

# L'ORÉAL

## OPERATIONS

### **Responsible & Sustainable Sourcing Policy**

#### **Introduction**

At L'Oréal, our sense of purpose is to “Create The Beauty That Moves The World”. Achieving this mission entails taking responsibility for the social and environmental impacts across our value chain, and to partner with suppliers (hereafter our “Business Partners”) and our ecosystem to anticipate and mitigate risks, strengthen our collective resilience and accelerate positive change.

In a context of growing environmental and social challenges, responsible and sustainable sourcing is both a fundamental responsibility and a business imperative. Our L'Oréal for the Future program, embodies our commitment to sustainability, reflecting our conviction that it is inseparable from our financial performance. Sourcing plays a key role in accelerating the collective upstream supply chain transformation we pursue under this program.

This Responsible and Sustainable Sourcing Policy outlines our main commitments, approach and means for working in partnership with our extended ecosystem: our Business Partners, civil society organizations, expert third parties and local communities. This Policy describes how we integrate sustainability principles into our sourcing process, emphasizing the importance of cascading these requirements throughout the supply chain.

We believe that a transformative change requires common expectations, and the co-creation of solutions. This policy is built upon four pillars: (1) respecting human rights, (2) preserving the environment, (3) promoting diversity, equity and inclusion, and (4) upholding ethics & business integrity. Through mutual commitment, diligent assessment and continuous innovation, we aim to build a transparent, traceable and resilient supply chain that upholds L'Oréal's values and aims to deliver a more sustainable and equitable future. We recognize that the standards and practices arising from this policy should evolve with the latest advancements and the changing regulatory landscape.

## **Our guiding principles**

- Our actions are aligned with international standards. This policy reflects our commitments to major international frameworks, and standards, including, but not limited to:
  - The International Bill of Human Rights,
  - The United Nations Guiding Principles on Business and Human Rights (UNGPs),
  - The United Nations Sustainable Development Goals (SDG),
  - The International Labour Organisation's (ILO) Core Conventions,
  - The International Labour Organisation's (ILO) principles on Living Wage
  - The Paris Agreement (Accord de Paris),
  - The Kunming-Montreal Global Biodiversity Framework,
  - The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines), Guidance on the identification and assessment of nature-related issues: the LEAP approach
  - The Accountability Framework initiative,
  - Science-Based Targets initiative (SBTi),
  - Fair Labor Association Human Rights Standards,
  - IDH Guidance on Living Wage
- Our policy builds upon existing key L'Oréal standards, guides and programs including:
  - Our Agreement on the Supply of Goods and Services
  - [Our Mutual Ethical Commitment Letter](#)
  - [Our Code of Ethics](#),
  - [Our Human Rights Policy](#),
  - Our [Forest Policy](#),
  - Our [Sustainable Land Use Policy](#),
  - Our [Responsible Water Use Policy](#),
  - Our Climate Transition Plan (see [L'Oréal's Universal Registration Document](#), section 4.2.3.) The [L'Oréal for the Future program](#)
  - Our [Environmental Product Design Policy](#)
  - [Our Guide "The Way We Work With Our Suppliers"](#)

**We promote shared commitments by engaging our external ecosystem.** We believe that each actor in the supply chain must embed sustainability as a core business principle. L'Oréal actively collaborates with its Business Partners, civil society, expert third parties, and local communities to contribute to a more sustainable and equitable future for all. To this end, L'Oréal is engaged in several advocacy initiatives<sup>1</sup> and partnerships with leading organizations and coalitions.

We aim to deploy those principles across all tiers of our supply chains (see "**Upstream Sustainable Sourcing Program** for biobased ingredients and packaging materials").

**We concentrate our efforts where they can have the most significant impact<sup>2</sup>.** We are committed to deploy 360° due diligence principles (see "**Upstream 360° due diligence**

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<sup>1</sup> In alignment with our [Responsible Lobbying Policy](#)

<sup>2</sup> Assessments of likelihood and severity / materiality inform our priority focus and joint action plans with our Business Partners.

**principles”**), identifying, assessing and mitigating actual and potential risks to people and nature. We expect our Business Partners to actively support this effort by ensuring supply chain traceability and transparency of sourced materials and services.

**We encourage Business Partners** to proactively support the implementation of our policy, to innovate and share best practices and to accelerate this transformation towards a more sustainable, circular and inclusive business ecosystem. We aim to leverage breakthrough innovations to advance sustainable and inclusive solutions for all sourcing categories.

**We believe in partnership and collective intelligence.** We commit to using best efforts to actively support and involve our Business Partners enabling and equipping them to integrate robust sustainable practices. Our engagement program - “Spread The Green Vibes” drives collective progress through action-oriented events, awards, and a digital platform to share best practices and accelerate the sustainable transformation.

### **Principles of action**

This policy serves as a guide for all our Business Partners who have a commercial relationship with L’Oréal, regardless of their size and number of employees, and extends comprehensively across their full scope of activities, operations, and entire value chain.

We expect our Business Partners to share our main commitments.

### **Pillar 1: Respect Human Rights**

#### **Main commitment**

L’Oréal is committed to respecting internationally recognized human rights throughout its value chain, in line with the international Bill of Human Rights, the United Nations Guiding Principles, the OECD Guidelines, and ILO Core Conventions. Our [Human Rights Policy](#) outlines the norms we uphold, including the prohibition of child labor, forced labor, all forms of discrimination, and harassment, while ensuring safe working conditions, freedom of association and collective bargaining, and the rights of Indigenous Peoples. We uphold the higher standard between national laws and international human rights and require our Business Partners to apply the same principle<sup>3</sup>

#### **Our approach**

**Our Human Rights Due Diligence Framework**, aligned with the OECD Guidelines, embodies a risk-based process to identify, assess, and mitigate actual and potential human rights risks throughout our value chain. It relies on a combination of internal assessments, expert support, and engagement with Business Partners. It is a clear frame to prioritize risks based on their severity and likelihood.

Our [Mutual Ethical Commitment Letter \(MECL\)](#) outlines our expectations on standards regarding human rights, working conditions, labour rights, environmental stewardship and business integrity. Business Partners are also expected to cascade equivalent standards within their own supply chains. Reflecting its mutual nature, L’Oréal pledges to uphold the

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<sup>3</sup> Unless this results in illegal activity in the countries in which Business Partners operate.

same standards and actively encourages its Business Partners to report any concerns (see section “Our grievances mechanisms”).

### **Our means**

To assess and mitigate risks at our Business Partners’ production sites, L’Oréal applies its Social Audits program<sup>4</sup>, relying on SMETA 4-pillar audits (Labor, Health & Safety, Environment, Business Ethics) prior to onboarding, complemented by follow-up and periodic audits to drive remediation and continuous improvement where applicable.

For higher-risk categories or contexts, relevant additional measures may be deployed, including enhanced contractual requirements, worker voice initiatives, or targeted engagement actions etc.

For the upstream value chain, L’Oréal applies a risk-based and multi-step methodology to trace supply chains, assess human rights impacts, prioritize actions and determine appropriate responses.

L’Oréal also engages in multi-stakeholder initiatives and programs, including [the Living Wage Program](#): L’Oréal empowers its Strategic Business Partners<sup>5</sup> to implement living wages<sup>6</sup> through a structured framework aligned with ILO standard and IDH Guidance. This collaborative program provides our Business Partners with dedicated resources to assess remuneration gaps, implement validated action plans, and verify compliance across their operations.

## **Pillar 2: Preserve the environment**

L’Oréal aims to safeguard the planet's resources, and we expect our Business Partners to share this goal. This involves actively reducing environmental pressures throughout their value chains while helping to preserve and regenerate the ecosystems we collectively depend on. Our strategy focuses on three key areas: safeguarding nature, accelerating the climate transition, and promoting environmental design.

### **1. Safeguarding nature: A shared commitment**

The future of our industry is deeply linked to ecosystem health and resilience. Our commitment to environmental stewardship goes beyond merely minimizing harm and risks; it also includes contributing to the regeneration of the ecosystems on which our value chains depend. This commitment is key for safeguarding our supply chains and ensuring long-term business viability.

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<sup>4</sup> For more details you can consult [our audits guidelines for Business Partners](#).

<sup>5</sup> Strategic Business Partners represents 60% of L’Oréal spend (80% of Direct Domain Spend and 50% of Indirect Domain Spend)

<sup>6</sup> According to the International Labor Organization, a Living Wage is the remuneration received for a standard workweek, allowing workers and their families to afford a basic but decent standard of living.

Our approach is built on the Conservation Hierarchy ("Avoid, Minimise, Restore & Regenerate, and Transform") framework, to guide our actions in safeguarding nature.

## 1.1. Conserving Forests & Natural Ecosystems

### Main commitment

L'Oréal aims to eliminate deforestation and ecosystem conversion from its supply chains of priority forest-related commodities. Per our [Forest Policy](#), we aim to achieve deforestation- and conversion-free supply chains of Palm- and Soy-based ingredients as well as Timber-based packaging and Point-of-Sales materials. This commitment translates into the responsible management of these critical raw materials.

### Our approach and means

We expect our Business Partners to ensure full traceability of these materials and implement rigorous due diligence including compliance with regulations. We also encourage them to actively contribute to promoting sustainable production practices through field programs and collective actions.

We assess Business Partner performance (for instance using commodity-specific due diligence tools such as the Sustainable Palm Index and the Sustainable Timber Score) and engage regular monitoring, verification, and reporting of progress for enhanced transparency and accountability.

L'Oréal expects relevant forest-risk materials to be robustly certified under recognized certification schemes and covered by credible chain-of-custody systems. For all paper and board packaging materials, we prioritize sourcing certified materials and Business Partners with a valid chain of custody, preferably those meeting the Forest Stewardship Council (FSC) standard. All palm-based materials must be RSPO certified.

## 1.2. Strengthening Ecosystem Health

### Main commitment

Recognizing the critical importance of healthy ecosystems for our activities, L'Oréal integrates biodiversity preservation into its sourcing practices. L'Oréal aims to regenerate ecosystem health through projects implemented in the landscapes where its priority feedstocks are sourced.

### Our approach and means

We aim to sustainably source the biobased<sup>7</sup> materials used in formulas and packaging, with a clear ambition for these sourcing practices to strengthen

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<sup>7</sup> Raw materials are biobased when more than 50% of the carbons they contain are of plant origin according to the ISO NORM 16128.

socioeconomic impact and to contribute to improving ecosystem health over time (see “Strengthening our upstream supply chain” section).

This includes strict adherence to local, national, and international laws, including Access and Benefit Sharing regulations and the Nagoya Protocol, and requiring robust documentation from our Business Partners to substantiate their compliance.

To drive this transformation, L’Oréal deploys field projects in our priority sourcing regions. A key lever in this strategy is the promotion and scaling of regenerative agriculture practices.

We expect our Business Partners to actively integrate regenerative practices and nature-based solutions into our supply chains. This includes collaborating on field projects, adopting best practices, and transparently sharing data to measure environmental and socio-economic benefits.

We support this transition by co-developing field projects, participating in sectoral coalitions, and sharing knowledge to upskill stakeholders.

Through these combined activities, L’Oréal seeks to regenerate more land than its footprint to enhance the health and resilience of its priority ecosystems. We encourage our Business Partners to actively engage in these initiatives.

### **1.3 Water stewardship**

#### **Main commitment**

As water is a precious and finite resource, L’Oréal strives for responsible water management throughout its value chain in line with the [Responsible Water Use Policy](#). Our strategy aims to restore and conserve critical ecosystems (watersheds and supply-sheds) in key sourcing and production regions.

#### **Our approach and means**

We expect our Business Partners with potential impacts on water resources to monitor and report their water-related impacts, risks, and dependencies. They must also adhere to foundational [Water, Sanitation, and Hygiene](#) requirements. We encourage the adoption of innovative water management practices in industrial operations, as well as regenerative agriculture practices in upstream supply chains to enhance water retention and quality. We also encourage our Business Partners to invest in watershed conservation and restoration projects in water-stressed regions.

L’Oréal uses its strategic Partners’ CDP Water score to assess adherence and encourages joint investment in watershed restoration projects in water-stressed regions.

## 2. Climate transition: Accelerating towards Net-Zero

### Main commitment

Climate transition is a strategic priority for L'Oréal, with a clear commitment to achieving Net-Zero emissions across our entire value chain by 2050, in line with the Paris Agreement and supported by targets validated by the Science Based Targets initiative.

A significant portion of our carbon footprint stems from upstream Scope 3 emissions, which are intrinsically linked to our Business Partners' activities, including purchased goods & services and upstream transportation. Our Climate Transition Plan sets clear targets on the reduction of Scope 3 GHG emissions.

### Our approach

To achieve it, we expect our Business Partners to measure and monitor their Greenhouse Gas footprint, develop robust and transparent transition plans and operate with full transparency.

### Our means

We require Business Partners to share granular data such as specific emission factors or Product Carbon Footprints and implement concrete emission reduction measures on their Scopes 1, 2 and 3. This includes optimizing energy efficiency, adopting low-carbon energy sources, and decarbonizing their own supply chains, all to collectively contribute to our climate ambitions.

## 3. Environmental design

### Main commitment

At L'Oréal, our commitment to circularity is fundamental to reimagining our products and practices. We integrate environmental design principles throughout the product lifecycle, from design to end-of-life, with 3 main areas of concern: Ingredients, Packaging, Retail & Promo materials.

### Our approach and means on the three main areas of concern:

**Our approach to ingredients** is based on a clear ambition to increasingly source our formula ingredients from nature or from recycled materials. This means our ingredients will be derived from plants, from abundant minerals or from recycled materials, significantly reducing our reliance on non-renewable virgin fossil-based resources and actively contributing to the sustainable use of natural resources.

**Sustainable packaging** is a key component of L'Oréal's sustainability strategy and relies on a "3R" strategy "Reduce, Replace, Recycle" as described in our [Environmental Product Design Policy](#).

Furthermore, we leverage breakthrough innovation to advance sustainable solutions, including additional recycled options and new bio-based ingredients. A critical requirement

is that these alternatives demonstrate a superior environmental profile, rigorously verified through Life Cycle Assessments.

**On merchandising and promotional materials**, we are designing objects for durability, repair, and reuse capabilities to extend their lifespan or for local recycling capabilities. When necessary, we establish closed or open loops with our Business Partners to enhance recycling capabilities.

We expect our Business Partners to proactively support the implementation of our policy, to innovate and share best practices, to accelerate this transformation towards a more circular ecosystem.

### **Pillar 3: Promote diversity, equity and inclusion**

#### **Main commitment**

Diversity, equity, and inclusion are essential to our creativity and sustainable growth and are deeply anchored in L'Oréal's sense of purpose to *Create the Beauty That Moves the World*.

We expect our Business Partners to uphold diversity, equity and inclusion standards by:

- prohibiting all forms of discrimination, harassment, or abuse,
- promoting equal opportunities and equal treatment for all, including people of different genders, ages, socio-economic and multicultural backgrounds, and people with disabilities,
- promoting a positive culture of equity, inclusion, and diversity at all business levels.

#### **Our approach**

Aligned with the Group's diversity, equity and inclusion standards<sup>8</sup>, our sourcing approach is embodied by the Inclusive Sourcing program established in 2010.

Through this program, L'Oréal allocates a part of its global purchases to Business Partners who give durable access to employment and income to people from socio-economically vulnerable communities, and to Business Partners who face challenges to access business opportunities from multinational companies.

#### **Our means**

Through this program, Business Partners are expected to identify relevant inclusive projects within their workforce or supply chain, implement them in line with defined guidelines, and report on their proper execution, including monitoring beneficiaries and outcomes. To support implementation, toolkits, guidelines, and criteria are made available

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<sup>8</sup> Promoting socio-economic and multicultural diversity, the inclusion of people with disabilities and the physical, mental and social well-being of all employees, gender equity and inclusion of LGBTQIA+ communities and valuing people of all ages and generations. More details in our [Diversity, Equity & Inclusion annual report](#).

to buyers and Business Partners, drawing on third-party expertise and referential frameworks where relevant

#### **Pillar 4: Uphold ethics and business integrity**

##### **Main commitment**

Our relationships with Business Partners are rooted in strong ethical principles and business integrity, alongside full compliance with national and international laws. These standards are essential, as we seek to collaborate with those who share them.

##### **Our approach**

Our approach is formalized in our Code of Ethics, the Agreement on the Supply of Goods and Services, our Mutual Ethical Commitment Letter, and our practical guide, [\*The Way We Work With Our Suppliers\*](#), complemented by grievance mechanisms supporting transparency and accountability across our supply chain.

This framework ensures we select Business Partners rigorously and fairly, and conduct all buying activities with transparency, integrity and objectivity, nurturing a climate of trust and collaboration, while guaranteeing confidentiality and prohibiting all forms of corruption or favoritism.

We expect Business Partners to uphold these same high ethical standards in return.

##### **Our means**

Business integrity is upheld through dedicated compliance governance, reinforced by the oversight of control functions and supported by due diligence processes to identify and mitigate integrity and sanctions risks across the value chain. Strict compliance with all applicable national and international laws and regulations is considered a fundamental prerequisite for partnership, and Business Partners are expected to ensure continuous compliance and implement appropriate grievance mechanisms and remediation plans where relevant.

#### **Operationalizing our Commitments**

To translate the commitments defined across our four strategic pillars into operational reality we deploy a comprehensive implementation framework for our upstream supply chain, specifically for biobased ingredients and packaging materials.

Building on these foundations, we further detail how these principles are embedded into our day-to-day operations through the integration of our policy into purchasing practices, our dedicated governance structure, and the robust grievance mechanisms that ensure accountability and transparency throughout our value chain.

## Focus - Strengthening our upstream supply chain

Acknowledging that our most salient sustainability risks occur upstream, L'Oréal is committed to embedding responsibility and sustainability deep within its value chain. This commitment supports our ambition for sustainably sourced biobased<sup>9</sup> materials used in formulas and packaging.

### a) **Upstream 360° due diligence principles**

Our "Upstream 360° due diligence principles" guide our approach to improving transparency, mitigating risks, and supporting the continuous improvement of our Business Partners' practices across Environmental and Human Rights related topics.

**Our commitment is underpinned by 3 key levers:**

- **Risk identification and supply chain mapping:** identifying and assessing actual and potential risks to people and nature across tiers of our supply chains, with the support of our Business Partners, ensuring transparency of sourced materials to their country of origin.
- **Business Partner engagement and capacity building:** fostering continuous and constructive dialogue to build lasting relationships based on trust and common sustainability objectives, offering technical guidance to help Business Partners build their knowledge and skills.
- **Implementation of innovative solutions and field projects:** promoting the adoption of innovative, scalable solutions by our Business Partners, co-developing action plans addressing identified risks. A cornerstone of this strategy involves on-the-ground partnerships with our Business Partners and third-party organizations.

b) Our approach to **Upstream Sustainable Sourcing** for biobased<sup>10</sup> ingredients and packaging materials.

Our **Upstream Sustainable Sourcing Program** for biobased ingredients and packaging materials is a four-step pathway designed to ensure sustainable sourcing:

- **Step 1: Known Origin:** We aim to establish the upstream origin of materials (country, plant species, cultivation method) to enable a structured risk assessment.
- **Step 2: Action Plan:** For high-risk materials, we require our Business Partners to develop tailored, time-bound action plans addressing salient Human Rights and Environmental risks, guided by our comprehensive criteria.
- **Step 3: Risk-Managed Sourcing:** At this stage, sources achieve "Sustainably Sourced" status, attained by sourcing from low-risk countries or through third-party audits to verify conformity with our basic criteria. Any new biobased raw material entering our portfolio is required to be at least at this stage.

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<sup>10</sup> Raw materials are biobased when more than 50% of the carbons they contain are of plant origin according to the ISO NORM 16128.

- **Step 4: Positive Sourcing Transformation:** This advanced stage requires evidence of a positive impact independently confirmed by a third party (e.g., through certification, field assessments, or on-the-ground programs).

**Our means:** Our Sustainable Sourcing commitment is rigorously monitored, with regular reviews conducted by Top Management and active engagement of all relevant stakeholders within Operations and R&I teams, to ensure accountability and successful realization.

### **Integrate our policy into purchasing practices**

- **Professional, fair, and transparent procurement practices:** we conduct all buying activities, including the preparation of buying briefs and the selection of Business Partners, with integrity and objectivity. Our tenders are designed to attract a diverse range of Business Partners, offers are compared fairly and we ensure competitive bidding.
- **Achieving a deep understanding of pricing:** we make sure prices reflect fair value for what we buy, committing to purchase at a fair price, respecting timely payments.
- **Assessing our strategic Business Partners' ESG performance:** once a year, we assess via a globally harmonized scorecard (based on human rights, environmental and social performance indicators), accounting for 20% of their overall score. It is a key criterion in our sourcing decisions.

### **Governance**

L'Oréal's commitment to sustainable and responsible sourcing is upheld at the highest level of the company by our Chief Executive Officer, our Chief Corporate Sustainability Officer, our Chief Operations Officer and our Global Chief Ethics, Risk and Internal Control Officer. The policy is led by our Sustainable Sourcing Director and embedded within our global Sourcing organization, with transformation programs monitored by internal, cross-functional Steering Committees.

We rely on our global Sourcing community, supported by our Sustainable Sourcing leads across all Geographic Zones and Sourcing Domains. These experts act as key relays to deploy our policy within their respective scopes and are animated through Networks of Excellence to coordinate strategic roadmaps and ensure the consistent application of our Sustainable Sourcing standards worldwide.

### **Our grievance mechanisms**

We are committed to providing effective grievance mechanisms for individuals and communities to report concerns regarding potential breaches of our core principles. Our grievance processes are designed to be legitimate, accessible, predictable, equitable, transparent, and while allowing anonymity. Our secure [L'Oréal Speak Up](#) alert system is available to our internal and external stakeholders, including our Business Partners, to report concerns confidentially and under a non-retaliation policy. We also expect our

Business Partners to implement grievance mechanisms and cascade them throughout all levels of their supply chain when relevant.

*L'Oréal commits its best efforts in supporting its L'Oréal for the Future ambitions. We acknowledge the challenge of meeting the highest standards of Responsible and Sustainable sourcing due to the complexity of our supply chain. We remain humble, while genuinely committing ourselves to contributing to improvement over the years, in collaboration with our Business Partners and trusted third parties.*