filling and packing used for the transportation of raw materials and packaging components received in the Group's factories, a major source of waste. The development of the wall-to-wall approach (production of filling and packing components close to the Group's production facilities) is a particularly effective means of reducing waste related to the supply of components at the source;
- for the industrial teams involved in a process of continuous improvement of manufacturing and filling and packing processes in order to reduce losses during production;
- for the Supply Chain teams who are working to reduce obsolete inventories, which is essential for the reduction of waste related to the Group's business activities. In each zone, programmes combine industrial agility and improved sales forecasts with the aim of reducing obsolete products, and ensuring better flows via the establishment of outlets, family sales, sales to staff and donations to not-for-profit organisations.

Furthermore, the Group has initiated a campaign against wasting food. In 2021, an average of 3,297 meals were served daily in the Paris region. Company restaurants, both those directly managed and those operating under agreements, donated the surplus food from these meals to associations such as Restos du cœur or Le Chainon Manquant, bringing the number of meals donated in 2021 to 3,973.

L'Oréal adopts best practices in its directly managed restaurants. An awareness programme for employees, the recovery of 100% of food waste via the Bio-Waste system, very strict monitoring of use-by dates and inventories, real-time and on-demand cooking methods, and attention to the quantities served have been implemented in the restaurants.

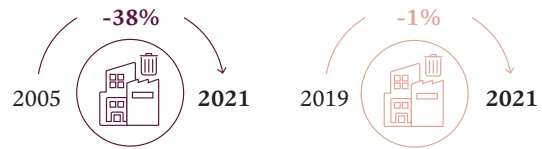
A number of initiatives are also taken to develop responsible, fair and sustainable food in the Group's restaurants and cafeterias. For example, the development of a fair trade coffee supply, the proportion of local products from organic farming, or the priority given to seasonal fruits and vegetables in menu preparation are applied.

The campuses in the Paris region also initiated actions to reduce plastic use (elimination of plastic bottles and glasses for services in rooms and the elimination of plastic glasses in cafeterias) and to recycle cooking oil into biofuel.

For example, the Aulnay-sous-Bois campus developed a special partnership with the French Restaurants du Cœur charity based on a food donation agreement for more than 3,455 meals in 2021 and solidarity sales. It also made the choice for supplies exclusively based on free-range eggs. Finally, for all its efforts, it earned the "Mon restau responsable" label established by the Fondation Nicolas Hulot for a quality food service that respects the environment. This label is granted for four areas: the well-being of guests, sustainable meals, eco-friendly practices, and a social and local commitment.

∩ The Statutory Auditors have expressed reasonable assurance about this indicator.

GENERATION OF TRANSPORTABLE WASTE FROM INDUSTRIAL SITES



(in grams per finished product, excluding sludge and returnable packaging in rotation, including returnable packaging at source)

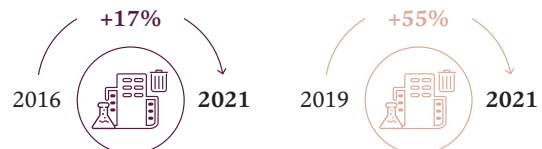
L'ORÉAL
POUR LE FUTUR

Target
2030
-30%

Waste generation at the industrial sites was 80,363 tonnes for 2021 ∩, which is a decrease in absolute value of 1% from 2019 (this waste does not include the sludge generated by the plants treating the wastewater from Group sites), while the production of finished products was down 0.4% over the same period.

In 2021, waste generation for the industrial sites was 13.1 grams per finished product ∩, representing a 1% decrease from 2019 (an increase of 3% from 2020).

GENERATION OF TRANSPORTABLE WASTE FROM ADMINISTRATIVE SITES AND RESEARCH CENTRES



(kilograms per 100 hours worked, excluding sludge and returnable packaging in rotation, including returnable packaging at source)

L'ORÉAL
POUR LE FUTUR

Target
2030
-30%

Waste generation at the administrative sites and research centres was 4,466 tonnes in 2021, a decrease in absolute value of 29% compared to 2019 (this waste does not include the sludge generated by the wastewater treatment plants at the Group's sites).

In 2021, waste generation from these sites was 13.3 kilograms per 100 hours worked, an increase of 55% from 2019 (22% increase from 2020).

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on-site of 54% compared to 2019 (a 13% decrease from

2020). This difference between the decrease in hours worked on-site and waste generation is primarily due to the nature of activities that continued on the sites (laboratories, pilots, etc.), which are waste-generating.

	Administrative sites and research centres		Industrial sites	
	2020	2021	2020	2021
Transportable waste excluding returnable packaging in rotation with returnable packaging at the source (in tonnes)	4,251	4,501	85,389	94,175 <input checked="" type="checkbox"/>
Returnable packaging in rotation (in tonnes) ⁽¹⁾	0.104	0.164	18,340	19,718 <input checked="" type="checkbox"/>
Total recovered (in tonnes)	3,838	4,022	98,905	109,695 <input checked="" type="checkbox"/>
Recovery index (%)	94	92	96	97 <input checked="" type="checkbox"/>
Total recovered material (tonnes)	2,001	2,097	59,665	66,195 <input checked="" type="checkbox"/>
Material recovery index (%)	49	48	58	59 <input checked="" type="checkbox"/>

The Statutory Auditors have expressed reasonable assurance with regard to this indicator.

In addition to tracking of waste by type, a new approach to account for waste by cause has been used since 2019 at all the Group's factories and distribution centres. This method identifies and quantifies the sources and causes of waste generation in the different flows of a site. This approach enhances the action plans to reduce waste and is an additional vector of progress for the sites.

At each Group site, specific tracking (volumetry, collection streams, treatments, etc.) of waste that is subject to special regulations (flammable, toxic, etc.) is implemented, taking into consideration the specific characteristics of each country in which the site operates. Regulated waste benefits, as does all waste, from a continuous improvement approach.

Regulated waste (tonnes)	2019	2020	2021	Variation vs. 2020
L'Oréal Group	19,230	17,812	19,551	10%
Industrial sites	18,667	17,359	18,922 <input checked="" type="checkbox"/>	9%
Administrative sites and research centres	563	453	629	39%

In 2021, the portion of regulated waste produced in the Group changes in proportion to the increase in waste production compared to 2020.

Recovering the waste generated

The Group has adopted a systematic approach to the preservation of materials. As such, beyond the reduction at source, the Group is also committed to finding the best solutions to energy recovery the waste it produces.

Work in collaboration with the L'Oréal Research laboratories and a waste treatment company began in 2020 to find solutions for recycling finished products that cannot be sold or donated.

A study also began in 2020 with the L'Oréal Research Laboratories to find material recovery alternatives for the sludge coming from the Group's purification stations.

In 2021, 97% of the waste generated by industrial sites was recovered through re-use, recycling or energy recovery, and 59% was recovered through re-use, or recycling, thereby preserving the material .

L'Oréal has set itself the goal of achieving "zero waste to landfill" by the end of 2030 for all sites (without regulatory constraints). Work has been done with specialised companies and local authorities to implement appropriate treatment solutions. The mobilisation of all the factories and distribution centres ensured the achievement of the "zero waste to landfill" objective for the fourth consecutive year (without regulatory constraints).



0 tonne

In 2021, all the Group's factories and distribution centres reached the goal of achieving "zero waste to landfill" (without regulatory constraints).

L'ORÉAL
POUR LE FUTUR



The Statutory Auditors have expressed reasonable assurance about this indicator.

At the administrative sites and research centres, the process is more recent, but has accelerated: the waste sent to landfill (without regulatory constraints) was reduced in 2021 by 15% from 2020, representing a quantity of 51 tonnes.

The Statutory Auditors have expressed reasonable assurance about this indicator.

(1) Returnable packaging is a packaging element that is reused in a closed loop between a L'Oréal site and a supplier. Thus, its reuse is scheduled in advance in a short cycle and implies predetermined operators once and for all.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Achievement of the "zero waste to landfill" target is part of the more global circular economy approach the Group is engaged in. As far as possible, L'Oréal seeks to promote the local treatment of waste, in order to reduce the environmental impact and to create potential synergies with other local stakeholders.

In 2021, waste sent to landfill due to regulatory requirements totalled 13 tonnes for the factories and distribution centres[∩] and 145 tonnes for the administrative sites and research centres.



There was a 59% material recovery of the waste generated on industrial sites in 2021. [∩]

L'ORÉAL
POUR LE FUTUR



[∩] The Statutory Auditors have expressed reasonable assurance about this indicator.

97% of the waste was recovered in 2021 for the industrial sites[∩] i.e. 1 point more than in 2019 (10 points more than in 2005). 23 factories and 24 distribution centres had a recovery rate of 100% in 2021[∩].

In 2021, 59% of the waste generated by industrial sites was reused or recycled (material recovery)[∩].

3% of waste was destroyed without recovery (incineration without energy recovery) in 2021, representing 3,238 tonnes[∩].



There was a 48% material recovery of the waste generated at administrative sites and research centres in 2021.

L'ORÉAL
POUR LE FUTUR



92% of the waste was recovered in 2021 for the administrative sites and research centres, 4 points more than in 2019 (8 points more than in 2016). 40 administrative sites and 6 research centres had a recovery rate of 100% in 2021.

48% of the waste generated was reused or recycled (material recovery) in 2021.

6% of waste was destroyed without recovery (incineration without energy recovery) in 2021, representing 282 tonnes.

4.3.1.2. Involving suppliers in the Group's transformation

The Group's commitment to and actions with its suppliers during the Covid-19 health crisis

L'Oréal mobilised heavily at the beginning of the Covid-19 health crisis by launching solidarity actions, believing that it must take action with its stakeholders.

Above and beyond its strict requirements with regard to its own sites, L'Oréal has for a number of years applied an environmental policy throughout its value chain.

Indeed, L'Oréal works in partnership with its suppliers to improve the environmental and social profile of its products via the eco-design and sustainable sourcing of packaging,

The Group also supported its partners by sharing best practices for health measures with them and set up a solidarity fund to assist the local communities of its Solidarity Sourcing programme (farmers, collectors) within the framework of the needs identified by NGOs in the field.

The collaboration with its suppliers, which was in line with the values and raison d'être of L'Oréal, enabled the Group to continue its activities in this extraordinary situation and to strengthen its relationships with suppliers.

ingredients and formulas and their method of transportation. This worldwide ecosystem covers all the Group's needs for packaging, raw materials, subcontracting, production equipment, promotional and advertising articles, etc. The commitment and performance of this ecosystem is crucial to the Group's fulfilment of its commitments.

[∩] The Statutory Auditors have expressed reasonable assurance about this indicator.

In 2021, as in 2020, despite the context that prevented the organisation of in-person events, L'Oréal maintained its leadership through a number of Webinars (entitled "Spread the green vibes") around the world in order to share its commitment to decarbonisation (Science-Based Targets), to introduce its L'Oréal for the Future programme more widely and with different objectives, but also to launch new actions and initiatives. More than 900 suppliers participated in these interactive exchanges in 2021.

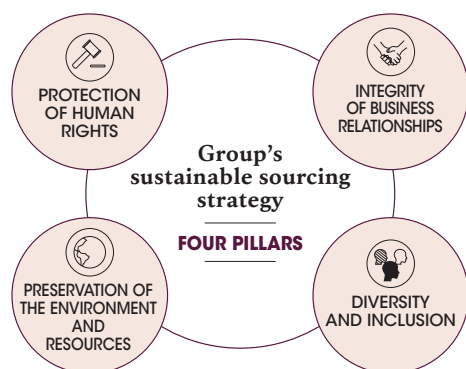
4.3.1.2.1. Due diligence: selection and assessment of strategic suppliers

A/ Incorporating suppliers' environmental and social performance into their selection and assessment

The Group has decided to use the environmental and social performance of its partners and suppliers as a key selection criterion. On this basis, the commitments under the Sharing Beauty With All programme, and now the L'Oréal for the Future programme, fit in with and follow on from those in the Group's responsible purchasing policy initiated in 2002 with the L'Oréal Buy & Care programme.

L'Oréal has published a new sustainable Sourcing strategy, which builds on the previous strategy and focuses on four pillars: protection of Human Rights, preservation of the environment and resources, the integrity of business relationships and diversity and inclusion.

For each pillar, the commitments, targets, values and standards that L'Oréal shares with its suppliers are set out. These targets have been designed with external experts on the basis of recognised benchmarks. The tools for monitoring progress are also specified. This strategy provides a common framework for integrating these issues into the heart of the business model and taking action to achieve sustainable performance.



The CSR commitments and performance of suppliers play a significant role in the choice of the Group's business partners. In this respect, L'Oréal's purchasing teams have defined five performance pillars that make it possible to assess and choose suppliers:

- quality;
- corporate social responsibility;
- innovation;
- the Supply Chain & Service; and
- competitiveness.

These pillars form the basis for daily performance and long-term strategies. A global scorecard has been deployed for all purchasing fields and makes it possible to accurately measure supplier results, in particular their compliance with their corporate social responsibility commitments which represent 20% of the final assessment.

The CSR strategy and action plans of the suppliers are fully integrated into their relationship with L'Oréal and are therefore discussed at strategic meetings (Business Reviews). As such, 627 business reviews were conducted in 2021. The evaluation of suppliers on the CSR pillar is based, in particular, on their compliance with their social audits, the implementation of Solidarity Sourcing projects and their results in the "CDP Supply Chain" programme for the reduction of CO₂ emissions.

All the suppliers evaluated represent more than 85% of total direct purchases (raw materials, filling and packing components, subcontracting and electronic devices) and 10% of indirect purchases.

To give suppliers access to Group training tools designed to optimise their sustainable development policies, an online site dedicated to suppliers has been operational since 2016. It offers e-learning modules, videos, presentations on various topics such as, ethics, climate change, social audits, etc. Today, it is open to all the Group's strategic suppliers and is being progressively expanded to all suppliers.

B/ Social audits: a rigorous and continuous improvement process

Since 2002, all of the Group's suppliers have had to sign the Letter of Ethical Commitment. This letter sets out the suppliers' requirements and commitments in accordance with the Group's programmes and policies concerning ethics, corporate responsibility, Human Rights, and compliance.

In 2021, the Group released an updated version of this document, now entitled the "Mutual Ethical Commitment Letter", which highlights the mutual commitment between L'Oréal and its suppliers. This document covers, in particular, the issues of Human Rights and working conditions. The letter is being rolled out gradually to all suppliers worldwide (see section 3.4. "Vigilance Plan" of this document).

The Group's subcontractors and its suppliers of raw materials, packaging, production equipment and POS/promotional advertising items located in countries identified as being at risk according to Verisk Maplecroft are subject to a mandatory social audit (and prior to any inclusion on the supplier panel) aimed notably at ensuring compliance with applicable laws. Human Rights and labour law. This audit also covers employee safety and working conditions, and the way in which the impact of activities on the environment is taken into account.

The social audits are carried out on behalf of L'Oréal by independent external service providers.

The initial audits and re-audits three years later are financed by the Group. Follow-up audits that make it possible to verify the effectiveness of the action plans are paid for by the suppliers.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Ten areas are audited:

- child labour;
- forced labour;
- the environment, health and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- harassment or a hostile working environment;
- due payment of remuneration and benefits;
- working time; and
- relations with subcontractors.

L'Oréal's social audit is largely based on the internationally recognised SA 8000 standard. The Group has also imposed more stringent criteria, particularly with regard to the minimum age for child labour. It is set at 16 years of age for all employees working for suppliers, a higher age limit than the minimum age required by the Fundamental Conventions of the International Labour Organisation (ILO).

Social audits: a rigorous and continuous improvement process

A tool to manage social audits organises the planning of all audits with the external service provider's system and manages all results and action plans for all the suppliers concerned.

An e-learning module is available to all purchasers in addition of the Sourcing Discovery training module, which explains to every new purchaser the importance of the social audit programme, and how purchasers must make it part of their daily process.

The Group's purchasers accordingly promote the continuous improvement of their suppliers in line with the Group's standards.

Key figures

Over 9,300 supplier sites have been audited since the reporting tool was implemented in 2006 (see section 3.4.7.3. "Results of the application of the plan to suppliers" of this document):

- 1,236 audits^{(1) (2)} were carried out in 2021, i.e. more than 14,900 since 2006;
- in the context of the Covid-19 health crisis, technical resources were deployed by the Group to organise remote audits of sites and thus guarantee health protection and social compliance. This method of auditing is valid under certain circumstances and remains exceptional. Since 2020, 79 social audits of supplier sites have been organised remotely;
- Follow-up audits, which verify the correction of non-conformities, represent 37% of the total number of audits conducted in 2021 and allowed 72% of the suppliers audited to improve their results; and
- 98% of supplier production sites requiring audits have been audited at least once.

C/ Encourage strategic suppliers to conduct a self-assessment of their sustainable development policy

In 2014, L'Oréal initiated a programme for assessing strategic suppliers⁽²⁾ and their Sustainable Development policy. In addition to its own assessment, L'Oréal has mandated Ecovadis to evaluate its suppliers' sustainable development policies with the aim of fine-tuning the analysis of supplier performance and assisting suppliers in improving their performance by identifying areas for improvement. The Ecovadis assessment allows L'Oréal not only to involve its suppliers in Sustainable Development, but also to encourage them to develop their ethics policies with a focus on combating corruption, monitoring the health and safety of their employees and the application of their sustainable purchasing policies (see section 4.3.3. "Human rights policy" of this document).

2021 results

In 2021, 767 suppliers conducted an Ecovadis assessment of their social, environmental, and ethical policies, as well as the implementation of those policies by their own suppliers in 2021. 331 of them represented 82% of the Group's strategic suppliers, all areas combined.

4.3.1.2.2. Involving strategic suppliers in the Group's ambitions

A/ Encouraging suppliers to reduce their greenhouse gas emissions

Since 2009, L'Oréal has associated its suppliers in the process for measuring and reducing its greenhouse gas emissions by encouraging them to work with the CDP, within the framework of the CDP Supply Chain programme. This international not-for-profit organisation, of which L'Oréal has been a member since 2003, invites companies to publish their environmental impact and provides them with measurement, evaluation and communication tools.

In 2021, 565 suppliers participated in the CDP Supply Chain, representing 86% of the 658 suppliers invited. They were selected in all purchasing areas, everywhere in the world, both large industrial groups and small and medium businesses. The average of the 2021 Supplier results was "C".

In the direct purchases category, the suppliers participating in the CDP Supply Chain programme account for 87% of expenditures made in 2021. Among them, 227 suppliers have assigned their emissions to L'Oréal. The average score of the direct suppliers is "C".

⁽²⁾ The Statutory Auditors have expressed reasonable assurance about this indicator.

(1) Audits where the auditor was unable to access the site or sufficient data are included in the number of social audits carried out. They represent 2% of the total number of audits. Note that these cases are excluded from the analysis of non-conformity by chapter as described in the Vigilance Plan.

(2) Strategic suppliers are those whose added value is significant for the Group, contributing through their weight, their innovations, their strategic alignment and their geographical deployment, to the long-term support of L'Oréal's strategy, strategic alignment and geographical deployment, to support L'Oréal's strategy in the long term.

In December 2015 at the time of the COP21, L'Oréal strengthened its objectives to accelerate the implementation of efforts to combat climate change. Since then, suppliers have been encouraged to:

- participate in the CDP Supply Chain;
- set targets for reducing greenhouse gas emissions; and
- communicate about their action plans in order to succeed in those plans.

At the end of 2021, the suppliers meeting this commitment represented 77% of expenditures on direct purchases. The average score of these suppliers is "B-", the best score since the start of the programme.

L'Oréal continues to be recognised by the CDP as one of the companies most committed to reducing greenhouse gas emissions. The majority of the Group's suppliers who are partners of the CDP testifies to this fact. This growing commitment results in particular from the strong commitment of L'Oréal's Purchasing and Environmental teams who transmit results with comments and opportunities for improvement to the suppliers who participated. In 2021 these teams:

- organised, together with the CDP, meetings to explain and train on climate change for suppliers;
- led online conferences for suppliers entering the programme; and
- continued to develop online toolboxes to help suppliers understand these issues.

The CDP Supply Chain assessment is at the heart of the discussions during annual business reviews, but also throughout the year, in the context of our interactions with suppliers.

Associating the Group's suppliers in the CDP Forest Disclosure Project

L'Oréal is committed to a target of Zero Deforestation to ensure the traceability of products linked to deforestation (palm oil and derivatives, paper, soya, replanting projects, etc.) and has also participated in CDP Forest since 2012.

With the new CDP Forest programme devoted to the Supply Chain which was launched in 2018, L'Oréal has

encouraged its 201 main suppliers of paper, palm oil and soya to participate in the CDP Supply Chain. At the end of 2021, 124 of the selected suppliers had participated in this third year. Suppliers that reported and implemented a zero deforestation policy and related initiatives represented 25% of expenditure in respect of all selected suppliers (raw materials, packaging components, subcontracting and electronic devices).

Their average score was B.

As part of its L'Oréal for the Future programme, the Group is committed to supporting its strategic suppliers to put in place plans to reduce their greenhouse gas emissions by 50% between 2016 and 2030 (Scopes 1 and 2, in tonnes).

In 2021, the Group set out the methodology and the fundamental requirements needed to engage suppliers based on their emissions contributions and to manage their emissions performance with each of them. This emissions management is based on the volume of emissions reported in the responses to the CDP questionnaires for those taking part in the programme, or based on available and verified data.

For each of these suppliers, an emissions reduction plan will be shared depending on the commitments they have already made (for example, suppliers seriously committed to the Science-Based Targets initiative).

In co-operation with the suppliers in question, an action plan will be drawn up and monitored, highlighting the decarbonisation drivers that are suited to their business and their specific circumstances.

B/ Encouraging suppliers to use water responsibly

As part of the new sustainability programme, L'Oréal is committed to supporting its strategic suppliers to manage their water sustainably.

The Group wants to ensure that each of its strategic suppliers implements a sustainable water management plan and takes into account, in terms of its industrial water consumption and wastewater treatment, the condition of the drainage basin in which it operates.

Associating the Group's suppliers in the CDP Water Disclosure Project

As part of the Sharing Beauty With All programme, L'Oréal has undertaken to reduce its water footprint, joining the Water Disclosure Project, an initiative aimed at measuring and reducing suppliers' water footprints, as soon as it was launched in 2013.

In 2021, for the seventh edition of the Water Disclosure Project Supply Chain programme, L'Oréal selected 333 of its suppliers, mainly of raw materials, filling and packing components and subcontracting on the following three criteria: technology consuming particularly large amounts of water, location of at least one production site in a

hydric-stress area and the size of L'Oréal's purchase volumes. 221 of them agreed to take part in the programme and will be given an individual results sheet showing the comments of the Group's environmental experts, which will enable them to identify the key points for progress. L'Oréal also encourages these suppliers to measure, report and set water consumption reduction targets for each of their production sites and to deploy a water-related risk assessment and management system.

At the end of 2021, suppliers fulfilling this commitment represented 61% of the expenses incurred on all suppliers, raw materials, filling and packing components, subcontracting and *electronic devices selected*. Their average score was B.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

C/ Using the Group's purchasing power to serve social inclusion

The objectives of the Sharing Beauty With All programme and now the L'Oréal for the Future programme express L'Oréal's conviction that the reduction of the environmental footprint of its products has to be accompanied by an improvement in their social and societal benefit.

Due to its many industrial and administrative sites all over the world, L'Oréal is strongly involved in the life of the local communities. While being a company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects. As a general rule, the Group's establishments and subsidiaries build good relations

with the communities in the areas in which they operate, and make every effort to share their growth with them.

Within the Sharing Beauty With All programme, this goal became a reality in 2020, with more than 100,000 people from underprivileged or poor communities accessing work. L'Oréal for the Future aims to double the number of beneficiaries, with an additional 100,000 beneficiaries by 2030.

Created in 2010, Solidarity Sourcing is L'Oréal's global inclusive purchasing programme. In 2021, 89,093 economically or socially vulnerable people benefited from decent, lasting employment under this programme (see section 4.3.3.6. "Measures taken in favour of communities" of this document). This represents an additional 7,955 people compared to 2020, an increase of nearly 10%.



In 2021, **89,093** people accessed work through the Solidarity Sourcing programme, **7,955** more people than in 2020.

L'ORÉAL
POUR LE FUTUR

This programme aims to use the Group's purchasing power to serve social inclusion. It consists of teaming up with suppliers to give people who are generally excluded from the labour market access to work and a sustainable income.

The Group is therefore continuing to open up its procurement process to companies who employ people from economically vulnerable communities, including small companies and those who have more difficulty in having access to multinational companies. Fair practices in the business and equal opportunities have gradually become major pillars of the Group's Solidarity Sourcing programme, sustainable purchasing strategy, and growth model.

Solidarity Sourcing and female entrepreneurship

In 2021, L'Oréal continued to accelerate its Solidarity Sourcing strategy to support female entrepreneurs in 16 countries: 2,427 full-time jobs supported by suppliers owned,

controlled and led by women, nearly four times more than in 2020. This commitment is one component of a comprehensive Supplier Diversity programme that totals 2,834 beneficiaries at suppliers "owned, controlled and led by a majority of" women, minorities, people from the LGBTQIA+ community or veterans.

Convinced of the need to act collectively to transform the corporate business model and increase the impact, the Group joined the Business For Inclusive Growth (B4IG) coalition from the beginning. This initiative, which was officially launched at the G7 summit in Biarritz in August 2019 and is housed within the OECD, covers 40 international companies that decided to join forces around the central issue of fighting inequalities.

In this framework, L'Oréal:

- also made a commitment as the leader of the working group on inclusive purchasing and the issue of living wages in supply chains;
- provided the complete method and 10-year experience of its inclusive purchasing Solidarity Sourcing programme to the coalition; and
- is also a driver in several business projects with a positive social impact within the B4IG incubator.

In the particular case of raw material purchases, a prerequisite for Solidarity Sourcing projects is that they combine responsible agricultural practices, environmental protection and biodiversity, and that they generate a positive societal impact, notably through the implementation of fair trade principles.

Examples include the following sourcing:

• The sourcing of shea butter:

- since 2014, 100% of our shea butter volumes have been sourced from Burkina Faso; the Group's purchasing contracts ensure prefinancing of crops, respect for a fair price, access to training and the establishment of community projects for women working together within groupings of women producers;
- in Burkina Faso, less than 3% of families have access to electricity and 87% of households use wood for cooking. Energy expenses represent nearly one third of household budgets and 105,000 hectares of forest disappear every year. Since its introduction in 2016, the sustainable and fair sourcing system has striven to combat energy poverty and deforestation by facilitating the distribution of so-called improved stoves to women. The project is multiplying its impacts:
 - household wood consumption has been reduced by half and significant savings are being achieved,
 - thousands of hours of unpaid work are avoided (collecting wood, cooking),
 - working conditions have improved (60% less smoke in rooms), and
 - CO₂ emissions have reduced.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

In the ongoing progress approach, 2020 saw significant advances in the shea butter project:

- the shea nuts purchased by the Group obtained the Fair for Life fair trade certification standard, and
 - an inclusive pilot insurance project was created in collaboration with several partners, including the Group's shea butter suppliers and an insurance specialist. This unique, innovative health and crop loss micro-insurance project is designed to improve the economic resiliency of producers by offering them security in the event of hospitalisations or life-threatening injuries;
- **Inclusion with suppliers of marketing services:**

The purchasing teams at L'Oréal USA are working with the country's Diversity, Equity, and Inclusion team to boost efforts and raise awareness of the diversity of suppliers within the zone.

An exemplary partnership is the one with Creator Deck, an agency certified by the WBENC (Women's Business Enterprise National Council), in accordance with the national independent standard that recognises businesses owned, controlled and led by women in the United States. Creator Deck specialises in influence marketing and incorporates diversity, equity, and inclusion into all aspects of its business:

- the criteria of equal opportunity and promotion of diversity, particularly ethnic and gender diversity, are at the centre of its business model; and
- the business also chooses customers that share and demonstrate these same values.

Its diversified database of influencers and their social media content enable brands such as Maybelline and NYX to promote a daring and inclusive vision of beauty.

L'Oréal USA's partnership with Creator Deck illustrates the unique value that diversity-focused companies bring to the Group's brands and business activities and how they are fostering innovation.

In 2021, L'Oréal USA recorded 22% of the Group's total performance within the global "Supplier Diversity" programme, with 618 jobs at American suppliers that are owned by women, representing one-third of these beneficiaries, but also with those holding the equivalent certification for minorities, LGBTQIA+, veterans, or disabled people.

L'Oréal and its commitment to the living wage

In line with its commitment to fair pay for all of its employees, L'Oréal is committed to ensuring that, by 2030, all employees of its strategic suppliers will be paid at least a living wage, in line with best practices.

To support us in the development of our living wage strategy and rollout plan, L'Oréal has partnered with the Fair Wage Network, a meticulous, internationally recognised NGO.

In order to roll out this approach to our strategic suppliers, we need to initiate a dialogue, work together and establish common strategic frameworks, in collaboration with partners within our supply chains, other companies, civil society, governments, etc.

4.3.1.3. Sustainability: from product design to end consumer

As part of L'Oréal for the Future, the new sustainability programme announced in June 2020, the Group is continuing its long-standing commitments to keep its activities within the planet's limits. The new targets have been designed to ensure the sustainability of its activities and to reconcile the Group's needs with the preservation of a planet with limited resources.

For the Group, the preservation of resources is a long-standing commitment that applies to the entire life cycle of our products, from their creation to their use by consumers. Whenever a product is designed, created or updated, its environmental and/or social profile is improved. Eco-design and reduction of the environmental footprint of its product formulas, biodiversity through a raw materials sustainable and responsible sourcing policy, packaging eco-design and a commitment to "zero deforestation" are all drivers activated by L'Oréal to promote sustainable innovation.

The Packaging & Development teams, the CSR team and the laboratories conduct, together with the Management Committees of the international brands, analyses of their portfolios of formulas and their packaging. Sustainable innovation plans are therefore systematically defined and identified through the use of possible improvement drivers for each range and product. In addition, thanks to recent developments in life and environmental sciences, the Group also established a Green Sciences programme to drive change in its portfolio of raw materials and formulas through the development of ingredients with a favourable environmental profile founded on five pillars: innovative agricultural production, biotechnology and fermentation, "green" extraction, "green" chemistry and "green" formulation.

Finally, through its brands and thanks to a scheme that displays the environmental and social impact of its products (Product Impact Labelling), the Group aims to engage its consumers and allow them to make informed choices about sustainable consumption.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

4.3.1.3.1. Eco-designed products

A/ Reducing the environmental footprint of products



96%
of products were eco-designed
in 2021.

L'ORÉAL
POUR LE FUTUR

Target
2030
100%

Most of the ingredients used in the formulas (over 90% by weight) have an end of life in domestic wastewater, and are treated by more or less advanced sanitation systems depending on the geographic area.

All formulas marketed by the Group pose no foreseeable risk to the environment. However, as some of the ingredients used in the formulas may have a more or less significant environmental impact, L'Oréal opened its first environmental research laboratory in 1995 to evaluate and reduce the environmental footprint of its formulas. Through this initiative, the Group has developed expertise with regard to the potential impacts of its cosmetic products on aquatic environments. Raw materials used in the formulation of products from the design stage are evaluated in such a way as to allow a strict selection of ingredients. L'Oréal has abstained from registering new raw materials with an adverse environmental profile since 2005.

Measuring the environmental impact of products

In 2013, an index was developed to quantify the environmental performance of a cosmetic formula in respect of the aquatic environment. To do this, a calculation method for the Water Footprint specific to cosmetic products was also applied to the entire portfolio of formulas (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and aquatic ecotoxicity).

For several years, L'Oréal has carried out analyses of the life cycles of its products in order to identify, evaluate and improve their environmental impact.

Since 2017, the SPOT (*Sustainable Product Optimisation Tool*), based on a rigorous scientific methodology for assessing environmental impacts, has been rolled out to all Group brands (except recent acquisitions). This tool calculates the complete environmental and social footprint of a product in accordance with the European Commission recommendation (Product Environmental Footprint) on the use of common methods to measure and communicate the environmental performance of products and organisations. SPOT is an integral part of L'Oréal's product launch processes, making it possible to incorporate sustainable innovation into the very heart of the product development.

The SPOT tool provides exhaustive measurements of all environmental factors by integrating 14 impact factors used by the European product environmental footprint framework. A standardised version of these different impacts is applied on the basis of the average impacts of a European consumer. Then, to obtain a single value for the product environmental footprint (formula and packaging), impacts are aggregated using a method based on the planetary boundaries developed by an international team led by Professor Johan Rockström of the Stockholm Resilience Centre. In a final stage, the footprint is compared to a benchmark in order to obtain a dimensionless score between 0 and 10 which allows the product design teams to measure their progress.

The SPOT tool also includes a methodology for measuring the social impact of products that was jointly developed with internal expertise (formula, packaging, factory, stakeholders) and nine international experts in social life cycle analyses (see paragraph "Using the Group's purchasing power to serve social inclusion" in section 4.3.1.2.2.).

The SPOT tool has replaced the previously used environmental and social improvement assessment systems for formulas and packaging. SPOT takes account of more criteria and allows for a more complete and demanding analysis where the different impacts are weighted according to their contribution to the product's overall impact. This tool has allowed assessment the environmental and social footprint of all products developed in 2021.

To classify the products according to the benefits offered to the consumer, all 19 product types manufactured by the Group (shampoos, hair care products, shower gels, skincare products, cleansers, hair colours, styling products, deodorants, sun care products, make-up, perfumes, etc.) were analysed. After defining around 150 product categories that bring consumer benefits and screening more than 40,000 formulas between 2014 and 2015, the performance of each consumer benefit category was established to allow eco-design of products using the SPOT tool to ensure that all new formulas are developed with the goal of an improved environmental profile with identical benefits for the consumer.



In 2021, **46%** of created or renovated products had an improved environmental profile due to a new formula with a smaller environmental footprint.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

Improving biodegradability through eco-design

The Group is working to measure and increase the biodegradability of its formulas and reduce their water footprint at the end of life. These two parameters have been integrated in the SPOT product eco-design tool.

It is used by all teams of product formulators to assess the biodegradability and water footprint whenever new formulas are created.

100% of the formulas put into production for the first time in 2021 have been evaluated. 76% of them have an improved environmental profile.

Among the new products launched in 2021, the products below have formulas with biodegradability levels of over 98% across L'Oréal's Divisions:

Honey hand pomade	La Provençale Bio
Regard des Reines	Sanoflore
Nu Dewy Mist	Yves Saint Laurent
Matrix Total Results Weightless Serum	Matrix

The Sharing Beauty With All programme led to a very significant increase in the percentage of raw materials of renewable origin and produced in accordance with the criteria of green chemistry. In 2021, via the L'Oréal for the Future programme, L'Oréal continued to work to achieve its commitments regarding the biodegradability of its raw materials portfolio. A total of 82% of the volume of raw materials was biodegradable in 2021 and was stable compared to 2020. A recalculation for the year 2020 was done based on the new methodology used in 2021.

Using eco-design to reduce the impact of the product use phase

Innovation is also used to reduce the impact of the phase during which consumers use our products. In the rinse-off cosmetics sector, the main impacts are the carbon and water footprints of the product use phase. As part of its new L'Oréal for the Future sustainability commitments, the Group aims to develop innovative solutions that enable consumers to reduce both the greenhouse gas emissions and the water consumption associated with using its products.

In the context of the Covid-19 crisis, the Group's consumers have focused on skincare products, the number one category for growth in the beauty market, and have demonstrated a desire for hair care and colouring, as well as hygiene products. These categories are the ones that contain most of the Group's rinse-off products and therefore contribute heavily to the water consumption by the Group's consumers.

At the same time as hair salons reopened and particularly dynamic growth in haircare and colouring was observed, the Group significantly reduced the water consumption associated with the use of its products in comparison to 2020.

The Group's strategy to meet this challenge is based on three pillars:

- A reduction in the quantity of water used for rinse-off products. This means the development of formulation bases that offer better rinsability. For example, the Garnier brand made available to its consumers solid shampoos that offer a 20% saving in the rinse volume used.

- Innovation in routines: the Group continually adapts its innovation model to meet all beauty aspirations around the world. L'Oréal wants to allow its consumers to reduce the use phase by offering new innovations in the areas of product use and routines, with the goal of reducing the impact of the usage phase by eliminating the rinse phase, for example. In 2021, the Garnier brand, through its Ultra Soft universe, marketed leave-in conditioners contained in a cardboard tube. This eco-designed technology (91% biodegradable and 94% renewable ingredients) eliminates the usual need to rinse off with water as required by traditional conditioners.

- The deployment of technologies: the Group is developing equipment that will reduce water consumption in salons by collaborating with its ecosystem to develop new solutions. The Group has also partnered with the Swiss start-up Gjosa to optimise the rinse-off technology of shampoos and thereby limit the quantity of water used. In 2018, L'Oréal and Gjosa announced that they were designing a shower head that can rinse off shampoo using just 1.5 litres of water (instead of the 8 litres normally used). Called *L'Oréal Water Saver*, this sustainable hair-care technology for use in salons and at home was presented at the Consumer Electric Show in January 2021.

The emission factors⁽¹⁾ of the energy used in the countries in which L'Oréal sells its products vary according to their energy mix. Given the changes in the distribution of the sales and emission factors of the countries since 2016, greenhouse gas emissions have been favourably decorrelated from the water consumption associated with the use of the products.

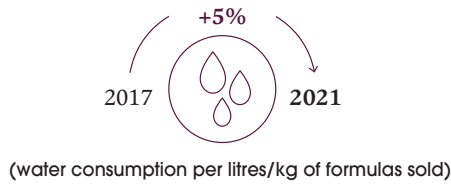
In addition, this positive change in greenhouse gas emissions is also due to the reduction in the use of certain types of aerosols, thus reducing CO₂ emissions from the use phase of products that do not require water.

(1) The emission factors represent the carbon intensity of the energy required to heat the water associated with the use of the products. The energy emission factors vary from one country to another according to the rate of use of renewable energy in the country's energy mix.

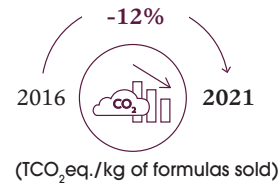
4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

WATER CONSUMPTION LINKED TO THE USE OF THE PRODUCTS



GREENHOUSE GAS EMISSIONS LINKED TO USE OF THE PRODUCTS



B/ Respect for biodiversity

Giving preference to the use of sustainably sourced renewable raw materials

The Group's constant concern regarding the sourcing of its raw materials is, over and above quality considerations, to guarantee the sustainability of resources.

In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya Protocol, aimed at regulating access to the genetic resources of a given region and the fair sharing of benefits arising from the use of those resources.

Conscious of these issues well before the Nagoya Protocol came into force, L'Oréal's Research Department has continuously strived, since 2005, to adopt an approach aimed at securing its sourcing channels for the future to respond to the issues of sustainable use of biodiversity. To do so, the Group

gives preference, in particular, to the use of renewable raw materials⁽¹⁾ and ensures that they are responsibly sourced. L'Oréal has adopted green chemistry principles to promote the use of renewable raw materials, to design products serving to reduce waste and preserve the water cycle. For more than ten years, green chemistry has been a catalyst for L'Oréal's sustainable innovation policy. In the broadest sense, green chemistry aims to prevent upstream pollution and to combat the use and contamination of the environment at source. The increasing use of plant-based ingredients presents risks in terms of supply related to the consequences of climate change (availability and price), and can also result in environmental consequences through the cultivation of the crops that produce these ingredients (deforestation, soil depletion, consequences on biodiversity, for instance).



In 2021, among the raw materials newly referenced by the Group **63%** in number were renewable and **40%** in number respected green chemistry

Products marketed in 2021 with a proportion of renewable raw materials above 98%

Blowout solid serum	Softsheen-Carson
Hair spa hair tonic	L'Oréal Professionnel
Hydra floral bright essence	Decleor
Garnier Fructis Curl Nourish Wonder Oil	Garnier

In 2021, Biotherm updated the formula for its Aquasource Hyalu Plump Gel hydrating face gel, increasing the percentage of renewable materials from 53% to 91% with a pot made of 40% recycled glass in recycled and recyclable paper packaging without cellophane.

The Group has also set up a Green Sciences programme to drive change in its portfolio of raw materials and formulas. This is achieved through the development of ingredients with a favourable environmental profile, by minimising environmental impacts and using eco-friendly processing methods.

(1) This means that the carbon content is primarily of plant origin.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

Therefore, with regards to raw materials, the Group promotes green chemistry principles which encourage the development of ingredients with a favourable environmental profile made from plant raw materials, which minimise the number of synthesis stages, the consumption of non-toxic solvents and energy, and the production of by-products.

In 2021, the percentage in volume of the raw materials used by L'Oréal coming from green chemistry⁽¹⁾ was 28%. This represents more than 717⁽²⁾ raw materials. In 2020 (recalculated using the new methodology), this percentage was 28%.

In 2021, 63% of the newly referenced raw materials are renewable. Furthermore, 33 new raw materials based on green chemistry principles were registered, representing 40% of the total.

The Group considers biodiversity to be a key source of innovation. Accordingly, plans to increase the use of raw materials from plant sources must ensure that there is no impact on these ecosystems or on the availability of these resources for other uses. The Group is thus making a commitment to a sustainable and responsible supply chain (see paragraph "Using the Group's purchasing power to serve social inclusion" in section 4.3.1.2.2. of this document).



In 2021, **60%** of our ingredients in formulas were from biobased sources, derived from abundant minerals or from circular processes.

L'ORÉAL
POUR LE FUTUR

Target
2030
95%

By 2030, L'Oréal is committed to ensuring that 95% of the ingredients in its formulas will be from biobased sources, derived from abundant minerals or from circular processes.

As part of this commitment, the Group is working with specialised external partners to define a robust, scientific methodology to classify the minerals used and to ensure that they are from abundant sources.

Respect for biodiversity and societal contribution

In 2018, as part of the Act4nature initiative, L'Oréal set a goal of having 100% renewable raw materials coming from sustainable sources by 2030. To be included in this category, they must be traceable, with an identified botanic and geographic origin. The respect for Human Rights in accordance with ILO principles is now expected throughout the production chain. At the level of plant growing and harvesting, attention is also placed on the economic development of the producers and respect for the traditional knowledge coming from biodiversity in accordance with the principles of the Nagoya Protocol (preservation of biodiversity, and fair and equitable sharing of the benefits with local communities).

In 2021, 100% of the renewable raw materials used by the Group were reassessed based on criteria such as respect for biodiversity and forced labour (see SCAN Index below).

Furthermore, the traceability campaigns launched with all the Group's suppliers have made it possible to trace 100% of plant-based ingredients to their country of production, or even as far as the biomass production site. In 2021, the portfolio of raw materials from renewable sources therefore comprised 1,717⁽³⁾ raw materials from nearly 313 botanical species from more than 100 countries.

Out of the 313 botanical species that are the source of the renewable raw materials used by the Group, around 6%⁽⁴⁾ present significant biodiversity challenges (endangered species, and impact of production on natural environments) depending on their geographic origin and the method of extraction or production used. They are the subject of specific action plans initiated with suppliers and, if necessary, benefit from the systematic support of independent external third parties, in order to manage the real impacts on the territories of origin of the ingredients.

- For the palm oil and its by-products segment, which are the subject of a specific "Zero deforestation" approach (see below), at year-end 2021, 100% of the supplies were covered by action plans with the suppliers concerned.
- For other streams of renewable raw materials, which represent 17% of the portfolio of renewable raw materials in volumes and 74% in number, L'Oréal, on the basis of environmental, social and economic indicators from external databases (IHD of the UNDP, EPI from Yale University, Verisk Maplecroft Country Index), has defined indicators of "sustainable sourcing challenges" to assess renewable raw material streams with regard to their sustainability. These indicators are consolidated within the SCAN (Sustainable Characterisation) index, allowing the Group to prioritise the implementation of its sustainable sourcing action plans. The Group updates the information collected regularly. 79% of the volumes of raw materials that have sustainable sourcing challenges according to the SCAN Index (i.e. 36% in number of raw materials) are already the subject of improvement action plans with the suppliers in question in order to ensure a sustainable supply. The goal is for 100% of the Group's renewable raw materials to come from sustainable sources. To achieve this, L'Oréal launched a support and training programme for more than 200 suppliers on the issues of sustainable sourcing of raw materials in order to guarantee the traceability of the raw materials delivered to L'Oréal and ensure the associated streams are secure. Depending on the level of environmental and/or social risk identified on these streams, suppliers are notably asked to deploy the field audit

(1) This means derived from renewable resources, transformed by an eco-friendly process and offering a favourable environmental profile.

(2) Determined according to production.

(3) Calculated on the basis of projected purchases between January and November 2021.

(4) Calculated on the basis of projected purchases between January and November 2021.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

procedure for producers (88 indicators), developed by L'Oréal with the support of the Rainforest Alliance NGO and reviewed in 2019 by EcoCert, The Biodiversity Consultancy and The Danish Institute for Human Rights. They are also invited to rely on sustainable sourcing certifications adapted to the challenges of their streams (Fair Trade, Sustainable Agricultural Network, Organic, etc.).

By relying on sustainable sourcing for the supply of renewable raw materials, L'Oréal contributes to the social inclusion of vulnerable population groups while ensuring environmentally friendly sourcing.



In 2021, **94%** of the biobased ingredients in our formulas were traced and sourced from sustainable sources.

L'ORÉAL
POUR LE FUTUR

Target
2030
100%

Insurance Net for Smallholders (INES)

Today, four out of five small farmers worldwide have no access to insurance schemes. These small operators and their families are therefore vulnerable to weather events but are excluded from "conventional" healthcare coverage, making them even more vulnerable. In order to reduce this exposure to agricultural and health risks, L'Oréal and AXA, along with the Business for Inclusive Growth (B4IG) incubator, decided in 2020 to develop a micro-insurance project offering tailored health and crop insurance solutions to farmers connected to L'Oréal's strategic raw materials supply chains.

In 2021, this scheme was rolled out in two L'Oréal supply sectors: the shea butter sector in Burkina Faso and the guar sector in India. The first pilot project aims to provide health and crop insurance to nearly 20,000 shea gatherers who may face health and climate risks. The second pilot project focuses on providing a health micro-insurance solution for all the 2,000 small-scale guar producers who are members of the Sustainable Guar Initiative (SGI), and their families.

The resilience of Guar

Accounting for 80% of global production, India is the world's leading guar-producing country. Guar grows primarily in Rajasthan, a region characterised by hostile weather conditions and infertile land. Guar is a legume that is used as a powerful thickening agent, mainly in hair care products (shampoos, conditioners, and masks).

Nearly 80% of the population of Rajasthan depends on agriculture, and on guar in particular, as it is one of the few crops that can be grown in this arid region. For these isolated communities, access to a basic social infrastructure such as water and healthcare remains limited: their agricultural production is significantly affected by the monsoon and weather conditions and their income depends on conditions set by the market.

To address these environmental, agronomic and socio-economic issues, in 2015 L'Oréal partnered with its supplier Solvay and the NGO Technoserve to launch the Sustainable Guar Initiative (SGI). This was aimed at nearly 1,500 farmers, across 13 communities, that are dependent on rain-fed agriculture.

Initially, the project helped structure the sector by establishing a traceable guar supply chain while helping farmers to organise themselves into cooperatives. The farmers were trained in best agricultural practices. In order to guarantee the food security of these communities, the women in the villages were taught the importance of diversity in nutrition and helped in establishing vegetable gardens.

Given the recurring droughts in the region, water is a key issue. A pilot project was therefore launched to develop systems for collecting water so that fields can be irrigated during periods of severe drought, thereby preventing the loss of crops.

In 2020, in order to capitalise on the experience it has gained, strengthen its regional impact and cover 100% of its guar supply, L'Oréal launched a second project in partnership with its supplier Lucid Colloids and the NGO SOL. This project supports 1,200 new farmers in the same region. This project focuses on the following goals: training in ecological farming practices, promoting sustainable water management, strengthening the capacity of women to develop income-generating activities supported by micro-credit, and, finally, supporting the education of farmers' children.

In 2021, to reinforce the socio-economic resilience of all farmers connected to its supply chain and to combat the high volatility of market prices, L'Oréal set up a minimum price to ensure a fair income for guar producers. Finally, to address health issues, a health micro-insurance solution has been developed with AXA and rolled out to 2,000 guar producers (see the box above on INES).

Respecting biodiversity and measuring our footprint

The loss of biodiversity undermines food security, health, quality of life and many services provided to our economies (pollination, the purity of air and water, soil fertility), as well as our resilience to climate change. The conversion of natural ecosystems due to the expansion of agriculture and urban development is recognised by science as the primary factor for the loss of biodiversity, followed by pollution, climate change and the introduction of invasive species.

Although the Group has, for many years, been committed to the preservation and sustainable use of biodiversity, the L'Oréal for the Future programme reaffirms this commitment by positioning biodiversity right at the heart of the Group's goals.

To this end, with the support of The Biodiversity Consultancy, the Group has developed an innovative way of measuring the impact that its industrial activities and sourcing have on natural ecosystems.

This new indicator is based on three parameters (the ground surface required, the loss of biodiversity related to Group practices and the importance of biodiversity in the ecosystem concerned) and it enabled us to estimate that the sourcing of ingredients of plant origin accounted for more than 80% of our biodiversity footprint.

L'Oréal is therefore committed to ensuring that, between now and 2030, its footprint on the ecosystems required to produce ingredients of plant origin remains unchanged from 2019 levels.

The following drivers have been identified as key to achieving this goal:

- The adoption of regenerative agricultural practices by suppliers, in order to improve yields, preserve biodiversity and help farmers transition towards more sustainable agriculture;
- The implementation of an ambitious plan to develop alternatives to the raw materials with the highest impact, particularly through biotechnology and circular processes, as part of the Green Sciences programme; and
- Finally, support for rehabilitation projects for ecosystems adjacent to our strategic supply chains.

At the same time, L'Oréal is still working on different approaches and methodologies for assessing the impact of its activities on developing biodiversity in France and internationally, by taking part in the work of the Science-Based Targets on Nature network's Corporate Engagement Programme, CDC Biodiversité's B4B+ club (*Business for Positive Biodiversity*), and the *One Planet Business for Biodiversity* (OP2B) collective.

"Zero Deforestation" commitment

As part of its "Zero Deforestation" policy published in 2014, the Group pledged that by 2020 none of the ingredients and raw materials used in its products would be linked to deforestation. Since 2007, L'Oréal has been deploying action plans in order to guarantee a sustainable supply of agricultural raw materials that could be the cause of deforestation, including palm oil, soybean extract, and fibrewood-based products.

In 2021, aware of the increasingly critical threat that continues to threaten forests worldwide and the social and environmental consequences associated with deforestation, following a consultation process with its stakeholders, L'Oréal renewed its goals as part of its new Forestry Policy 2030.

Capitalising on its previous achievements with palm, soy and wood fibre, the new Forestry Policy 2030 covers a wider range of raw materials, prioritised according to their strategic importance and the social and environmental risks identified in the zones in which they are produced. Based both on sustainable and responsible management throughout the supply chains, and on the preservation and rehabilitation of natural ecosystems adjacent to production areas, this policy has been incorporated into the Group's strategy for the sustainable sourcing of ingredients, and sets new goals that are specific to these raw materials. In addition to the environmental dimension, the Forest 2030 policy focuses on respect for Human Rights and improving the living conditions of the communities affected.

Results for raw materials

Palm:

In 2021, L'Oréal consumed less than 310 tonnes of palm oil and 90,003 tonnes of palm oil derivatives (which come from palm fruit pulp) and of palm kernel oil (extracted from palm fruit kernels). These two oils are used to produce glycerine, fatty acids and fatty alcohols which form part of the composition of the Group's products.

As part of its "zero deforestation" commitment, L'Oréal is rolling out a specific strategy for palm oil derivatives, in partnership with all stakeholders (producers, NGOs and suppliers):

- 100% of purchases of palm oil, and palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria (www.rspo.org) since 2012; and
- 94% of the main derivatives come from sources that are identified (as far as mills).

In terms of certification, 100% of the volumes of palm oil used by L'Oréal meet the standards and procedures of the Roundtable on Sustainable Palm Oil (RSPO), via one of its most demanding traceability models, the SG (Segregated) model. 100% of the derivatives are also certified. L'Oréal had increased the proportion of its physically certified purchases to 98.4% of RSPO Mass Balance at the end of 2021, compared with 95% in 2020 and 70% in 2019. The remainder continues to be covered by the RSPO Book & Claim model. To complete its certification objectives, L'Oréal made a commitment for at least 30% of its volumes to be connected to field projects that support small, independent planters. In 2021, 27% of these volumes were physically connected to sustainable sourcing projects in Indonesia and Malaysia.

Within the framework of its "Zero Deforestation" commitment made in 2014, the Group had pledged to trace the main palm and palm kernel derivatives that it uses as far as the mills by the end of 2015. This was a difficult task as the process for transforming derivatives involved a large number of players and many branches of the supply chains.

An initial phase involving a survey was conducted in 2014, with the support of a firm of independent experts, of L'Oréal's strategic suppliers, who supply more than half its palm and palm kernel derivatives. Since 2015, L'Oréal has progressively updated and enriched its data collection by extending the scope to cover all suppliers in order to be able to trace and identify the origin of 100% of its main palm and palm kernel derivatives. The results of this work show that Malaysia and Indonesia are the main countries from which supplies are obtained and that, for 2020, 98% of these volumes of palm and palm kernel derivatives could be traced to the refineries, 94% to the mills and 50% as far as the plantations.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

In 2021, on the basis of this work and with the goal of greater transparency, for the fourth consecutive year, L'Oréal published the list of the 928 mills indirectly connected to its supply chain and representing over 90% of its palm derivative volumes, as well as the list of its direct suppliers of derivatives.

In 2016, L'Oréal rounded out its evaluation and selection tools for palm oil and palm kernel derivative suppliers with a specific tool, the Sustainable Palm Index, to assess the level of commitment, progress and achievements of its direct suppliers in favour of sustainable palm oil. This tool is used annually to evaluate suppliers' progress towards the Zero Deforestation objective and their level of compliance with the Group's requirements. It was first made public in 2016 to enable it to be used by all players in the supply chain.

In 2018, to take its commitment further, L'Oréal initiated the development of a new tool in collaboration with ZSL (Zoological Society of London) and Transitions, to evaluate

refineries and crushers (which extract the oil from the kernels), on the basis of their reporting, policies and procedures. The indicators used for this evaluation were aligned with the requirements of the Group's standards in respect of deforestation. This tool has been available and public since 2019.

At mill level, since 2016, the L'Oréal Group has relied on Global Forest Watch's risk assessment tool to ensure that no derivative traced to mills is linked to deforestation.

In 2018, the procedure for dealing with cases of non-conformity with our zero deforestation commitment by direct or indirect suppliers was also made public.

Since November 2019, in order to contribute to the sector transformation, L'Oréal has been a founding member of Action for Sustainable Derivatives (ASD), an initiative coordinated by BSR and Transitions within which L'Oréal has actively contributed, in particular by sharing all its methodologies and tools developed since 2014.

Palm oil derivatives in Malaysia: from a pilot project to a regional approach

In 2015, in the Beluran district of Malaysia, L'Oréal launched a pilot project called "SPOTS" (Sustainable Palm Oil & Traceability with Sabah small producers) aimed at supporting 500 independent producers of palm oil by 2020. The first phase of this innovative project, conducted in partnership with direct supplier Clariant, its intermediate supplier Global Amines, its upstream producer Wilmar and Malaysian social enterprise Wild Asia, was designed to:

- ensure that the supply of palm oil derivatives purchased by L'Oréal could be traced;
- promote RSPO certification;
- encourage the adoption of sustainable production practices; and
- improve the living conditions of the 500 small producers.

Accordingly, as the end buyer, L'Oréal has committed to buying RSPO-certified products from small producers under a five-year contract, thereby initiating a long-term commercial relationship with each stakeholder in the value chain, including small independent producers. This marks a break with the standard practice on the conventional palm oil market.

At the end of the first five years of the project, 942 independent producers had joined the SPOTS project, 774 of whom obtained RSPO certification, representing nearly 28,000 hectares of sustainably managed plantations. More than 200 training sessions were organised by Wild Asia for small palm producers, who were able to learn more about the RSPO certification system, best practice to limit production costs in sustainable agriculture, waste management and soil health.

Building on the significant results of this first phase, L'Oréal worked with its suppliers and Wild Asia to scale up the project, in order to extend its positive impact to the entire state of Sabah by 2025.

The aim of this regional cooperation is twofold: to extend RSPO certification to 3,500 independent producers, i.e. 100,000 hectares of plantations, while encouraging the adoption of regenerative agricultural practices for palm oil production.

Thus, by building on the experience of the "Bio-farms" developed by Wild Asia on around one hundred thousand hectares of palm plantations, the project aims to encourage small producers to volunteer to adopt low-carbon practices that are good for both the soil and biodiversity, and that enable them to improve their yields and their income. Establishing these bio-farms inspired by regenerative agricultural practices on nearly 10,000 hectares by 2025 will help L'Oréal to achieve its objective of maintaining a stable footprint on the ecosystems required to produce its ingredients. It will also help transition towards more sustainable and innovative agriculture that breaks with conventional practices in the production of palm oil.

Soy

In 2021, L'Oréal consumed 354 tonnes of soybean extract and 2,502 tonnes of soybean extract derivatives. In 2021, 100% of the soybean extract used by L'Oréal and coming from Latin America is from a land project certified RTRS, Bio and Fair For Life, aimed at supporting 36 small soybean producers in Brazil and Paraguay, or from certified sources (IP - Identity Preserved Proterra). Most derivatives come from areas classed without risk of deforestation.

Paper/cardboard

Regarding materials used by L'Oréal for its packaging, the paper used for notices and the cardboard used for boxes is certified as coming from sustainably managed forests (FSC or PEFC certified) (see section on "Materials vigilance and preservation of resources" below).

C/ Improving the environmental profile of packaging, new displays and Free-Standing stores in accordance with the Group's sustainable development principles

Packaging represents a significant part of the environmental impact of cosmetic products. The reduction in the environmental footprint of packaging is therefore naturally part of the commitments under the new L'Oréal for the Future programme, following on from the former Sharing Beauty With All programme, which came to an end in 2020.

In 2007, L'Oréal launched a Packaging and the Environment Policy that incorporates respect for consumers, the environment and biodiversity.

The new programme highlights three major challenges to improving the environmental profile of packaging:

- Reduce: designing filling and packing articles and finished goods that are smaller and lighter in relation to the contents, thereby consuming fewer resources;
- Replace: substituting high-impact materials with alternative materials with lower environmental footprints, such as recycled materials and materials from natural and renewable sources; and

- Recycle: making sure that the packaging can contribute to circularity by being recycled.

These principles are applied well ahead of each launch, right from the marketing brief, and are orchestrated via a global, systematic eco-design process for the Group's packaging, notably with the help of the SPOT measurement tool and methodology. L'Oréal's sustainable development commitments are an integral part of the Group's packaging strategy and new tools have been rolled out for use by the product development teams.

Since 2018, the Group has used a specific POS programme that is based on the principles of eco-design and the circular economics. In addition, for our Free Standing Stores, we have drawn up an eco-design and construction guide in line with our principles of sustainable development. The Group shares the guidelines and best practices for both these initiatives with its suppliers and partner distributors.



In 2021, **78%** of created or renovated products had an improved environmental profile due to improved packaging.

Materials vigilance and preservation of resources

L'Oréal requires a food-grade level for all materials used in its packaging that is in contact with its products. The Group also takes a proactive approach with its suppliers in order to ensure that packaging does not contain any sensitive substances. Audits are conducted regularly to ensure the conformity of the filling and packing components delivered, thus ensuring an uncompromised level of quality and safety for consumers.

L'Oréal has pledged that it will no longer produce finished products containing PVC. This commitment has been kept since 1 January 2018, with the exception of recent acquisitions, no PVC packaging has been used in the manufacture of finished products since that date.

Controlling the source of materials used in packaging is a major challenge that requires responsible sourcing. L'Oréal has set itself the target of using, for its paper, cardboard or wooden packaging, materials from sustainably managed forests, exploited with respect for populations and forest ecosystems. The paper and cardboard used for packaging come from forests that are FSC preferably or PEFC certified (or have obtained any other certification recognised by PEFC International). Since 2010, L'Oréal has been a member of the Forest Stewardship Council (FSC) in France and the FSC label is the only one claimed on paper or cardboard packaging for the Group's products.

In 2021, 100% of the paper used for product leaflets and 99.9% of the cardboard used for folding boxes for finished goods were certified as coming from sustainably managed forests.

As part of its new Forest 2030 Policy, L'Oréal is expanding its goals to move beyond certification of the material, while extending its scope of application to cover the Group's primary, secondary and tertiary packaging. In an approach to achieve continuous improvement in traceability, L'Oréal has made a commitment that, by 2030, 100% of its packaging biomaterials will be traceable and come from sustainable sources, with no connection to deforestation. To do so, the Group will rely on the Chain of Custody certification of its packaging suppliers, enhanced by knowledge about their suppliers' countries of origin (production sites of the material, origin of fibres).

Finally, with the aim of improving the recycling of the products put on the market, the Group's brands have worked to provide consumers with detailed sorting instructions and to design packaging that is at most compatible with existing sorting and recycling streams, eliminating disruptors and thereby promoting material recovery after use of the product, to participate in the circular economy.

In addition, several brands sold by L'Oréal in France (Cadum, Garnier, L'Oréal Paris, Narta, Ushuaïa, Vichy, and others), in partnership with the eco-organism CITEO, are pursuing a sorting awareness campaign (media, advertising, etc.) via the "Trionsenbeaute.fr" platform, designed to support consumers in their process to sort their beauty products at the end of life.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Weight and volume reduction: optimising resources used



In 2021, the Group reduced by **3%** in intensity the quantity of packaging used for its products, compared to 2019.

L'ORÉAL
POUR LE FUTUR

Target
2030
-20%

The reduction of the weight and volume of product packaging, an integral part of the design, is a major driver for improving their environmental profile. Every year, L'Oréal launches new initiatives aimed at reducing the quantity of materials used in packaging.

A continuous process is in place to reduce the weight of existing products. As an illustration, two initiatives implemented in 2021 can be mentioned:

- Lancôme redesigned its Génifique eye care by reducing the weight of the jars by 7% for a savings of 37.5 tonnes of glass; and
- the launch of a new line of solid shampoos by Garnier allows the consumer to choose to avoid plastic bottles in favour of an FSC biobased cardboard box (one solid shampoo with a cardboard box is equivalent to two plastic bottles avoided).

In addition, in order to reduce the resources intended for packaging, L'Oréal is increasingly marketing reusable products, *i.e.* reloadable or refillable systems, with Valentino, for example, which launched its first refillable makeup line, and L'Oréal Paris, which launched shampoo pouches to be used to refill the original bottle.

To limit packaging cubic volumes for its finished products, L'Oréal has established its own procedures for reduction at source. L'Oréal's requirements are respectful of local regulations, and even exceed the regulations of most countries.

To optimise the flow of components, L'Oréal has developed wall-to-wall⁽¹⁾ production to reduce the environmental impact.

Replace: new sources of materials



In 2021, **21%** of the plastic packaging materials were from recycled or biobased sources.

L'ORÉAL
POUR LE FUTUR

Target
2025
50%

Target
2030
100%

Aware that using non-renewable resources will not last forever, the Group seeks to replace them with recycled or biomass materials, or materials generated by technology that is not reliant on fossil-based resources. In 2021, L'Oréal used 159,351 tonnes of plastic in its primary, secondary and tertiary packaging. L'Oréal is committed to using non-fossil sources for 50% of its plastics by 2025, with an initial target of 40% for PET⁽²⁾ plastic in 2020. This target has been exceeded as, since 2020, more than 50% of the PET used by the Group worldwide has been recycled PET.

Moreover, in the context of L'Oréal for the Future, the Group is aiming at reaching 100% non-fossil plastic by 2030.

Several brands use recycled plastic (some as much as 100%) or recycled glass in their bottles: 73,707 tonnes of recycled materials⁽³⁾, including 43,373 tonnes in primary and secondary packaging, saved the equivalent amount of virgin materials in 2021. 67.1% or 26,073 tonnes, of the volume of PET used by the Group worldwide is recycled PET.

(1) Since 2010, the Group has implemented wall-to-wall production, which consists of setting up, within its factories, a production unit for packaging operated by a supplier. This partnership makes it possible to develop reactivity and manufacturing flexibility, while reducing the transportation of packaging and generation of waste related to its production.

(2) Polyethylene terephthalate.

(3) Excluding factories that do not use the Group's systems.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results



73,707 tonnes

of recycled materials used in the Group's packaging.

For example, all Kerastase 250 ml shampoo bottles now contain 100% PCR⁽¹⁾ PET, representing 251 tonnes of recycled PET for this product line. The same efforts are being made with PE⁽²⁾ containers, both on tubes with, for example, 30% PCR PE on the Bare Look Tint range from YSL Nu, or on bottles in the 1L Redken shampoo and conditioner line, which now contains 100% PCR PE, for hair salons in Europe.

In addition to brands whose bottles are now made of 100% recycled PET, such as Garnier and Elsève, Maybelline *Volum Express Hyper Curl* mascara tubes are produced using 100% PCR PET in the Asia-Pacific Zone.

As part of an ongoing partnership on innovation in responsible packaging, in 2021 L'Oréal and Albéa developed a new generation of cardboard cosmetics tube, replacing an even greater proportion of plastic with a renewable material. In November 2021, this innovation led to the marketing of the Lipikar lip balm from La Roche Posay, contained in an innovative cardboard-based packaging, thus reducing the weight of plastic by 64%.

In November 2020, L'Oréal signed a partnership with Lanzatech to develop polyethylene from industrial carbon emissions.

In order to implement new circular solutions for plastic packaging, L'Oréal is working in collaboration with an ecosystem of partners:

- L'Oréal has created a consortium with Carbios that develops a bio-recycling process using very specific enzymes that will recycle PET plastics and polyester fibres more broadly. This innovative process will produce a recycled PET equivalent to virgin PET. In April 2019, Suntory, Nestlé Waters and Pepsi-Co joined this consortium. In June 2021, L'Oréal announced the creation of the first cosmetics bottle made entirely of recycled plastic using this technology.
- Since 2018, L'Oréal has partnered with LOOP Industries® to depolymerise post-consumer PET into virgin-quality PET.
- In July 2019, L'Oréal signed a partnership with PURECYCLE to produce recycled PP.

For glass packaging, the integration of recycled glass has been expanded to product categories other than skincare and now includes makeup and perfumes. The packaging for these products is composed of up to 40% recycled glass, like the perfume refill from Mugler.

Recycle: integration into circular streams



In 2021, **39%** of the Group's plastic packaging was refillable, reusable, recyclable or compostable.

L'ORÉAL
POUR LE FUTUR

Target
2025
100%

In 2017, L'Oréal joined the New Plastics Economy (NPEC) initiative of the Ellen MacArthur Foundation, the objective of which is to rethink the life-cycle of plastic so that plastic packaging never becomes a waste product, and is re-inserted into the circular economy in the form of materials with biological or technical value. Since 2018, L'Oréal has been a partner of the Ellen MacArthur Foundation, with the goal, for example, of having 100% of its plastic packaging refillable, reusable, recyclable, or compostable by 2025. This goal is one of the commitments L'Oréal made as part of the Ellen

MacArthur Global Commitment. These commitments are monitored by the annual Progress Report. The percentage of refillable, reusable, recyclable or compostable plastics in 2021 was 39%.

Avoiding the introduction of recycling "disruptors" is one way of improving the recyclability profile of packaging.

With this in mind, the L'Oréal Paris brand has discontinued the use of metallised labels across the entire Elsève shampoo range because they could interfere with the detection of plastic in automatic sorting centres.

(1) Post-consumer recycled (PCR).

(2) Polyethylene.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Environmental impact and tools

To evaluate the impact of its finished products, the Group makes the following tools available in its design centres:

- the innovative tool SPOT (Sustainable Product Optimisation Tool), since 2017, to meet the Group's sustainability commitments (see section 4.3.1.3.1. "Eco-designed products" of this document), which assesses the impact of packaging; and
- a tool to help in reducing the environmental impacts of transportation packaging for packaging components from suppliers to plants and transportation packaging of finished products from plants to the Group's distribution centres, particularly through optimisation of palletisation.

To share its research and results with the cosmetics industry, in 2018 the L'Oréal Group created the SPICE initiative (Sustainable Packaging Initiative for Cosmetics) with Quantis (an environmental consulting firm). The purpose of SPICE is to share the best practices and methodologies of each cosmetics player in order to harmonise and enhance the methods used to assess the cosmetic packaging environmental footprint to make it easier to understand for consumers. L'Oréal shares its own SPOT- Packaging methodology through the SPICE initiative. Tracking of work and achievements, as well as the plan for the coming months, are accessible on the open platform www.Open-Spice.com. The SPICE initiative now has more than 25 members worldwide. The dedicated SPICE tool was launched in July 2020.

Since 2018, L'Oréal has been implementing worldwide a programme to eco-design POS materials and furnishings with its teams and suppliers:

- 14 robust and pragmatic golden rules;

- training support for teams and suppliers; and
- monitoring indicators, sharing best practices and organising inter-team challenges, including our suppliers.

The principles relate in particular to materials: recycled materials and those from biobased sources, their weight, recyclability/separability and the optimisation of electricity consumption (for permanent POS). L'Oréal is testing and developing circular economy processes with its suppliers and local operators, notably in the context of uninstalling, recycling or donations. L'Oréal continues to share its best practice, for example, with the French Federation for Beauty Companies (Fédération des Entreprises de la Beauté - FEBEA).

In 2021, L'Oréal continued the roll out of its "Sustainable retail box" programme, aligned with the highest standards, providing concrete actions for the design and responsible construction of its free-standing stores (materials, energy, accessibility, water management, construction waste, interior air quality, ergonomics, etc.) with a view to having them certified. In 2021, 20 of the 22 new or renovated Group stores made a commitment to an eco-responsible process aligned with the highest standards of the Group. Seven of them recorded an eco-design rate of over 100% or are certified LEED Gold⁽¹⁾.

For our permanent POS materials, but also our Free-Standing stores, the Group uses design firms that are experts in lighting to optimise energy consumption without compromising the quality of in-store lighting. The first pilot projects are very promising, in particular for the reduction of environmental impacts. In 2021, the teams worked on new operational guidelines on this subject. This new initiative also benefits the Group's distributors, helping them to improve and optimise their energy consumption.



In 2021, **91%** of advertising displays at points of sale were eco-designed and **32%** of free-standing stores, whether new or refurbished, were designed and built in line with the Group's principles of sustainable development.

L'ORÉAL
POUR LE FUTUR



4.3.1.3.2. Involving consumers in the Group's transformation

A/ Product quality and safety: a priority

A chapter of L'Oréal's Code of Ethics is devoted to product quality and safety.

L'Oréal develops and devises cosmetics with high-quality formulas that meet the needs of both consumers and professionals. As consumer safety is an absolute priority for L'Oréal, assessing the safety of these formulas and their ingredients is central to any new product development process and a prerequisite for any new product being brought to the market. As a result, consumers across the globe have access to cosmetics of identical quality, with proven safety records.

L'Oréal factories around the world produce cosmetic products that comply with ISO international standards. As such, almost all factories are ISO 9001 certified and implement the requirements of ISO 22716 on Good Manufacturing Practices for cosmetics. This standard sets out all the requirements for production, filling and packing, control, storage and shipment in order for a cosmetic product to comply with the defined quality.

100% of the Group's products are subject to a rigorous safety assessment and a safety report is issued for them.

The Worldwide Safety Evaluation Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients used and the formulas prior to their launch on the market. These same safety standards are applied worldwide to protect the health of consumers from across the globe.

(1) Leadership in Energy and Environmental Design, a stringent American environmental certification issued by the US Green Building Council.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

L'Oréal goes one step further in safety assessments by monitoring the potential adverse effects that may arise once the product is on the market through its international cosmeovigilance network. This network collects, validates and analyses, using recognised and rigorous methods, the adverse effects related to the use of a cosmetic product. This allows for appropriate corrective measures to be taken where necessary.

The safety cycle is summarised in the following graphic:



The product safety assessment process

L'Oréal has set up a process to ensure that all products developed by the Group, whatever the geographical location of the laboratory in charge of the project, are subject to the same level of rigorous safety evaluation. The assessments by the Worldwide Safety Evaluation Department, based on a multidisciplinary scientific approach, are carried out at all stages of the life cycle of the products. This approach enables L'Oréal to meet the safety requirements of the national regulations in force in all the countries in which its products are put on sale, testifying to their safety of use. A safety assessment is conducted for each product launched on the market.

The product safety evaluation is based on the evaluation of each ingredient that enters into the composition of the product and the finished product itself. It is carried out on the basis of existing safety data and the latest scientific knowledge, and takes into consideration the conditions of use of the product. If necessary, L'Oréal conducts additional

In responding to questions that civil society may ask regarding certain substances and their effects on health and the environment, three points summarise L'Oréal's position:

- vigilance with regard to any relevant new scientific data;
- cooperation with the relevant authorities; and
- precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk.

The launch of the website "Au coeur de nos produits" (Inside our products) in 2019 is testimony to the Group's desire for increased transparency on this issue.

Finally, production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all factories are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard.

safety studies in qualified laboratories all over the world. The results of these studies are interpreted by experienced scientists who are specially trained in safety issues with regard to cosmetic ingredients and products.

Furthermore, L'Oréal's ethical principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach whereby formulations are evolved by removing and/or replacing substances on the basis of new data.

L'Oréal's added value, in terms of the safety assessment of ingredients and finished products, lies in its investment for nearly 40 years in the development of predictive methods and tissue engineering, and their international regulatory recognition. For many years, the Group has been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works closely with all the international stakeholders involved in relevant industries in order to progress the development of alternative cross-disciplinary solutions in the field of safety assessment.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

This longstanding commitment means that since 1989, or 14 years before regulations required, the Group no longer carries out animal testing in laboratories for any of its products. Equally, L'Oréal no longer tests its ingredients on animals. L'Oréal no longer tolerates any exceptions to this rule and this applies worldwide. The Group also does not delegate responsibility for doing so to anyone else. Some health authorities may nevertheless decide to carry out animal testing themselves for certain cosmetic products and this is still the case in China. For more than 10 years, L'Oréal has been the company most committed to getting Chinese authorities and scientists to recognise alternative methods and changing cosmetic regulations to achieve

the complete and final elimination of animal testing. After the progress made in 2014, which put an end to the testing on animals of some products manufactured in China, since May 2021, all non-functional products imported into China no longer need to be tested on animals, provided that they are accompanied by a safety assessment and a manufacturing best practice certificate issued by their country of origin.

In fact, L'Oréal's products continually evolve as and when technological innovations occur, but with the constant desire to guarantee the highest level of safety for both consumers and professionals.

B/ Raising awareness among consumers about sustainable lifestyle choices

The Group wants to empower all L'Oréal consumers to make sustainable consumption choices.

The SPOT environmental and social assessment tool, rolled out to all of the Group's brands (excluding recent acquisitions), established the environmental and social profile of all new products in a process dating back to 2017.

Displaying the environmental and social impact of the products

As part of its new L'Oréal for the Future sustainability programme, L'Oréal has developed an environmental and social labelling system for its products, with ratings from A to E, designed to inform consumers and enable them to make enlightened consumption choices.

The labelling is built on the SPOT methodology to measure impacts, which was co-created with 11 independent international experts in accordance with the directives of the European Product Environmental Footprint (PEF), to scientifically measure the environmental and social impact of a product.

This tool for comparing products of the same category provides an accurate vision of the impact of a Group product, taking into consideration 14 planetary impact factors such as greenhouse gas emissions, water stress, ocean acidification or the impact on biodiversity.

These impacts are measured at each step in the life cycle of a product and calculated by taking into account not only the cultivation of raw materials, the processing and transport of the product, but also the usage phase by the consumer and the recyclability of the packaging.

In the case of cosmetics, as the carbon and water footprints are the most important impact factors, the Group made the choice to communicate a total environmental impact note combined with a focus on carbon and water footprints.

This information will be accessible to consumers on the product website. The first phase of the roll-out began with the Garnier hair-care category in July 2020 and now covers around twenty countries in Europe and will soon be in other zones.

In November 2021, two new brands - Biotherm and La Roche Posay - rolled out this labelling for their skin care ranges in France, followed by Vichy in December 2021.

Roll-outs in brands and zones where automated data modelling is used are expected to accelerate in 2022.

At the same time, L'Oréal is committed to a sectoral approach, coming together with its competitors to form the Eco Beauty Score Consortium, which aims to develop a methodology for rating cosmetic products, backed by a scientific methodology for measuring environmental impacts in line with the recommendations of the European Commission, similar to that used by the Group for its environmental labelling initiative. Alongside the other members, L'Oréal is committed to sharing its experience in this field within the Consortium, in compliance with anti-trust legislation.



In 2021, an environmental impact score was calculated for **76%** of the Group's rinse-off products. Labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.

L'ORÉAL
POUR LE FUTUR



Environmental and societal commitment of L'Oréal brands

Conscious of the influencing ability of its brands, L'Oréal encourages them to inform and mobilise their business partners, customers and consumers around the major environmental and societal challenges facing the world.

Each brand must therefore identify an environmental or societal cause of its own, support a community partner involved in the field, and conduct awareness-raising and outreach campaigns with its consumers in order to contribute to change.

L'Oréal Paris is therefore backing the Stand Up programme against street harassment, in partnership with the NGO Hollaback!. Since it was created, more than 550,000 people have already been trained in a method that enables them to react safely to street harassment, whether they are victims or witnesses.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

Maybelline has developed the "Brave Together" initiative to take action against anxiety and depression. The brand supports associations in more than 15 countries, providing citizens affected by these symptoms with access to crisis hotlines and various tools offering personalised support. It also promotes anti-stigmatisation campaigns. Maybelline has committed to investing USD \$10 million by 2025 to support organisations around the world.

Yves Saint Laurent Beauté's "Abuse is Not Love" programme is committed to combating domestic violence. The brand has launched an online training tool to provide resources and support to those in abusive relationships as well as those who want to provide support to victims they know. Since the programme launched in 2020, training on abusive relationships has been delivered to more than 100,000 young people and the brand has set itself a target to raise awareness among 2 million people by 2030, in partnership with local NGOs in this domain.

Lancôme has committed to enabling women around the world to be the authors of their own destiny via its Write Her Future programme in partnership with Care International. More than 50,000 women have already benefitted from literacy courses, training in entrepreneurship, and student scholarships.

For more than 10 years, Giorgio Armani has been committed to providing regions affected by drought with access to drinking water and sanitation through its "Acqua for Life" programme. In partnership with UNICEF, WaterAid and Water.org, the brand has contributed to the funding of 530 water supply systems, thereby helping provide more than 390,000 people in 20 countries, on three continents, with access to drinking water.

The "Roche-Posay Cancer Support" programme helps to improve the quality of life of cancer patients by combating the skin toxicities generated by treatments. The brand also contributes to the prevention of skin cancer via information and screening campaigns: to date, the brand has offered more than 540,000 melanoma screenings. Finally, working in partnership with the NGO Childhood Cancer International, the brand's Foundation supports children with cancer and their families.

With its "Live By Blue Beauty" campaign, Biotherm is committed to supporting the oceans. The aim is to minimise the impact of Biotherm on ecosystems throughout its value chain. Prevention, research and education programmes have also been put in place in partnership with partner NGOs such as Mission Blue, the Tara Ocean Foundation, Surfrider Foundation Europe and the Oceanographic Museum of Monaco.

"Kiehl's Gives" is the charitable arm of the Kiehl's brand. Since 2015, it has provided support to nearly 147 charities through 236 local initiatives around the world, with particular emphasis on two causes: the environment and positive social impact. More than USD \$17.7 million have been invested in this initiative.

In the context of the L'Oréal for the Future programme, the Group has made a commitment that three million people will benefit from its brands' social engagement programmes by 2030.

In 2021, 13 brands were actively committed to a social engagement programme with more than 200 partners, which gave 985,089 people direct support from the NGO partners of these programmes, or training delivered by the brand or by the NGO partner of the brand's programme.



In 2021, **985,089** people benefited from the social commitment programmes of the Group's brands.

L'ORÉAL
POUR LE FUTUR

Target
2030
3 millions

The Group and its brands also regularly conduct studies among their consumers, to anticipate future consumption choices and take into account the CSR expectations of consumers. In 2021, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its policy of

actively listening to consumers on sustainable development issues through a number of studies conducted with consumer panels in the United States, India, China and Europe to understand their expectations and fine-tune its policies.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

4.3.1.4. Meeting the most demanding standards

4.3.1.4.1. GHG assessment: an annual exercise

L'Oréal carries out an annual Greenhouse Gas assessment (GHG assessment) for all the Group's activities, in order to measure its CO₂ emissions and identify the action plans that will enable it to reduce its impact. This assessment, which has been performed since 2007, is conducted in accordance with the Greenhouse Gas Protocol (GHG Protocol) rules, the international reference method for recording GHG emissions. It makes it possible to determine the Group's total carbon footprint in three categories – Scopes – defined above in section 4.3.1.3.1. "Eco-designed products" of this document.

In 2021, the GHG assessment of the L'Oréal Group was estimated at 12,526 thousand tonnes of CO₂ equivalent.

Scopes 1 and 2 – emissions measured and reported on a monthly basis

These CO₂ emissions are measured by all the Group's sites and reported monthly.

Scopes 1 and 2 correspond to those for which the Group takes direct action via programmes to control energy consumption deployed on the sites and for the procurement of renewable energy. They are the subject of ambitious reduction targets as part of the L'Oréal for the Future programme (see section 4.4. "L'Oréal for the Future: 2021 results" of this document):

	2025 TARGETS	2020	2021
Industrial sites	- 100% (vs. 2005)	-81%	-87%
Administrative sites and research centres	- 100% (vs. 2016)	-76%	-83%

For 2021, all these Scope 1 and 2 emissions represented 31.6 thousand tonnes[Ⓜ] for the factories and distribution centres, and 6.7 thousand tonnes for the administrative sites and research centres.

Changes in the reported figures for Scopes 1 and 2 since 2014 (in thousands of tonnes of CO₂ equivalent) ⁽¹⁾

	2014	2015	2016 ⁽²⁾	2017 ⁽³⁾	2018	2019	2020	2021	
Scope 1	Industrial sites	58.5	55.5	55.5	49.7	46.6	43.6	39.0	25.9 [Ⓜ]
	Administrative sites and research centres			6.5	8.0	7.7	6.4	4.1	1.8
	Group	58.5	55.5	62.0	57.7	54.3	50.0	43.1	27.7
Scope 2	Industrial sites	60.5	49.6	25.7	15.9	8.9	8.2	7.0	5.7 [Ⓜ]
	Administrative sites and research centres			26.5	25.3	25.7	22.1	5.7	4.9
	Group	60.5	49.6	52.2	41.2	34.6	30.3	12.6	10.6
Scopes 1 + 2	Industrial sites	118.9	105.0	81.2	65.7	55.5	51.8	46.0	31.6 [Ⓜ]
	Administrative sites and research centres			32.9	33.2	33.4	28.5	9.8	6.7
	Group	118.9	105.0	114.2	98.9	88.9	80.3	55.8	38.3

(1) These data present the reported figures each year in the different management reports. In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

(2) As from 2016, Scopes 1 and 2 emissions of the Group:
- are calculated using the new methodology published by the GHG Protocol ("The Scope 2 Guidance"), and monitored using the Market-Based CO₂ indicator, which replaces the Net CO₂ indicator;
- include the emissions related to leaks of cooling gases; and
- include the emissions linked to the administrative sites and research centres.

(3) In 2017 only, Scopes 1 and 2 had been expanded with emissions estimated annually for vehicles operated under long-term leases and for branded retail stores. These emissions are not included in this table.

Scope 3 – emissions estimated annually

Scope 3 covers all other greenhouse gas emissions not directly related to the sites operated by the Group or to the processing of products in the factories but to other stages in its life cycle (procurement, transportation, use, end of life, etc.) and other impacts related to the Group's activities (business travel, etc.). These emissions are the subject of an annual estimate according to the GHG Protocol methodology.

In 2021, work was carried out on Scope 3 of the GHG Assessment in order to improve its input data, limits and emission factors.

For 2021, L'Oréal Group's Scope 3 is estimated at 12,488 thousand tonnes, an increase around 0.5 million tonnes compared to 2020, primarily due to the use phase of the products.

[Ⓜ] The Statutory Auditors have expressed reasonable assurance about this indicator.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

The GHG Protocol defines 15 items of emissions associated with Scope 3:

Upstream or downstream	Scope 3 categories	Scope	2021 emissions (in thousand tonnes of CO ₂ eq.)
Upstream	1. Products and services purchased	CO ₂ emissions related to the preparation of all materials used for the products manufactured by the Group and their promotion at points of sale. These emissions include the extraction of materials, their transportation to suppliers followed by their processing prior to delivery; this represents 838,092 tonnes of CO ₂ eq. for the raw materials used in our formulas and 1,546,294 tonnes of CO ₂ eq. for the packaging elements of our products. The CO ₂ emissions of this item also include the services purchased by L'Oréal (marketing, advertising, etc.) (see section 4.3.1.2.2. "Involving strategic suppliers in the Group's transformation" of this document)	3,932
	2. Capital goods	CO ₂ emissions related capital goods acquired or purchased by L'Oréal in 2021 (property, production, IT, etc.).	695
	3. Fuel- or energy-related activities (not included in Scope 1 and 2 emissions)	CO ₂ emissions related to the extraction, production and transport of the fuel and energy purchased by L'Oréal. It also includes losses during the distribution of electricity.	161
	4. Upstream transport and distribution	CO ₂ emissions generated by the transport of items purchased and shipped to production or distribution sites.	121
	5. Waste generated by sites	CO ₂ emissions related to the treatment of production waste and wastewater (by a third party) from facilities operated and owned by L'Oréal.	18
	6. Business travel	CO ₂ emissions related to business travel for all employees in all countries. These emissions take into account the different means of transport used (short-term car hire, train or plane).	49
	7. Employee home/work commuting	CO ₂ emissions related to employees' journeys from their home to their workplace.	96
	8. Upstream leased assets	CO ₂ emissions generated by the energy consumption of the stores and the consumption of fuel by vehicles used under long-term leases.	63
Downstream	9. Downstream transport and distribution	CO ₂ emissions related to the transport of products sold: this includes transportation flows of finished products from the production sites to the first customer delivery point (450 460 thousand tonnes of CO ₂ eq.) and consumers' travel to and from the points of sale (283 691 thousand tonnes CO ₂ eq.) The CO ₂ emissions of this item also include the energy consumption associated with the materials used to promote products at the point of sale (119 113 thousand tonnes CO ₂ eq.).	852
	10. Processing of sold products	Not relevant: our production is used directly by the end customer. There is no transformation of intermediate products.	-
	11. Use of sold products	CO ₂ emissions related to the use of L'Oréal products by consumers due to the hot water used for rinsing off certain products, such as shampoos, shower gels, dyes, etc. CO ₂ emissions in this item depend primarily on the type and method of production of the energy used to heat the water. (See section 4.3.1.3. "Sustainability: from product design to end consumer" of this document)	5,737
	12. End-of-life treatment of sold products	CO ₂ emissions relating to the treatment of sold products after their use: filling and packing components treated in existing streams and wastewater treated in water treatment plants. CO ₂ emissions for this item are related mainly to the nature and mode of production of the energy used for each treatment.	675
	13. Downstream leased assets	Not relevant: there is no exploitation of assets owned by L'Oréal and leased by other entities.	-
	14. Franchises	Not relevant: all stores are retail stores and are included in the "Upstream leased assets" category.	-
	15. Investing activities	CO ₂ emissions related to L'Oréal's investments in 2021. Investments are recognised via the share of L'Oréal's investments in the company or companies in question.	89

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

L'Oréal publishes data using a "cradle-to-grave" approach in order to estimate its carbon footprint globally over the entire product lifecycle (from raw material purchase to upstream and downstream transport, to product use and end of life).

L'Oréal also analyses its emissions using a "cradle to shelf" approach, which includes the steps that L'Oréal has the most influence on through, for example, eco-design initiatives or support provided to suppliers.

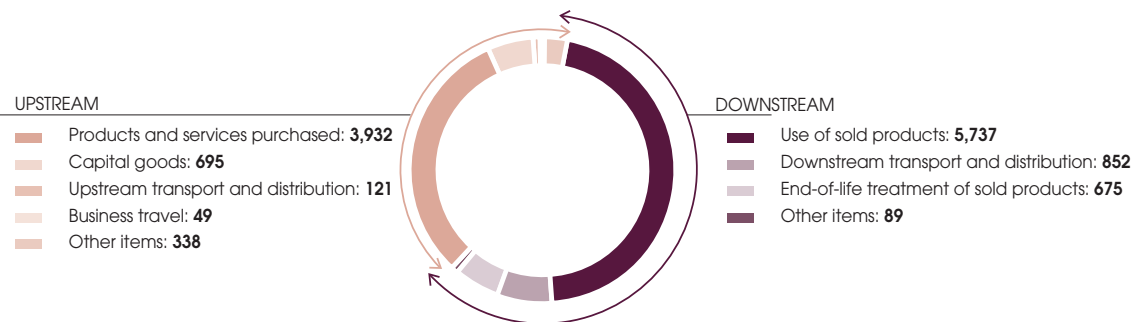
These emissions associated with the "cradle to shelf" perimeter include (i) scopes 1 and 2 emissions of sites operated by L'Oréal (plants, distribution centres, administrative sites and research centres), (ii) indirect upstream GHG emissions linked

to L'Oréal purchases of raw materials and packaging materials used for the products manufactured by the Group. (These emissions include the extraction of materials, their transportation to suppliers followed by their processing prior to delivery.), (iii) indirect downstream GHG emissions generated by the transport of products sold from production or distribution centres to clients. These emissions include transportation flows of finished products from the production sites to the first customer delivery point

In 2021, the CO₂ emissions associated with the "cradle to shelf" perimeter represent 446 g of CO₂eq per product sold.

THE MAIN ITEMS OF CO₂ EMISSIONS OF SCOPE 3

(thousands of tonnes of CO₂ equivalent)



The Group's commitments to a low-carbon economy have already led to several initiatives and achievements aimed at reducing the important categories under Scope 3:

- since 2009, L'Oréal has involved its suppliers in the process of reducing its carbon footprint by encouraging them to participate in the CDP Supply Chain programme (see section 4.3.1.2.2. "Involving strategic suppliers in the Group's ambitions" of this document);
- the commitment made by the Group to reduce the impact of downstream transport by -20% per unit sold per kilometre between 2011 and 2020 (see paragraph "Reduction of greenhouse gas emissions from the transport of finished products" in section 4.5.2.1. of this document);
- L'Oréal, through its Science-Based Targets (SBT) commitment validated by the initiative at the end of 2017,

has sought to cover all impacts associated with its value chain. The commitment to reduce greenhouse gas emissions by 25% in 2030 (baseline 2016) comprises all of Scopes 1, 2, and 3 (according to the GHG Protocol) (see section 4.3.1.4.2. "Science-Based Targets commitment" in this document); and

- finally, in June 2020, in the context of the launch of its L'Oréal for the Future programme consistent with its Science-Based Targets (SBT) commitment (see section 4.3.1.4.2. "Science-Based Targets commitment" in this document), the Group specified its 2030 roadmap by committing to a reduction, from 2016, of 25% per finished product in the emissions associated with its product use phase, a 50% reduction in the emissions associated with its strategic suppliers and a 50% reduction per finished product in the emissions associated with product transportation.

CO₂ emissions in 2021 (Scopes 1, 2, 3) over the entire Group (industrial sites, administrative sites and research centres)

(thousands of tonnes of CO ₂ equivalent)	Scope 1	Scope 2	Scope 3	Scopes 1, 2 & 3
Group	27.7	10.6	12,488	12,526
Industrial sites	25.9 [⊩]	5.7 [⊩]	-	-
Administrative sites and research centres	1.8	4.9	-	-

[⊩] The Statutory Auditors have expressed reasonable assurance about this indicator.

Changes in the data of the GHG Balance since 2016 (thousands of tonnes of CO₂ equivalent)

		COMMENTS	2016	2019	2020	2021
Reported figures	Scopes 1, 2 and 3		114	11,762	11,225	12,526
	Scope 3		unpublished ⁽¹⁾	11,682	11,169	12,488
Unpublished data	Scopes 1, 2 and 3	Unpublished 2016 GHG balance results Scopes 1, 2 and 3	9,881 ⁽²⁾			
	Scope 3		9,712 ⁽²⁾			
Restatements of data	Scopes 1 and 2	TOTAL RESTATEMENTS	-55			
		Improvement in the accuracy of the scope (3)	-55			
	Scope 3	TOTAL RESTATEMENTS	3,162	588	791	
		Improvement in the accuracy of the scope(4)	1,322	1,014	666	
		Improvement in the precision of the methodology ⁽⁵⁾	259	258	264	
		Improvement in the precision of the methodology ⁽⁶⁾	177	27	-139	
		Update of the emission factors ⁽⁷⁾	1,404	-711		
Like-for-like basis	Scopes 1, 2 and 3		12,988	12,350	12,016	12,526
	Scope 3		12,874	12,270	11,960	12,488

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG balance continued pursuant to the SBT commitments.
 (2) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).
 (3) Variation in allocations to leased vehicles and stores, in Scope 3.
 (4) Improvement in the accuracy of the data (emissions related primarily to services purchased, the POS and IT)
 (5) Variation in the methodology and external data bases (transport and capital goods)
 (6) Variation in the methodology and alignment of the internal data bases
 (7) Variation in the source of the data on the energy mix used for residential water heating in the different countries.

For more information on the changes to the GHG balance data for the above years, together with the restatements published in 2020, please refer to the detailed table in section 4.6.4.

4.3.1.4.2. Science-Based Targets commitment

In 2015, L'Oréal undertook to define Science-Based Targets to reduce its greenhouse gas emissions across its entire value chain and over the long term, in accordance with the Paris Agreement on climate change.

In December 2017, the SBT initiative has validated the Group's proposal: Thus, by 2030, L'Oréal is committed to reducing by 25% in absolute value the greenhouse gas emissions of Scopes 1, 2 and 3 (with full coverage of the items of Scope 3, in accordance with the definition of the GHG Protocol), with a reference year of 2016; in particular, the Group is committed in particular to reducing greenhouse gas emissions from all sites it operates by 100% by 2025, through a programme of energy efficiency and a supply of renewable energy exclusively.

These commitments were reevaluated in 2019 over Scopes 1 and 2 by the SBT initiative and considered to be in compliance with the new SBT 1.5°C criteria.

Roadmaps were deployed within the different business lines (packaging, research, sourcing, supply chain, etc.) so that each one contributes to the reduction of CO₂ emissions in Scopes 1, 2 and 3. Specific tracking has been started, which allows each of the segments to monitor its own performance.

4.3.1.4.3. UN Global Compact Pledge: "Business Ambition for 1.5°C"

In September 2019, L'Oréal joined the "Business Ambition for 1.5°C" initiative, a call to action launched by a broad coalition of companies, civil society and UN leaders, thus reaffirming its leadership on climate action. The Group has committed to net zero CO₂ emissions by 2050, contributing in this way to limiting the increase in global temperature to 1.5°C above pre-industrial levels, a necessary condition for limiting the worst impacts of climate change according to the latest conclusions of climate science.

4.3.1.4.4. Adapting the model to the climate emergency: alignment of the Group with the TCFD principles

Aware of the consequences of climate change, L'Oréal has initiated its transition towards an increasingly responsible business development model in which the non-financial challenges are placed at the same level as the financial challenges that contribute to its overall performance. The ambition is to design an innovative low-carbon business model and to make a contribution to the major collective challenge that is represented by limiting climate change.

The Sharing Beauty With All programme, rolled out globally since 2013 and supported at all levels of the organisation, has helped establish a culture in which environmental impacts and climate change are taken into account, increasingly influencing the decision-making process of each of the Group's "Métiers" (business activities) each day, as well as their major projects, as shown by the policies, programmes and outcomes described above.

As the acceleration of the environmental and social challenges calls for a more radical transformation, in June 2020 L'Oréal announced its new sustainability programme L'Oréal for the Future, with a new series of particularly ambitious objectives for 2030. The efforts to combat climate change is an integral part of the Group's new ambitions and are aligned with the Science-Based Targets commitment validated in 2017.

L'Oréal made a public commitment in 2020 to adopt the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), which encourages companies to include climate issues in their strategy, and to provide consistent, reliable and clear information to allow investors to take into account climate-related financial risks in their decisions.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Along with this dynamic move towards a low-carbon transition, L'Oréal intends to fully manage the risks and opportunities related to the challenges of climate change, anticipate their effects, and ensure its resilience by adapting its business model, its governance and decision-making processes, its Research and Operations with respect for its values and sense of purpose (raison d'être) to "Create the beauty that moves the world".

Governance

Every year, the L'Oréal Board of Directors determines the Group's strategic directions, which integrate the challenges of climate change and, more generally, the issues of sustainable development.

The Chief Corporate Responsibility Officer, who is a member of the Executive Committee, reports directly to the Chief Executive Officer and reports on the Group's activities every year to the Board of Directors or to the Strategy and Sustainability Committee.

The Chief Corporate Sustainability Officer is responsible for the formulation and implementation of the sustainable development strategy, assesses and manages the climate-related risks and opportunities Groupwide, through the action plans of the sustainability programmes (Sharing Beauty with All and since 2020 L'Oréal for the Future). She leads an internal sustainability committee, which includes experts responsible for the rollout of the sustainability programme within Operations, Research, Public Affairs, Communication, Divisions, and Brands. She guarantees the implementation of the orientations and decisions adopted by this Committee. She also defines and deploys annual targets across L'Oréal's value chain, and assesses the level of commitment of all the Brands, Country Managers and subsidiaries in implementing the sustainable development strategy. This implementation determines a portion of the variable remuneration of the Brand and Country Managers.

The mission of the Sustainable Finance Department, created in 2020, is to integrate the climate challenges from a financial standpoint. This Department, which reports to the Chief Administrative and Financial Officer and to the Chief Corporate Responsibility Officer, aims at developing and directing Sustainable Finance actions. This means, in particular, building a new income statement model that includes sustainable development elements and allows the Group to measure its efforts, especially concerning the carbon impact, coordinate finance actions, and continue to incorporate sustainable development in its decisions on investing and acquisitions.

Strategy

For the main environmental risks, the concept of risk covers both risks related to the impact of the Group's business activities on its ecosystem and the risks of the impact of climate change in the short and medium-term on its business model, activity, and financial performance.

The Group has identified seven principal risks and six opportunities relating to climate change that have potential consequences for its activities and the development of its strategy.

In-depth analyses of climate risks were conducted: identification and a dynamic approach to the risks, assessment of their impact using scenarios developed on two assumptions based on the 2°C and 4°C paths, assumptions that also integrate political, economic, social, technological, environmental and legal trends (PESTEL analysis).

Scenarios

- a "governed transition" scenario ("TG") on the basis of global warming of around +2°C in 2100. This scenario is based on strong international cooperation, major increased consumer awareness of climate and external effects and, globally, actions to anticipate and attenuate climate change in a more responsible world based on solidarity.
- "a disorganised transition" scenario ("DT") on the basis of global warming of around +4°C in 2100. This scenario is based on assumptions of limited international cooperation, growing tensions on trade, economic stagnation or slowdown and, generally, a primarily reactive adaptation to climate change.

These L'Oréal scenarios integrate pre-existing scenarios or assumptions based on scientific content as input data, particularly the RCP2.6 and RCP8.5 scenarios (Representative Concentration Pathways (RCP) - AR5) of the IPCC (Intergovernmental Panel on Climate Change) to assess the physical risks for the governed transition and disorganised transition respectively.

More specifically, studies of the impact of climate change on plant-based raw materials sourcing were also conducted. Assumptions have also been made on the paths of carbon pricing and consumer preferences, the main factors in L'Oréal's exposure to climate-related transition risks. This work will allow the Group to adapt policies and define its strategic goals.

Two timeframes were considered: a medium-term 2030 timeframe, aligned with scientific targets, and a long-term 2050 timeframe, to detect significant trends in the physical climate variables.

The entire value chain was considered in the analysis of L'Oréal's scenarios.

The two scenarios resulted in differentiated assessments of the impact of the risks identified and favoured the prioritisation of the policies implemented and the determination of the related programmes and action plans to reduce these impacts. They contributed to the development of the sustainability programme, L'Oréal for the Future, for 2030.

Risks

The Group's risk review includes physical risks and transition risks associated with changes in its value chain and ecosystem. Risks as diverse as those associated with extreme weather events on the Group's infrastructures, or the risks inherent in the supply chain, those inherent in the scarcity of resources, carbon pricing (taxes, emissions trading schemes) and their financial impacts, or those related to the Group's reputation and consumer expectations, are analysed, resulting in the preparation of impact scenarios as part of the scenarios constructed, and strategic orientations are defined.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

In particular, the following main risks and opportunities were studied:

Risk 1

Regulations concerning carbon pricing mechanisms, such as specific taxes on fossil fuels, carbon taxes, and emissions trading schemes (or carbon markets), are a major challenge for the Group and its suppliers. In this context, an increase in the price per tonne of direct greenhouse gas emissions for suppliers could be reflected in the sale prices of their products and services, and potentially have a material impact on L'Oréal's operating costs. In order to mitigate this risk, the Group is engaged with its suppliers, in particular through the *CDP Supply Chain*, to ensure they devise and implement emissions reduction targets and associated action plans (see section 4.3.1.2. "Involving suppliers in the Group's transformation" of this document).

Risk 2

Changes in consumer preferences towards consumption choices increasingly influenced by the carbon footprint of products and the overall climate performance of plants could have a material impact, progressively and in the medium-term, for L'Oréal. The challenge, if this risk were insufficiently managed, would be a potential loss of revenue because of a reduction in demand for L'Oréal products from consumers. L'Oréal's strategy to prevent the associated risk is to continue to reduce the carbon footprint of its products and to give consumers the means to take enlightened purchasing decisions by providing transparent information and listening to their expectations on the issues of sustainable development (see paragraph "Displaying the environmental and social impact of the products" in section 4.3.1.3.2. of this document).

Risk 3

Climate change is expected to lead to an increase in the frequency and intensity of extreme weather events, resulting primarily in changes in precipitation patterns, which will have a particularly strong impact on agriculture.

In particular, in Indonesia and Malaysia, medium-term chronic changes in the El Niño and La Niña cycles are likely to occur. For the preparation of its palm-based ingredients, which represent a large share of its purchasing volumes of ingredients of plant origin, 98.8% of L'Oréal's supply of palm oil comes from Indonesia and Malaysia. L'Oréal could, therefore, be affected by the consequences of a chronic increase in the frequency and intensity of these extreme weather events with, as a result, an increase in the supply costs for palm oil, associated with higher production and certification costs.

These risks are taken into account by working on the resilience of the supply chain, developing projects in the field with the suppliers, and by making a long-term commitment with some of them. In order to drill down on this identification of climate-related risks on the price and availability of the most important raw materials of plant origin in the L'Oréal portfolio, a specific study taking account of a set of methodologies and sources on climate change was carried out with "BIPE" (a consulting firm specialised in the analysis of the consequences of climate change on plant production) in 2017, then refined in 2018 and 2019 in order to adapt supply strategies.

Opportunity 1

One of the consequences of climate change is the increase in the number of regions around the world that will face periods of water shortage, particularly in urban areas. An increase in the frequency or intensity of water shortages could lead to changes in consumer routines in terms of showering and hair-washing. A market opportunity consists in innovating and developing products adapted for use by consumers living in these areas of water stress. These new products could increasingly better meet consumer's needs in this context. L'Oréal could seize this opportunity by evaluating the products as a function of their water footprint, by developing new products, routines or new technologies that improve rinsing or save water in the use phase, and by increasing consumer awareness of the challenges associated with water quality and availability.

Opportunity 2

The medium-term global trend in the price of non-renewable energy is expected to rise, both because of future regulations and taxes on fossil fuels, and complex balances between supply and demand. The progressive elimination of the use of conventional fuels in favour of renewable energies would protect L'Oréal from increases in the fossil fuel prices and could result over time in operating costs that are relatively lower than those paid by other manufacturers who are not committed or insufficiently committed to this energy transition. L'Oréal intends to seize this opportunity by rapidly reducing the use of fossil energies. L'Oréal has thus committed to using 100% renewable energy at all its operated sites by 2025, by developing projects for self-supply of renewable energies on-site, as well as a 100% local and renewable energy supply (electricity, heat, biogas, etc.). L'Oréal has already started on this path with, for example, the completion of a series of projects for its own consumption of renewable energy on-site in locations such as the United States, Western Europe, Brazil, and China.

Methods for managing risks and opportunities

Identification and assessment of the risks are primarily coordinated at the Group Level by the Ethics, Risk and Compliance Department with all relevant departments. When necessary and relevant, an additional risk analysis is conducted in the operational entities, particularly for the physical risks associated with climate change.

Contributions are collected from the main operational managers and experts in this area worldwide, representing all the Group's business activities, regions, and areas of activity. Climate-related risks have been the subject of a specific approach that identified and assessed their financial and strategic impact when the Group's reputation is impacted or the long-term growth of the Group may be impacted. This analysis is regularly updated.

The mapping of the Group's risks is reviewed regularly. It is validated by the L'Oréal Executive Committee once a year and presented to the Audit Committee.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Measurement of results and reporting

In the context of the first generation of Sharing Beauty with All commitments, the Group defined a number of indicators tracked to evaluate monthly and annually the progress achieved on the targets set for 2020. As a result of the acceleration of the environmental challenges, these indicators were reassessed and completed at the time of the June 2020 launch of the new sustainability programme L'Oréal for the Future. They cover the Group's entire value chain in the areas of greenhouse gas emissions, water, biodiversity, resources and waste, and support the goals for 2030.

More specifically in terms of climate change, the goals announced in the context of the L'Oréal for the Future programme are aligned with the Science-Based Targets

initiative that L'Oréal joined in 2015. In this context, L'Oréal is committed to reducing in 2030 greenhouse gas emissions by 25% in absolute value (tonnes of CO₂ equivalent) and by 50% per finished product over its entire value chain (Scopes 1, 2 and 3), compared with 2016.

Finally, in September 2019, L'Oréal joined the United Nations Business Ambition for 1.5°C initiative and made a commitment to reach net-zero emissions of CO₂ by 2050.

A GHG balance is prepared and published annually and details emissions over all the items described by the GHG Protocol.

The cross-reference table below identifies the main information of this document according to the recommendations of the Task Force on Climate-related Financial Disclosures.

Governance	Sections of this document
1. Supervision by the Board of Directors of climate-related risks and opportunities	1.1., 2.3.2.1. and 4.1.
2. Role of Management in the assessment and management of climate-related risks and opportunities	3.2. and 4.1.
Strategy	
1. Climate-related risks and opportunities identified in the short, medium and long term	3.5. and 4.2.
2. Impact of climate-related risks on the Group's business activities, strategy and financial forecasts	4.2.
3. Resilience of the Group, taking into consideration different climate scenarios, including a scenario of 2°C or less	1.2. and 4.3.
Risks and opportunities	
1. Procedures to identify and assess climate-related risks	3.5. and 4.2.
2. Procedures for managing climate-related risks	3.5. and 4.2.
3. Integration of the procedures to identify, assess and manage climate-related risks within the total management of the Group's risks	3.2.
Indicators	
1. Indicators used to assess climate-related risks and opportunities, in line with the Group's strategy and risk management procedure	4.1. and 4.3.
2. Scopes 1, 2 and 3 greenhouse gas emissions and associated risks	4.2, 4.3. and 4.5.
3. Objectives used to manage climate-related risks and/or opportunities and the Group's performance in relation to its objectives	1.1, 2.4, 4.3 and 4.4

4.3.1.4.5. Alignment with the European Taxonomy, aiming primarily at sectors with the largest environmental footprint of which L'Oréal is not included

In application of European Regulation 2020/852 of 18 June 2020 (the "Taxonomy" Regulation), L'Oréal is required to publish performance indicators for the 2021 financial year highlighting the eligible share of its sales, investments and operating expenses resulting from products and/or services associated with economic activities considered sustainable within the meaning of the Regulation and the Delegated Acts covering the first two objectives of the Taxonomy: climate change mitigation and climate change adaptation.

This first assessment of the eligibility of all the Group's consolidated activities was conducted on the basis of:

- the Climate Delegated Regulation of 4 June 2021 and its appendices supplementing Regulation (EU) 2020/852, specifying the technical criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation;

- the Delegated Act of 6 July 2021 and its appendices supplementing Regulation (EU) 2020/852, specifying how to calculate the performance indicators as well as the narrative information to be published;
- a detailed analysis of all activities within its various consolidated entities, conducted jointly by the Finance Department, the Operations Department and the Department of Real Estate, the CSR Department, the Legal Department and the Research and Innovation Department.

The Group has not identified any eligible sales. In fact, under the first two objectives applicable from the 2021 financial year, mitigation and adaptation of climate change, the European Commission has prioritised the business sectors that contribute significantly to greenhouse gas emissions within the European Union. L'Oréal is dedicated solely to the beauty industry; as such, its activities are not considered, within the meaning of the Taxonomy, as making a significant contribution to these initial climate targets or as a priority sector targeted by the Taxonomy. In particular, a detailed analysis of its industrial activities in the production of raw materials did not identify any production covered by the Taxonomy under the heading "Manufacture of organic basic chemicals".

As there were no eligible sales, there were no investments or operating expenses corresponding to activities related to sales that could be qualified as eligible. As a result, the various measures implemented to reduce the carbon footprint of the Group's products have not been taken into account in the performance indicators relating to investments and operating expenses. The eligibility analysis for investments and operating expenses was therefore focused on "individual measures" to reduce the Group's emissions, which explains why the eligible amounts are low, given the size of the Group.

The eligible investments identified mainly correspond to long-term leases on buildings (activity 7.7 of the Delegated Act) as defined by IFRS 16 but without analysis of the technical criteria (in line with the position of the French National Institute of Statutory Auditors) as well as to the costs of constructing and renovating buildings to improve their energy efficiency and reduce greenhouse gas emissions. Eligible investments amounted to €404.8 million (including €374.8 million related to long-term leases on buildings without analysis of the technical criteria), compared to total investments of €1,971.1 million as defined by the Taxonomy Regulation.

These investments do not include the amount of €100 million allocated to Impact Investing funds intended to finance the regeneration of damaged natural ecosystems and the fight against climate change, in so far as investments in funds are not considered eligible expenditure under the Taxonomy Regulation.

Similarly, individual measures that incur operating expenses are limited in number and the amounts in question are not significant for the Group. Furthermore, L'Oréal concluded that its research and innovation programmes are not eligible because they do not fall within the scope of the activities currently covered by the Taxonomy (heavy chemicals). It should be noted that the Group's annual budget for this category is significant: 1,029 million in 2021. L'Oréal's research and innovation is focused on Green Sciences (as described in section 4.3.1.3.1. "Eco-designed products" of this document).

The financial information used to conduct this initial analysis was subject to additional reporting as part of the closing of the annual financial statements. It was reviewed and analysed jointly by the local and corporate teams, in order to ensure that it was consistent with consolidated sales, operating expenses, and investments for the financial year 2021. In particular, reporting of the investment data was subject to self-assessment by the financial departments of the zones, with the consistency of the decisions regarding eligibility checked at corporate level.

The Group will adapt its methodology and eligibility analysis as the Taxonomy is implemented and in light of changes to the regulations, listed activities and technical review criteria.

Notwithstanding the data published by the Group in application of the Taxonomy Regulation, it should be noted that L'Oréal has, for many years, demonstrated a strong commitment to combating climate change. In 2009 L'Oréal committed to reducing the environmental footprint of its plants and distribution centres by 50% compared to 2005. Furthermore, L'Oréal placed sustainability at the heart of its strategy, with the launch of the Sharing Beauty With All

programme in 2013, with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth. This meant that, by 2020, CO₂ emissions by factories and distribution centres had fallen by 81% in absolute terms compared to 2005, while production had increased by 29% over the same period.

The L'Oréal for the Future programme sets a new range of particularly ambitious targets for 2030, covering all the impacts associated with the Group's value chain, including:

- by 2025, carbon neutrality for all Group sites by improving energy efficiency and using 100% renewable energy;
- by 2030, reducing greenhouse gas emissions by 25% in absolute value compared to 2016 (Scopes 1, 2 and 3); and
- by 2050, aligning the trajectory of all greenhouse gas emissions with the +1.5°C scenario approved by the Science-Based Targets initiative

These long-standing commitments set L'Oréal apart in terms of the action it takes. For example, L'Oréal is the only company in the world, of nearly 6,000, to have received three "A" ratings, from the Carbon Disclosure Project for the sixth consecutive year, which is the highest score in three areas: efforts to combat climate change, forest preservation and sustainable water management.

The goals of the L'Oréal for the Future programme and the 2021 results are described in greater detail in this section (see also section 4.4. "L'Oréal for the Future: 2021 results" of this document, which reports on the progress made on the objectives, which is reported every year in this document).

4.3.1.5. Contributing to solving the environmental challenges of the world

In addition to transforming its economic model, the Group's ambition is to help to solve some of the most pressing social and environmental challenges.

4.3.1.5.1. Accelerating the development of the circular economy

Conscious of the growing pressure on natural resources, the global waste crisis and the role of the circular economy could play in mitigating climate change, L'Oréal has decided to set up a global investment fund dedicated exclusively to the circular economy, called the *Circular Innovation Fund* (CIF).

This fund, which is jointly managed by two management companies from different countries (Cycle Capital Management and Demeter) to firmly embed its international approach, will bring together several co-investors and will have an estimated total value of between €150 million and €200 million over time. It aims to finance companies that are innovating in the areas of recycling, plastic waste management and materials from the bioeconomy.

Launched at the end of 2021, the fund will construct and deploy its investment portfolio from 2022. As the primary sponsor of the *Circular Innovation Fund*, L'Oréal will invest €50 million.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

4.3.1.5.2. Contributing to the regeneration of nature

As part of its commitment to preserving biodiversity, and to go beyond its efforts to reduce the impact of its value chain, L'Oréal launched the L'Oréal Fund for Nature Regeneration in 2020. This €50 million impact investment fund, managed by Mirova, is intended to simultaneously combine financial performance with the creation of environmental and social value.

By supporting projects to rehabilitate degraded soils, regenerate mangroves, and restore marine areas and forests, the L'Oréal Fund for Nature Regeneration aims to help preserve or restore one million hectares of ecosystem, to capture 15 to 20 million tonnes of CO₂ and create hundreds of jobs by 2030.

Since the fund was launched, more than one hundred projects have been considered for the purposes of building the investment portfolio. Fifteen projects have been selected for further study, and investment has commenced in four projects totalling more than two million euros.

For example, in October 2021 the L'Oréal Fund for Nature Regeneration invested in The Real Wild Estates Company

(RWECC). Based in the county of Somerset in the United Kingdom, this company is implementing the first major "rewilding" project led by the private sector and plans to restore 50,000 hectares of degraded habitats across the country and to create up to 1,000 direct jobs.

4.3.2. Human Resources policy

The mission of L'Oréal's Human Resources Department (HR) is to support the Group's growth and its transformation initiatives. The Group, which has always placed people at the heart of its organisation, relies on its employees above all. L'Oréal's HR strategy is built on this double conviction: individualised management linked with collective strength.

To meet the challenges of a world that is constantly changing, which impact both the organisation and the work relationship the Group initiated a process of transformation to adjust its model to new aspirations and is implementing dedicated HR policies on recruitment, development and engagement. These policies are described in this chapter.

The Chief Human Relations Officer, who is member of the Executive Committee, reports directly to the Chief Executive Officer on a regular basis.

Recruiting, developing and engaging: employees at the centre of the business model

L'Oréal has always placed the individual at the centre of its model, convinced that the qualities of each one contribute to the performance of all. L'Oréal finds, recruits, and supports its employees with a long-term engagement vision. Training and development play a central role all along their professional careers.

In order to fully perform their function as strategic partner, Human Resources integrates the technological and digital dimensions and takes into account strong challenges such as social responsibility. The transformation of the Group towards Beauty Tech requires the recruitment of experts, the integration of new businesses and the dissemination of a digital culture at all levels of the company.

HR also plays a central role in the transformation of work methods and management culture. Thus, they supported the rollout of the Simplicity programme, initiated in 2016, to foster a management style based on trust, leaving room to initiative, cooperation and development. The programme was supported by a major training programme, LeadEnable for Simplicity and specific goals target the highest level of the Group. Since 2020, members of the Executive Committee and their Management Committees have been evaluated by their peers and their teams via the Leadership Survey.

Since 2018, L'Oréal's HR department has adopted a brand new *modus operandi*. HR has become the incubator for country ideas and initiatives as an extension to and in the spirit of Simplicity. With the Disrupt HR approach, the Group prioritises co-construction and a test-and-learn approach designed to boost agility and respond more effectively to the expectations of employees and job candidates.

L'Oréal has committed to providing training to 100% of its employees every year, worldwide.

For L'Oréal, economic growth cannot be separated from social progress. To support this conviction, the L'Oréal Share & Care programme, created in 2013 and deployed in all our subsidiaries, offers employees a set of benefits organised around four pillars, which were updated in 2021: welfare schemes, healthcare, work/life balance and the working environment. In 2021, Share & Care evolved to ensure that it remains relevant and to meet employees' needs and expectations at every key moment of their lives in this fast-changing world. Emphasis is placed on health with a global approach, both physical and mental, as well as on new working methods.

As part of a responsible and innovative social policy, L'Oréal has also developed "L'Oréal for Youth", a global programme to promote the employment of young people, which not only provides them with professional opportunities for work, but also provides them with concrete ways to boost their employability.

L'Oréal also offers its employees a policy of sharing its growth. Profit-sharing programmes have been in place for many years everywhere in the world. L'Oréal set up an employee share ownership plan in 2018 and 2020.

Quality social dialogue is also one of the essential components of the L'Oréal model. It illustrates the Group's desire to involve employees and their representatives to its development.

Finally, L'Oréal acts with the conviction that a policy in favour of Diversity, Equity and Inclusion allows everyone, regardless of their background, gender identity, religion, sexual orientation, age or disability, to give their best in the company. This is an essential driver of performance and innovation and is crucial for maintaining sustainable growth.

Exceptional measures to manage the Covid-19 health crisis

Since the beginning of the Covid-19 health crisis, L'Oréal has played its role as a solidary employer and a responsible company by taking strong measures to guarantee the health and safety of its employees in all its subsidiaries:

- more than 40 international instructions are now in place in all the subsidiaries of the Group and adapted to the different locations and type of work (factories, distribution centres, laboratories, administrative sites). These measures were audited and certified in several subsidiaries by an independent organisation. They are constantly updated according to health situation evolution;
- measures focused on prevention have been in place in all L'Oréal sites since the beginning of the crisis, including social distancing, the daily distribution of masks, the availability of sanitisers; the e-learning module #safetogether was rapidly developed internally to train employees in good personal protection practices;
- vulnerable or at-risk employees are exempt from being physically present at work depending on the health situation in each country;
- an international travel ban was declared in February 2020 and lasted until July 2021. Since 1 August 2021, international travels are permitted in compliance with the healthcare protocols of each country, and provided that it is exceptional and essential;
- L'Oréal's remote working arrangements are tailored to the health situation of each country. From the start of the Covid-19 health crisis, e-learning modules were developed and disseminated to best support to employees eligible for remote working. A hybrid work policy (see section 4.3.2.4. "Creating the conditions for a stimulating and attractive work environment" of this document) has been developed and is applied worldwide when allowed by sanitary conditions;
- measures were taken to strengthen cyber security in the face of the increased risk of cyber-attacks during this period (see section 4.3.2.4. "Creating conditions for a stimulating and attractive work environment" of this document);
- the fixed salaries of employees were 100% guaranteed during lockdown periods.

Policy	INDICATORS AND PRINCIPAL RESULTS
Preserving employee health and safety	Moving towards « zero accidents » is the ambition that L'Oréal has set for itself. Number of injured with lost-time: 129 (L'Oréal employees and temporary staff). Objective: Conventional Frequency Rate (Tfc) < 0.5 for all Group sites. Conventional Frequency Rate (Tfc): 0.73. Enlarged total incident rate reported (TIRe): 1.39. Accident gravity rate: 0.02.
Recruiting talented employees for the present and future success of the Group around the world	12,996 employees hired under permanent contracts Over one million applications received in 2021. Over 3.9 million followers on LinkedIn.
Development of employees all along their careers Anticipate professional changes and the needs for future skill	100% of employees trained in 2021. 3,180,718 training hours
Creating the conditions for a positive and attractive work environment	Share & Care programme launched in 2013 and updated in 2021 to continue the existing program, with new perspectives in terms of personal wellbeing and flexibility at work, in line with the changing needs of the employees. 93% of the Group's permanent employees benefit from financial protection in the event of unexpected life events 97% of the Group's permanent employees benefit from healthcare coverage aligned with best local practices 86% of the Group's employees work in subsidiaries where there are employee representative bodies. 46% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.
Offering a motivating and competitive remuneration system	Amounts of profit-sharing schemes: €352 million distributed to employees. Plan for the conditional grant of shares to employees: more than 3,600 employees involved 2020 employee shareholding plan: 35% participation Insurance and retirement programmes: complementary pension plans in place in 88% of the countries where L'Oréal operates with its employees.
Strengthen gender equality Accelerate the inclusion of disabled workers Increase the diversity of socioeconomic and cultural origins in our teams.	On 31 December 2021, women represented: <ul style="list-style-type: none"> • 47% of strategic positions; • 51% of all key positions within L'Oréal S.A. ; • 55% of all key positions within the Group; • 32% of Executive Committee members; and • 50% of members of the Board of Directors. With the goal of reaching parity up to the most strategic positions. 31 countries EDGE or GEEIS certified ¹² . 1.8% employees with disabilities worldwide. L'Oréal's goal is that people with disabilities will account for 2% of the Group's statutory employees by 2025. Over 75,000 employees trained in Diversity Workshops.

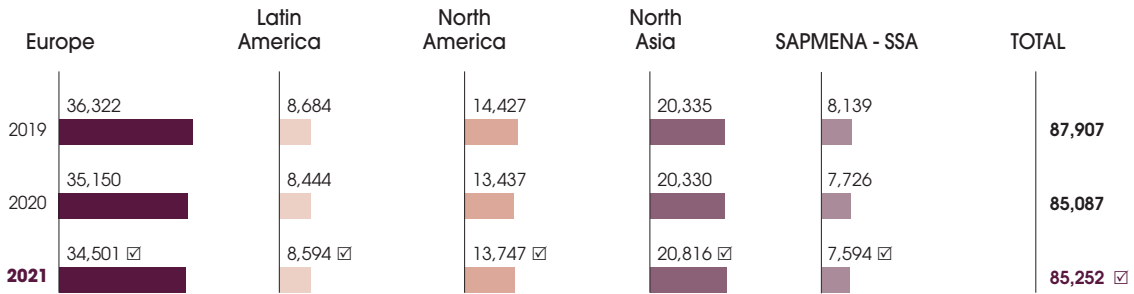
¹² The Statutory Auditors have expressed reasonable assurance about this indicator.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

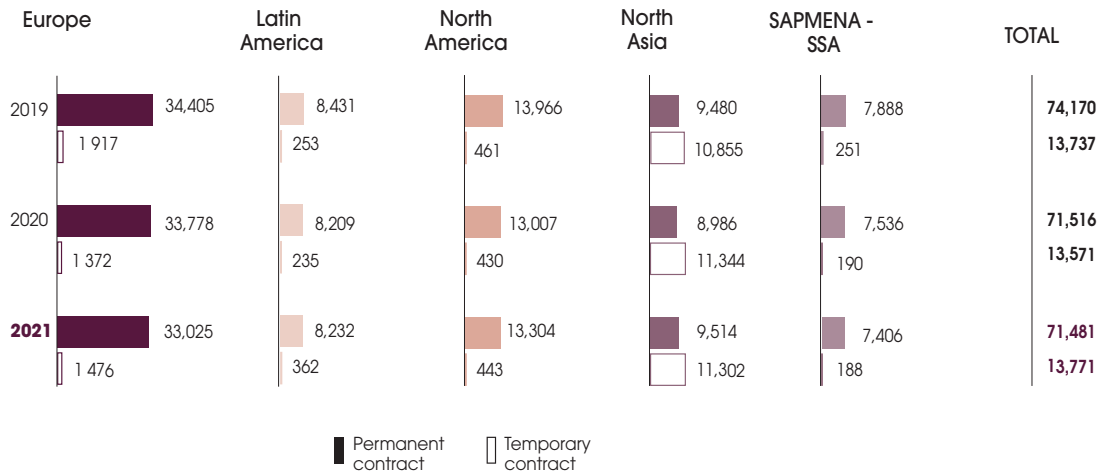
L'Oréal Group social data

EMPLOYEES BY GEOGRAPHIC ZONE ⁽¹⁾



The Statutory Auditors have expressed reasonable assurance about this indicator.

BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT BY GEOGRAPHIC ZONE



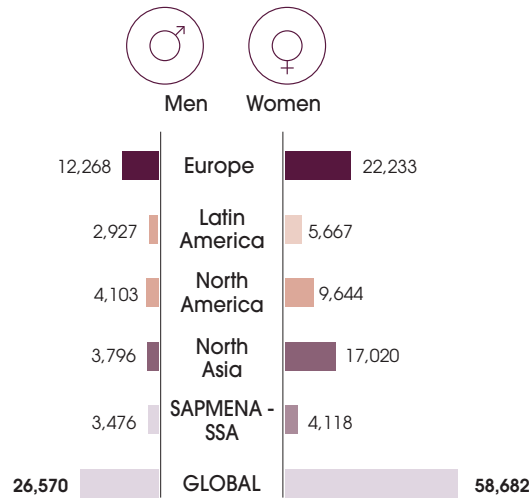
■ Permanent contract
□ Temporary contract

(1) Excluding recent acquisitions. See the methodology notes in section 4.5. of this document.

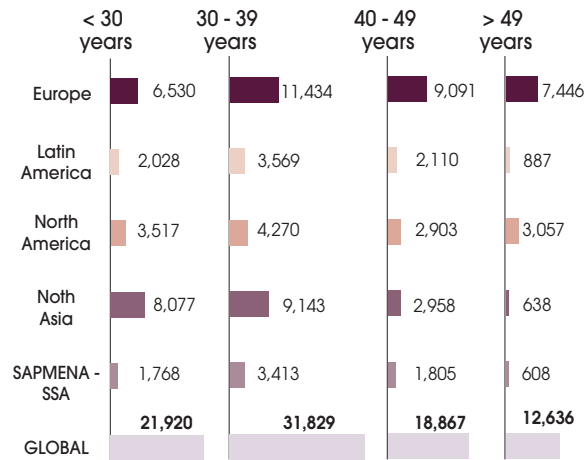
L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

BREAKDOWN OF EMPLOYEES BY GENDER



BREAKDOWN OF EMPLOYEES BY AGE



AVERAGE AGE



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

ABSENTEEISM RATES

	2019	2020	2021	Details
Total absenteeism rate (%)	4.1%	8.2%	5.9%	C/(A-B)
Of which due to illness	2.2%	2.2%	2.4%	D/(A-B)

(A) Number of working days worked by all statutory employees.

(B) Number of days of annual leave taken by all statutory employees.

(C) Number of days of absence (sick leave, occupational diseases, maternity leave, paternity leave, occupational injuries and/or commuting accidents or any other paid or unpaid absence).

(D) Number of days of sick leave (excluding occupational diseases, maternity or paternity leave, occupational injuries and/or commuting accidents).

In 2021, total absenteeism figures were again affected, to a lesser extent than in 2020, by the periods during which certain points of sale and hair salons were closed, which prevented the employees affected from working in certain countries. The exemption from work for employees at risk and those isolating,

who were unable to work from home, also contributed to this increase. If these absences were excluded, global absenteeism would have reached a level equivalent to the level of the years prior to the Covid-19 health crisis.

NUMBER OF RECRUITMENTS

Number of recruitments (permanent contract)	Europe	Latin America	North America	Northern Asia	SAPMENA-SSA	Total
2021	3,699	2,137	3,853	1,970	1,337	12,996
2020	2,706	1,078	2,156	910	713	7,563
2019	5,306	1,617	2,791	1,628	1,693	13,035

NUMBER OF DEPARTURES

	2019	2020	2021
Number of departures (resignations, retirements, mutual agreements, dismissals) (permanent contracts)	11,603	9,408	11,977
Number of dismissals (permanent contract)	2,813	3,358	3,153

4.3.2.1. Preserving employee health and safety

An ambitious shared health and safety policy

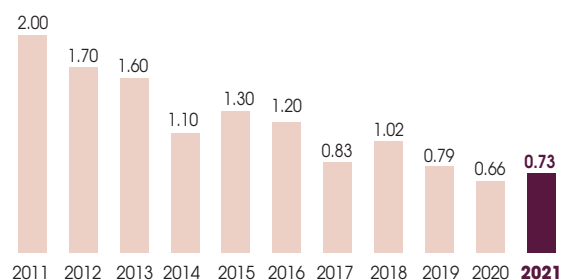
The Health (H) and Safety (S) policy is a main priority objective of the Group's general policy, and one of its main managerial pillars. All managers are evaluated on their ability to apply it, and on their results in this area. It is based on the fundamentals presented in section 4.3.1.1.1. "An ambitious EHS policy shared by all" of this document.

Moving towards « zero accidents » is the ambition that L'Oréal has set for the safety of its employees. To this end, the Group has implemented comprehensive programmes aimed at reducing risks and ensuring regular improvement in results through the leadership of managers and the participation of staff at all levels.

The Group strives to ensure regulatory compliance with its own standards on its sites (industrial or administrative sites, research centres stores), and makes sure that its subcontractors and suppliers ensure the health and safety of people through a specifically dedicated programme of external audits.



CHANGE IN SAFETY PERFORMANCE: CONVENTIONAL FREQUENCY RATE (TFC) ⁽¹⁾



129 injured with lost-time (L'Oréal and temporary staff) were reported in 2021, compared with 107 injured with lost-time in 2020. The conventional frequency rate (TFC) is 0.73 and the enlarged total incident rate reported (TIRe)⁽²⁾ is 1.39.

(1) TFC = number of L'Oréal staff injured with lost time at one million (10⁶) hours worked by L'Oréal employees.

(2) TIRe = number of injured L'Oréal and temporary staff with lost time, with a light duty and/or medical treatment reported at one million (10⁶) hours worked by L'Oréal staff and hours worked by temporary staff

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

Injured with lost-time recorded in the Group in 2021 resulted in the following frequency rates by entity:

Sites	TfC 2021	Variation in TfC vs. 2020	TIRe 2021	Variation in TIRe vs. 2020
Factories and distribution centres sites	1.48 [⊞]	10%	3.46 [⊞]	16%
Administrative sites	0.15	7%	0.26	-13%
R&I Sites	0.36	-35%	1.84	114%
Sales forces & Stores	1.14	19%	1.52	20%
Group: all sites	0.73	11%	1.39	18%

[⊞] The Statutory Auditors have expressed reasonable assurance with regard to this indicator.

The accident gravity rate was the same as in 2020 for the Group. It stood at 0.02 for the Group and 0.05 for factories and distribution centres in 2021.

Priorities

The main Health and Safety priorities and orientations relate to the following eight areas:

1. Definition and deployment of strategy and action plans to achieve the targets set: Conventional Frequency Rate (TfC) <0.5 for all Group sites;
2. Commitment and visible participation by management;
3. Initiatives to fight the most frequent incidents, which include a global ergonomics programme and a specific LIFE programme (see paragraph "A continuous improvement process" in section 4.3.1.1.1. of this document) on potentially serious accidents;
4. Health and Safety organisation and practices in compliance with the Group's standards with ISO 45001 certification for all Operations sites;
5. Specific training programme for managers, EHS managers, operators/technicians and for all employees;

6. Continuous improvement of the Health and Safety management systems at all sites;

7. Active employee participation;

8. Sharing of resources, feedback, and best practices.

87% of the Group's factories are ISO 45001 certified for their safety policy.

A global programme dedicated to improving health and safety

L'Oréal has programmes with specific and innovative tools to achieve excellence in safety, which is based on four areas:

- a strategy based on risk management, the search for excellence and the sharing of the L'Oréal culture outside the Group;
- analysis of safety and health risks with the following tools: GHAP (Global Hazard Assessment Procedure), detailed SHAP (Safety Hazard Assessment Procedure), Ergoval, PSM (Process Safety Management), CHERIE (Chemical Risk Evaluation);
- analysis of the root causes for the occurrence of incidents/accidents with the RCA tool (Root Cause Analysis);
- The use of a correct prevention tool at the right time, such as:

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

<p>A programme to improve the safety culture</p> 	EHS Steering Committees	The Management Committee of each site carries out a general review of the action plans and the effectiveness of the EHS programmes.
	SIO (Safety Improvement Opportunities)	The SIO programme encourages employees to inform their direct managers of situations considered to be risky so that corrective measures are taken.
	<i>Constructive Challenge</i>	This framework programme is designed to improve the individual safety culture so that all employees play proactive roles both in their own safety and that of others. Each site will set up this programme, depending on its maturity.
<p>Safety control tools</p> 	MESUR (Managing Effective Safety Using Recognition and Refocusing)	These are periodic on-site safety visits by a manager. The programme has also been deployed on certain administrative and research sites since 2015.
<p>A programme to improve the ergonomic culture</p> 	Digitalisation of prevention tools	The <i>Next Generation Tool</i> programme was launched in 2021; it was designed in order to increase the use of digital tools in the EHS activities. The strategy for the deployment of digital tools is based on a survey conducted in 2020 on all Group sites.
	LIFE	The LIFE programme, set up in 2018, targets the activities which, if they are not controlled, can lead to a potentially serious accident.
<p>A programme to improve the ergonomic culture</p> 	<i>Ergonomic Attitude</i>	This programme, which is intended to be extended to all Group sites, has been based since 2015 on a roadmap consisting of five levels that allow the sites to systematically improve their ergonomics culture and determine their individual action plans.
<p>SAFE@WORK SAFE@HOME spread the culture</p> 	<i>Safe@Work Safe@Home:</i>	The Safe@Work Safe@Home programme is intended to export the L'Oréal health and safety culture outside the Group. We created a partnership with RoSPA (Royal Society for the Prevention of Accidents) to benefit from their experience and share the L'Oréal experience around the world. Since 2019, L'Oréal has sponsored a Safe@Work Safe@Home award to recognise the best initiatives in the world.
<p>Price and awards</p>	In 2021, 54 sites covering nearly 34,000 employees were recognised by the RoSPA in their prestigious Health & Safety Awards. A total of 53 awards were won. L'Oréal Brazil earned the highest distinction, the Sir George Earle Trophy, which recognises the most remarkable performances in Health and Safety achieved by a company or organisation.	
<p>LOREAL WOMEN IN SAFETY</p> 	<i>Womeninsafety@LOREAL</i>	The <i>Women in Safety</i> programme launched in 2021 is intended to promote the Group's network of women working in the areas of Health and Safety, both in-house and outside the Group. A global steering committee issues a roadmap on the basis of 4 pillars: promote equity, diversity and inclusion, recognise leadership, be a role model and develop EHS skills and expertise.

4.3.2.2. Recruiting and supporting talents

The Group continually strives to enrich and diversify its pool of talent around the world for its present and future needs.

The recruitment teams are tasked with recruiting the best talent in all countries in which L'Oréal Group operates so as to form diverse teams that resemble our consumers and integrate all cultures. The local implementation of the recruitment policy is carried out by a network of local recruitment experts covering all countries.

To select the best talents capable of contributing to its transformation, L'Oréal has always recruited on the basis not only of a candidate's skills, but also their potential. In 2021, the Group formalised and strengthened its definition of potential, and implemented innovative methods of ensuring its recruitment is more inclusive. Its aim is to capitalise on candidates' strengths and to value fundamental traits such as ambition, resilience, empathy, judgement, and learning agility. Once recruited, the

Group then supports its employees through a dynamic policy of continued professional development and internal promotion.

L'Oréal has a unique know-how in working with higher education to identify and recruit new graduates, with schemes such as:

- *Brandstorm*, the Group's innovation competition for students, which brought together more than 60,000 students from over 65 countries in 2021, in a completely digital format, and gave them a unique experience allowing them to immerse themselves in the beauty industry, express their creativity and find out about the Group's values of innovation and entrepreneurship;
- the Management Trainee programme, a rotational programme that allows new graduates to prepare effectively to take on major business responsibilities. In 2021, this programme was offered by most of L'Oréal's subsidiaries.

The Group is continually improving its powerful digital communications system which allows to enhance the employer image, to share, daily and transparently, the richness of its jobs and the diversity of its career paths and to explain its culture. L'Oréal's Social Media strategy in recruitment has also been recognised as one of the best in the world for several years. A strong presence on LinkedIn, with more than 3.9 million followers, helps with proactively recruiting the best talent.

For several years, L'Oréal has been ranked by Glassdoor as one of the best employers in France.

An International Digital team provides L'Oréal recruiters around the world with cutting edge digital tools to efficiently select the best candidates from among nearly one million applications received. These solutions, such as MYA and SEEDLINK, use artificial intelligence, which both provides greater efficiency and targets a broader diversity of backgrounds.

In 2021, the recruiter community came together to consider several key topics, such as harmonising our practices with GDPR requirements, training to combat unconscious bias, as well as overhauling training programs for new recruiters.

In 2021, the Group also launched "L'Oréal for Youth", its programme aimed at supporting the employment of young people and improving their employment prospects throughout the world. Through this comprehensive and long-term programme, the Group is committed to increasing the number of job opportunities aimed at those under the age of 30, offering training packages and rolling out coaching and mentoring initiatives.

Successful integration of new employees lays the groundwork for a lasting, quality relationship with the Company. To this end, the "FIT" integration programme provides a number of actions to give everyone the keys to success within the Group, both from an operational standpoint and with the desire to share the corporate culture.

Learning in the context of Covid-19

The Covid-19 health crisis accelerated the transformation of the business and changed the types of support and upskilling required, while transforming learning methods and technologies. In this context, the Group's #SafeTogether e-learning module, launched worldwide in May 2020, played a major role in the adoption of the right hygiene standards. It contributed to the protection of all employees from the very beginning of the Covid-19 health crisis. Nearly 65,000 employees have taken this module since it was launched in 2020.

4.3.2.3. Training and developing employees throughout their working life

L'Oréal has always considered the development of its employees as one of the main drivers of its performance and its transformation, and has a driving ambition: to develop the potential and employability of each employee throughout their lives, and to prepare tomorrow's leaders.

To achieve this aim, the People Development & Learning teams are committed to providing the most relevant and modern training and development solutions throughout the world.

This strategy means the Group is recognised as a centre of excellence and contributes to L'Oréal's competitive advantage, as well as to the attraction, engagement and retention of employees.

It is based on five levers:

- supporting and developing talent at each key stage of their career path;
- anticipating changes in job roles and the need for critical skills;
- large-scale upskilling⁽¹⁾ programmes to support transformations of the business and their respective challenges;
- sharing the corporate culture and the passion for the beauty industry to nurture a sense of belonging to the Group, as well as sharing our raison d'être "Create the beauty that moves the world"; and
- the growth experience of our employees, meaning the way to live out their development every day, in key moments such as, for example, the day they join L'Oréal or enter a new position, or even professional and development interviews.

In 2021, L'Oréal also created the "Hybrid Working" e-learning module to support the Group's new policy of maintaining the balance between on-site working and remote working and making this arrangement more effective. A "Best of Both Worlds" tool kit has also been made available to managers to enable them to train their teams in the best way and to implement this new policy. In total, more than 12,000 employees have already been trained using one of these resources.

(1) Upskilling.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

- Policies, performance indicators and results

Learning in the service of the Group's business challenges

Training is central to the Company's major transformations: the challenges of CSR, the digital revolution, which impacts all jobs, the transformation of marketing, the acceleration of e-commerce and the changes in working conditions and managerial practices.

The Digital Upskilling training programme launched in 2015 is one of the pillars of the Group's digital acceleration strategy. This programme, which has benefited more than 60,000 employees, has developed in order to support the development of essential new skills, around two major components:

- integrating digital competencies into all of the Group's training plans, particularly within the "L'Oréal University for Marketing"; and
- consolidating the new skills necessary for the digital transformation, particularly in e-commerce, with the launch of the "L'Oréal University for e-Commerce" in 2022, guaranteeing the best training offering in this field.

In the context of the transformation towards Beauty Tech, engaging all employees is a priority for the Group.

For tech and data experts, L'Oréal offers a personalised training course tailored to the various job roles, which aims to ensure that everyone is able to develop their skills in the tech fields of the future (data, artificial intelligence, cyber security, enterprise architecture, etc.).

At the same time, opportunities for training in new technologies and data enable all employees to acquire the technological knowledge base required to tackle the challenges of the future and thus contribute to the Beauty Tech transformation.

With regard to CSR, L'Oréal launched a training course called "Green Steps" for its teams as part of the launch of the L'Oréal for the Future programme. This programme offers podcast-based e-learning modules and webinars with Group experts as well as an online self-assessment called the Green Test. The programme has four components: climate change, water, biodiversity and natural resources. This programme has been rolled out worldwide. At the end of 2021, 41,500 employees had started this programme and 35,000 had already completed it.

With regard to Diversity, Equity and Inclusion (DE&I), L'Oréal has developed a training course based on four fundamental pillars: gender equality and the inclusion of LGBTQIA+ people, disability, socio-economic and multicultural background, age and intergenerational issues. Available to all subsidiaries, this course is prioritised for new arrivals and is delivered in a workshop format via a virtual classroom. The DE&I offering is both modular and flexible, with remote and in-person content, which means it can be easily adapted to various local settings.

The last two years, which have been characterised by high levels of remote working, have accelerated the digitalisation of the offering, with nearly 85 resources (e-learning, e-conferences, podcasts, etc.) available in several languages on the My Learning website.

A true revolution in working methods and leadership has been accomplished in five years thanks to the Simplicity project, thus demonstrating the Group's great agility. All the principles and methods promoted by Simplicity have proved to be particularly effective to boost the engagement of teams.

The three major advances of this year were:

- a Leadership Survey rolled out for the first time to the top 2,000 executives, covering nine exemplary practices of Simplicity, the results of which are taken into account for awarding a bonus;
- the launch of a quarterly webinar, LeadEnable for Simplicity, which brings together 500 participants from 25 countries with the aim of sharing the fundamentals of Simplicity with new arrivals; and
- the continuation of a Leaders Modelling Feed-Back campaign: Two thirds of the Group's Executive Committee teams have already integrated these rituals in their daily practice.

These transformations were supported by the "Learn Today, Shape Tomorrow" campaign, a series of monthly newsletters circulated Group-wide from February 2021.

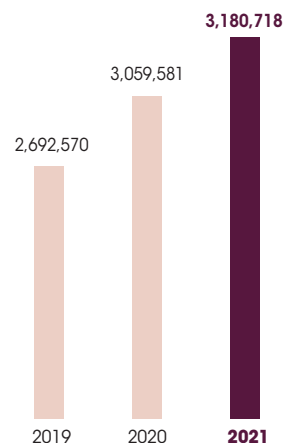
Learning for all & "Next Learning"

L'Oréal is committed to learning for all, which it considers to be a human and social responsibility.

In 2021, L'Oréal achieved its target of training 100% of its employees.⁽¹⁾



NUMBER OF TRAINING HOURS



(1) Total number of unique learners in 2021 / workforce at 31 December 2021. Trained employees who left the Group in 2021 are counted and may offset untrained employees in 2021.

BREAKDOWN BY GEOGRAPHIC ZONE

	Employees trained	Number of hours
Europe	36,352	978,368
Latin America	9,337	370,141
North America	13,042	302,312
North Asia	22,310	1,191,994
SAPMENA + SSA	8,572	337,903

In order to meet its ambition of learning for all, the Group is committed to a "Next Learning" transformation programme. This consists of maximising the impact of learning initiatives, by simplifying and adding value for all subjects possible. There are four core pillars to this challenge:

1. Prioritising key skills by ensuring that more than 90% of the target for "must-do" programmes is met. The aim of these programmes is to provide employees at different levels with the essential skills they need to excel in their work and to lead the Group's major transformations;
2. Making employees the drivers of their own development, with the goal that at least 50% of the overall learning hours come from self-directed learning offers;
3. Measuring the impact of all training programmes with a target of achieving a training impact score of at least 80/100 points. This score is evaluated by the participant after each training session; and
4. Optimising the training organisation and modernising the training methods in order to train more and train better, by investing in the excellence of the Learning Community.

In order to anticipate these critical skills, the Learning Departments of our Divisions and Business Lines work in close collaboration with their Operational Departments. This planning work establishes upskilling roadmaps for different areas of expertise and identifies the most suitable learning solutions to meet those needs.

The Learning Departments of the Zones have a critical role in the activation of these solutions and participate in creating regional offers adapted to the specific features of their zone.

The Zones rely on regional campuses to ensure the large-scale deployment of all solutions. These campuses have unique know-how in terms of designing and delivering remote learning programs that fully engage the participants.

A learning offering transformed by technology

Employees training forms part of a comprehensive EdTech (education technology) ecosystem that makes use of digital content providers, interactive animation solutions, or unique learning experiences. In 2021, the Group turned to new learning content providers (LinkedIn Learning, TED@Work, Busuu) to further enhance its existing online offering and to prepare for the launch of a fully revitalised learning experience in 2022.

In 2021, due to developments in the public health landscape, the total number of training hours from remote and micro-learning formats was lower than in 2020, but still well above 2019 levels, indicating that new digital learning habits are here to stay.

- MyLearning.com, the Group's e-learning platform, counted over 66,000 regular users⁽¹⁾ (- 2.6% vs 2020, but +16.8% compared to 2019) representing nearly 540,000 hours of e-learning (- 7.9% vs 2020, but 2.5 times higher than in 2019).
- In 2021, over 2,700 employees registered for the MOOC (Massive Open Online Courses) from Coursera, with a very high certification rate of 43% representing more than 17,000 hours of learning.
- The functionalities of the Microsoft Teams platform enabled the Group to set up live remote learning sessions totalling more than 1,000,000 training hours (i.e. +8% compared to 2020).

These technologies also helped us to reach more target employees more quickly: Marketing Media Week, for example, attracted nearly 5,000 participants from around the world.

Accreditation and rewards for L'Oréal's learning strategy

After a 6-month evaluation process, the European Foundation for Management Development (EFMD)⁽²⁾ awarded L'Oréal with the CLIP⁽³⁾ accreditation for a period of 5 years for all the activities delivered by the L'Oréal University Leadership & Culture.

In 2021, the Learning France teams won second place in the "Victoires des Leaders du Capital Humain" (Human Resources Leaders Awards) organised by Décideurs magazine for the following initiatives:

- in the professional training category: for the "Learning Never Stops" campaign;
- in the Leadership & Management category: for its strategy to support hybrid working for managers and employees;
- in the international human resources category: for its "Licence to Develop" workshop on the role of the manager as a "people developer".

4.3.2.4. Creating conditions for a stimulating and attractive work environment

The L'Oréal Share & Care programme: an accelerator of social progress

All along its history, L'Oréal has aimed to offer its employees security and protection to enable them to work with peace of mind. L'Oréal's Share & Care programme follows on from a long tradition of social progress and caring of the individual. L'Oréal makes, and will continue to make, a difference by putting people at the centre of its concerns, its organisation and therefore its development.

The Group has thus set a goal to create an attractive work environment in which all employees can thrive at both a professional and personal level.

(1) Employees who opened at least one e-learning module on MyLearning, the Group's e-learning platform, without taking into account the duration of the module.
 (2) EFMD is the world authority in the accreditation of business schools and corporate learning teams.
 (3) The CLIP (Corporate Learning Improvement Process) programme is the leading independent accreditation system for corporate training functions.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

With its L'Oréal Share & Care programme, L'Oréal has universalised its social model in a manner that is consistent with its global dimension. This is a strong commitment that reflects the Company's vision that sustainable growth necessarily goes hand in hand with a high level of social performance.

The programme was launched in 2013, improved in 2017, and implemented collaboratively in all the subsidiaries. The Group's ambition is three-fold:





- establish a common base of social protection, *i.e.* minimum guarantees in all subsidiaries;
- become one of the top performers in each local market, by going beyond the common base whenever local best practices offer more;
- make each subsidiary a "social innovation laboratory". Through local initiatives, the subsidiaries are encouraged to set up initiatives adapted to the expectations of their employees.

Updated in 2021, the programme strengthens the existing frame while adapting it to a changing world. It offers new perspectives, particularly in terms of personal ecology and flexibility at work, with measures that reflect the changing needs of employees.

The essential components of the L'Oréal Share & Care programme have now been deployed in all Group subsidiaries and new components are being rolled out with implementation targets that vary between 2021 and 2023, based on the priority accorded by the programme.

The four pillars of the L'Oréal Share & Care programme

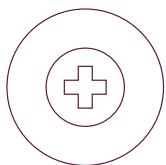
This large-scale social programme consists of commitments revolving around four pillars that were updated in 2021 and implemented in all countries: social protection, healthcare, work/life balance and the working environment.

Pillars	Objectives	Main commitments achieved or in progress in all countries
PROTECTION (Welfare schemes) 	Providing employees and their families with financial support in the event of unexpected life events, by allocating appropriate assistance.	24 months' salary, or equivalent pension, in the event of natural or accidental death. 24 months' salary, or equivalent pension, in case of total permanent disability. A welfare scheme aligned with the best practices in each country
HEALTH (Healthcare) 	Providing employees and their relatives with access to a high-quality healthcare system as well as prevention measures, placing greater emphasis on mental and emotional health, in order to create a new global approach to "personal ecology".	Reimbursement of at least 75% of medical costs in the event of major risks (hospitalisation, surgery, drugs prescription for chronic and severe diseases), Prevention and information campaigns on mental and emotional health, with individual measures (medical check-ups) and collective campaigns (melanoma, diabetes, obesity, HIV, etc.) for physical health. EAP (Employee Assistance Programme) in all subsidiaries where this service is available. Training/awareness/prevention initiatives regarding ergonomics. A local policy in each subsidiary aimed at protecting victims of domestic violence.
BALANCE (Work/life balance) 	Enabling all employees to fully experience milestones in life such as maternity and paternity and demonstrating flexibility in working organisation for a better work/life balance.	At least 14 weeks' maternity leave fully paid. At least 6 weeks' paternity leave fully paid. A hybrid working policy in all subsidiaries, including working remotely for up to two days per week, on a voluntary basis, for eligible employees, in agreement with line manager and in accordance with team organisation.
WORKPLACE (Working environment) 	Offering the best working environment thereby enabling employees to work in a pleasant, appropriate and effective way, and, depending on their activity, to meet, share, learn, collaborate, create or concentrate.	New premises easily accessible by public transport and by people with disabilities. According to leading global standards, L'Oréal offers high-quality working spaces, thanks in particular to the on-site services offered to employees.



In 2021, **93%**⁽¹⁾ of the Group's permanent employees had access to financial protection in the event of unexpected life events (including death or permanent disability).

(1) Permanent employees of the Group (Cosmetics) excluding, in some countries, part-time contracts of <21 hours a week, casual contracts, beauty advisers and store employees, knowing that the integration of recent acquisitions and new subsidiaries is gradual.



In 2021, **97%**⁽¹⁾ of the Group's permanent employees had access to healthcare coverage reflecting the best practices in their country of residence.

Assessment tools of the L'Oréal Share & Care programme

In order to ensure transparency and reliability, the entire programme is regularly subject to measures and assessments to verify that it has been implemented in accordance with the objectives:

- self-assessment and definition of the action plan through a reporting tool: the Follow-up-Tool, completed by each subsidiary annually;
- internal audit; a detailed verification of the programme's implementation has been included in the planning of internal audit in the subsidiaries;
- external audit: certain key indicators are audited within the scope of the annual external audit.

The ILO is a partner in the L'Oréal Share & Care programme

The L'Oréal Share & Care programme attracted the attention of the ILO (International Labour Organisation) in the context of its study on the contribution by major companies to the expansion of social protection all over the world.

A close collaboration was developed. As a result, the ILO launched the Global Business Network for Social Protection Floor in October 2015. This network allows acting collectively and mobilising to create a basic set of social protection measures for everyone. L'Oréal is a founding member of this new network created by the ILO to promote social protection all over the world.

Covid-19 health crisis: teleworking and cyber security

The implementation of teleworking hugely benefitted from the security measures in place at L'Oréal, in particular, the encryption of hard drives, the use of security certificates to establish secure connections, anti-spam and anti-virus

Flexible work organisation

In each subsidiary, work is organised according to local context and to the activity performed in compliance with legal and contractual obligations. In several subsidiaries, both work organisation and working time are part of collective agreements.

L'Oréal believes that flexibility at work is a key element in attractiveness. Launched in 2021, the third step of L'Oréal Share & Care strengthened work flexibility with the implementation of the global "Hybrid Working" policy, which provides up to two days of remote work per week on a voluntary basis, for eligible employees, in agreement with line manager and in accordance with the organisation of the team. In 2021, all Group subsidiaries set up remote working, taking into consideration the evolution of the Covid-19 crisis, and adopted the new "Hybrid Working" policy when this was compatible with the local health situation. In addition, 61 subsidiaries have now set up a flexible working time policy.

Employees from all categories have chosen the option of part-time work. In 2021, there were 5,113 part-time employees, 4,597 of whom were women and 516 were men.

protection of emails, protection of Internet access via access gateway in the cloud and two-factor authentication of users.

In the context of crisis management, this protection was even reinforced primarily to fighting phishing threats, notably with an additional verification of URL links in messages, as well as highlighting emails from external sources.

An active social dialogue with employees and their representatives

As a signatory of the United Nations Global Compact since 2003, and in compliance with its Employee Human Rights Policy, L'Oréal respects the freedom of association and the right to collective bargaining. In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal has implemented other modes of dialogue with its employees that allow them to report their possible concerns.

In the context of this general principle, the social climate at L'Oréal is the fruit of an ongoing dialogue between Management, employees and their representatives, in accordance with trade union rights in each country and with a neutral attitude with regard to the various trade union organisations.

When employees wish to be represented by authorised employee representatives, these representatives are elected by employees without company interference. Therefore, employee representative institutions are in place in most of the European subsidiaries, in several Asian subsidiaries (China, South Korea, India, Indonesia, Japan and Vietnam), in Africa (South Africa, Kenya and Morocco), in North America and South America (Canada, United States, Argentina, Brazil, Chile, Colombia and Mexico), and also in Australia and New Zealand. Employee representatives have access to the workplace, to consenting employees, to collective bargaining agreements as well as to local documentation useful for the performance of their mission, subject to compliance with Group's legitimate rules on confidentiality and security.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

In total, 86% of the Group's employees work in subsidiaries where there are employee representative councils. 46% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.

Two Directors representing the employees have been member of L'Oréal Board of Directors since 2014 (see section 2.2.1.3. "Two Directors representing the employees since July 2014" of this document).

An agreement signed in 1996 between L'Oréal and French and European trade unions led to the establishment of the Company's *Instance Européenne de Dialogue Social*/ European Works Council. This council leads discussions and formal meetings with its members about the Group's current situation and future perspectives, on the basis of an agenda prepared with the Liaison Secretariat. This council covers approximately 30,000 employees in 25 member countries of the European Economic Area and the United Kingdom.

L'Oréal's social policy permits the signing of a certain number of collective agreements every year. In 2021, 148 agreements were signed in France and 100 agreements were signed in the rest of the world. In total, the number of agreements in force on 31 December 2021 was 743, 424 of which were in France. 117 agreements in force cover health and safety, in whole or in part.

These agreements primarily cover work organisation, remuneration and working conditions (working hours, quality of life at work, professional equality, remote working, health and safety, etc.). They contribute to the proper functioning and to the performance of the Group since they strengthen employee participation and dialogue with their representatives.

4.3.2.5. Offering a motivating and competitive remuneration system

The principles of the remuneration policy

The L'Oréal remuneration policy aims at supporting the achievement of the Group's objectives and is an integral part of its development strategy. L'Oréal wants to attract and retain talents, propose motivating career paths and encourage performance and engagement of its employees while accompanying the evolution of its jobs and business.

For L'Oréal, social and economic performance are closely linked. The Group ensures that all employees receive at least the minimum salary set by local law or applicable collective agreements. In most of the countries, L'Oréal's lowest base salaries are much higher than the national minimum wages in force.

A process to monitor remuneration practices is in place to ensure that the Group's permanent employees receive at least a "living wage", i.e. a salary that covers their basic needs, as calculated in line with the best practices and with the support of independent experts.

A total rewards approach is used to provide each employee with a competitive rewards package including both compensation elements (fixed pay, variable pay, long-term incentives) and employee benefits.

The Group is implementing a remuneration policy that combines external competitiveness with internal equity, and rewards both individual and collective performances. In addition, employees share in the Company's results through results-based collective profit-sharing schemes rolled out globally.

The L'Oréal remuneration policy is formalised within a "Rewards charter" and is implemented by a network of Rewards experts present in the different countries. External surveys are conducted every year with specialist firms to ensure L'Oréal's competitive positioning in relation to each local reference market.

Finally, L'Oréal's ambition is for all employees to understand their remuneration and how it is determined. The Group makes sure that it communicates clearly and transparently on this subject.

L'Oréal's remuneration policy is supported by an annual employee performance assessment system applied in all the Group's subsidiaries. It enables the communication of remuneration decision making principles, processes and outcomes. The Group's subsidiaries are encouraged to provide employees, once a year, with a document presenting the evolution of the remuneration package and its various components with clarity and transparency.

Personnel costs (including welfare contributions)

€ millions	2019	2020	2021
Total	6,131	6,124	6,471

The comparison between the three years takes into account the impacts of foreign exchange and is not representative of the real changes in personnel costs.

Employee shareholding plans

In line with the L'Oréal policy to share growth with its employees, in 2018, L'Oréal launched its first worldwide employee share ownership plan, with very satisfactory results. This plan was indeed recognised by the French Federation of Employees and Former Employee Shareholder Associations (FAS), which awarded L'Oréal the "CAC All Tradable Grand Prix" in 2018.

A second employee share ownership plan was put in place in 2020, as L'Oréal intended to offer a new opportunity for employees to support the growth of the company and participate in its strategic project. These plans are designed to gather, unite and increase the loyalty of employees worldwide by enhancing a feeling of belonging, engagement and social cohesion. Eligible employees had the possibility of purchasing shares with preferential conditions including, where permitted by local law, a 20% discount on the share reference price with an employer matching share contribution of up to 4 free shares.

The plan was rolled out in 57 countries in 2020, 6 more than in 2018. Once again, it was a big success with a 35% subscription rate, similar to the first plan, which represents a high percentage compared to companies that have set up employee shareholding plans⁽¹⁾.

(1) 2019 survey on employee share ownership by the French Federation of Employee Shareholder Associations and Former Employees - FAS. The survey includes entities in France that practice employee share ownership and performs a recurring analysis between these same entities

Plans for the conditional grant of shares to employees (ACAs)

L'Oréal sets up long-term incentive plans in favour of its employees and corporate officers in an international context, in the form of grants of performance shares.

These grants serve a dual purpose:

- motivate and associate those who make significant contributions to future increases in the Group's financial and extra-financial results; and
- strengthen involvement and the feeling of belonging of its beneficiaries by fostering long-term loyalty in a context of increased competition for talent.

The vesting of these shares is subject to the achievement of performance targets and the beneficiary's continued presence in the Company. Under the 19th resolution submitted for approval by the Annual General Meeting of 21 April 2022, the Board of Directors, at its meeting of 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, decided to introduce new criteria to assess the extra-financial performance in addition to the financial performance for the conditional grant of shares to employees, in order to align them with L'Oréal's strategy in which economic and social performance go hand-in-hand.

To ensure consistency with the Group's strategic objectives, the choice of beneficiaries and the vesting criteria are determined by a specific policy (see section 7.4. "Long-term incentive plans" of this document). The Board of Directors, subject to the recommendation of the Human Resources and Remuneration Committee, approves the conditional grant of shares and lays down the applicable rules.

53% of the beneficiaries of the 7 October 2021 plan are women. More than 3,600 employees, representing around 9.5% of the managers around the world, nearly 58% of whom are in international subsidiaries, benefit or have benefited from at least one stock-option plan or one conditional grant of shares plan (ACAs) since 2017, and were still employees of the Company as of 31 December 2021.

Profit sharing schemes

For many years, L'Oréal's policy has been to associate employees in the results of the Company with the aim of strengthening their feeling of belonging and their motivation. In the context of the profit-sharing schemes in place, €352 million were redistributed to L'Oréal's employees in 2021 on the basis of 2020 results.

In 1968, an employee profit sharing agreement ("*participation*") was signed in France, followed by another agreement ("*intéressement*") in 1988, and these agreements have been constantly renewed since then.

Since 2001, L'Oréal has implemented a Worldwide Profit Sharing Programme in all the Group's subsidiaries in which the employees do not benefit from legal or contractual profit sharing schemes. The amounts paid within this framework are calculated locally on the basis of the turnover and profit of each subsidiary, as compared to the budgeted targets.

In 2021, L'Oréal decided to give employees an exceptional profit sharing award equivalent to a minimum of two weeks' salary throughout the world, following the Covid-19 health crisis that marked the year 2020. With this gesture, the Group wished to recognise the collective effort of its employees during this difficult period.

Amounts paid under these programmes (in € million)

	2019	2020	2021
Total ⁽¹⁾	310	368	352

(1) Profit sharing schemes.

Employee benefit and pension schemes

L'Oréal wants to ensure that its employees benefit from competitive retirement and welfare schemes in all countries. Since 2002, an International Benefits Supervisory Committee oversees the management of these schemes in the subsidiaries and monitors the implementation of L'Oréal's Retirement and Employee Benefits policy.

L'Oréal's commitments with regard to welfare schemes are part of the Protection pillar of the L'Oréal Share & Care programme. In all subsidiaries, L'Oréal guarantees the payment of a lump sum, or equivalent pension, equal to a minimum of 24 months' salary in the event of death or total permanent disability, or a higher amount where it is the local practice.

The characteristics of retirement schemes and other end of career benefits offered by the subsidiaries vary depending on the applicable laws and regulations as well as local practices.

In 88% of the countries where L'Oréal operates, the Group contributes along with its employees to the build-up of supplemental retirement benefits for its employees in addition to the minimum benefits of the public social security system.

Retirement plans are financed by payments into specialised funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main investment funds, as well as the financial stability rating of the custodians, are regularly reviewed by the International Benefits Supervisory Committee.

L'Oréal does not propose company retirement plans in countries that do not have an appropriate legal framework or without long-term investment instruments and in countries where there is a satisfactory public social security system. The International Benefits Supervisory Committee remains attentive to changes to local situations and, when needed additional complementary schemes are put in place.

Overview of the Pension and Employee Welfare schemes in France

Pension schemes

To supplement the pensions provided for by the compulsory French pension scheme, L'Oréal has implemented some supplementary pension schemes described below:

Defined contribution scheme

In September 2003, L'Oréal set up a "defined contribution pension scheme".

All categories of employees are beneficiaries of this scheme, after one year of employment, that is financed jointly by L'Oréal and the employee, and that makes it possible for everyone to build up retirement savings.

This scheme entitles pensioners to a lifelong annuity (or to a lump-sum, under certain conditions), calculated after they claim their pension rights with the Social Security pension system, calculated on the basis of the capital formed by the contributions paid and the financial income on such contributions at the end of the employee's career, as well as the annuity option selected.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

On 1 April 2021, the scheme was converted into a Mandatory Company Savings Plan (Plan d'Épargne Entreprise Obligatoire – PERO) within the framework laid down by the French Pacte law (Loi Pacte). This made it possible to introduce many improvements to the scheme, such as new options for paying into it, more diversified financial investments and more flexible exit conditions.

Defined benefit schemes

L'Oréal has also set up defined benefit schemes with unvested entitlements, initially differential followed by an additive defined benefit schemes, in order to take into account important developments impacting these schemes and with the aim of building a coherent system between the different pension schemes that exist in the Company.

French Order No. 2019-697 of 3 July 2019 that transposed EU Directive of 16 April 2014 into French law no longer allows the acquisition of unvested new rights in schemes open on 20 May 2014 for employment periods after 31 December 2019. In this context, L'Oréal froze the rights at 31 December 2019 and, in 2021, finalised the establishment of two substitution schemes with vested rights in compliance with French Order no. 2019-697 for employment periods from 1 January 2020, following the publication of the circular of 23 December 2020. These schemes are the "Supplementary pension scheme for Former Senior Managers with vested rights" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants à droits acquis) and the "Retirement Income Guarantee for former senior managers with vested rights" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants à droits acquis). These schemes are considered as the continuations of the old schemes because of the consistency in terms of population and benefits.

The "Supplementary pension scheme for Former Senior Managers" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants) concerns retirees who have held positions as senior managers for a minimum of 10 years, hired or promoted to this position between 1 January 2016 and 4 July 2019, who end their career in the Company. This is an additive defined benefit pension scheme which grants entitlement to payment of a life annuity. The reference salary taken into account for calculation of the pension is the fraction of the salary which exceeds six times the French annual Social Security ceiling. The calculation base of the supplementary pension is the average of the revalued reference salaries for the best three full years of activity out of the seven calendar years prior to the end of their career. The supplementary pension is 1.36% of the calculation base per year of service within the Group until 31 December 2019, up to a maximum of 25 years. Any retiree who so wishes could elect an option of a surviving spouse pension.

Access to the "Retirement Income Guarantee for former senior managers" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants) was closed on 31 December 2015. This scheme, created on 1 January 2001, was open to former senior managers of L'Oréal who, in addition to fulfilling the requirement of having ended their career with the Company, met the condition of having had the status of senior manager for at least ten years at the end of their career. It provides entitlement to payment to beneficiary retirees of a life annuity, as well as, after their death, the payment, subject to conditions, to their spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base is the average of the salaries for the best three years out of the seven calendar years prior to the end of the senior manager's career at L'Oréal. The pension is calculated on the basis of the number of years of professional service in the Company until 31 December 2019, capped at

25 years, each year leading to a progressive and regular increase of 1.8% in the level of the guarantee. The pension cannot exceed 50% of the calculation base or exceed the average of the fixed part of wages. A gross annuity and gross lump sum equivalent are then calculated, taking into account the sum of the annual pensions accrued by beneficiaries as a result of their professional activity and assuming that their retirement age is 65. The life annuity is the result of the conversion into an annuity at the beneficiaries' actual age on the date they apply for their pension of the gross lump sum equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday, and less all salaries paid under any early retirement leave. Around 330 senior managers are eligible for these schemes if they fulfil all conditions after ending their career with the Company.

Access to the "Pension Cover for Members of the Comité de Conjoncture" (Garantie de Retraite des Membres du Comité de Conjoncture) was closed on 31 December 2000. This former scheme granted entitlement to beneficiary retirees, after having ended their career with the Company, of a life annuity as well as, after their death, the payment under certain conditions to the spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base for the pension is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The pension is calculated on the basis of the beneficiary's number of years' service, with a ceiling of 40 years, it being specified that at the date of closure of the scheme, on 31 December 2000, the minimum length of service required was 10 years. The pension may not exceed 40% of the calculation base, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries. Around 120 senior managers (active or retired) are eligible for this scheme subject to the requirement, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

Collective Retirement Savings plan (PERCO)

Since 2003, L'Oréal has proposed that employees make savings with a view to their retirement within the scope of the PERCO. If the profit sharing is placed in the PERCO, a 100% matching contribution is paid by the Company on the first €1,200 gross and 50% thereafter (capped at €4,600/year total PERCO employer contributions). For employees who pay 100% of their profit sharing into the PERCO for five consecutive years, an employer contribution of €600 gross is paid into the PERCO (Club PERCO) in the fifth year. Since 2021, an additional employer contribution of €150 gross has been paid from the sixth consecutive year in which 100% of the profit sharing has been invested into the PERCO. Each year, employees may also transfer 10 days of saved leave time (Compte Épargne Temps, or CET) in the PERCO. An additional employer contribution of 20% is paid for these days.

Pre-retirement arrangements

L'Oréal pays close attention to its employees' retirement conditions. The existing arrangements are, in particular:

- early retirement leave ("congé de fin de carrière", CFC): this early retirement arrangement consists of exempting employees from the requirement to perform their activities, while maintaining their remuneration (up to a limit of €10,611 gross/month) as well as profit sharing, incentives and paid leave. The CFC may range from 3 months for 20 years' seniority to 9 months for 30 years' seniority and more; and

- retirement compensation ("*indemnité de départ à la retraite*", IDR): the scale set by collective agreement is more favourable than that of the National Collective Bargaining Agreement for the Chemical Industries. Thus, when they retire, employees may benefit from retirement indemnities ranging from 2 months' salary for 5 years' service to 8 months' salary for 40 years of service. In order to increase the special leave prior to retirement, employees may opt to convert all or part of their retirement indemnities into time, or may choose to receive payment of all or part of the retirement indemnities, which will be made at the time they leave the Company.

These commitments are guaranteed by external financial cover aimed at gradually building up funds derived from premiums paid to external organisations.

- The Time Savings Account (CET): this optional scheme enables employees to plan the end of their career or increase their retirement income. Employees can bank up to 10 days of leave per year in the CET, five days of which attract an employer contribution of +25% and/or a cash payment, up to a maximum of 6% of gross remuneration per year. This scheme is capped at 300 days. The CET can finance a shift to part-time working from the age of 55, early retirement, increased retirement income, or a retirement lump-sum. CET savings are valued on the basis of the employee's final salary. A maximum of 10 days per year can be transferred to the defined contribution scheme or the L'Oréal PERCO (CET days transferred to the PERCO attract an employer contribution of +20%).

Employee Welfare schemes in France

In addition to the compulsory guarantees provided for by the collective bargaining agreements, L'Oréal has set up, in France, under an agreement, an Employee Welfare scheme providing additional collective guarantees to its employees.

All these guarantees are based on gross income and can total up to eight times the French annual social security ceiling. They are generally financed on Brackets A, B, and C of income, except for the Education Annuity which is based on Brackets A and B, and the Surviving Spouse Pension which is based on Brackets B and C.

This Employee Welfare scheme provides guarantees in the event of:

- incapacity: to all employees, 90% of their gross remuneration limited to 8 social security caps, at this level net of charges, after the first 90 days of work stoppage; in the event of disability: to all employees, a fraction that is a function of the level of disability, rising to 90% of their gross remuneration limited to 8 social security caps, up to this amount net of charges;
- in the event of death:
 - for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death;
 - for the employees affiliated with the benefit scheme for managers, employees governed by Article 36 of the AGIRC convention and sales representatives, the payment of a Spouse Pension to the surviving spouse. This ensures that the spouse has an income similar to the Surviving Spouse Pension paid for supplementary retirement contributions on the portion of remuneration greater than the annual cap on social security if death had occurred at the age of 65; and

- for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

Minimum guaranteed lump sum death benefits

L'Oréal has established an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefit in an amount equal to three years' average income. The total amount of the risk capital needed to fund the Surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is capped.

Healthcare expenses

The healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries. Employees have the option of including their family members in these schemes. Contributions are generally individual. The contribution by the employee is partly financed by the Company.

4.3.2.6. Promoting Diversity, Equity and Inclusion

Diversity, Equity and Inclusion are part one of the Group's strategic commitments, which aims to have teams that reflect the diversity of its consumers all over the world and to provide all its employees with an equitable and inclusive working environment. The Group also adopts an inclusive approach towards communities, suppliers and stakeholders. The Group's strategy in terms of Diversity, Equity and Inclusion is built around four key pillars:

- Gender and LGBTQIA+:** achieve gender parity at all levels and functions of the company; contribute to the establishment of more inclusive environments in favour of the LGBTQIA+ community everywhere in the world; act against any type of harassment or violence, particularly sexism, sexual harassment and gender-based violence;
- Disability:** accelerate the inclusion of people with disabilities, by means of targeted actions, with a minimum target for employees with disabilities in all countries;
- Socio-economic and multicultural background:** promote and increase the diversity of socio-economic and cultural origins in the Group's teams;
- Age and generations:** encourage dialogue and cooperation among employees of different generations.

The Group's policy on Diversity, Equity and Inclusion is also reflected in its approach towards its suppliers (see section 4.3.3.6. "Measures taken in favour of communities" of this document), its consumers, partners, communities and the NGOs and associations dedicated to inclusion on each continent.

To achieve its objectives, L'Oréal relies particularly on an internal network of "Diversity Coordinators", in all of its entities, who are the guarantors of the Group Diversity, Equity and Inclusion policy which they adapt to their local context.

The Group shares its achievements and progress in a dedicated section on the loreal.com website.

To measure the perception of the Diversity, Equity and Inclusion of employees, "Pulse", our annual in-house survey on employee engagement, includes questions on this issue.



4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

In advertising and marketing its products, L'Oréal is committed to communicating responsibly by ensuring that it respects the infinite diversity of beauty needs and desires around the world. In its Code of Ethics, the Group commits not to harm the dignity of human beings or present degrading stereotypes in its advertising. It is also sensitive to possible reactions to the Group's advertising from different religious, ethnic, cultural or social groups.

To strengthen our commitment to more inclusive marketing and advertising, in 2021 L'Oréal joined the Unstereotype Alliance, an initiative led by companies convened by UN Women. The Unstereotype Alliance brings together advertisers, industry leaders and designers with the aim of eradicating harmful stereotypes in advertising.

Gender equity: professional parity and equality for women and men

Achieving real gender equality, up to the most strategic positions, is a key challenge for L'Oréal, which aims to strengthen its ability to innovate while promoting a culture of inclusion. The Group therefore ensures that all jobs are accessible to women and men, both at the level of recruitment and with regard to opportunities for career development. Special attention is given to pivotal periods such as parenthood (see paragraph "The L'Oréal Share & Care programme: an accelerator of social progress" in section 4.3.2.4. of this document).

The policy on diversity and gender balance deployed in the Group includes a goal to maintain, every year, a proportion of employees of each gender that may not be less than 40% in strategic positions (around 300 positions). General Management reports annually to the Board of Directors on this policy and the results obtained during the previous financial year. Under the 19th resolution submitted for approval by the

Annual General Meeting of 21 April 2022, the Board of Directors, at its meeting on 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, decided to introduce criteria for non-financial performance in addition to financial performance within the long-term remuneration plans, one of which is a criterion linked to gender balance in strategic positions.

Since March 2019, L'Oréal has published its "Index of Professional Gender Equality", which is calculated using five indicators defined by the "Professional Future" law. This 2022 Group Index is at 97% for all of L'Oréal's French entities.

Since 2007, L'Oréal has collaborated with the INED (National Institute for Demographic Studies) to conduct an annual analysis of the differences in remuneration between women and men working in France. The aim is to guarantee identical pay for people with the same level of skills and the same classification. The median pay gap in France decreased from 10% in 2007 to 0% in 2019 for all categories⁽¹⁾ (stable in 2020).

In addition to the INED analysis in France, in 2020 L'Oréal launched a global tool to measure gender pay equality "all things being equal" (net of structural effects) certified by EDGE.

This analysis was conducted in 28 countries in 2021 (representing more than 80% of the global workforce): Argentina, Australia, Brazil, Canada, Chile, China, Denmark, Finland, France, Germany, Greece, India, Indonesia, Ireland, Italy, Japan, Mexico, Norway, Peru, Philippines, Russia, South Korea, Spain, Sweden, Switzerland, Thailand, United Kingdom, United States.

According to this analysis, the average "unexplained" salary gap in these countries is -0.76% in favour of men. L'Oréal aims to eliminate any "unexplained" salary gaps due to gender in all countries analysed by 2025.

L'Oréal and gender balance

As of 31 December 2021, women account for:

- 69% of the total workforce;
- 49% of expatriates in place;
- 47% of strategic positions⁽²⁾;

- 66% of employees promoted;
- 59% of international brand directors⁽³⁾;
- 51% of all key positions within L'Oréal S.A. ⁽³⁾ ;
- 55% of all key positions within the Group⁽⁴⁾;
- 32% of Executive Committee members; and
- 50% of members of the Board of Directors.

L'Oréal chose to have its gender equality practices and policies audited and relies on two independent organisations to measure and assess the situation of its subsidiaries: Gender Equality European & International Standard (GEEIS) and Economic Dividend for Gender Equality (EDGE).

Since 2010, the Group's head office in France and 23 of its countries have been awarded the GEEIS label, and are audited every two years by Bureau Veritas to measure the progress achieved. The countries currently certified are: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

As of today, 8 other countries rely on the EDGE certification process. The countries are audited by the third-party organisations Flocert or Intertek in order to be certified. L'Oréal USA was the first country to earn the label in 2014. The countries currently certified are: Australia, Brazil, Canada, India, Philippines, Russia, Switzerland and United States.

In 2021, L'Oréal Brazil was the first of the Group's subsidiaries to achieve "EDGE Lead" status, the highest level of EDGE certification.

In 2021, L'Oréal USA and L'Oréal Canada were the first of the Group's subsidiaries to achieve "EDGE Plus" status, which provides an additional analysis in terms of intersectional equality (gender identity, sexual orientation, age, ethnicity, disability and nationality).

⁽²⁾ The Statutory Auditors have expressed reasonable assurance about this indicator.

⁽¹⁾ For more information, see the "Diversity, Equity and Inclusion key figures" section on the [loreal.com](https://www.loreal.com) website.

⁽²⁾ Strategic positions, including the Executive Committee (around 300 positions).

⁽³⁾ These are the positions with the greatest responsibility: strategic positions, other key positions monitored at Group level and key positions monitored at the local/regional level. These positions represent 12% of L'Oréal S.A. employees as of 31 December 2021.

⁽⁴⁾ These are the positions with the greatest responsibility: strategic positions, other key positions monitored at Group level and key positions monitored at the local/regional level. These positions represent 6.2% of Group employees as of 31 December 2021.

In total, 31 countries² continued to be EDGE or GEEIS certified in 2021, which represents more than 60% of the Group's workforce.

Being a company that is committed against gender-based violence

In 2018, L'Oréal was the first company to join the "One in Three Women" network, the first European network of companies committed to fighting violence against women⁽¹⁾. Its aim is to create and test measures to combat violence against women and to support the employees concerned, through specialised NGOs.

Concrete actions were taken in 2021 with the "One In Three Women" network, such as:

- an e-learning module made available in 5 languages to raise employee awareness;
- the launch of 4 new podcast episodes dedicated to the impact of domestic violence in the workplace, with testimonies from people who have been subject to this type of violence, as part of the International Day for the Elimination of Violence against Women.

L'Oréal regularly attends international conferences, such as the Global Summit of Women, the UN Global Compact and the Women's Business Council, to speak about the action it has taken to combat violence against women.

After having committed to support the ILO's adoption of the first international convention against violence and harassment in the workplace in 2019 along with the NGO, CARE, L'Oréal established a HR policy on domestic violence in 2020. The worldwide deployment of this policy began in 2021 and there are great ambitions for 2022.

When it was launched in 2018, the #StOpE initiative against so-called "ordinary" sexism in the workplace, led by L'Oréal France with AccorHotels and EY, brought together 30 companies and organisations that signed a commitment under the patronage of the French Minister for Equality between Women and Men and the Fight Against Discrimination. Today, 114 organisations are involved with this initiative, which aims to promote best practices to combat sexism in the workplace. The Group began to roll out this initiative internationally in January 2021. An e-learning was also developed collaboratively by 7 companies in the network.

Contributing to the establishment of more inclusive environments in favour of the LGBTQIA+ community

With a presence on all continents, L'Oréal contributes to the establishment of more inclusive environments for the LGBTQIA+ community⁽²⁾.

Since 2018, L'Oréal has been one of the sponsors of the "Standards of Conduct for Business" established by the United Nations High Commissioner for Human Rights in the fight against discrimination against LGBTQIA+ people.

In 2019, a co-parenting policy was implemented in France and the United States, with the same rights established for paternity leave, which was increased to 6 weeks paid leave in

France and 8 weeks paid leave in the US. This policy was integrated into the new version of the L'Oréal Share & Care programme in 2021.

In 2020, L'Oréal published its Employee Human Rights Policy.

L'Oréal USA again received the maximum score of 100 on the 2021 Corporate Equality Index of the Human Rights Campaign Foundation, which reflects its commitment.

Promoting the inclusion of people with disabilities

For more than 20 years, L'Oréal has applied a global policy to include people with disabilities within the Company. In 2021, the Group employed 1,509 statutory employees with disabilities, i.e. 1.8% of the total workforce. L'Oréal's goal is that people with disabilities will account for 2% of the Group's statutory employees by 2025. The disability pillar of L'Oréal's Diversity, Equity and Inclusion policy covers the following five priorities:

- Recruitment: L'Oréal promotes the recruitment of people with disabilities in all countries;
- Declaration of disability: create the conditions for employees to declare their disability, so that the company can adapt positions, jobs and support;
- Digital accessibility: any new digital platform must now meet this objective;
- Employee awareness: the success of the Disability pillar of L'Oréal's Diversity, Equity and Inclusion policy is closely linked to internal communication and training; and
- Sharing best practices: collaboration with experts, associations and NGOs recognised on the subject is an important element in advancing inclusion within and outside the Group.

An active member of the ILO since 2010, L'Oréal was one of the first signatories of the Global Business and Disability Network Charter in 2015. L'Oréal chaired this network in 2021.

In November 2020, L'Oréal became a member of *The Valuable 500*, a global business collective whose objective is to promote the inclusion of people with disabilities. L'Oréal shared its commitment on disability with this collective in 2021, and also participates in discussions to identify best practices and to facilitate the acceleration of actions on this key matter.

Reinforcing multicultural and socio-economic diversity

L'Oréal's goal is to reflect, at all levels and in all functions, the diversity of the markets in which it operates. Particular attention is therefore paid to the diversification of recruitment pools, to ensure equal opportunities in terms of professional development, and to raise awareness of employees and management on this subject.

170: Number of nationalities (in the global workforce) distributed among the 68 countries⁽³⁾.

² The Statutory Auditors have expressed reasonable assurance about this indicator.

⁽¹⁾ This is an initiative of the Foundation Agir Contre l'Exclusion (FACE) and the Kering Foundation.

⁽²⁾ LGBTQIA+: Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual, +.

⁽³⁾ HR reporting.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Since 2015, L'Oréal has supported the Equal@Work network of the European Network Against Racism (ENAR), which helps to ensure progress on this important issue. Since 2019, L'Oréal has been an active member of the Tent Partnership for Refugees, a global network of more than 200 companies that support refugees. This partnership enables L'Oréal to strengthen the socio-economic and multicultural diversity of its teams, offer job opportunities to the candidates in question and facilitate their inclusion in their host countries. In 2021, L'Oréal committed to taking part in a three-year mentoring programme for 50 female refugees in France, Germany, Belgium and the Netherlands.

On World Refugee Day 2021, L'Oréal's Chief Executive Officer signed an open letter with other executives as part of the *Refugees Are Talents* collective and took part in professional gatherings and various international events to encourage the recruitment of refugees into our teams.

Training employees in Diversity, Equity and Inclusion

In order to support these initiatives, L'Oréal trains its employees in Diversity, Equity and Inclusion by organising Diversity Training Workshops. This training is now available virtually. Since 2007, more than 75,000 employees have been trained through these workshops.

Since 2010, L'Oréal has participated in the EVE programme, an initiative led by the Danone Group, aimed to help women to be agents of change in their company and to develop their leadership and careers. Since its launch, more than 650 of the Group's employees have taken part in this programme. The Group wanted to go further by partnering with Danone to create editions in Asia in 2014 (EVE Asia-Pacific), and Africa (EVE Africa) since 2017.

On the Group's internal platform dedicated to training, MyLearning, a page dedicated to Diversity, Equity and

Inclusion was created in 2020. More than 80 learning resources are now available.

In 2021, the Group made 9 new e-learning modules available, covering the following topics: micro-aggressions, sexism, unconscious bias, mental health, digital accessibility, domestic violence, cyber-harassment, workplace inclusion of the LGBTQIA+ community, combating racism in the workplace, as well as quarterly e-conferences and a selection of podcasts.

Awards obtained in 2021

L'Oréal has been recognised on several occasions for its excellence in the area of Diversity, Equity and Inclusion:

- For the fifth consecutive year, L'Oréal was recognised by Bloomberg's Gender-Equality Index 2022 (GEI) for its commitments to female leadership, talent management, gender equality, inclusion, and policies on sexual harassment. In 2022, the Bloomberg Gender-Equality Index includes 418 international companies with their headquarters in 45 countries around the world.
- L'Oréal is recognised as one of the 100 best-ranked companies in terms of diversity and inclusion in the Refinitiv Diversity & Inclusion Index 2021. This international index is compiled following an analysis of more than 11,000 listed companies.
- For the fourth consecutive year, L'Oréal was one of the top five most advanced companies in the world in terms of gender equality, according to the Equileap Global Gender-Equality Ranking 2021, which assesses nearly 4,000 companies in 23 countries. L'Oréal came fourth worldwide in this ranking, first in the consumer goods sector and first in France.
- In 2021, L'Oréal won the "Parity of the Top 100" Special Award for the Feminisation of Governing Bodies, at the 8th annual Awards for the Feminisation of Governing Bodies of the SBF120 companies.

4.3.3. Human rights policy

4.3.3.1. A commitment of the entire organisation

L'Oréal's commitment to Human Rights is based in particular on the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights and the Fundamental Conventions of the International Labour Organisation, although these conventions have not all been ratified by all the countries where L'Oréal operates.

The Chief Corporate Responsibility Officer, a member of the Executive Committee, is responsible for overseeing the respect of human rights and fundamental freedoms in the Group. This mission has been entrusted to her by L'Oréal's Chairman and Chief Executive Officer, to whom she reports.

The Chief Corporate Responsibility Officer has a budget and a dedicated team composed of Human Rights experts. She relies on all the Group's teams and resources to carry out her work.

A dedicated network of Human Rights Correspondents covering all of the Group's markets allows the Group's Human Rights commitments to be rolled out.

The Human Rights Committee, chaired by the Chief Corporate Responsibility Officer and composed of representatives of the

various activities, functions and Zones (including Purchasing, HR, CSR, Safety, Security, etc.), allows coordination and exchange on the implementation of the Group's Human Rights policy. Its primary objective is to enable the emergence of a Human Rights culture within the Group.

The Group completed a generic review of the Human Rights issues related to its operational activities and commercial relationships, and identified four groups of impacted stakeholders that inform the Human Rights policy:

- the Human Rights of our employees;
- the Human Rights of the employees of Group suppliers;
- the Human Rights of consumers; and
- the Human Rights of communities.

In order to achieve its Human Rights goals and face these risks, L'Oréal has been a member of the United Nations Global Compact since 2003, and is committed to respecting all internationally recognised Human Rights. A specific partnership was also signed in 2019 with the Danish Institute for Human Rights to support the Group in the implementation of Human Rights. This commitment to respect Human Rights is supported each year at the highest level of the Company by its Chief Executive Officer, by the Chief Ethics, Risks and Compliance Officer, and by the Chief Sustainability Officer, who also chairs the Group's Human Rights Committee.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

Aware of the scale of the challenge throughout its entire value chain, L'Oréal has set ambitious goals to respect Human Rights with regard to the protection of personal data (see section 4.3.3.2. "L'Oréal's commitment to protecting personal data"), the data of its consumers (see section 4.3.3.3. "Measures taken in favour of consumers"), its employees (see section 4.3.3.4. "Measures taken in favour of L'Oréal

employees"), the employees of its suppliers (see section 4.3.3.5. "Measures taken in favour of the employees of the Group's suppliers in the context of their working conditions"), local communities (see section 4.3.3.6. "Measures taken in favour of communities") and women in particular (see section 4.3.3.7. "Measures for the promotion of women's rights" of this document), through various internal or public documents.

Code of Ethics	L'Oréal's commitments to respecting and promoting Human Rights, with reference in particular to the 1948 Universal Declaration of Human Rights and the 2011 United Nations Guiding Principles on Business and Human Rights.
Human Rights Policy	L'Oréal's commitments to its stakeholders, particularly its consumers and civil society, and which describes the way in which these commitments are fulfilled in practice.
Employee Human Rights Policy	In 2020, L'Oréal launched a specific policy on Employee Human Rights that undertakes to respect a base of universal Human and Social Rights for its employees, regardless of their position or location in the world.
"The Way We Buy"	A practical guide intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties in relationships with suppliers.
Mutual Ethical Commitment Letter	The Group's suppliers must sign an ethical commitment letter that sets out its requirements and commitments to its suppliers. In 2021, the Group published an updated version, the Mutual Ethical Commitment Letter, which highlights the mutual commitment between it and its suppliers. This document covers, in particular, Human Rights and working conditions. This new version is being rolled out gradually with all suppliers worldwide. (see section 3.4. "Vigilance Plan" of this document).
"Suppliers/Subcontractors and Child Labour"	Description of the main commitments concerning child labour by suppliers/subcontractors.
L'Oréal's Influencer Value Charter	L'Oréal does not work with influencers under the age of 16 or the legal contractual age.
Employee evaluation system	The ethical competency "Acts with integrity and respects others" is included in the annual appraisal system for all employees.
Speak Up policy	L'Oréal's Speak up policy, running since 2008, enables employees to report serious violations of Human Rights and Fundamental Freedoms, health and safety of people and respect for the environment, notably via a secure Internet site (ethics whistleblowing channel) directly to the Chief Ethics, Risk and Compliance Officer. The Group's ethics whistleblowing channel (www.lorealsspeakup.com) has also been accessible to all Group stakeholders since 2018.
An annual ethics reporting system	The system is used to monitor the implementation of the Ethics and Human Rights programme. The subsidiaries are informed of their potential areas for improvement by the Global Ethics, Risk & Compliance Department. 100% of the subsidiaries completed their annual ethics reporting in 2021.
Procedures for prospective acquisitions	When prospective acquisitions are being reviewed, the responses to the "Ethics and Human Rights questionnaire" submitted to target companies serve to identify whether they have properly taken into account risks related to failure to respect Human Rights (abolition of child labour and compulsory and forced labour, etc.), among other issues.

Raising employee awareness

Ongoing communication	The Group's Human Rights policy and Employee Human Rights Policy is communicated to all Group employees. The Chief Ethics, Risk & Compliance Officer regularly visits the Group's entities all over the world to meet employees at all levels of the Company. 100% of the subsidiaries have communicated on at least one Human Rights subject ⁽¹⁾ .
Training	Specific training is being rolled out for the Management Committees. <ul style="list-style-type: none"> A specific, compulsory e-learning course on Ethics covering certain Human Rights themes is currently being rolled out in all subsidiaries. As of 31 December 2021, 76% of the employees with access to the online module had completed this course. In 2021, 145 purchasers were trained in responsible purchasing practices. This training is compulsory for any new purchaser. 100% of the Group's subsidiaries included issues related to Human Rights in their local training programme.

(1) The scope of consolidation of Human Rights data arising from the ethics reporting is identical to that of social data.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

4.3.3.2. L'Oréal's commitment to protecting personal data

The Group attaches great importance to the principle of transparency and aims to establish a relationship of trust with all its stakeholders, and in particular its consumers, employees and suppliers. The Group ensures that personal data protection and data security are at the heart of its responsible use of personal data.

In support of this ambition, the Group's principles governing the processing of personal data (Data Privacy) have been shared all over the world to raise the awareness of all employees about respect for ethical principles and the legal and regulatory requirements in this area. These principles were updated in 2020 and are supplemented by a framework of policies, procedures and operational guidelines.

The Group has put in place a structure based on a Global Data Privacy Office (*Global DPO Office*), which consists of a Legal unit and a Programme unit. A Group Data Privacy Officer (DPO) was appointed in 2018 and a network of country DPOs has been set up worldwide and is constantly being strengthened (46 DPOs in 2021). The structure also relies on a network of Head of Data Privacy in each region and in each business area (IT, Digital, Marketing, HR, Research & Innovation, Retail, Operations, etc.), who are responsible for defining and deploying privacy policies tailored to the challenges and specific features of their fields.

A Global Strategic Data Privacy Committee was set up to establish strategic guidelines and ensure the data privacy programme is rolled out within the Group. Led by the Group DPO, this Committee is composed specifically of the Chief Financial Officer, the Chief Ethics, Risk and Compliance Officer, the Group General Counsel and the Chief Information Officer. For the sake of consistency and operational efficiency, a Data Privacy Steering Committee is in place for each region.

This governance notably aims to monitor the Group's compliance with different laws, such as the GDPR in Europe, the CCPA in California, the LGPD in Brazil, the PIPL in China or the POPI Act in South Africa, by ensuring the involvement of all stakeholders and by adapting customer, supplier and business line processes to the Group's rules and to applicable local laws.

In order to comply with European rules, the Group has established a record of data processing performed in Europe. This tool is also offered in countries not subject to the GDPR that wish to use it in order to map their processing operations.

In support of the "privacy by design" principle, the Group has also developed and deployed a digitalised tool that is available to operational staff, to help them to ensure that a project complies with operational principles and rules relating to data privacy from the very start and to carry out the required privacy impact assessments.

All employees within the Group have access to an awareness-raising programme on the protection of personal data. Specific training is also available for the main business lines. An Intranet site dedicated to this subject can be accessed at any time by all employees worldwide.

The Group Internal Control is in charge of organising a self-assessment of the implementation of the data privacy compliance programme for all countries and business lines. This evaluation is performed annually. As part of the Group's digital activities, the Internal Audit Department conducts dedicated audit checks on the protection of the personal data of consumers. This control has been supplemented by the creation and deployment in 2019 of a specific audit programme on the protection of personal data, aimed at all European countries that are subject to GDPR and this programme is conducted by an independent auditor.

4.3.3.3. Measures taken in favour of consumers

Brand programmes	Conscious of the influencing ability of its brands, L'Oréal encourages them to inform and mobilise their business partners, customers and consumers around the major environmental and societal challenges facing the world. Each brand must therefore identify an environmental or societal cause of its own, support a community partner involved in the field, and conduct awareness-raising and outreach campaigns with its consumers in order to contribute to change. (see section 4.3.1.3.2. "Involving consumers in the Group's transformation" of this document)
Transparency and awareness	<ul style="list-style-type: none"> • L'Oréal relies on its scientific teams to answer consumers' questions about the ingredients in its products through its Inside our Products platform that came on line in 2019. This is a space entirely dedicated to providing information to consumers about the quality and safety of L'Oréal's ingredients, requirements and processes. The website is available in five languages in 23 countries. • The "Triens en beauté" (Sort by Beauty) initiative: an awareness campaign conducted by the Group's brands. The goal of this site developed by L'Oréal France is to support consumers in their sorting process. In particular, it explains how to sort each of the different types of packaging for cosmetic products, as well as the importance of recycling for our environment, and encourages everyone to act.
Product quality and safety	Consumer safety is an absolute priority for L'Oréal: assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market. (see section 4.3.1.3.2. "Involving consumers in the Group's transformation" of this document)

4.3.3.4. Measures taken in favour of L'Oréal employees

L'Oréal has also implemented several other policies that contribute to the respect of employees' Human Rights and Fundamental Freedoms, notably through its policies on workplace health and safety, social dialogue and diversity, and its Share & Care programme (see section 4.3.2.4. "Creating conditions for a stimulating and attractive work environment" of this document).

The Group ensures that all employees receive at least the minimum salary set by local law or the applicable collective agreements, and that they receive a living wage⁽¹⁾ that covers their basic needs, calculated in line with best practices.

Lastly, L'Oréal's subsidiaries must comply with applicable local legislation and the minimum set of core rules designed to prevent serious Human Rights violations. The details and implementation of these rules is described in L'Oréal's Vigilance Plan (see section 3.4. "Vigilance Plan" of this document) which also explains the Group's organisation in the area of Human Rights.

4.3.3.5. Measures taken in favour of employees of the Group's suppliers in the context of their working conditions

L'Oréal seeks out suppliers that share its ethical commitments, namely with regard to Human Rights and working conditions of their employees.

L'Oréal's commitments are communicated to all suppliers via the general terms of purchase. Moreover, suppliers identified in the Group's risk mapping must sign the Letter of Ethical Commitment; some may also be audited. The details and implementation of this Buy & Care programme are described in L'Oréal's Vigilance Plan in section 3.4. "Vigilance Plan" and 4.3.1.2.1. "Due diligence: selection and assessment of strategic suppliers" of this document.

L'Oréal wants to carry this goal beyond the Group. This is why the L'Oréal for the Future programme includes a new demanding commitment: ensuring that all employees of strategic suppliers are paid at least the level of a "living" wage. Calculated by region and aligned with the best local practices, these new standards must allow employees to cover their basic needs and those of their family for decent housing, food, education and any other needs. In many countries, this "living" wage goes beyond the legal minimums.

4.3.3.6. Measures taken in favour of communities

As part of the Sharing Beauty With All programme, the Group's action has enabled more than 100,000 people from socially disadvantaged or poor communities to access employment.

As part of its new L'Oréal for the Future sustainability programme, the Group reiterated its commitment to help 100,000 more beneficiaries by 2030.



In 2021, **13,946 people** from underprivileged communities gained access to employment.



2030 targets	2021 results
An additional 100,000 people from underprivileged or poor communities will be able to access employment through the following programme:	13,946 people from underprivileged or poor communities have access to work.
<ul style="list-style-type: none"> Solidarity Sourcing; 	89,093 people accessed work through the Solidarity Sourcing programme, 7,955 more people than in 2020.
<ul style="list-style-type: none"> Professionalisation in the beauty industry; 	5,991 people from extremely vulnerable environments were trained in beauty professions.

(1) This means an amount that covers basic needs, calculated in line with best practices and the support of independent experts.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

SOME MEASURES TAKEN IN FAVOUR OF LOCAL COMMUNITIES

Throughout the production chain	The environmental risks related to L'Oréal's sites and activities may potentially have an impact on the local communities in which the Group operates. In this area, L'Oréal has a long-standing commitment to managing risks and reducing its environmental footprint, and is implementing an ambitious policy described in detail in section 4.3.1. "Environmental policy" of this document.
A responsible approach to property assets	For prospective acquisitions of premises or building land, L'Oréal must ensure that the former owners and/or occupiers have not been unfairly removed and/or that any expropriation by the authorities was conducted in accordance with international law, namely with the free agreement and compensation of the previous owners and/or occupants.
Responsible sourcing	See "Giving preference to the use of sustainably sourced renewable raw materials" in section 4.3.1.3.1. "Eco-designed products" of this document.
Solidarity Sourcing: Using the Group's purchasing power to serve social inclusion	<p>Through its Solidarity Sourcing programme, established in 2010, due to its many industrial and administrative sites all over the world, L'Oréal is heavily involved in the life of local communities in the areas neighbouring its sites and suppliers. While being a company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects.</p> <p>The programme aims to use the Group's purchasing power to serve social inclusion by dedicating part of its purchases to suppliers providing access to work and a sustainable income for people who are generally excluded from the labour market, economically vulnerable communities, including small businesses and those that have trouble accessing major contractors.</p> <p>The programme concerns all the Group's suppliers and values their commitment to Diversity, Equity and Inclusion. The Solidarity Sourcing programme concerns for example: fair trade producers, companies which employ people with disabilities, social insertion enterprises, or companies owned by minorities (when this is permitted by national legislation).</p> <p>As part of L'Oréal for the Future, its new sustainability programme announced in June 2020, the Group is renewing its goal to allow over 100,000 people from underprivileged or poor communities to find work by 2030.</p> <p>Solidarity Sourcing offers a novel purchasing approach due to its global, holistic nature:</p> <ul style="list-style-type: none"> • the programme is deployed in all geographic zones; • it concerns all areas of purchases (raw materials, packaging, subcontracting, logistics, promotional items and indirect retail, services, etc.); and <p>The ambition of the programme is to associate economic performance with a positive corporate social responsibility footprint.</p> <p>Global beneficiaries of the Programme included 2,499 people with a disability in 28 countries in 2021. The number of beneficiaries rose by 20% over the last three years. This was achieved as the result of a stronger commitment from the Group, despite the unprecedented Covid-19 health crisis, which particularly impacted this community.</p> <div style="display: flex; align-items: center; margin-top: 20px;">  <div> <p>In 2021, as part of the Solidarity Sourcing programme, 89,093 economically and socially vulnerable people gained access to lasting employment, <i>i.e.</i> an additional 7,955 people.</p> </div> </div> <p>Throughout 2021, the Solidarity Sourcing programme enabled 89,093 people from underprivileged or poor communities all over the world to gain access to work or to keep a job and receive a decent income. This represents an additional 7,955 people compared to 2020, an increase of 9.8%.</p> <p>Solidarity Sourcing today has 365 projects up and running in 709 local initiatives (with an additional 211 initiatives launched in 2021) in 61 countries, with the support of 70 third parties.</p> <p>This programme has offered the opportunity for the Group's purchasers to enrich their jobs by contributing to improving the lives of thousands of people involved in the processing of the goods and services purchased. As a result, in 2021, 176 buyers supported Solidarity Sourcing project, an increase of 7% compared to 2020.</p>
	<p>Focus on the Group's solidarity purchases in France</p> <p>77 projects of the global Solidarity Sourcing programme support employment in France (1 in 5 projects), deployed in 122 local initiatives. France, the birthplace of the Group, is the country that undertakes the highest number of Solidarity Sourcing projects (out of the 61 countries in which the programme operates) and the seventh country in number of beneficiaries behind Burkina Faso, Indonesia, India, Madagascar, the United States and China.</p> <p>In 2021, solidarity purchases in France represented 2,737 full-time jobs. The number of jobs generated by the Solidarity Sourcing programme in France was up 9% compared with 2020 (representing 228 jobs), thanks in large part to the mobilisation of Group purchasing managers and 130 suppliers including 68 Adapted Enterprises (Entreprises Adaptées – EA) and work assistance organisations (Etablissements et Services d'Aide par le Travail – ESAT).</p>

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

	<p>These projects cover a wide range of purchases, including cardboard, glass and plastic packaging, POS advertising materials and services, filling and packing and logistics:</p> <ul style="list-style-type: none"> • 21.4% of the beneficiaries are people with disabilities (586 jobs); • more than half of the beneficiaries are in zones classified as vulnerable (1,388 jobs). These are areas classified as "Rural Revitalisation Zones" and "Sensitive Urban Zones". These jobs, located on the sites of 19 Group suppliers, cover production needs (glass bottles, tubes, cardboard boxes, subcontracting) or services related to our business; • other solidary purchase projects in France mainly concern support for Living Heritage Enterprises (EPV), SMEs, older workers facing hiring discrimination, women entrepreneurs, women who are victims of domestic violence, people being integrated into society, and a bio-solidarity cooperative.
<p>Employees mobilised: <i>Citizen Day</i></p>	<p>Every year since 2010, L'Oréal's employees spend a day of their working time offering their skills and devoting their energy to several hundred associations in the social and environmental field. This involves, for example, cleaning natural sites, setting up well-being workshops for people in vulnerable situations, repainting centres for seniors or people facing hardships, helping job-seekers prepare their CVs, etc.</p> <p>L'Oréal continued to innovate in its citizen commitment and developed the <i>L'Oréal Citizen programme</i>⁽¹⁾, offering employees the possibility of contributing to different causes through several solidarity formats: salary rounding, solidarity hackathons, crowdfunding campaigns, etc.</p>
<p>Beauty for a Better Life: a L'Oréal Foundation programme</p>	<p>Convinced that beauty contributes to the process of rebuilding oneself, the L'Oréal Foundation, through its Beauty For a Better Life programme, assists fragile people in improving their self-esteem by giving them access to free beauty and well-being care. It also promotes employment for vulnerable women through excellence training programmes in the beauty professions.</p> <p>Beauty care and well-being treatments</p> <p>The L'Oréal Foundation supports and funds the provision of free beauty care and well-being treatments in medical and social environments through the partnerships it has built with non-profit and hospital organisations. These treatments are provided by specially trained socio-beauticians or socio-hairdressers. They play a role in improving well-being, self-esteem, fighting spirit and social cohesion. They offer essential moments, whether for patients whose bodies are ravaged by illness or for people in a fragile social situation.</p> <p>In 2021, the L'Oréal Foundation made it possible for more than 21,000 people in difficult circumstances to receive beauty care and wellbeing treatments in France.</p> <p>In particular, a special operation was set up to offer socio-beauty and socio-hairdressing services to nearly 1,000 women and students in financial difficulties and refugees, whose vulnerabilities were worsened by the economic and social consequences of the Covid-19 health crisis.</p> <p>By increasing access to these treatments, the L'Oréal Foundation is also encouraging social innovation: following the mobile treatment room initiative launched in 2019 that enabled 850 women in rural areas and priority neighbourhoods to benefit from socio-beauty care, a beauty and well-being space was designed in 2021 in partnership with Emmaüs Solidarité. This space is specifically dedicated to vulnerable people to give them no-cost access to socio-beauty and socio-hairdressing services within a welcoming space.</p> <p>Training in the beauty professions</p> <p>In partnership with local NGOs in nearly 30 countries, the L'Oréal Foundation offers free training in beauty professions (hairdressing and makeup) to women in very difficult social or economic situations to assist them in finding employment. Thus, at year-end 2021, 5,991 people in very difficult social or economic situations were trained in beauty professions, representing a total of 20,606 people over the last four years.</p> <div style="display: flex; align-items: center; margin-top: 20px;">  <div> <p>At the end of 2021, as part of the "Beauty for a Better Life" programme, 5,991 people from extremely vulnerable environments were trained in beauty professions.</p> </div> </div>
<p>A L'Oréal Foundation partnership with Médecins du Monde to put a smile on children's faces</p>	<p>The L'Oréal Foundation also supports the Médecins du Monde (Doctors of the World) association's facial reconstructive surgery operations ("Opération Sourire" - Operation Smile) for children who suffer from congenital malformations and women who have been victims of physical violence. The Foundation allows these people to regain their integrity and return to their community.</p>


(1) The citizen commitments are detailed on the website: www.loreal.com/en/articles/commitments/loreal-citizen/.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

4.3.3.7. Measures for the promotion of women's rights

As an active supporter of the UN Women's Empowerment Principles, the Group is involved in numerous initiatives aimed not only at improving the situation of women in the private and public spheres, but also at recognising the contribution of women to the advancement of humanity.

<p>Responsible communication</p>	<p>The Group's Code of Ethics and the principles of Responsible Communication, which are summarised in an operational brochure distributed worldwide, cover namely the prohibition of stereotypes and degrading images of women.</p>
<p>Gender equality</p>	<p>Achieving real gender equality, up to the highest levels of responsibility, is a key challenge for the Company, both to promote a culture of inclusion and to increase L'Oréal's ability to innovate. The Group, therefore, ensures that all jobs are equally accessible to women and men, both at the level of recruitment and with regard to career development possibilities. Special attention is given to pivotal periods such as parenthood. For more information, see "Guaranteeing and achieving professional gender equality" in section 4.3.2.6. "Promoting Diversity, Equity and Inclusion" of this document.</p> <p>During supplier audits, L'Oréal also seeks to ensure the absence of discrimination and sexual harassment.</p>
<p>For Women in Science: a programme of the L'Oréal Foundation</p>	<p>Since 1998, the L'Oréal-Unesco For Women in Science programme works to accelerate the careers of female scientists and fight the obstacles they encounter so that they can contribute to solving the great challenges of our time for the benefit of all.</p> <p>As of this date, the International "L'Oréal-UNESCO For Women in Science" Awards has honoured 122 women, distinguished for their careers and the excellence of their scientific work. They include Professors Elizabeth H. Blackburn, Ada Yonath, Emmanuelle Charpentier and Jennifer Doudna, who received a Nobel Prize after winning the International Prize. Each year, the programme also recognises more than 250 young talented scientists at doctoral or post-doctoral level in over 110 countries, 15 of whom will be selected to represent the future of science on an international level.</p> <p>A total of more than 3,900 female researchers have been supported worldwide in the last 23 years.</p> <p>To support these scientific women even further, and to allow them to break the glass ceiling more easily, the L'Oréal Foundation has also made a commitment to train them in skills to which they generally do not have access during their academic courses (such as personnel development, management, communication, negotiation).</p> <p>For three years, the Foundation has also led an ambitious initiative: "Men for Women in Science". The goal is to involve the leaders of scientific institutions, who play a key role in changing the system, to join the movement for a more inclusive science and society that benefits everyone. Over fifty male scientific leaders around the world have made a commitment through a charter to remove the brakes on the advancement of women in the sciences and accelerate the change in the culture and practices.</p> <p>Since the under-representation of women in the scientific fields originates during the school years, the Foundation launched the "For Girls in Science" programme in 2014. The goal: to improve the appeal of science, encourage scientific careers for young female students, and fight gender stereotypes.</p> <div style="display: flex; align-items: center; margin-top: 20px;">  <div> <p>More than 3,900 female scientists, from more than 118 countries have been recognised and rewarded since 1998.</p> </div> </div>

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

<p>The L'Oréal Fund for Women</p>	<p>The L'Oréal Fund for Women: a charitable fund to support women in extremely vulnerable situations throughout the world.</p> <p>The crisis triggered by the Covid-19 health crisis has exacerbated many inequalities, with particularly devastating effects for those who were already struggling socially or economically or were victims of abuse, where women are at the top of the list.</p> <p>For this reason, in the context of its L'Oréal for the Future programme, L'Oréal, which has long been committed to supporting women's rights, created a €50 million charitable endowment fund in 2020 to support local organisations and associations in the field in their efforts to, in particular:</p> <ul style="list-style-type: none"> • assist women in extremely vulnerable situations; and • prevent domestic and sexual violence and support victims. <p>Particular attention is paid to projects aimed at helping women who are vulnerable on a number of fronts, particularly refugees or women with disabilities.</p> <p>Beyond the provision of emergency assistance, the L'Oréal Fund for Women wants to make a proactive contribution to the resilience of women and girls, by supporting social and professional integration projects and breaking down the barriers to education.</p> <p>The fund supports some 20 projects in Brazil that target vulnerable women in indigenous populations and in disadvantaged neighbourhoods on the outskirts of cities.</p> <p>For example, Casa do Menor is running three projects to promote the resilience of women through income generation, preparation for higher education and improved digital skills.</p> <p>In France, the fund also supports social action projects such as the Café des Femmes run by Banlieues Santé, a place of sharing where vulnerable women can access holistic support. The fund also supports projects for the education of vulnerable girls, in particular Aide et Action's Education for Women Now programme in Senegal, Madagascar, India, and Laos.</p> <p>As regards the fight against violence, the fund supports the Re#Start collective, which works to expand the Maisons des Femmes initiative. Maisons des Femmes are holistic centres that provide emergency services and work to empower women who have been victims of violence.</p> <p>Lastly, to play its part in the social and professional integration of women and girls from refugee communities, the fund supports Techfugees, which provides digital technology training in France, Italy and Greece.</p> <p>Since it was launched, the L'Oréal Fund for Women has supported more than 120 organisations around the world, which support more than 400,000 direct beneficiaries.</p>
<p>Brand programmes</p>	<p>Alongside the NGO Care, L'Oréal is taking part in Write her Future, an international programme aimed at fighting illiteracy among girls. In 2021, the program had more than 44,000 beneficiaries (see section 4.3.3. of this document).</p>
<p>Responsible and inclusive purchasing</p>	<p>Over 60% of the beneficiaries of the Group's solidarity purchase programme (see section 4.3.3.6. of this document) are women. A total of 48,061 beneficiaries come from 66 projects – encompassing 134 local initiatives – specifically related to the emancipation of women in 30 countries, with the support of 17 associations and NGO partners. These Solidarity Sourcing projects support the following women:</p> <ul style="list-style-type: none"> • producers of raw materials such as shea, Indian pennywort, argan, babacu or galanga grown and harvested in accordance with fair trade principles; • hailing from various vulnerable local communities, or who have assumed positions usually reserved for men; • beneficiaries through support for Women-Owned Businesses (suppliers owned, controlled and led by 51% or more women); In 2021, the Group continued to accelerate its strategy to support female entrepreneurship, reconfirming its involvement in WEConnect International⁽¹⁾ and multiplying by 3.8 the number of suppliers led by women supported in 16 countries. This strategy, initiated many years ago in the United States through the partnership with The Women's Business Enterprise National Council (WBENC), is being deployed and accelerated worldwide; • single mothers; • military wives; and • victims of violence. <p>Other than agricultural professions, these projects concern a broad range of manufacturing activities and services: production, assembly, logistics, sales, marketing, or digital business activities.</p>

(1) WEConnect International is an international network that certifies and connects "women-owned" suppliers with their target customer companies.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

- Policies, performance indicators and results

4.3.4. Policy to prevent corruption

Wishing to act in all circumstances in accordance with the ethical principles it has set itself and to comply with the laws and regulations in force in all the countries where it operates, the L'Oréal Group applies a zero tolerance policy in terms of corruption.

A long-standing commitment at the highest level of the Company

L'Oréal has been a member of the United Nations Global Compact since 2003 and supports the fight against corruption.

The Group is committed to complying with the United Nations Convention against Corruption of 31 October 2003 and to applying all applicable laws, in particular the Sapin 2 law in France.

L'Oréal is a member of the International Chamber of Commerce Anti-Corruption Commission and a member of Transparency International France.

This commitment is supported at the highest level of the Company by its Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact every year.

The involvement of everyone in preventing corruption

The Executive Committee	Regularly reviews the corruption prevention policy presented to the Board of Directors.
The Chief Ethics, Risk and Compliance Officer	Reporting to the Chief Executive Officer, the Chief Ethics, Risk & Compliance Officer is responsible for designing and monitoring the corruption prevention programme and relies on the global network of internal control managers for its implementation. He leads the specific risk mapping.
Country Managers	Country Managers ensure the correct deployment of the corruption prevention programme and its compliance.
Employees	Employees apply the corruption prevention policy in the context of their activities. If they have any doubts, they may contact their line management, their Legal Director, their Administrative and Financial Director, their Internal Control Manager, their Ethics Correspondent and, ultimately, the Chief Ethics, Risk & Compliance Officer, if they have any questions about respecting this commitment. The aim is to ensure that all the situations encountered are thoroughly examined and, where applicable, that appropriate steps can be taken.

L'Oréal's Code of Ethics and practical corruption prevention guides

L'Oréal's Code of Ethics publicly states a zero-tolerance policy on corruption which applies to all employees, directors and corporate officers, Directors and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages, and in French and English Braille, it is distributed to all employees worldwide.

L'Oréal has also published a more detailed corruption prevention policy that is available on its website, loreal.com.

With regard to employees, the Group also has other reference documents for the purpose of specifying the practices to be adopted and preventing corruption:

- **Specific corruption prevention Guide:** rolled out throughout the Group as a whole since 2013 and complemented in 2018, it covers the relationships with each of L'Oréal's stakeholders, in particular with the Public Authorities and Intermediaries. This practical Guide is intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties. It reaffirms L'Oréal's corruption prevention policy which was approved by the Chief Executive Officer and the Executive Committee and presented to the Board of Directors.

This policy posted online on L'Oréal's website (www.loreal.com) restates the following principles:

- the zero-tolerance policy on corruption;
 - the prohibition of facilitation payments;
 - the prohibition of all contributions to political parties or politicians with the aim of obtaining a commercial advantage;
 - the prohibition on giving and accepting gifts and/or invitations that might influence or be perceived as influencing a business relationship;
 - communication of the commitment to preventing corruption to the Group's business partners; and
 - respect for these commitments by intermediaries representing L'Oréal, particularly in countries where there is a high risk of corruption.
- **Employee guide - Gifts/Invitations:** distributed in 2014 on a Group-wide basis to specify the rules in this area, it is now integrated within the specific corruption prevention Guide;
 - **Employee Guide - Management of intermediaries with public authorities:** distributed in 2018 to the relevant personnel to specify the rules in this area; and
 - **"The Way We Buy":** a practical and ethical guide to govern relationships between suppliers and all employees involved in purchasing decisions. This document has been translated into 12 languages.

Corruption prevention measures implemented within the Group

 <p>Group-level risk assessment</p>	<p>The risk of corruption is included in the Group risk assessment. Following the update conducted in 2020, which used a more robust methodology, the Group has produced 93 corruption risk maps in 75 countries.</p> <p>A tool also enables Country Managers to assess and analyse possible local ethical risks (including corruption) and to take the necessary prevention measures.</p>
<p>Specific Human Resources procedures</p>	<p>An ethical competency "Delivers both sustainable and short-term results with integrity" is included in the annual appraisal system for all employees.</p>
 <p>L'Oréal's "Speak Up" policy</p>	<p>This enables employees to express any concerns they may have, including with regard to corruption, namely directly via a secure website to the Group's Chief Ethics, Risk and Compliance Officer. Any allegation raised in good faith is examined in detail and appropriate measures are taken, where necessary, in the event of non-compliance with the corruption prevention policy. The whistle-blowing line was opened to employees in 2008, and then to stakeholders in 2018.</p>
<p>Training</p>	<p>A compulsory online training programme (e-learning) on the prevention of corruption, available in 18 languages, has been rolled out in all countries; it had been taken by 85% of the employees concerned as at 31 December 2021.</p>
 <p>Control and assessment of measures and procedures dedicated to the prevention of corruption</p>	<p>The Group's Internal Control process provides for control procedures on operational activities, in particular for the separation of tasks. Moreover, accounting controls for the prevention of corruption are performed periodically.</p> <p>The implementation of the corruption prevention programme is part of the Internal Control self-assessment process rolled out in operational entities.</p> <p>L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during audit assignments, through individual interviews and specific checks. These interviews are conducted separately with the Country Manager and the Administrative and Financial Director. They give rise to an individual report reviewed and signed by these latter persons.</p>
<p>Due diligences prior to proposed acquisitions</p>	<p>A procedure specific to corruption risks integrates appropriate and proportionate verifications at the different steps of the acquisition process. Responses to the ethics questionnaire submitted to target companies are intended to identify whether corruption risk prevention has been taken into account by the companies.</p>
<p>Third-party due diligences</p>	<p>The third-party management process (customers/suppliers) includes corruption risk. An assessment of corruption risks is conducted on our third parties, and appropriate verifications are implemented, which rely primarily on a dedicated tool.</p> <p>For intermediaries with public authorities, a specific guide has been made available to employees.</p>



A commitment shared with the Group's partners

L'Oréal wants to share its commitment to fight against corruption with its business partners and as such, compliance with the law is included in the Group's general terms of purchase and the new version of the Mutual Ethical Commitment Letter. It moreover reserves the right to put an

end to any relationships with business partners who fail to comply with anti-corruption laws.

A recognised approach

L'Oréal was recognised for the twelfth time as one of the "World's Most Ethical Companies" by the Ethisphere Institute.

4.3.5. Tax policy

L'Oréal considers that the contribution of taxation is an integral part of its social, environmental and societal responsibility and constitute a way to participate positively to the development of the countries in which the Group operates.

The L'Oréal Group's tax policy forms part of the sustainable development of its business and is based on three pillars: Compliance, Transparency and Legitimacy, as defined in the Internal Tax Charter prepared and distributed around the world.

Compliance

L'Oréal completes its tax declarations and pays its taxes by the deadlines in compliance with the laws and regulations in the

countries in which the Group operates. Special vigilance is required on compliance with the rules related to the fight against tax fraud and tax evasion.

L'Oréal is located in countries where it conducts a real operational and commercial activity. If applicable, the Group's presence in certain so-called "tax haven" countries is justified for operational reasons and the development of its activity, and not for tax purposes.

L'Oréal ensures that transactions between Group companies are carried out in compliance with arm's length principle as defined by the OECD and satisfies increasingly digitalized reporting obligations (transfer pricing documentation, country-by-country reporting, etc.).

L'Oréal aims for excellence in tax compliance.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Policies, performance indicators and results

Transparency

L'Oréal establishes and maintains relations with Tax and Customs Authorities based on transparency pursuant to the Group's "zero tolerance" rule on corruption. L'Oréal also develops a constructive relationship with Tax and Customs Authorities, a relationship based on the principles of co-operation and mutual respect. L'Oréal responds appropriately and promptly to requests from the tax authorities regarding the exchange of information and in compliance with tax conventions.

Where permitted to do so by governments, L'Oréal joins the cooperative compliance programmes launched by the tax authorities. For example, the trust relationship ("relation de confiance") with the French tax authorities.

In addition, the Group may contribute to the analysis of legislative changes at the request of Tax and Customs Authorities or professional associations requested for said changes. Consequently, the Group takes part in OECD working groups relating to pillars 1 and 2.

L'Oréal takes into consideration global challenges and standards in terms of tax transparency. In particular, it adheres to the reporting recommendations of the GRI (Global Reporting Initiative) and, more specifically, standards GRI 207-1, GRI 207-2 and GRI 207-3.

L'Oréal is also a member of the European Business Tax Forum (EBTF), a European companies association that seeks to increase transparency in the tax debate.

Legitimacy

L'Oréal legitimately applies the most relevant tax treatment, in accordance with the economic reality, operational objectives and the laws in force.

In an evolving international tax environment, the positions taken by the Group may be questioned and subject to tax and customs audits by local authorities. If there is disagreement with a Tax or Customs Authority, L'Oréal is able to legitimately defend its interpretation of the law, prove its good faith and, as needed, bring the disputes to court.

A regular review of tax risks carried out by the Group's Tax Department in contact with the local financial teams enables the risks to be assessed, resulting, if applicable, to the recognition of a provision. The main tax risks are reported to the General Management and the Audit Committee.

Organisation

Compliance with these three pillars is ensured by centralised expertise and a strong geographical presence of tax function in the countries.

Tax compliance falls under the responsibility of the Chief Financial Officers, backed up and relayed by the Tax and Accounting Departments. These Departments, assisted where applicable by external advisors, monitor changes in tax regulations to ensure that the Group complies with these regulations.

Centralised expertise

Within the Department of Operational Finance, the Group Tax Department ensures compliance with the Tax Policy in collaboration with the Finance Departments through the relay of different group-wide tax experts:

- Intra-group Transactions & Customs, which ensures compliance with tax and customs standards and secures the prices of intra-group transactions and the related documentation;
- Analytics & Compliance, which analyses, verifies and informs on the Group's compliance and global tax liability;
- M&A, which assists and provides tax advice on proposed merger-acquisition projects.

In order to enhance these centres of expertise, two new functions were created in 2021:

- Tax Digitalisation which will support digital tax compliance projects in accordance with tax regulations in this area; and
- Tax Governance, in order to ensure the correct deployment of the Group's tax policy.

A strong geographical presence

In the zones and countries, the tax function is directly represented in 30 countries by local tax departments operating under the accountability of the Country/Zone Chief Financial Officer. The Tax Directors have different responsibilities:

- respect for compliance rules in collaboration with the accounting departments;
- assistance and tax advice to the operational teams in the context of their projects;
- tax directives, ongoing training and pedagogy with other parties;
- management of the tax contribution;
- management of tax and customs risks, controls, claims and litigations;
- relations with the Tax and Customs Authorities and the other public authorities; and
- tax watch and best practices, which implies dialogue with peers, professional associations, external auditors and law firms.

This matrix organisation, combined with the Group's tax policy respect, are the basis of successful management of the tax burden and a responsible tax practice.

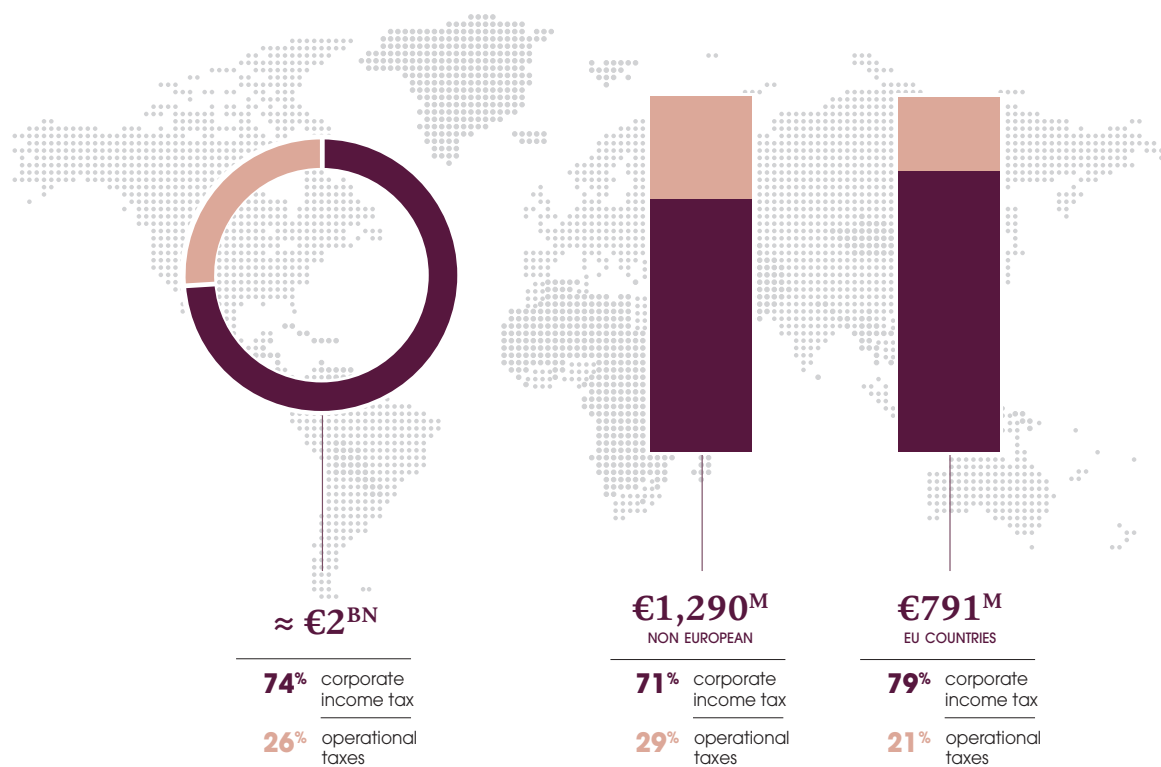
L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Policies, performance indicators and results

2021 tax contribution

In 2021, the amount of tax L'Oréal paid to governments and local authorities was €2 billion. In addition to income tax, L'Oréal pays and levies numerous taxes and contributions such as sales and purchase taxes, environmental taxes, property taxes and other local taxes.

The Group's tax footprint, consistent with its operational and geographical footprint, breaks down as follows in 2021:

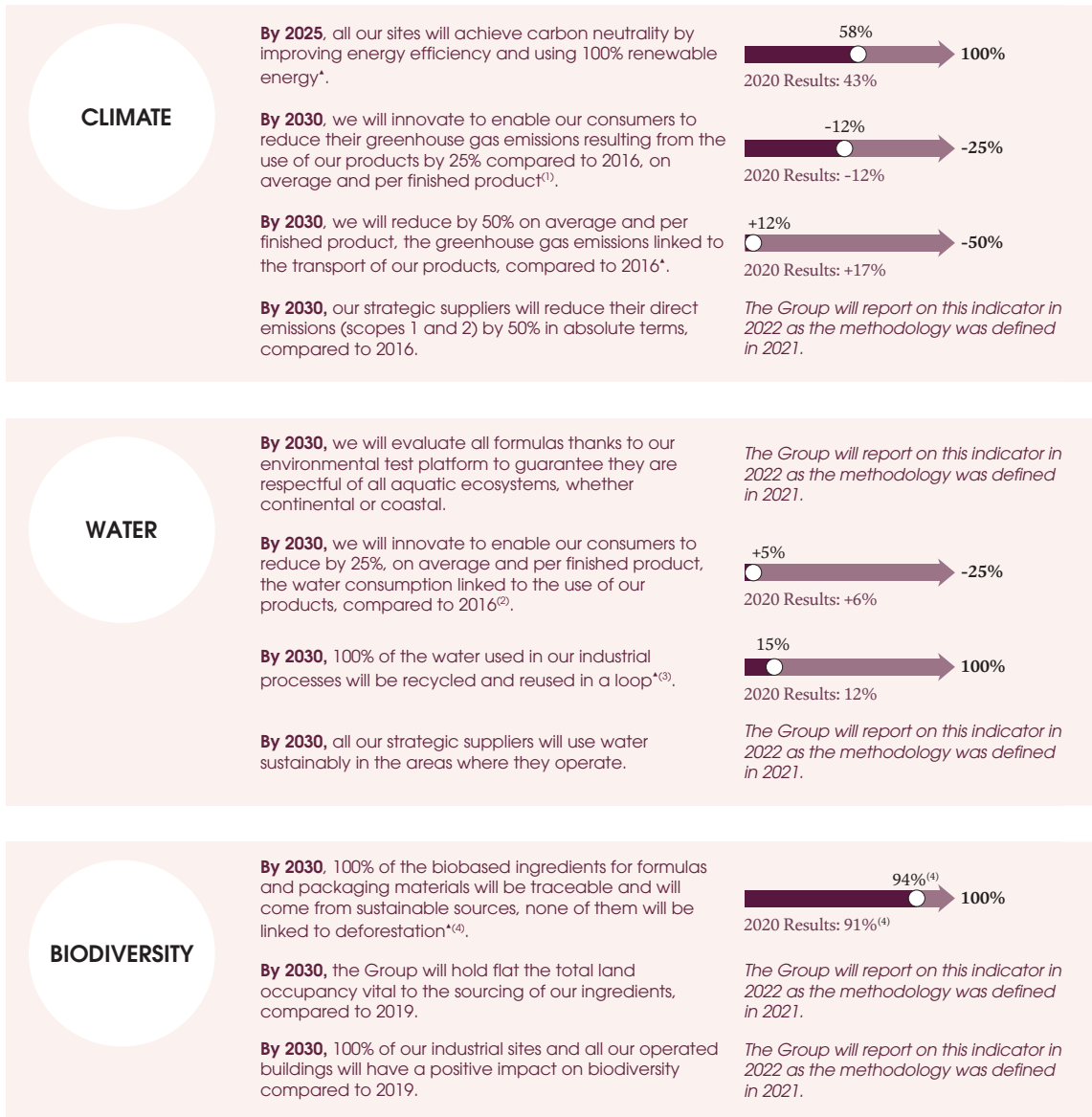


4.4. L'ORÉAL FOR THE FUTURE: 2021 RESULTS

The L'Oréal for the Future programme marks the launch of a new phase of L'Oréal's sustainable development approach, with the intention of building on the Group's earlier achievements to accelerate its transformation towards an increasingly sustainable business model. 2021 is the first reporting year for the programme.

■ Results 2021 ■ Targets

Transforming our business



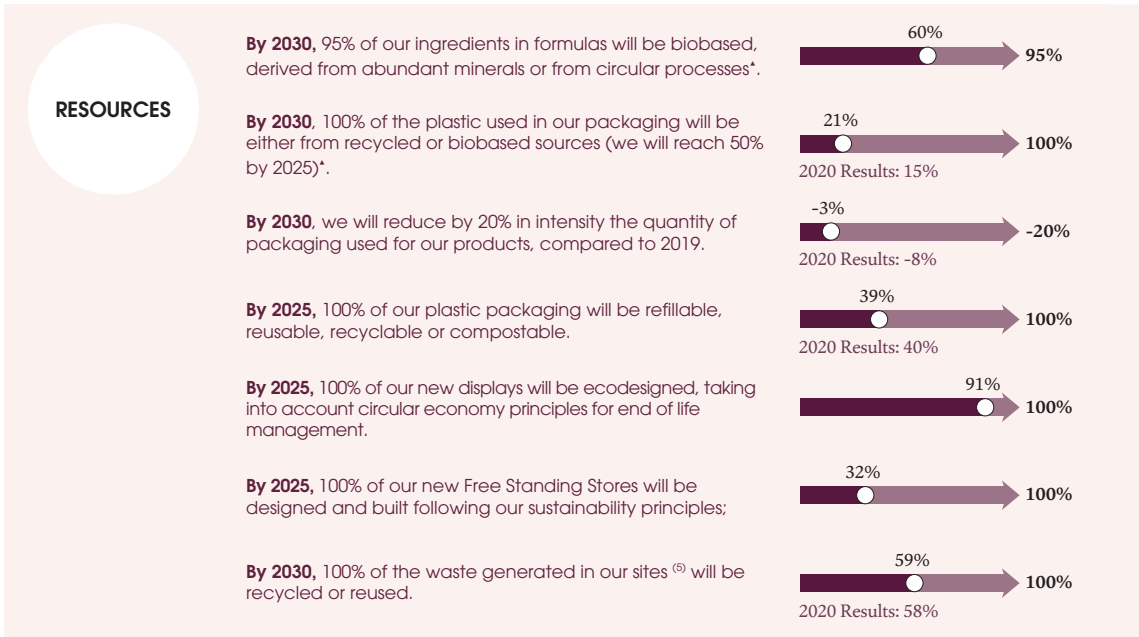
▲ These indicators are used to assess the performance of L'Oréal's Chief Executive Officer – see section 2.4. "Remuneration of directors and corporate officers" of this document.

(1) Unit used: TCO₂eq./kg of formulas sold.

(2) Unit used: L/Kg of formulas sold.

(3) Waterloop factories.

(4) The ingredients of biobased formulas are traceable and come from sustainable sources.



Empowering our ecosystem in our transformation



Contribute to solving the challenges of the world



(5) Industrial sites.

(6) In 2021, an environmental impact score was calculated for 76% of the Group's rinse-off products; labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.

4.5. METHODOLOGICAL NOTES

4.5.1. Social and health and safety data

4.5.1.1. Social data

4.5.1.1.1. Scope of consolidation

The employees indicated and their breakdown correspond to the total headcount⁽¹⁾.

Employees in the Retail Excellence 4, Thermes de La Roche Posay, Saint Gervais Mont Blanc, Ecole OA and Mugler Fashion entities, a total of 444 employees, are included in the total workforce. The different distributions of these employees are calculated in proportion to the distribution of France employees. They are excluded from the indicators on diversity, training, minimum salaries and the number of collective agreements.

4.5.1.1.2. Indicators

The indicators chosen are those used in the management of employees and of the social aspects of the Company. They reflect the results of the Human Resources policy.

4.5.1.1.3. Data

Four methods are used to collect data for the defined scope:

- most of the data are collected using the dedicated "Country Reporting" Intranet, available in all countries in which there is a L'Oréal subsidiary. The system covers several topics: employees, training, absenteeism, labour relations, the L'Oréal Share & Care programme, remuneration, diversity, recruitment, freedom of association and profit sharing. At the beginning of each financial year, the local Human Resources Directors provide the required data for the previous year;
- other data are collected by each department concerned (i.e. Training, Recruitment) using dedicated systems which follow the same operational and dissemination approach;
- if information is not consolidated for the entire scope of the Cosmetics Division, it can be extrapolated from the available results for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative; and
- lastly, the data relating to specific populations (expatriates, key positions, etc.) are gathered from the "CAROL" online career monitoring system, deployed in all subsidiaries of the Cosmetics Division.

The number of employees trained is calculated on the basis of all types of training format and length. Trained employees include the total number of employees (including those who left the Group during the year) who took at least one training course during the year, including regular users of the MyLearning platform.

Concerning the L'Oréal Share & Care indicator relating to healthcare coverage, the best practices in the countries are regularly evaluated in each country in which the Group is present.

For absenteeism because of illness, the scope and methodology of the indicator have not changed over the past three years. The 2019 and 2020 values for illness absenteeism were corrected (2.2% instead of 2.0%), as a result of a material error that was made in 2019 and 2020.

A process of continuous improvement of these systems has been put in place. They are reviewed each year, taking into account the Statutory Auditors' recommendations and the monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition and their communication, monitoring and control process.

4.5.1.2. Health and safety data

4.5.1.2.1. Scope of consolidation

The safety indicators relate to all sites: factories, distribution centres, administrative sites, research centres and stores, as well as sales forces.

Safety reporting covers 100% of the plants, distribution centres, administrative sites, research centres, sales forces and stores.

At year-end 2021, 173 administrative sites and research centres, sales forces and stores participated in the reporting.

To achieve better monitoring of accident history by type of site, safety reporting from administrative sites has been refined in recent years by being split into three categories: administrative sites with only one strictly administrative staff; sales forces for travelling staff; stores for in-store beauty consultants managed by L'Oréal.

The safety indicators of the factories, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The factories, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems.

4.5.1.2.2. Indicators

The indicators applied are those used in the management of the Group's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Hours worked report the time during which the staff is exposed to professional risks, including remote work or the equivalent. They include overtime hours. However, they do not include holidays and days of absence (illness, paid holidays).

(1) The subsidiaries in Venezuela were deconsolidated at 31 December 2015. Certain acquisitions/subsidiaries (Modiface, Stylenanda Japan, Takami Cosmetics, Côte d'Ivoire, Bangladesh, Luxembourg), whose information systems have not yet been integrated in the Group's system, are excluded from the reporting. They represent 0.19% of the Group's employees.

4.5.1.2.3. Data

The following method is used to collect data for the defined scope:

The health and safety data are collected using the dedicated site reporting Intranet system, available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site or zone must validate the accuracy of all the data provided.

A process of continuous improvement of these systems has been put in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.1.3. Environmental data

4.5.1.3.1. Scope of consolidation

The environmental indicators cover all sites: factories, distribution centres, administrative sites and research centres.

Environmental reporting covers 100% of the plants, distribution centres, administrative sites and research centres with more than 50 people for these last two types of site.

The environmental indicators of the factories, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The factories, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems.

The indicators do not take into account the impacts of exceptional incidents or events caused externally (construction, extension work, etc.) not linked to the site's activity in terms of water and energy consumption and waste production. Similarly, in the special case where a subcontractor is located geographically on the sites, its impacts are not taken into account.

In order to cover all of the Group's impacts, environmental reporting was extended to the Group's administrative sites and research centres in 2016. In 2021, 87 administrative sites and research centres participated in the reporting. Some sites that share their premises with other companies are unable to obtain certain information: 100% of these sites provided information on energy consumption and CO₂ emissions, 99% of the sites reported their water consumption and 92% of the sites reported their quantity of waste.

The sites of Vichy and La Roche Posay are part of a unique legal entity (CAP) but are accounted for as two Group factories.

Four Group factories contain a logistics centre in their building: these four logistics centres are not included in the count of the total number of Group logistics centres.

4.5.1.3.2. Indicators

The indicators chosen are those used in the management of the Company's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Activity: the activity of L'Oréal sites is measured on the basis of finished goods for industrial sites and hours worked for administrative sites and research centres.

The production units included are the equivalent units produced on-site or affected by occasional subcontracting.

Hours worked are the hours performed on-site, thus excluding remote working hours.

Greenhouse gases: The Group's CO₂ emissions are calculated in accordance with the concepts defined by the GHG protocol, and monitored according to the Market-Based CO₂ indicator.

With the desire for comparability, the data on CO₂ emissions for the 2005 baseline provided have been updated in light of these rules (recalculated on the basis of a constant scope). The calculation of the 2005 baseline is based on the 2003 emission factors of local electricity suppliers - when they are available. When the emission factors are not available, IEA (International Energy Agency) and eGRID⁽¹⁾ emission factors, available in 2006, corresponding to IEA factors for 2003 and EPA⁽²⁾ (eGRID) factors for 2000, are used. For the estimates for the following years, the emission factor used follows the GHG Protocol rules: in general, the factor provided by the supplier, which is the most accurate; if it is not known, the regional emission factor is used or failing this, the IEA emissions factor (the 2018 IEA edition with the 2016 emission factor for emissions since 2019).

Remarks concerning the level of uncertainty depending on the Scopes in question:

Scopes 1 and 2: The level of uncertainty at the Group level is approximately 1% for plants and distribution centres, and 5% for administrative sites and research centres.

Scope 3: The highest level of uncertainty in a GHG assessment concerns the Scope 3 estimate given the number and nature of the data necessary for calculating it (emission factors for the energy used to heat the water necessary for the usage phase of our rinse-off products all over the world, the quantity of water necessary for rinsing, CO₂ emissions of our raw materials and packaging suppliers, distances travelled for transportation, etc.).

Because measurement of the global CO₂ impact of the Group's business activities is essential information in light of the commitments made to fight climate change, efforts are made year after year to increase the reliability of these data. The level of uncertainty of the Group's Scope 3 emissions is estimated to be between 20% and 30%.

This suggests that, unlike Scopes 1 and 2, the changes in Scope 3 emissions from one year to the next may relate more to the quality of the data collected and the methods of calculation used than to a real measurement of change in performance. This margin of uncertainty with regard to Scope 3 is a reality for all companies, and does not make it possible to consider this data as an adequate benchmark or method of performance assessment.

(1) Emissions & Generation Resource Integrated Database.

(2) Environmental Protection Agency.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Methodological notes

Carbon Neutrality: see section 4.3.1.1.3 "Fighting climate change on operated sites" of this document. The Vichy and La Roche Posay sites are part of a unique legal entity (CAP) but are recognised as two Group factories, including in the recognition of sites that have achieved carbon neutrality.

In 2021, an R134a leak of 171 kg, corresponding to 222 tonnes of CO₂ equivalent, occurred at the North Little Rock distribution centre following the installation of new equipment. Investigations were carried out with the supplier of this equipment, which accepted responsibility for non-conformity of the delivered equipment, which was defective by design. The supplier replaced this equipment and no further leaks were recorded at this site in 2021. L'Oréal decided to consider this case as an exception to the rule of carbon neutrality and to maintain this status in 2021 for the North Little Rock distribution centre.

Wastewater: For industrial sites, the Chemical Oxygen Demand (COD) covers the volumes of wastewater leaving the site, whether or not they have been treated on the site.

Waterloop: see the Waterloop Factory concept in section 4.3.1.1.4 "Preserving the water resource on operated sites" of this document. Exceptions to the definition of Waterloop status may be authorised if they are approved by the Operations Department: these exceptions are related to regulatory constraints (e.g. requirements of the Food and Drug Administration) or Group quality requirements.

Biodiversity: biodiversity inventories that describe the actual situation of the sites in terms of species and habitats present in the zone studied must be carried out by a certified organisation at least every three years with specific interim follow-ups.

Waste: L'Oréal includes everything in its transportable waste that comes out of a factory or a distribution centre and which is not a finished or semi-finished product (the following examples are included for a factory: raw material packaging or filling and packing components, sludge from wastewater treatment plants, broken pallets, etc.).

In order to improve the system of waste performance monitoring and exhaustively record the waste generated by the use of returnable packaging, a system of recording returnable packaging at source was put in place in 2014. L'Oréal thus records the weight of its returnable packaging at source in transportable waste, with each of the sites being responsible for maximising the number of rotations. The recording of the weight of returnable packaging at source is a measure intended to encourage rotation of this returnable packaging and contributes, through its reuse, to increasing its useful life.

Sites that no longer send any waste for destruction or to landfill are considered to have attained a 100% recovery rate.

The material recovery index corresponds to the quantity of waste, reused or recycled, divided by the total amount of waste generated, excluding returnable packaging at source, including the returnable packaging in rotation, excluding waste sent to landfill due to regulatory obligations.

The recovery index corresponds to the quantity of waste recovered, whether material or energy, divided by the total amount of waste generated excluding returnable packaging

at source, including returnable packaging in rotation, excluding waste sent to landfill due to regulatory obligations.

To obtain a more accurate understanding of the recovery and material recovery indices, these indicators are calculated excluding the transport pallets that would otherwise represent a significant share of the returnable packaging in rotation.

Since 2021, waste generation no longer includes the sludge from the wastewater treatment plans at the Group's sites.

Energy: the energy produced by the heat pumps that comes from geothermy is no longer counted in the Group's total energy consumption; the energy necessary for the operation of this equipment is, however, included in the Group's energy consumption.

4.5.1.3.3. Data

The collection of data for the defined scope uses the following method: environmental data are collected using the dedicated Intranet-based site reporting system, available in all countries where L'Oréal has a subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site or zone must validate the accuracy of all the data provided.

A process of continuous improvement of these systems has been put in place. They are reviewed each year by the Statutory Auditors and modified taking into account their recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition and the communication, monitoring and control process.

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.2. L'Oréal for the Future data

4.5.2.1. Transforming the Group's activities

Reduction of greenhouse gas emissions from the transport of finished products

The scope considered includes the transport of the Group's finished and promotional products from its production sites to the first point of delivery to its customers. Deliveries made directly to its consumers are excluded.

The period considered is 12 months, between 1 November of year n-1 and 31 October of year n. The calculation methodology employed uses greenhouse gas emissions factors (in grams of CO₂ equivalent per ton of merchandise transported and per km travelled), which depend on the mode of transport and the type of energy used.

These were updated in 2021 by the Quantis company considering best practice with regard to current technological knowledge.

Respecting biodiversity - Traceable biobased ingredients from a sustainable source

The calculation of the percentage of biobased ingredients for traced formulas from a sustainable source is based on the following definitions:

- a raw material is considered to be biobased when more than 50% of the carbons it contains are of plant origin (according to ISO 16 128);
- an ingredient is considered traced when the following three pieces of information are available: the botanical species, the country in which it grows or is collected, the growing or collection method;
- an ingredient is considered to be sustainably sourced when, on the basis of the elements of traceability, it has been analysed for environmental and social risk (SCAN Index);
 - either no risk has been identified and the raw material is considered to be sustainably sourced,
 - or risks have been identified and an adapted action plan must have been put in place with this supplier. This action plan must have been verified by an independent third party (e.g., audit, certification, land project established with the support of an NGO) that verifies compliance with the basic and progressive criteria of sustainable sourcing of the Group's raw materials.

This indicator is calculated on the basis of actual purchases between January and November 2021.

Reduction of the water consumption related to the use of the products

Scope of consolidation refers to the data on the products sold over a period of 12 months from 1 January to 31 December of 2021.

The calculation of this indicator is based on the evaluation of the volume of water necessary-in other words, the value calculated on the basis of an average water volume necessary per usage dose-for the use of the Group's products by consumers. These data are provided by the IDG management software, which is the source of the data used for the economic results and which contains all the figures for worldwide sales of finished products, both rinse-off and leave-in. The only exception is samples, which are not products sold and are therefore not taken into account.

Eco-designed products – SPOT

Eco-designed products are new or renovated products that have an improved environmental or social profile. The indicator covers the Group's scope and concerns new or renovated products by production centres that were manufactured by the Group's factories or subcontractors and that had an availability date at the distribution centre scheduled for between 1 January 2021 and 31 December 2021. The analysis concerns all international brands that were in the Group before 2013. The following are excluded from the scope: all products that were designed or renovated but not yet produced, full-buy products (i.e. products not packaged at L'Oréal but purchased as FP from a supplier), products not for sale (i.e. samples, testers and one shots), promo products and any brand acquisition made after 2013 that had not yet fully integrated the product design ecosystem (e.g.

LOGOCOS, THAYERS, TAKAMI, etc.) or new creation. The indicator covers products with formulas/packaging that have been developed and produced for the first time, products with formulas/packaging that were renovated in 2021 or products that have been improved in terms of the social component.

Ingredients in formulas are from biobased sources, derived from abundant materials or from circular processes

Scope of consolidation

The scope of consolidation corresponds to the twelve months of 2021. The scope corresponds to the cosmetic products manufactured in the L'Oréal factories and the purchases of finished products from subcontractors. The scope of the L'Oréal factories covers only the factories operating under the SAP WISE system, which permits the feedback of information via the IDG information system. To date, there are only four Group factories that are outside the scope (India: factories in Pune and Badi), the Magdal factory in Israel and the Nairobi factory in Kenya). Thus, reporting covers 99.4% of production from our factories. This indicator is evaluated for all the Group's active formulas and is calculated on the basis of the data on production volume. The data are processed, including consistency checks and correction of anomalies if necessary.

Data

Calculation of this indicator relies solely on the dry material, excluding the "water" used in certain formulations.

There are three elements that are calculated independently:

- The biobased portion: this represents the percentage of raw materials of renewable origin in our portfolio according to the definition of ISO 16 128.
- The abundant mineral portion: this refers to the percentage of ingredients of mineral origin, the abundance of which allows sustainable use and the inorganic ingredients (non-mineral and not containing any carbon atoms, oxygenated water for example) obtained by green processes. The definition of abundant minerals is established by the Raw Materials Department (DIMP) with the assistance of an expert consultant from the French Bureau of Geological and Mining Research (Bureau de recherches géologiques et minières - BRGM). An initial list was available at the start of 2022 that covers 40% in volume of the minerals used by the Group (characterising 463 raw materials). This list will be updated during the coming years (updateable list)
- The circular process portion: the definition of this sub-element is still being established by the Raw Materials Department (DIMP) with the assistance of experts and will be available in the near future.

Resources – Data on packaging indicators

Scope of consolidation

The packaging data cover all the finished products leaving the factories, with the exception of certain finished products for which the data are not yet linked to the central information systems, such as MINDS. This is the case for the products from the factories in Migdal, Nairobi, Funza or Salzhelmendorf, for certain subcontracted products from recent acquisitions, and packaging specific to Travel Retail. These packaging data exclude POS /PLV materials.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Methodological notes

Indicators

1. Percentage of created or renovated products had an improved environmental profile due to improved packaging

SPOT: The proportion of new or updated products whose environmental profile has been improved are reported annually; this is calculated by the SPOT tool. For a new product, improvement is measured in relation to an average of the brand's existing and comparable products; for an updated product, improvement is measured and compared to the earlier product.

2. Percentage of labelled paper and cardboard

The data on the percentage of FSC labelled paper and cardboard (sourced from wood derivatives) comes from tracking the supplies of all suppliers: the Group's sourcing entities demand that each of their suppliers complete the information on tonnage and provide the related certifications. The data are aggregated by the central sourcing department.

3. Reduction in intensity of the quantity of packaging used for the Group's products

The reduction in packaging intensity is measured in packaging weight divided by the weight of the formula. The unit is g/g and scope is all the packaging leaving a factory (primary, secondary or tertiary). The reduction in intensity is calculated from specification systems for filling, packing and production articles. The data are aggregated at the global level by the data management teams.

4. Percentage of plastic packaging recycled or from biobased sources

The tonnages of plastic materials recycled or from biobased sources used in the products come from specification systems for the filling and packing articles and the production of finished products, and are aggregated at the global level by the data management teams. The portion of recycled plastic is an actual rate of recycled material in the packaging: it does not come from a *mass balance certification system*. The scope of this indicator is all packaging leaving the factory (primary, secondary and tertiary).

5. Percentage of plastic packaging that is refillable, reusable, recyclable or compostable

The definition of refillable, reusable, recyclable or compostable packaging follows the definitions of the Ellen Mc Arthur Foundation described in the document "New Plastics Economy Global Commitment - Reporting Guidelines April 2021". These definitions are taken account of in the Group's data management systems, which allows identification and counting of the quantities.

Data

The following method is used to collect data for the defined scope: the different indicators come from product specification systems linked to the production management tools. The data are extracted and recovered by the data management teams who aggregate them globally using a centralised IT tool. It is the Sustainability entity of the Department of Packaging Operations and Development that verifies all the elements and the figures.

Eco-designed advertising displays at points of sale

The scope of consolidation for POS eco-design covers POS purchasing expenses (display, advertising elements at the points of sale) in the countries in which a L'Oréal subsidiary that has a Sourcing team is established. Every year the Sourcing teams in question report the POS expense and the % of conformity with eco-design "Must Haves".

The Country data are collected using the intranet systems dedicated to reporting by "Reporting 21" country, which can be accessed by each Sourcing team in the countries. Each Sourcing team is responsible for compiling the data of the team's Country, and must validate the accuracy of the data communicated. The data are also validated by the Sourcing Zones. The indicator is consolidated at the Group level by the Global Retail Sourcing teams. In 2021, 53 Entities (Country or Hub) participated in the reporting.

The Sourcing teams and suppliers concerned are trained in eco-design, including the associated data collection process. The process is defined and explained every year to the teams responsible. The percentage of eco-designed POS is calculated in accordance with a self-declared statement from the suppliers trained in eco-design. It is reviewed by the Statutory Auditors whose recommendations are used for continuous improvement of the systems.

Eco-design of owned stores and points of sale

Scope of consolidation

The scope considered includes the Group's new and renovated free-standing stores over a global scope. The period considered is 12 months, from 1 January to 31 December of the current year. A store is considered ecodesigned if the ecodesign rate exceeds 100% or if the store is LEED Gold certified.

The ecodesign rate of the free-standing stores is calculated on the basis of the process tracking and the documentation of the Sustainable Retail Box checklist and according to a self-declaration of the conformity of said points of sale, unless the store holds an external LEED certification.

Data

At the time the data are compiled, each country team is responsible for verifying the accuracy of all data communicated to the teams of each of the geographic zones. Ecodesign is the subject of training for the teams monitoring the process and the documentation of the "Sustainable Retail Box" checklist.

A process of continuous improvement of these systems has been put in place. They are reviewed every year by the Statutory Auditors and modified by taking into consideration their recommendations and follow-up objectives for the following years.

4.5.2.2. Empowering the Group's business ecosystem

Beneficiaries of the Solidarity Sourcing programme

Scope of consolidation

The period considered is 12 months from 1 January to 31 December of the current year over a worldwide scope.

Conditions apply and must be met in order to be counted as a beneficiary of the Solidarity Sourcing programme:

- Workers from economically or socially disadvantaged communities who work at the Group's suppliers and their subcontractors;
- The supplier must also produce materials, goods or services purchased by L'Oréal; in other words, the work hours are assignable to the Group;
- Finally, being counted as a beneficiary requires meeting at least one of the following two criteria: access to and remaining in a permanent job if their community is generally excluded or under-represented in the activity and, as applicable, a substantial and lasting improvement in income thanks to the activity associated with the "Solidarity Sourcing" programme.

Data

In the majority of projects, the counting methodology is based on the number of full-time equivalents (FTE) under local regulations and on the basis of a full year. The FTE number is proportional to L'Oréal's weight in the supplier's business activity. Thus, the number of beneficiaries of the "Solidarity Sourcing" programme who work at a supplier is calculated as a proportion of the payroll of the supplier who participates in the production of L'Oréal products. However, if the supplier's employees work for customers other than L'Oréal, it is then the amount of the orders in relation to the supplier's total revenue that determines the number of hours assigned to the L'Oréal production.

A specific feature should be noted for projects related to sustainable sourcing of raw materials (e.g. Projects based on fair trade principles); the unit of measurement of the beneficiaries is not FTE, but the number of producers concerned. The supplier, with the assistance of an independent third party, defines a threshold at which the project has a significant impact on the target community with respect to the local situation (for example, living conditions or income). It is then possible to count the beneficiary workforce for said project resulting from the "Solidarity Sourcing" programme.

People from very difficult social or economic situations trained in beauty professions.

Scope of consolidation

This indicator is calculated over a global scope using annual data and a sliding total over four years.

This is the number of people trained (beneficiaries) within the *Beauty for a Better Life* programme implemented by the partner structures (NGOs, etc.) between 1 January and 31 December 2021.

Data

The data collection is performed by managers of the programme at L'Oréal's subsidiaries on the basis of the information and a certificate of compliance transmitted to them by the partner structures. The data are collected and consolidated by the Foundation teams (within the Department of Corporate Responsibility) that perform consistency controls.

People in very difficult social or economic situations who have benefited from beauty care and wellbeing treatments

Scope of consolidation

This indicator is calculated over a France scope using annual data. This is the number of people who have benefited from beauty care under the Beauty for a Better Life programme implemented by the partner structures (NGOs, etc.) between 1 January and 31 December 2021.

Data

The data are collected by the programme's partners structures. The data are collected and consolidated by the Foundation teams (within the Department of Corporate Responsibility) that perform consistency controls.

Beneficiaries of our brands' social engagement programmes

Scope of consolidation

This indicator is calculated over a scope limited to the brands that have social engagement programmes. The scope excludes the brands' environmental programmes. Also excluded from the scope of consolidation are product donations and media awareness-raising campaigns.

Data

The following method is used to collect data for the defined scope: in order to be counted, a beneficiary must be directly supported by a NGO partner of the brand's programme or have received training from the brand or the NGO partner of the brand's programme. The data are collected and consolidated by each Marketing department and each subsidiary, which must validate the accuracy of all the data consolidated and communicated.

Displaying the environmental and social impact of the products

Scope of consolidation

The indicators concern all rinse-off products that belong to one of the following categories: Shampoo, Conditioner & Masks, Leave-in care & Oil, Colouring, Face Cleanser, or Body Cleanser manufactured in the year 2021 over a Group scope. The indicators do not count the Hand Cleanser and Rinse-off Shave Cream categories.

The indicators used are those used in the application of the Product Impact Labelling (PIL) methodology. They reflect the results of the Group's policy for measuring the environmental and social impact of the products. The calculation method and the data are verified by independent auditors.

Data

The data for the defined scope is collected by the Operations Department using SPOT (Sustainable Product Optimization Tool).

4.5.2.3. Contribute to solving the challenges of the world

Supporting the most vulnerable women

Scope of consolidation

This indicator is calculated over a global scope using data accumulated since the Fund was launched. It is the number of structures (NGOs, etc.) supported by the Fund, the number of women directly supported by these structures with the assistance of the Fund, and the budget in euros allocated since the launch of the Fund.

4.5.3. Human Rights data

4.5.3.1. Scope of consolidation

The scope of consolidation of human rights data arising from ethics reporting is identical to that of social data.

4.5.3.2. Indicators

The indicators chosen are those within the scope of the applicable regulations, with in particular the aim of data comparability.

Data

Data is collected by the structures supported by the Fund which have used all or a portion of the budget allocated during the reference period. The data are collected and consolidated by the Fund teams (within the Department of Corporate Responsibility), who perform consistency controls on the basis of the information reported and a certificate of conformity transmitted by the partner structures.

The budget allocated is monitored and consolidated by the Fund's teams within the Department of Corporate Responsibility in cooperation with the Finance team of the Founder (L'Oréal).

4.5.3.3. Data

The following methods are used to collect data for the defined scope:

- the data relating to Ethics and Human Rights for L'Oréal subsidiaries is collected by the Ethics, Risk and Compliance Department using the Annual Ethics Reporting platform. The scope is aligned with individual company data unless otherwise indicated for each indicator in the report;
- Human Rights data for the employees of the Group's suppliers are consolidated by the Purchasing Department and collected during social audits by an independent and accredited third party that carries out the audits and shares the data collected as well as the audit reports; and
- the other data are collected from the corporate departments concerned (Corporate Social Responsibility, Worldwide Product Safety Evaluation, Ethics, Risk and Compliance, and the L'Oréal Foundation).

4.6. CROSS-REFERENCE TABLES, INCLUDING NFIS AND GHG FOOTPRINT

4.6.1. Table of concordance for reporting standards in respect of social, environmental and societal matters

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP and SDGs
	PRINCIPLES	
4.5.	Methodological notes	
4.7.	Opinion on the compliance and true and fair nature of the information	
1.2.	Business model	
	MAIN RISKS	
4.2.2.	● Environment	#9 to 11
4.2.2.	● Human resources	#6 to 8
4.2.2.	● Human Rights	#3 to 5
4.2.2.	● The fight against corruption	#12 to 14
177	● The fight against tax evasion	#12 to 14
	POLICIES, INDICATORS, RESULTS	
4.3.1.	● Environment	#9 to 11
4.3.2.	● Human resources	#6 to 8
4.3.3.	● Human Rights	#3 to 5
4.3.4.	● The fight against corruption	#12 to 14
4.3.5.	● The fight against tax evasion	#12 to 14
	INFORMATION AND COMMITMENTS	
4.3.1.3., 4.3.1.4., 4.3.1.5.	Consequences on climate change	#9 to 11
4.3.2.4., 4.3.3.4.	Collective agreements concluded within the company	#6 to 8
4.3.1.2.2., 4.3.1.3.1., 4.3.2.1., 4.3.2.4.	Working conditions of employees	#3 to 8, SDG 8, 10
4.3.2.6.	Measures to combat discrimination and promote diversity	#3 to 5 and #A to D, SDG 5, 10
4.3.2.6.	Measures in favour of disabled people	#3 to 8 and #A to D, SDG 8, 10
	SOCIETAL COMMITMENTS IN FAVOUR OF	
4.3.1.	● Sustainable Development	#9 to 11, SDG 7, 9, 12, 13, 15, 16
1.2.7., 4.3.1.1.6., 4.3.1.5.1.	● Circular economy	#9 to 11, SDG 12
4.3.1.1.6	● Fight against food waste	#9 to 11, SDG 12
4.3.1.1.6	● Fight against food insecurity	#9 to 11, SDG 1, 8
28., 4.3.1.3.2.	● Respect for animal welfare	SDG 14, 15
4.3.1.1.6	● Responsible, fair and sustainable food	
	SOCIAL, ENVIRONMENTAL, AND SOCIETAL INFORMATION	
	SOCIAL INFORMATION	
	Employment	#3 to 8 and #A, #D
230	● Total workforce	
230-231	● Distribution of employees by gender, by age and by geographic zone	#A, SDG 5
232., 4.3.2.2.	● Recruitments	#6 to 8
232	● Dismissals	#6 to 8
4.3.2.5.	● Remuneration and trends	#3 to 8, #A
	Work organisation	#3 to 8
4.3.2.4.	● Organisation of working time	
232	● Absenteeism	
	Social relation	#3 to 8
4.3.2.4.	● Organisation of the social dialogue	
4.3.2.4.	● Situation with regard to collective agreements	
	Health & Safety	#3 to 8
4.3.2.1., 4.3.2.4.	● Health and safety conditions at work	
4.3.2.4.	● Status report on agreements signed with trade union organisations with regard to health and safety at work	#3 to 8 and #15 to 18
4.3.2.1.	● Frequency and severity of occupational injuries	
4.3.2.1.	● Occupational diseases	

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

- Cross-reference tables, including NFIS and GHG footprint

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP and SDGs
	Training	#3 to 8
4.3.2.3.	• Training policy implemented	
4.3.2.3.	• Total number of training hours	
	Equality of treatment	#3 to 8 and #A, #D, #I SDG 5, 10
4.3.2.6.	• Measures taken to promote gender equality	#3 to 8 and #A, #D, SDG 5, 10
4.3.2.6.	• Measures taken in favour of employment and professional insertion of the disabled	#3 to 5 and #A to D, SDG 10
4.3.2.6., 236	• Policy to combat discrimination	#3 to 5 and #A to D, SDG 10
	Promotion & compliance with the ILO conventions	#3 to 8 and #A, #D, #I
4.3.3., 221-222	• Compliance with freedom of association and the right to collective bargaining	#3 to 8 and #A, #D, #I
4.3.2.6.	• Elimination of employment and professional discrimination	#3 to 8 and #A, #D, #I SDG 5, 8, 10
4.3.3., 221-222	• Elimination of forced or compulsory labour	#3 to 8 and #A, #D, #I
4.3.3., 221-222	• Effective abolition of child labour	#3 to 8 and #A, #D, #I
	ENVIRONMENTAL INFORMATION	
	General environmental policy	#9 to 11
4.3.1.	• Company structure to take into account environmental issues and, where applicable, environmental evaluation or certification measures	
4.1.1., 4.1.2.	• Training actions and provision of information to employees with regard to environmental protection	
4.3.1.	• Measures to prevent environmental risks and pollution	
188	• Amount of the provisions and cover with regard environmental risks, on condition that this information is not liable to cause serious harm to the Company in a lawsuit in process	
	Pollution	#9 to 11
4.3.1.1.2.	• Means devoted to prevention of environmental risks and pollution	#9 to 11 SDG 6, 7, 9, 11, 12, 13, 14, 15
4.3.1.	• Noise disturbances and any other pollution related to an activity	#9 to 11, SDG 9, 11
	Circular economy	#9 to 11, SDG 9, 11, 12
	(i) Prevention and management of waste	#9 to 11, SDG 9, 11, 12
1.3.2., 4.3.1.1.3., 4.3.1.1.6., 4.5.2.3.2.	• Measures to prevent, recycle, reuse, other forms of recovery and waste elimination	#9 to 11, SDG 9, 11, 12
4.3.1.1.6	• Fight against food waste	#9 to 11
	(ii) Sustainable use of resources	#9 to 11, SDG 9, 11, 12
1.2.6., 1.3.2., 4.3.1.2.2., 4.3.1.3.1.	• Water consumption and water supply depending on local constraints	#9 to 11, SDG 6
4.3.1.3.,	• Raw material consumption and measures taken to improve efficiency in their use	#9 to 11, SDG 12
1.3.2., 4.3.1., 4.3.1.1.3.,	• Energy consumption, measures taken to improve energy efficiency and use of renewable energies	#9 to 11, SDG 7
4.3.1.1.2., 4.3.1.1.5.	• Soil use	#9 to 11, SDG 7.12
	Climate change	#9 to 11, SDG 13
4.3.1.4.1.	• Significant sources of greenhouse gas emissions generated by the activity, in particular by the use of goods and services produced by the Company	#9 to 11
1.3.2., 4.3.1.1.3., 4.3.1.4.1., 4.3.1.4.2., 4.3.1.4.4.	• Ambitious voluntary medium- and long-term greenhouse gas emission reduction targets and the means implemented to achieve them	#9 to 11, SDG 7.12
4.2.2., 4.3.1., 4.3.1.1.3., 4.3.1.4.4.	• Adaptation to the consequences of climate change	#9 to 11, SDG 13
	Protection of biodiversity	#9 to 11
4.3.1., 4.3.1.1.5.	• Measures taken to preserve or develop biodiversity	#9 to 11, SDG 13, 14, 15
	SOCIETAL INFORMATION	
	Societal commitments for Sustainable Development	#16 to 18 and #21 and #C
1.3.2., 4.3.1.2.2., 4.3.2.2.	• Impact of the Company's activity on employment and local development	#6 to 8, SDG 11
4.3.1.2.2.	• Impact of the Company's activity on neighbouring or local populations	SDG 11
4.1.2., 4.3.2.4.	• Relationships with the Company's stakeholders and means of dialogue with them	#2 and #16 to 18 and #21
4.1.2., 4.3.1.2.2., 4.3.1.3.2., 4.3.3.6.	• Partnership or philanthropy actions	#15 to 18, SDG 17
	Subcontractors and suppliers	#3 to 11 and #B
1.2.7., 4.3.1.2.2., 4.3.3.6.	• Taking into account social and environmental issues in purchasing policy	#3 to 11
1.2.7., 4.3.1.2.	• Consideration of their social and environmental responsibility in relations with suppliers and subcontractors	#3 to 11

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Cross-reference tables, including NFIS and GHG footprint

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP and SDGs
	Fair practices	#12 to 14
4.3.4.	<ul style="list-style-type: none"> The actions taken to prevent corruption 	#12 to 14
4.3.1.3.2.	<ul style="list-style-type: none"> The measures taken in favour of consumer health and safety 	#6 to 8, SDG 3
4.3.3.	Other actions taken in favour of Human Rights	#3 to 5 and #A to D and #I

4.6.2. SASB cross-reference table

Theme	Measurement	Group information	Code
Water management	(1) total water withdrawn (2) total water consumption percentage of each from regions with high or extremely high water stress	Total water drawn: 1,975,083 m ³ – plants % of water drawn from regions with high or extremely high water stress: 19% Total water consumed: 1,089,660m ³ % of water drawn from regions with high or extremely high water stress: 19%	CG-HP-140a.1
	Description of risks associated with water management and discussion of strategies and practices aimed at reducing these risks	L'Oréal has set itself a major objective of fighting climate change and preserving natural resources in the overall exercise of its activity. The Group wants to preserve the water resource throughout its value chain, on its operated sites, but by also engaging its ecosystem in its commitments. See the following sections: 3.5. Risk factors and risk management. 4.3.1.3.1. Eco-designed products.	CG-HP-140a.2
Product performance in terms of the environment, health and safety	Sales from products containing REACH substances of very high concern (SVHC)	L'Oréal has developed a detailed analysis of health and safety risks. It should be noted that the same safety standards are applied worldwide to ensure identical quality across the globe.	CG-HP-250a.1
	Sales from products containing substances included on the California DTSC Candidate Chemicals List	See the following sections: Product quality and safety: a priority in 4.3.1.3.2 Involving consumers in the Group's transformation, 4.3.2.1. Preserving employee health and safety, 1.5. Internal control and risk management system.	CG-HP-250a.2
	Discussion on the process for identifying and managing emerging materials and chemicals of concern	96% of the Group's products are eco-designed and respect the principles of green chemistry.	CG-HP-250a.3
	Sales from products designed according to the principles of green chemistry	See the following section: 4.3.1.3.1. Eco-designed products	CG-HP-250a.4
Management of the packaging life cycle	(1) Total weight of packaging (2) percentage of packaging composed of recycled and/or renewable materials and (3) percentage of recyclable, reusable and/or compostable packaging	Management of the packaging life cycle is a central component of the Group's environmental policy. In 2021, the figures were as follows: 1) The total weight of plastic packaging was 159,351 tonnes. 2) 21% of the plastic packaging materials are from recycled or biobased sources. 3) 39% of the plastic packaging is refillable, recyclable, reusable and/or compostable.	CG-HP-410a.1
	Discussion on strategies for reducing the environmental impact of packaging during its life cycle	In order to reach the best understanding of the environmental impact of the packaging, L'Oréal has used the SPOT tool since 2017, which calculates the complete environmental and social footprint of a product in accordance with the European Commission recommendation (Product Environmental Footprint). See the following sections: 4.3.1.3. Sustainability: from product design to end consumer. 3.5. Risk factors and risk management.	CG-HP-410a.2
Environmental and social impact of the palm oil supply chain	Quantity of palm oil and derivatives percentage certified by the supply chains of the Roundtable on Sustainable Palm Oil (RSPO) as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	In 2021, L'Oréal consumed 310 tonnes of palm oil. 100% of the palm oil supplies have been certified sustainable by the Round Table on Sustainable Palm Oil (RSPO) since 2010, and the supply of palm oil or palm kernel derivatives since 2012 Segregated: 100%, 98.2% of which are also Palm Oil Innovation Group (POIG) verified. The Group has reached 98.4% of RSPO Mass Balance. 1.6% is covered by Book & Claim.	CG-HP-430a.1
Measurement of activity	Unit of products sold, total weight of products sold	The Group does not report on this indicator.	CG-HP-000.A
	Number of factories	L'Oréal has 39 factories around the world.	CG-HP-000.B

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

- Cross-reference tables, including NFIS and GHG footprint

4.6.3. GRI Standards Content Index

This report has been prepared in accordance with the GRI Standards: Core Option. Material issues have been mapped with the relevant GRI Standards disclosure. Content relating to the indicator list below is available within the table or at the location provided.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
GENERAL DISCLOSURES					
General Disclosures	2-1	Organisation details		Fully compliant	1.1. - 1.2. - 7.1. - 7.3.
	2-2	Entities included in the organisation's sustainability reporting		Fully compliant	1.4.1. - 1.4.2.
	2-3	Reporting period, frequency and contact point		Fully compliant	1. - 4.5.
	2-4	Restatements of information		Fully compliant	4.5.
	2-5	External assurance		Fully compliant	2.3.
	2-6	Activities, value chain and other business relationship		Fully compliant	1.2. - -1.2.7
	2-7	Employees		Fully compliant	4.3.2.
	2-8	Workers who are not employees		Fully compliant	4.3.2.
	2-9	Governance structure and composition		Fully compliant	1.1.5 - 2.2. - 2.3.
	2-10	Nomination and selection of the highest governance body		Fully compliant	2.1 - 2.2.3 - 2.3.5, 2.5
	2-11	Chair of the highest governance body		Fully compliant	1.1.5 - 2.2.
	2-12	Role of of the highest governance body		Fully compliant	2.3.3. - 4.1
	2-13	Delegation of responsibility		Fully compliant	3.4.6. - 4.3.3. - 4.3.4. 4.1
	2-14	Role of the highest governance body in sustainability reporting		Fully compliant	2.3.2 - 2.3.3. - 4.1
	2-15	Conflict of interest		Fully compliant	2.1.3 - 2.3.4 - 2.3.5 2.2.1.5.
	2-16	Communication of critical concerns		Fully compliant	4.1.2. - 3.5.
	2-17	Collective knowledge of the highest governance body		Fully compliant	1.2.3. - 1.2.4.
	2-18	Evaluation of the performance of the highest governance body		Fully compliant	2.3.4
	2-19	Remuneration policy		Fully compliant	2.4
	2-20	Process to determine remuneration		Fully compliant	2.4
	2-21	Annual compensation ratio		Fully compliant	2.4.2 4.3.2
	2-22	Statement on sustainable development strategy		Fully compliant	4.1 - 4.3.1
	2-23	Policy commitments		Fully compliant	4.1.2.
	2-24	Embedding policy commitments		Fully compliant	4.3
	2-25	Process to remediate negative impacts		Fully compliant	3.5 - 3.5.2 - 4.1.2.
	2-26	Mechanism for seeking advice and raising concerns		Fully compliant	3.1 3.4.6. - 4.3.3. - 4.3.4.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Cross-reference tables, including NFIS and GHG footprint

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
	2-27	Compliance with laws and regulations		Fully compliant	2.2.1.5.
	2-28	Membership associations		Fully compliant	4.1.2.
	2-29	Approach to stakeholder engagement		Fully compliant	4.1.3.
	2-30	Collective bargaining agreements		Fully compliant	4.3.2.4
Management Approach	3-1	Process to determine material topics		Fully compliant	3. - 4.1.2 - 4.5.
	3-2	List of material topics			3.
	3-3	Management of material topics		Fully compliant	3. - 4.1. - 4.3.
ECONOMIC					
	202-2	Key posts and local managers	Strategic positions outside France occupied by local managers: 32%	Fully compliant	3.5. 4.3.4.
	205-1	Operations assessed for risks related to corruption		Fully compliant	4.3.4.
	205-2	Communication and training about anti-corruption policies and procedures		Fully compliant	4.3.4.
ENVIRONMENTAL					
Energy	302-1	Energy consumption within the organisation	Fuel consumption from non-renewable sources: 128,686,294 kWh; Fuel consumption from renewable sources: 168,873,582 kWh Self-generated electricity, heating, cooling, and steam: 80,809,909 kWh; Electricity, heating, cooling, and steam sold: 7,797,725 kWh; Electricity, heating, cooling, and steam purchased for consumption: 417,741,073 kWh; total energy consumption: 783,210,572 kWh. 80% of renewable energy in total energy consumption	Fully compliant	1.2.7 - 3.4.4.3. 4.3.1.
	302-3	Energy intensity	Energy intensity : 128 kWh / 1000 FP	Fully compliant	4.3.1.
	302-4	Reduction of energy consumption		Fully compliant	1.2.7. - 3.4.4.3.
Water	303-1	Water withdrawal by source	Volume of water withdrawn – Surface water, including water from wetlands, rivers, lakes and oceans, and ground water: 260,182 m ³ ; Volume of water withdrawn – Rainwater collected directly and stored: 4,956 m ³ ; Volume of water withdrawn – Wastewater from another organisation: 23 m ³ ; Water from municipal water supplies or water from other water utilities: 1,791,898 m ³ ; Total volume of water withdrawn by plants and distribution centres: 2,057,059 m ³	Fully compliant	1.2.7. - 3.4.4.3. 4.3.1.
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity		Fully compliant	3.4.7.3. - 4.
Emissions	305-1	Direct (Scope 1) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-2	Energy indirect (Scope 2) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-3	Other indirect (Scope 3) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-4	GHG emissions intensity	Intensity of direct CO ₂ emissions: 4.2 g eq. /CO ₂ /PF; Change in the intensity of direct CO ₂ emissions compared with 2019: - 35%; intensity of indirect CO ₂ emissions: 0.9 g eq. /CO ₂ /PF; Change in the intensity of indirect CO ₂ emissions compared with 2019: - 35 %; Intensity of CO ₂ emissions CO ₂ : 5.2 g eq. /CO ₂ /PF; Change in the intensity of CO ₂ emissions (direct + indirect) vs 2019: -35%	Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-5	Reduction of GHG emissions	Change in direct CO ₂ emissions compared (scope 1) with 2019: -35%; Change in indirect CO ₂ emissions (scope 2, Market Based): -35%	Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
Waste and Wastewater	306-2	Waste by type and disposal method	Waste recovered for use as a source of energy: 43,501 tonnes; Waste recovered through reuse and recycling: 66,195 tonnes; Waste incinerated without recovery for use as a source of energy: 3,238 tonnes	Fully compliant	4.3.1.1.1.6.
	306-3	Significant spills		Fully compliant	4.3.1.2. - 3.5

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

- Cross-reference tables, including NFIS and GHG footprint

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria		Fully compliant	4.3.1.3.2. - 3.4.4
SOCIAL					
Employment	401-1	New employee hires and employee turnover	Employee turnover : 14%.	Fully compliant	4.3.2.
Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees		Fully compliant	4.3.2 - 3.4.4.1.
Training and education	404-1	Average hours of training per year per employee		Fully compliant	4.3.2.
	404-3	Percentage of employees receiving regular performance and career development reviews		Fully compliant	4.3.2.5.
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour		Fully compliant	4.3.1.2.1 3.4.4.1.
Forced labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Fully compliant	3.4.4.1 4.2.2. - 4.3.3.
Human Rights Assessment	412-1	Operations that have been subject to Human Rights reviews or impact assessments		Fully compliant	3.4.7.
	412-2	Employee training on Human Rights policies or procedures		Fully compliant	4.3.2.2 4.3.3.4
Supplier social assessment	414-2	Negative social impacts in the supply chain and actions taken	Audits – Europe: 146; Audits –Asia, Pacific: 641; Audits – Americas: 343; Audits – Africa, Middle-East: 106. Of all cases of non-compliance: 45% were related to working conditions, health, or safety, 24% were related to working hours, 19% were related to the pay; 12%. In the event of major non-compliance, corrective action plans are put in place and subject to a follow-up audit. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to the cessation of commercial relations.	Fully compliant	4.3.1.3.2.
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories		Fully compliant	4.3.2.1. 4.3.1.3.2.
Marketing and labelling	417-1	Requirements for product and service information and labelling		Fully compliant	1.2.6. 4.2.2. - .3.2
GRI Foundation		Publish a GRI content index		Fully compliant	4.3.6

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Cross-reference tables, including NFIS and GHG footprint

4.6.4. GHG balance

This table provides a detailed list of all restatements made to correct our GHG balance since 2016. These changes may concern the scope under review, the methodology used or the emission factors used.

	(thousands of tonnes of CO ₂ equivalent)	Comments	Financial year 2016	Financial year 2019	Financial year 2020	Financial year 2021
Reported figures	Scopes 1, 2 and 3		114	11,762	11,225	12,526
	Scope 3		Unpublished ⁽¹⁾	11,682	11,169	12,488
Unpublished data	Scopes 1, 2 and 3	Unpublished 2016 GHG balance results scopes 1, 2 and 3 ⁽²⁾	9,881			
	Scope 3		9,712			
	Scopes 1 and 2	TOTAL RESTATEMENTS	-55	-	-	
		Improvement in the accuracy of the scope ⁽³⁾	-55			
	Scope 3	TOTAL RESTATEMENTS	3,162	588	791	
		Improvement in the accuracy of the methodology (as from 2021) ⁽⁴⁾	259	258	264	
		Improvement in the accuracy of the methodology (as from 2021) ⁽⁵⁾	177	-397	-139	
		Improvement in the accuracy of the scope (as from 2021) ⁽⁶⁾	958	880	666	
		Improvement in the accuracy of the scope (as from 2021) ⁽⁷⁾	19			
		Improvement in the accuracy of the scope (as from 2021) ⁽⁸⁾	-46			
		Update of the emission factors (as from 2021) ⁽⁹⁾	81			
		Improvement in the accuracy of the scope (as from 2020) ⁽¹⁰⁾		424		
		Update of the emission factors (as from 2020) ⁽¹¹⁾		-577		
		Update of the parameters (as from 2019) ⁽¹²⁾	28			
		Improvement in the accuracy of the scope (as from 2018) (13)	340			
		Update of the emission factors (as from 2018) ⁽¹⁴⁾	1,295			
		Improvement in the accuracy of the scope (as from 2018) ⁽¹⁵⁾	51			
Like-for-like basis	Scopes 1, 2 and 3		12,988	12,350	12,016	12,526
	Scope 3		12,874	12,270	11,960	12,488

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG balance continued pursuant to the SBT commitments.

(2) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).

(3) Variation in allocations to leased vehicles and stores, in Scope 3.

(4) Variation in the methodology and external data bases (transport and capital goods).

(5) Variation in the methodology and alignment of the internal data bases.

(6) Improvement in the accuracy of the data (emissions related primarily to purchases of services and IT).

(7) Variation in allocations to leased vehicles and stores, in Scope 3.

(8) Improved precision in the POS data.

(9) Change in the source of the data on the energy mix used for residential water heating in the different countries.

(10) Improved accuracy of data for formulas and finished products (nomenclature).

(11) Update of the energy mix used for residential water heating in European countries.

(12) Improvement in the data related to the product use phase: volume of water and quantity of products used.

(13) Improved precision in the POS data.

(14) Change in the source of the data on the energy mix used for residential water heating in the different countries.

(15) Variation in allocations to leased vehicles and stores, in Scope 3.

4

4.7. STATUTORY AUDITOR'S REPORTS

4.7.1. Report of one of the Statutory Auditors, appointed as independent third party, on the verification of the consolidated non-financial performance statement

Year ended December 31, 2021

This is a free English translation of the report by one of the Statutory Auditors issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

L'ORÉAL

14, rue Royale
75008 Paris, France

To the Shareholders' Meeting,

In our capacity as Statutory Auditor of L'Oréal SA, your company (hereinafter the "Company"), appointed as independent third party ("third party") and accredited by the French Accreditation Committee (Cofrac), under number 3-1048 (Cofrac Inspection Accreditation, no. 3-1048, scope available at www.cofrac.fr) and currently adapting our management system as required by the Cofrac for this accreditation (from ISO17020 to ISO 17029), we have conducted procedures to express a limited assurance conclusion on the historical information (observed or extrapolated) in the consolidated non-financial performance statement, prepared in accordance with the Company's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2021 (hereinafter the "Information" and the "Statement", respectively), presented in the Group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*code de commerce*).

Conclusion

Based on our procedures as described in the section "Nature and scope of procedures" and the evidence we have obtained, no material misstatements have come to our attention that cause us to believe that the non-financial performance statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of the Information enables the use of different but acceptable measurement techniques that may impact comparability between entities and over time.

Accordingly, the Information must be read and interpreted with reference to the Guidelines, summarised in the Statement.

Limits inherent in the preparation of the information relating to the Statement

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

Responsibility of the Company

The Board of Directors is responsible for:

- selecting or determining the appropriate criteria for the preparation of the Information;
- preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented with respect to these risks as well as the outcomes of these policies, including key performance indicators and the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- implementing such internal control as it determines is necessary to enable the preparation of Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by applying the Company's Guidelines as referred to above.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

As it is our responsibility to issue an independent conclusion on the information prepared by management, we are not authorised to participate in the preparation of the Information, as this could compromise our independence.

It is not our responsibility to provide a conclusion on:

- the Company's compliance with other applicable legal and regulatory provisions (particularly with regard to the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy), the duty of vigilance and the fight against corruption and tax evasion);
- the fairness of information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and acting as the verification programme and with the international standard ISAE 3000 (revised).

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

Means and resources

Our work engaged the skills of ten people between October 2021 and February 2022 and took a total of twenty-one weeks.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around thirty interviews with people responsible for preparing the Statement.

Nature and scope of procedures

We planned and performed our work taking account of the risk of material misstatement of the Information.

We consider that the procedures conducted in exercising our professional judgement enable us to express a limited assurance conclusion:

- We familiarized ourselves with the activities of all companies in the consolidation scope and the description of the principal risks.
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement provides the information required under Article R.225-105 II of the French Commercial Code where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of the principal risks associated with the activities of all the consolidated entities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important – presented in Annex 1; for certain risks or information, (human resources, health and safety, human, social and environmental rights, etc.) our work was carried out on the consolidating entity, while for other risks, our work was carried out on the consolidating entity and on a selection of entities;
- We verified that the Statement covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Statutory Auditor's reports

- We obtained an understanding of internal control and risk management procedures implemented by the Company and assessed the data collection process aimed at ensuring the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes – presented in Annex 1 - that we considered to be the most important, we implemented:
 - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
 - substantive tests, on a sample basis and using other selection methods, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities – presented in Annex 2 - and covered between 17% and 28% of the consolidated data selected for these tests.
- We assessed the overall consistency of the Statement in relation to our knowledge of the entire Company.

The procedures conducted in a limited assurance review are substantially less in scope than those required to issue a reasonable assurance opinion in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, February 18, 2022

One of the Statutory Auditors,

Deloitte & Associés

David Dupont-Noël
Partner, Audit

Catherine Saire
Partner, Développement Durable

Appendix 1: List of Information we Considered as the most important

Key performance indicators and other quantitative results:

Environment, Health and Safety:

Thematic	Indicators
Greenhouse gas emissions	Emissions de CO ₂ methods " <i>market-based</i> " and " <i>location-based</i> ", scopes 1 and 2 according to the GHG Protocol (in tonnes)
	Emissions de CO ₂ methods " <i>market-based</i> " and " <i>location-based</i> ", scopes 1 and 2 according to the GHG Protocol (in tonnes)
	Emissions de CO ₂ - Scope 3
	Percentage change in CO emissions ₂ per finished product sold (kg eqCO ₂ /PF sold), compared to 2016
	Percentage reduction in greenhouse gas emissions from product use compared to 2016
Energy consumption	Percentage of neutral sites
	Total energy consumption (kWh, kWh/1000PF, kWh/100h)
	Breakdown by energy source: Electricity, Gas, Fuel, Steam, Other energy (kWh)
	Percentage of renewable energy consumed (%)
	Electricity from renewable sources consumed (in kWh)
Air emissions, excluding greenhouse gases	Self-consumption rate of electricity (%)
	Refrigerant gas leaks (kg)
	Direct emissions of SO ₂ (kg, kg/PF)
Water	Emissions of Volatile Organic Compounds (in kg)
	Number of waterloop factories
	Total net withdrawal/Net water withdrawal (excluding recycled water and rainwater for gardening) (in m ³ : l/PF, l/100h)
	Total volume of water consumed per use (in m ³)
	Total volume of water recycled on-site (in m ³) / Total volume of recycled water from another L'Oréal site (m ³)
	Volume of wastewater covered by the off-site pre-treatment analysis (in m ³) / Volume of wastewater covered by the on-site post-treatment analysis (in m ³)
	Compliance with up to 1000 mg/l COD before off-site treatment / after on-site treatment
	Weight of COD before off-site treatment (in tonnes) / Weight of COD after on-site treatment (in tonnes) and specific pollution rate before off-site treatment (in mg/l) / after on-site treatment (in mg/l)
	Total water consumption (excluding recycled water and rainwater for gardening) (in m ³ : l/PF; l/100h)
	Rubbish
Sludge (tonnes)	
Total waste excluding sludge (in tonnes: g/FP)	
Transportable waste related to the activity by nature (excluding shuttle packaging) (in tonnes)	
Transportable activity-related waste by cause (excluding shuttle packaging) (in tonnes)	
Compliance with maximum 10 kg of sludge / ton of juice produced	
Rotating shuttle packaging (tonnes)	
Treatment of transportable activity-related waste (tonnes)	
Waste sent to landfill, including that for regulatory constraint (tonnes)	
Valuation Index and Material Valuation Index (%)	
Health and safety	Regulated waste (tonnes)
	Conventional frequency rate of accidents at work, distribution by type of site
	Escalated incident rate total expanded, distribution by site type
	Severity rate of accidents at work
Biodiversity	Number of actions identified during MESUR visits
	Biodiversity inventory date
	Use of plant protection products

4 L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

• Statutory Auditor's reports

Social:

Thematic	Indicators
Staff	Distribution of statutory staff (CDD/CDI) by type of contract, by area and by gender
	Number of employees with disabilities
Remuneration	Minimum wage
	Number of permanent contracts with a fixed salary below the living wage
Evolution	Number of recruitments (CDI)
	Number of departures, including number of redundancies
Absenteeism	Overall absenteeism and illness (%)
Formation	Number of hours of training
	Percentage of Group employees who received at least one training during the year
Share & Care	Number of permanent employees of the Group who can benefit from financial protection in the event of an accident of life, such as death or total permanent disability
	Number of permanent Employees of the Group who can benefit from health coverage aligned with the best practices of their country of residence
Collective agreement	Percentage of Group employees covered by a collective agreement (national, branch or company)
	Presence of employee representatives
	Percentage of employees working in subsidiaries where representative bodies are in place
	Number of company collective agreements in force on 31 December
Diversity	Percentage of brands led by women
	Number of entities that have received the GEEIS label

Societal:

Thematic	Indicators
R&I / Water	Percentage reduction in water consumption related to consumer use of products
	Percentage of ingredients in bio-based formulas, derived from abundant minerals or circular processes
R&I / Resources	Percentage of Raw Materials respecting the principles of Green Chemistry
	Percentage of Biodegradability of Formulas
Transport	Emissions de CO ₂ by product sold: 2021 value and evolution compared to the 2016 baseline
	Emissions de CO ₂ in absolute terms
	Emissions de CO ₂ equivalent per tonne of goods transported and per Km travelled
Purchasing & Sourcing / Greenhouse gas emissions	Percentage of CDP participation for strategic direct suppliers
	Percentage of CDP participation for strategic indirect suppliers
	Percentage of CDP participation for strategic suppliers
	Percentage of direct strategic suppliers whose scope 1-2 reporting is verified
	Percentage of indirect strategic suppliers whose scope 1-2 reporting is verified
	Percentage of strategic suppliers whose scope 1-2 reporting is verified
Purchasing & Sourcing / Social Audits	Percentage of suppliers whose scope 1-2 reporting is verified among strategic suppliers
	Number of sites audited in 2021
	Number of social audits of suppliers carried out in 2021
	Number of sites audited in "remote audit" in 2021
	Distribution of non-conformities identified during suppliers' social audits by audited chapter
	Percentage of suppliers who improved their social audit result in 2021
	Cumulative number of sites audited 2021
Cumulative number of social audits 2021	
Purchasing & Sourcing / Supplier Evaluation	Percentage of strategic suppliers assessed and selected based on their environmental and societal performance
Purchasing & Sourcing / Water	Percentage of CDP participation for direct strategic suppliers
	Percentage of CDP participation for indirect strategic suppliers
	Percentage of CDP participation for strategic suppliers
	Percentage of direct strategic suppliers with a score >=A- (among participants)
	Percentage of direct strategic suppliers with a score >=B (among participants)
	Percentage of strategic suppliers with a score >=A- (among participants)
Percentage of strategic suppliers with a score >=B (among participants)	
Purchasing & Sourcing / Biodiversity	Percentage of biobased from sustainable sources
	Zero deforestation commitment
	Percentage of ingredients in traceable and sustainably sourced bio-based formulas and packaging materials

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

Statutory Auditor's reports

Thematic	Indicators
Corporate Responsibility & Foundation / Brand Commitments	Number of people who have benefited from brand engagement programs
Corporate Responsibility & Foundation / Ecodesign	Percentage of eco-designed products
Corporate Responsibility & Foundation / Women's Fund	Number of structures and beneficiaries supported under the Women's Fund
Corporate Responsibility & Foundation / BFBL	Number of people from struggling communities who were able to access employment Number of people in very precarious situations trained in beauty professions
Corporate Responsibility & Foundation / L'Oréal Fund – pillar 3	Commitments made in 2021 as part of the L'Oréal Fund for the Regeneration of Nature Creation of the Circular Innovation Fund
Packaging	Percentage of plastic packaging of recycled or bio-based origin Percentage reduction in the amount of packaging used for products compared to 2019 Percentage of refillable, reusable, recyclable or compostable plastic packaging
Retail	Percentage of eco-design of advertising displays at the point of sale Percentage of shops (own points of sale) designed and built according to the principles of sustainable development
Human rights	Existence of a system for verifying the age of employees at the time of recruitment Communications and training on human rights topics Number of employees aged 16 to 18

Appendix 2: List of Selected Contributing Entities and Sites

- Social data:
 - France;
 - Canada;
 - Taiwan.
- EHS data selected from the following sites:

Country	Site
Turkey	Istanbul
Egypt	Cairo
Spain	SA Spain SA Spain Stores
Japan	Gotemba SA Japan R&I Japan
Canada	Montreal
USA	Florence SA Salon Centric Sales
South Africa	Midrand
Brazil	Sao Paulo SA Brazil Sales
China	DC China R&I China SA Guangzhou China SA Korea
Mexico	San Luis Potosi Mexico City
Germany	SA Germany
France	SA CCZ RIO
Italy	SA Italy
Thailand	SA Thailand

4.7.2. Reasonable assurance report of the Statutory Auditors on a selection of consolidated non-financial information published in the Group Management Report

(For the year ended December 31, 2021)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

L'OREAL

14, rue Royale
75008 Paris

In our capacity as Statutory Auditors of L'Oréal, (the "Company") and at the Company's request, we have carried out verification procedures with the aim of expressing reasonable assurance on a selection of non-financial information (the "Selected information") for the year ended December 31, 2021 published in the L'Oréal Group management report.

Conclusion

Based on the work we performed, as described in the section « Nature and scope of procedures », and the elements we collected, the consolidated non-financial information selected by L'Oréal, presented hereafter and published in its management report, has been presented, in all material aspects, in accordance with the Guidelines.

Selected information

The information selected by L'Oréal is as follows:

- Human resources information:
 - total workforce, breakdown of headcount by geographic zone;
 - percentage of brands managed by women, number of entities that have been awarded the European labels "Gender Equality European & International Standard"
- Social information:
 - number of social audits carried out during the year and breakdown of non-compliance by subject audited.
- Environmental, health and safety information of industrial sites:
 - units of finished goods produced;
 - direct and indirect CO2 emissions using the "market-based" method, percentage of carbon neutral sites, total energy consumption and by finished good, breakdown by energy source (electricity, gas, fuel, steam, other energies), percentage of renewable energy consumed, renewable electricity consumed, electricity autoconsumption rate, refrigerant gas leakages;
 - total net water consumption and by finished good (excluding recycled and rain water used for gardening), number of waterloop factories, volume of recycled water on site or coming from another L'Oréal's site;
 - volume of wastewater concerned by the analysis, compliance with 1000 mg/l max. of COD, weight of COD and specific rate of pollution before off-site treatment / after on-site treatment;
 - transportable waste excluding returnable packaging in rotation, with returnable packaging accounted at source, sludge, total waste excluding sludge, returnable packaging in rotation, treatment of transportable waste linked to activity, regulated waste, waste to landfill, of which for local regulatory constraints, recovery and material recovery rates;
 - date of biodiversity inventory, use of phytosanitary products;
 - conventional frequency rates, enlarged frequency rates, and severity rates for work accidents.

Responsibility of the Company

This under the responsibility of the Board of Directors:

- to select or establish appropriate criteria for the preparation of the Selected Information (hereinafter the "Guidelines"), the significant elements of which appear in the management report and which are available on request from the Operations, Human Relations, Purchasing, and Environmental and Social Responsibility Departments;
- as well as to put in place the internal control that it deems necessary for the establishment of the Selected information that does not contain any significant anomalies, whether these result from fraud or result from errors.

The Information selected was established by applying the entity's Guidelines as mentioned above.