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05 | BEYOND SALIENT HUMAN RIGHTS RISKS
At L’Oréal, we believe that people are at the heart of everything we do. Our values guide our decisions and actions. We consider it our duty to act ethically and responsibly. Respecting Human Rights is an essential part of this commitment.

This means respecting the dignity of each and every human being, in all our day-to-day activities, all over the world.

The international community, through the United Nations, agreed on a set of Human Rights, including the right to life, liberty and security, but also some basic social and economic rights, such as the right to fair and favorable conditions of work, and to living wages.

As a company, we are aware that we can have an impact on people, communities and the planet, and it is our collective responsibility to work towards respecting Human Rights. This means avoiding negative impacts on people and the planet, as a result of our activities.

The L’Oréal leadership team takes this responsibility very seriously, and we are committed to working in alignment with these principles every day.

We support our teams and external partners in the management of our salient Human Rights risks and monitor potential evolutions over time: indeed, the risks are likely to evolve along with technological and geopolitical factors, amongst others. For example, the increased use of artificial intelligence or the growing interconnection of Human Rights and environmental topics will lead to new emerging risks.

This report is a contribution to be transparent towards our stakeholders about our current most important Human Rights risks as well as our plans to remediate them.

Respecting Human Rights contributes to creating the beauty that moves the world, the sense of purpose of our company.
L’Oréal is committed to respecting Human Rights, in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs). Transparency and reporting on our successes and challenges in implementing this commitment are key to embedding the principles into our business.

This Human Rights-dedicated report describes our key achievements to date and objectives to further respect and promote Human Rights, with a focus on our salient Human Rights risks. Salient Human Rights risks are defined within the UN Guiding Principles Reporting Framework as the Human Rights at risk of the most severe negative impacts on people through the company’s operations and business relationships. While this is the Group’s first dedicated report, we have been working towards better embedding Human Rights in our business and value chain(1) for a long time.

Consultations with internal stakeholders have been undertaken in the writing of this report to ensure that it best reflects L’Oréal’s Human Rights progress and challenges. We also consulted external stakeholders, including civil society organisations, Human Rights experts and peers, who were able to share their feedback on L’Oréal’s approach to Human Rights anonymously.

This report complements our Group’s reporting obligations and policies made publicly available, by providing further details on how we identify and address our salient risks(2). Over the last few years, we have published our Human Rights Policy (2017), Employee Human Rights Policy (2020) and Mutual Ethical Commitment Letter with suppliers (2021). The Group and some of its subsidiaries also publish yearly vigilance plans (please read our Universal Registration Document) in line with the French duty of vigilance, Modern Slavery Statements, to respond to the legal requirements set amongst others by the United Kingdom and Australia, as well as a statement aligned with the Norwegian Transparency Act obligations.

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**FEEDBACK IS WELCOME**

L’Oréal is keen to receive feedback from internal and external stakeholders. If you wish to share feedback or would like to discuss this report, please reach out to human.rights@loreal.com

If you wish to bring up any Human Rights related issue, please use the L’Oréal Speak Up channels, in line with our Speak Up Policy which describes how reports are handled by the Group.

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(1) The Office of the United Nations High Commissioner for Human Rights defines a company’s value chain as “encompass[ing] the activities that convert input into output by adding value. It includes entities with which it has a direct or indirect business relationship and which either (a) supply products or services that contribute to the enterprise’s own products or services (i.e. the supply chain, upstream), or (b) receive products or services from the enterprise (i.e. downstream).”

(2) The scope in this report is identical to the Universal Registration Document 2023’s scope.
01 WHAT WE STAND FOR
WHO WE ARE

KEY FIGURES

L’Oréal Group operates worldwide with 37 international brands spread into our four main divisions:
Professional products • Consumer products • Luxe • Dermatological beauty

1st
Cosmetics group worldwide

37
Brands

88,000
Employees

610
Patents registered in 2023

+150
Countries

41,18
Billion euros of sales in 2023

OUR ACTIVITIES

L’Oréal’s activities consist of the production of beauty products and the commercialisation of these products to the Group’s clients.

L’Oréal manufactures the vast majority of the finished products we sell through our own network of 37 factories, with a presence in the major growth markets.

The distribution of the products, including logistics, storage and preparation of orders is performed directly by our subsidiaries or by independent third-party distributors. The end products are delivered to end customers in +150 countries around the world.
L’Oréal’s commitment to respecting Human Rights is based on a longstanding belief that puts people at the centre of our vision and our way of working.

L’Oréal was created by Eugène Schueller with his famed moto: “A company is not walls and machines but people, people and more people”.

**2000**  Our first Code of Ethics, which was last updated in 2023.

**2002**  The Ethical Commitment Letter, L’Oréal’s first version of ethical standards shared with suppliers (now L’Oréal’s Mutual Ethical Commitment Letter, updated in 2021).

**2002**  The L’Oréal Buy & Care Programme which set out the Group’s commitments in the supply chain. It was replaced in 2021 by the Sustainable Sourcing Policy.

**2008**  The "Open Talk" programme, L’Oréal’s internal grievance mechanism, which became “Speak Up” in 2018 after opening it to all stakeholders.

**2013**  The “Share & Care” Programme, which provides a global framework for a vast range of employee benefits regularly improved to cover financial protection, health, well-being and the workplace, including more recently support and resources for victims of domestic violence.

**2013**  L’Oréal’s first generation of sustainability commitments, called the “Sharing Beauty With All” programme, with targets set for 2020.

**2014**  Our first Zero Deforestation Policy.

**2017**  Our Human Rights policy.

**2018**  We published our first Vigilance Plan, describing the company’s management of Human Rights in our operations and tier-1 supply chain.

**2020**  The Employee Human Rights Policy which includes amongst others the living wage commitment for L’Oréal employees.

**2020**  Our "L’Oréal for the Future” programme, L’Oréal’s second generation of sustainability commitments, including our commitment to ensure a Living Wage for our strategic suppliers’ employees by 2030.

**2022**  We published our 2030 Forest Policy which incorporates Human Rights and environmental dimensions.

**2023**  Accredited Living Wage Employer by the Fair Wage Network.
L’Oréal strives to embed respect for Human Rights into our activities and value chain. As shown in this report, it is built into many programmes and projects that the Group has rolled out and we are continuously working on strengthening our approach.

At the core of the L’Oréal Human Rights strategy is the commitment to respect internationally recognised Human Rights throughout our value chain, in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs). This entails avoiding negative impacts on people and planet from our activities, addressing impacts that occur, and making positive impacts where we can. The Group carries out, where appropriate, heightened Human Rights due diligence in situations of conflict, in line with applicable international standards.

This strategy has been carried out through the following action items, with more details provided throughout the report:

01 The identification of the Group’s salient Human Rights risks in line with the UNGPs. The methodology, results and findings are developed in part III of this report.

02 Developing a Human Rights culture within the Group by training all functions on the potential Human Rights impacts in their respective areas and sharing lessons learned from our experiences and those of other business sectors. The actions undertaken to embed Human Rights in our culture are outlined in section II.

03 Strengthening our stakeholder engagement strategies to integrate their feedback into our decision-making process.

04 Working with our peers to promote Human Rights and tackle endemic risks. Collective action enables us to confront root causes of issues and make transformative change for our stakeholders.

02

SETTING THE FOUNDATION TO EMBED HUMAN RIGHTS
L’Oréal aims to meaningfully engage with internal and external stakeholders to understand their views and concerns. This covers potentially affected stakeholders, in particular the most vulnerable ones, and other stakeholders including suppliers and civil society organisations.

Worker voice mechanisms play a critical role in our internal and external engagement strategy. These include, for example employee surveys, such as our annual PULSE survey, and social dialogue with employee representatives and labour unions. 87% of our employees work in countries with employee representative bodies.

We also participate in several multistakeholder initiatives and partner with civil society organisations to address systemic issues, including our salient Human Rights risks, that affect our stakeholders and society as shown in this report.

L’Oréal’s Human Rights commitments are set out in particular in the Group’s Code of Ethics, the Human Rights policy, the Employee Human Rights policy and in the Mutual Ethical Commitment Letter with suppliers.

L’Oréal’s Human Rights Policy Framework has been developed throughout our Human Rights journey with inputs from internal and external stakeholders. A gap analysis of our Human Rights policies, procedures and practices has been carried out to make sure it reflects best practices, and our policies and procedures are regularly updated.

L’Oréal’s commitment to respect Human Rights is supported at the highest level of the Company by our Chief Executive Officer, with Human Rights being regularly discussed at Executive Committee and Board level including topics such as salient Human Rights risks, our living wage strategy, risks in commodities and conflict-affected zones.

The Chief Corporate Responsibility Officer, who is a member of the Executive Committee, is responsible for overseeing the respect of Human Rights in the Group.

The Chief Corporate Responsibility Officer has appropriate budget and a dedicated team which sets the global Human Rights strategy and supports coordination and implementation throughout the Group.

A dedicated network of more than 50 Human Rights Correspondents helps embed a Human Rights culture at entity level, covering all the Group’s main corporate functions, zones and markets. Dedicated teams at Corporate and local level also help embedding the Group’s Human Rights commitments (e.g.: sustainable sourcing teams).

The Human Rights Committee, chaired by the Chief Corporate Responsibility Officer, and composed of representatives of the various divisions, functions and zones (including Sourcing, Communication, Human Relations, Diversity, Equity and Inclusion, Corporate Responsibility, Ethics, Marketing, Safety, Security), allows exchange on the implementation of the Group’s Human Rights policy and foster decisions.

L’Oréal is committed to fostering a culture in which Human Rights are respected within the Group. In July 2023, a new version of the compulsory ethics and Human Rights e-learning was rolled out within the organisation. As of December 2023, 66% have completed the course.

Additionally, an annual Ethics Day allows employees to discuss matters related to Human Rights via a live stream with L’Oréal’s Chief Executive Officer and the other members of the Executive Committee, as well as Country Managers.

New employees who are in contact with suppliers also receive our “The Way We Work with our Suppliers” guide which outlines the ethical standards that should be applied as part of their relations with suppliers. New buyers also receive compulsory training that includes a dedicated Human Rights module as well as access to an e-learning course on supplier social audits.
03
SALIENT HUMAN RIGHTS RISKS
As part of our Human Rights due diligence efforts, between 2020 and 2022, L’Oréal identified its salient Human Rights risks in its operations and across the value chain, as defined by the UNGPs.

The UNGPs expect businesses to address all of the Human Rights impacts with which they are involved and allow for businesses to prioritise risks to be addressed first. This process of prioritisation should be grounded in a rights-based approach, focused primarily on the severity of the risks, as well as on the likelihood of an occurrence, as follows:

### SEVERITY

- **Scale:** How serious would the impact be?
- **Scope:** How widespread would the impact be? How many people would be affected?
- **Remediability:** How hard would it be to make it right?

### LIKELIHOOD

- **Nature of Operating Context**
- **Nature of the Business Activity**
- **Nature of Business Relationships**
- **Existing Mitigation Measures**
- **Connection with Vulnerable Groups**

This project was supported by Shift, the leading centre of expertise on the UNGPs, chaired by the late Harvard professor John Ruggie. It was conducted through different phases:

- **In 2020, the process was started at corporate level.** It involved the analysis of internal and external documents and data and drew from interviews with 20 company leaders across a range of functions to gather their perceptions and input regarding the Group’s Human Rights risks.

- **In 2021-22, L’Oréal’s Human Rights team engaged all markets around the world.** Each market set up a cross-functional working group that attended two workshops facilitated by Shift.

In total, approximately 300 L’Oréal managers and employees actively contributed to the corporate and market-level saliency assessments. Other NGOs and civil society representatives were also consulted.
With Shift’s support and based on the workshops, we identified 7 salient risks:

- Child labour in the upstream value chain.
- Modern slavery in the upstream value chain.
- Non-payment of living wage in the value chain.
- Lack of worker voice mechanisms, social dialogue, freedom of association and collective bargaining in the value chain.
- Mental health of L’Oréal employees.
- Discrimination in our operations and the value chain on the grounds of gender, age, disability, gender identity and sexual orientation.
- Entrenching discrimination through product sales and marketing in the downstream value chain.

Other potential risks identified relate to possible shortcomings in product quality and safety and in the protection of personal data, respect for the environment, the right of access to water, consideration of Human Rights in the choice of commodities and, in particular, respect for the free, prior and informed consent of Indigenous Peoples. Even though they have not been identified as salient, these risks are also taken into account in our risk management system.

The following pages define each of the salient risks and how we are addressing them.
CHILD LABOUR RISK
in the upstream value chain and how we address it

UNDERSTANDING THE RISK

According to the International Labour Organization, as of 2020, 160 million children are in child labour in the world, accounting for almost 1 in 10 of all children worldwide. The agricultural sector accounts for the largest share of child labour.

L’Oréal has identified child labour as a significant risk in light of the commodities it sources, particularly in areas with family-based smallholdings where children are more likely to support the daily farm activities, as well as in contexts of seasonal migrant labour.

The factors that enhance child labour include the non-payment of living wages, a lack of access to schools and inflation. The current trend indicates a rise in child labour. Conflict affected areas also often increase the child labour risk because it results in a degradation of the economic environment and sometimes displaced people.

PREVENTION AND MITIGATION

We strive to ensure that the best interests of the child are a primary consideration, as set out in the UN Convention on the Rights of the Child. The prohibition of child labour is integrated into our supply chain management system, not only through our contractual commitments with suppliers and our social audit programme, but also by conducting onsite impact assessments, increasing the traceability of our raw materials and being a key player in several coalitions that aim to tackle child labour, as illustrated below. For more information on our general approach with regards to supply chain risk management, please refer to Chapter IV.

WORKING WITH PEERS TO TACKLE CHILD LABOUR:
THE EXAMPLE OF THE RESPONSIBLE MICA INITIATIVE.

The Responsible Mica Initiative (RMI) is an example of a holistic approach to tackling child labour in India.

Recognising that L’Oréal does not have sufficient leverage to tackle the issue alone, L’Oréal was one of the 20 founding members of the RMI in 2017, joined since by 74 other organisations that use mica. The RMI has three main objectives:

• Implement responsible workplace standards in 100% of the supply chains of its members in Bihar and Jharkhand (standards on employment, health, safety in the workplace and non-use of child labour);
• Support the abilities of communities through an inclusive programme that improves the standard of living and generates additional sources of income;
• Establish a legal framework and related control systems with mica pickers, processing units, and mica operators in Bihar and Jharkhand.

L’Oréal also participates in the development of the RMI audit standard in order to effectively deploy the collective actions necessary in cooperation with local authorities. To complete this approach, we require that our suppliers have their own due diligence process in place.

In 2022, 99% of Indian mica used in the Group’s formulas came from suppliers committed to obtaining their supply from verified sources.

PARTICIPATING IN A COALITION TO ADDRESS HUMAN RIGHTS IMPACTS AND CHILD PROTECTION ON SEASONAL WORKERS IN TÜRKİYE.

L’Oréal is participating in a joint project, “Harvesting the Future”, to promote and improve working and living conditions of seasonal agricultural workers in Türkiye.

In January 2023, «Harvesting the Future» was expanded to cover Türkiye’s rose sector for an initial two-year period lasting through to December 2024. The project seeks to improve Human Rights and labour conditions in Türkiye’s rose sector, focusing on empowering seasonal agricultural workers and their families.

The project brings together a range of stakeholders, including the Türkiye government, civil society organisations, processors, producers, and beauty and fragrance companies, aiming to support and inform companies in establishing and advancing Human Rights due diligence systems in their supply chains, and garner local stakeholder engagement.

MODERN SLAVERY RISK
in the value chain and how we address it

UNDERSTANDING THE RISK

Modern slavery is defined as the recruitment, movement, harbouring or receiving of children, women or men through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation\(^{(7)}\). According to the ILO, in 2021, an estimated 49.6 million people were in modern slavery\(^{(8)(9)}\). Modern slavery takes different forms but includes forced labour through debt bondage and retention of identification documents.

Certain raw materials used in L’Oréal products are associated with a higher risk of modern slavery within their value chain, including growing, harvesting, extraction and production. High-risk commodities are typically found to be:

- Grown in developing countries on small land holding farms or areas;
- Extracted and harvested in developing countries or regions suffering from instability and lack of protection of workers’ rights;
- Produced using hazardous chemicals, labour intensive or low skilled work.

PREVENTION AND MITIGATION

L’Oréal has a number of mitigation measures in place and is engaging with peer companies to address this systemic risk collectively. For more information on our general approach with regards to supply chain risk management, please refer to Chapter IV.

In 2020, L’Oréal joined the Forced Labour Coalition for Action of the Consumer Goods Forum which is rolling out a forced labour Human Rights due diligence tool amongst member companies, in collaboration with the Fair Labor Association. In 2023, L’Oréal namely piloted this tool within the outsourced Beauty Advisor population in some regions to assess forced labour risks.

WORKING WITH OUR SUPPLIERS TO IMPROVE THEIR PRACTICES

Close and lasting relationships with our suppliers enable us to raise their awareness of potential Human Rights impacts. For instance, in a Southeast Asia country, a women-owned business employing Beauty Advisors had to undergo a review of their practices as part of our programme, which revealed that they were withholding a money deposit from their employees. We engaged with the service provider to explain that money deposits are an indicator of potential forced labour and further discussions enabled them to improve their practices in line with Human Rights.

ASSESSING OUR IMPACTS: BERGAMOT AND CITRUS FIELDS IN ITALY

In 2022, L’Oréal conducted a Human Rights Impact Assessment (HRIA) in the bergamot and citrus supply chain in the Calabria region in Italy with the Danish Institute for Human Rights. The region is affected by forced labour issues, particularly in the agricultural sector, linked to significant migration influx. The report’s main findings were published in 2022. The evaluation report states that, despite the risks identified in the region, the bergamot supply chain in this region is not affected by forced labour issues, mainly due to the specific characteristics of this commodity and the supplier’s commitment. Nevertheless, an action plan has been developed with suppliers to encourage continuous improvement.

According to the Anker Methodology, the Living Wage is: “A remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family”. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events. Not earning a sufficient income from one’s work has impacts beyond the individual worker: this commonly impacts the worker’s family.

According to the International Labour Organization, almost one in five workers worldwide did not earn enough to lift themselves and their families out of extreme or moderate poverty(10).

L’Oréal considers the payment of a living wage as an enabling right, which contributes to improving workers’ overall working conditions and dignity at work, and reduces the risk of excessive working hours, child labour and forced labour which are often linked to insufficient wages.

In 2020, we publicly committed to securing a living wage for our own employees worldwide, as well as our strategic suppliers’ employees. Ensuring workers in our value chains earn a living wage remains a challenging journey. To address this challenge, L’Oréal has been working on different fronts.

Partnership with the Fair Wage Network

We started by partnering with the Fair Wage Network and by implementing the living wage for our own employees. The Human Relations’ annual monitoring tool checks all L’Oréal employees’ wages against the Fair Wage Network benchmark. In relation to its own operations, L’Oréal received the Fair Wage Network Global Living Wage Employer accreditation in 2023.

We aim to ensure that, by 2030, all employees of our strategic suppliers will be paid at least a living wage, calculated in line with best practice. This is one of the key commitments set out in our L’Oréal for the Future 2030 strategy. Our mid-term commitment is to onboard 100 % of our strategic suppliers in our living wage strategy and to have 40% of them complete a living wage gap assessment by the end of 2025.

In order to roll this approach out to our strategic suppliers, we initiate dialogue, work together and establish common strategic frameworks, in collaboration with our partners.

Following a pilot programme in 2022, the rest of our strategic suppliers are being onboarded between 2023 and the end of 2025. The first expectation for these suppliers within this journey is to sign a living wage pledge by which they commit to take action. As of October 2023, 50 of our strategic suppliers have submitted their living wage pledge. Engagement and awareness-raising over a long period of time are needed to onboard some of the suppliers. Sectoral engagement is also critical to succeed in our living wage ambition.

It can indeed be challenging for suppliers to make such a commitment that is advanced compared to market standards. From 2024, the commitment to pay a living wage will contribute to the strategic suppliers’ evaluation (e.g.: score card, questionnaires, etc.).

In parallel, L’Oréal offers a digital platform called Spread The Best Practices for the Group’s strategic suppliers. This medium is used to transmit educational content on the implementation of a living wage policy.

Advocating for a living wage

We actively promote this commitment and the importance of a living wage in various forums. For example, we were a patron of the UN Global Compact Think Lab on Living Wage and we encourage other companies through the Business for Inclusive Growth(12) Board to join the living wage journey.

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(11) ‘Strategic’ suppliers are suppliers whose added value is significant for the Group by contributing to L’Oréal’s strategy through their weight, innovations, shared goals and geographical representation. This encompasses approximately 400 companies.
Workers have the right to freely and voluntarily establish and join unions of their choice, without company interference. They also have the right to freedom of peaceful assembly. These rights, and by extension social dialogue, are essential to defend and promote the respect of other Human Rights.

Our saliency assessment revealed that we can further strengthen our worker voice systems, in particular for female workers, outsourced staff and workers with low literacy rates.

LACK OF WORKER VOICE MECHANISMS, SOCIAL DIALOGUE, FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING RISKS in the value chain and how we address it

UNDERSTANDING THE RISK

Workers have the right to freely and voluntarily establish and join unions of their choice, without company interference. They also have the right to freedom of peaceful assembly. These rights, and by extension social dialogue, are essential to defend and promote the respect of other Human Rights.

Our global speak-up system

Through “L’Oréal Speak Up”, our internal whistleblowing mechanism, our internal and external stakeholders, including workers in our value chain have access to a secure website they can use to raise any concerns they may have, including serious infringements of Human Rights. Reports are dealt with by the Ethics Department, in a secure, effective manner that provides all the guarantees of confidentiality.

In 2023, there were 678 reports on potential non-compliance with the Applicable Rules(13) raised through the Speak Up system (including the Speak Up platform, Human Relations teams, managers, etc.).

The Speak Up system remains little used by workers in the L’Oréal value chain and the deployment of other channels is necessary to further enable workers’ concerns.

Our outsourced Beauty Advisors action plan

A four-pillar Group action plan was developed aiming at:

• Strengthening contractual relationships with agencies (see supply chain management for more information);
• Rolling out additional worker voice pilots: including in Asia involving 1,700 Beauty Advisors which should help inform a global approach to this issue;
• Training: sexual harassment training is being deployed for Beauty Advisors and will be integrated into the new Group retail tool dedicated to Beauty Advisors;
• Guaranteeing a living wage: Beauty Advisors will be included into the Group strategy on living wage.

(13) Applicable Rules refer to the minimum core rules that are required to be complied with by the L’Oréal Group and supplier, including in relation to non-discrimination, bullying and sexual harassment, child labour, forced or compulsory labour, working hours and freedom of association. Please refer to the L’Oréal Group Vigilance Plan for more information.
MENTAL HEALTH RISK of L’Oréal employees and how we address it

UNDERSTANDING THE RISK

According to the World Health Organisation, mental health is a state of mental well-being that enables people to cope with the stresses of life, realise their abilities, learn and work well, and contribute to their community(14). Mental health was consistently raised as a major risk across all markets in the workshops held as part of the saliency assessment in 2020-2022. In addition, COVID-19 had detrimental effects on mental health and long-lasting repercussions, such as psychological distress and symptoms of depression, anxiety or post-traumatic stress(15).

Mental health of employees in our own operations was therefore identified as one of L’Oréal’s salient Human Rights risks.

PREVENTION AND MITIGATION

L’Oréal has a long history of caring for its people. In 2013, we launched our “Share & Care” programme, defining and implementing a worldwide common set of minimum benefits and social practices, going beyond the law in many areas. Its four pillars set out ambitious guidelines and commitments for health, social protection, work-life balance and workplace wellbeing across the globe. The programme also encourages local “social innovation laboratories” for each country to develop initiatives that meet local needs.

On the health pillar, the requirements include:

• The implementation of an Employee Assistance Programme (EAP) or alternative psychological support;
• Prevention and information campaigns on mental, emotional and physical health;
• A local policy in each subsidiary aimed at protecting victims of domestic violence.

Our social innovation program “Share & Care” introduced the concept of personal ecology in 2021, to allow every employee to perform at the highest level for the long term.

The “Share & Care” programme has led to the establishment of a research partnership with the International Labour Organization (ILO).

Country Human Relations Directors must report yearly on the implementation of the “Share & Care” programme and action plans must be developed based on the country-level and subsidiary-level assessments. Internal and external audits are undertaken regularly to check progress.

Understanding our risks through the Copenhagen Psychological Questionnaire

In 2018-19, L’Oréal endeavoured to create a more holistic approach with a stronger emphasis on mental health. To understand our risks, we selected the Copenhagen Psychosocial Questionnaire (COPSOQ), a scientific tool for assessing mental stress and strain at work(16). Pilots of COPSOQ were run in 2019-2020 in France, with more than 4,000 employees having access to the survey. The results showed that the main negative factor related to work/life balance.

Conducting employee surveys to collect their perceptions

The Global Leadership Survey is used every year, where more than 2,000 L’Oréal managers are evaluated by their peers, the results of which impact their bonus. Questions relating to mental health have now been added, for example, asking employees if they feel their manager has the capacity to create an environment of psychological safety.

L’Oréal also has an annual anonymous employee engagement survey, called PULSE, which includes questions on mental health. In 2022, based on the results of the PULSE survey, L’Oréal started using the ‘Wellbeing Index’, shared with employees and managers, to measure whether its people feel good in their work. This index includes questions relating to stress levels at work, respect and work-life balance.

(14) https://www.who.int/news-room/fact-sheets/detail/mental-health-strengthening-our-response/?gclid=CjwKCAjwKCAIAA3eeqBh8zEwlyF0BtDl4K3I47K4r4P0-nZ2D2w_2QyUpk4hSwA5yNLxO46P5gMqC4uIT7q17mFRRxSCy4BQAvD_BvE
(16) The COPSOQ has been recognised by the EU Occupational Safety and Health Agency and cited in reference documents of the WHO and ILO has been recognised by the EU Occupational Safety and Health Agency and cited in reference documents of the WHO and ILO.
In line with United Nations recognised standards, discrimination is the unfair or prejudicial treatment of people and groups on grounds such as, but not limited to, gender, gender identity, disability, marital status or family situation, sexual orientation, age, political and philosophical opinions, religious beliefs, union activity, ethnic, social, cultural or national origin. In our operations and value chain, discrimination can impact workers in different ways, especially affecting more vulnerable groups.

The saliency assessment conducted in 2020-2021 identified the following groups of workers as being at particular risk of discrimination: Beauty Advisors, retail workers, customer-facing roles, supply chain workers, sub-contractors of suppliers, distribution workers and temporary workers.

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**UNDERSTANDING THE RISK**

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**PREVENTION AND MITIGATION**

We are committed to upholding the right to non-discrimination.

Our ambition is to be the most inclusive beauty leader and contribute to a society in which everyone can live safely, peacefully and equally. With this in mind, L’Oréal’s DE&I strategy is structured around four pillars and objectives taking into account our employees, consumers and communities:

- Lead the way for more socio-economic and multicultural diversity;
- Promote gender equity and foster inclusive environments for LGBTQIA+ people;
- Advocate on physical, mental and social well-being, including removing barriers and stigma on visible and invisible disabilities, chronic illness, neurodiversity and mental health;
- Valorise all ages and generations.

To support these objectives, L’Oréal has built a network of DE&I Leads across all countries, Divisions and functions, some of whom work on DE&I on a full-time basis. In 2021, L’Oréal also launched a Global DE&I Advisory Board which brings together a group of external experts and leaders from within the Group and is co-chaired by the Chief Executive Officer and the Chief DE&I Officer. The Advisory Board meets twice a year in person and holds several online workshops.

**Collecting data to measure the effectiveness of our DE&I programmes**

In 2023, four new “Self-Identification” questions were integrated into the annual global employee PULSE engagement survey to give employees the option to share personal information on an anonymous basis relating to a range of DE&I topics (gender identity, LGBTQIA+, disability, and ethnic or racial origin). More than two thirds of employees who had the possibility to respond to these questions did so.

**Building capacity**

An extensive DE&I learning programme is available to all employees. All newcomers are expected to follow the DE&I Essentials Workshops within the first year of their employment with the Group and a new DE&I Advanced Workshop, with a focus on inclusion, will be rolled out in 2024. Specific DE&I modules are embedded in several L’Oréal University and other targeted learning programmes (Management, Marketing, Human Relations etc.).

Furthermore, an Inclusive Leadership programme was launched in 2022 and is currently being rolled out across all Divisions. All members of management committees should have been trained by the end of 2024.

**PROMOTING DIVERSE AND INCLUSIVE RECRUITMENT AND MENTORING**

Under the «L’Oréal for Youth» programme, the Group is committed to diversifying its sources of recruitment, with the aim of recruiting at least 20% of the talent for the Management Trainee Programme from non-partner schools and universities. For more examples on our approach to Diversity, Equity and Inclusion, please refer to the Universal Registration Document.

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(17) All or some of the Self-ID questions were included in the Pulse survey in 59 of the 68 countries in which the Pulse survey is carried out.
entrenching discrimination risk through product sales and marketing

UNDERSTANDING THE RISK

L’Oréal is one of the world’s largest advertisers across all industries. We have a global impact on how beauty is defined through how we position our products and influence consumers.

In this context, there is a risk that L’Oréal could unintentionally contribute to entrenching discrimination against certain groups of consumers (including vulnerable groups such as women, ethnic minorities, people with disabilities and teenagers) through a stereotyped representation in marketing, for example, by unwittingly encouraging the emergence and/or homogenisation of beauty etiquettes such as youth, certain body shapes and skin colours if the Group marketing campaigns exclusively focus on a certain type of skin, body or age.

PREVENTION AND MITIGATION

L’Oréal’s ambition is to contribute to a society in which everyone can live safely, peacefully and equally. With this in mind, we are putting actions in place to prevent and mitigate any entrenching of discrimination through our products and marketing.

In 2020-21, a study was carried out, in collaboration with a university law clinic, to assess the potential unintended Human Rights impacts of marketing on consumers and potential consumers. The report was based on extensive internal and external stakeholder interviews: including marketing teams at L’Oréal as well as academics and NGOs externally. It recommended raising awareness of marketing teams on discrimination and how to avoid it, and using digital tools based on Computer Vision AI (Artificial Intelligence) to measure the state of representation on a large scale across our broadcasted assets.

L’Oréal is considering additional actions towards avoiding entrenching discrimination in advertising:

• We are working to shift some outdated terms and use more mindful language which accurately reflect the diversity of beauty;

• We have developed qualitative communication guidelines to portray older consumers in a non-stereotypical way (short grey hair, needing support to walk, etc.), avoiding misrepresentation, and showing positive aspirational ways to portray older consumers in L’Oréal communications;

• We adopted a policy to responsibly govern our use of AI in projects, including online targeting in advertising.

In parallel, the Group consumer mental wellness department is developing a roadmap to address additional topics that could negatively be enhanced by our marketing activities such as appearance anxiety. We are conducting several studies on this topic, and the findings will allow us to implement appropriate action.

Advancing collaboratively

We joined the Unstereotype Alliance as well as the Diversity and Inclusion working group of the World Federation of Advertisers (WFA). Through these partnerships, we are gaining a better understanding of the potential impacts of advertising, providing feedback and thought leadership.

In addition, we are working with the Global Alliance for Responsible Media (GARM), a cross-industry initiative established by the WFA to create a more sustainable and responsible digital environment that protects consumers, the media industry, and our brands by taking actions which protect everyone online; working towards a media environment where hate speech, bullying and disinformation is challenged; and taking steps to ensure personal data is protected and used responsibly when provided.
MANAGING HUMAN RIGHTS IN THE VALUE CHAIN
L’Oréal has identified its salient Human Rights risks in its own operations and across the value chain: upstream and downstream. This section provides more information on how we identify and address Human Rights risks in the upstream value chain as this is where most of the Group’s salient Human Rights risks arise.

OUR SUSTAINABLE SOURCING STRATEGY

Since 2002, through the “L’Oréal Buy & Care” programme, the Group has decided to include the environmental and social performance of its suppliers as part of the selection criteria, alongside quality, service, innovation and competitiveness.

In 2021, L’Oréal published a new sustainable sourcing strategy focusing on four pillars:
• the protection of Human Rights
• the preservation of the environment and its resources
• the integrity of business relationships
• the promotion of Diversity, Equity and Inclusion

This strategy includes commitments, objectives and monitoring tools for each pillar.

L’Oréal deploys its capacity building strategy for both its buyers and suppliers to support business transformation towards sustainability. This includes tools, guidance, training programs and webinars on the risks of sustainable sourcing for suppliers and buyers.

Since 2002, L’Oréal has required its Tier-1 suppliers to sign the Ethical Commitment Letter that sets out our ethics, corporate responsibility, Human Rights, working conditions and compliance commitments and requirements. It became the Mutual Ethical Commitment Letter (MECL) in 2021, whereby L’Oréal commits to implement the same or higher standards and encourages suppliers to report any concerns.

Suppliers falling within certain procurement categories must sign additional contractual commitments to meet sector-specific risks. For example, the Group is rolling out the External Workforce Agency Standards Letter to general and commercial temporary work agencies.

By signing the MECL, suppliers agree to take part in our social audit program. L’Oréal developed a risk map that takes into account the country in which the supplier’s sites are located, the business sector and the nature of operations. This detailed matrix sets the criteria that trigger the social audits. It can be found in our Vigilance Plan.

Social audits are carried out by third-party companies and aim to check compliance with applicable Human Rights and labour laws, the International Labour Organization Core Conventions and L’Oréal’s specific requirements. In the event of a non-conformity, corrective action plans must be implemented. A follow-up audit is carried-out to check the implemented actions.

The detailed methodology and results of the social audits on each of the topics covered are detailed in our Vigilance Plan.

OUR DUE DILIGENCE WITH OUR TIER-1 SUPPLIERS

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On raw materials for our formulas, 2 upskilling webinars were organised in 2023 for our Tier-1 suppliers:
• On due diligence in value chains, with expert advisories
• On how to implement Human Rights due diligence, with the NGO Fair Labor Association

On mineral-based raw materials for our formulas, L’Oréal launched in 2023, a programme to support our Tier-1 suppliers on their journey to better structure their sustainability and Human Rights approach. L’Oréal worked with an external partner to break down international standards (including the OECD Due Diligence Guidance for Responsible Business Conduct and OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas) into actionable steps such as policy development, risk analysis and traceability tools. L’Oréal also expects its suppliers to implement effective grievance mechanisms throughout their value chains.
Taking a holistic approach, we have been engaging with our suppliers for many years on various topics including Human Rights as part of our sustainable sourcing strategy.

Whenever an issue arises, L’Oréal works proactively to identify the causes and resolve them, using its leverage over the suppliers involved. Our preferred approach is to engage with suppliers prior to a potential issue.

To do so, our approach to address Human Rights risks in the upstream value chain is composed of the following steps:

- Take a risk-based approach and prioritise risks based on their severity and likelihood (using for example high-risk country classification by Maplecroft, areas of conflict, reports from the U.S. Department of Labor, media or civil society alerts and grievances);
- Trace the upstream value chain, up to the Tier-n supplier;
- Evaluate Human Rights risks;
- Assess the nature of business relationships;
- Engage with peers and partners to select the most appropriate action plans to activate in the sector;
- Depending on the level of environmental and/or social risk identified, suppliers are asked to deploy action plans for their value chains.

**ENGAGING SUPPLIERS ON HUMAN RIGHTS IN THE UPSTREAM VALUE CHAIN**

In 2014, we first published a Forest Policy, updated in 2022, which sets out our ambitions associated with the sustainable supply of forest-based materials by 2030. By 2030, 100% of the sourcing for our overall portfolio of forest-related raw materials used in our formulas, packaging materials and point of sales displays (POS), comply with a list of principles including:

- Operating an open, transparent and consultative process to capture and resolve complaints and conflicts, notably through the implementation of a Group-level grievance procedure, in line with the UNGPs’ accessibility criteria.

This was the case for 89,2% L’Oréal Group timber-based packaging volumes sourced in 2023.

**FOCUS – OUR 2030 FOREST POLICY**

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- Operating an open, transparent and consultative process to capture and resolve complaints and conflicts, notably through the implementation of a Group-level grievance procedure, in line with the UNGPs’ accessibility criteria.

As of 2024, we conducted 7 HRIAs in our upstream value chain, including with our suppliers.

HRIAs may be triggered following engagement with NGOs, reviews of NGO reports and publicly available information or possibly following conflicts in the region. We encourage our suppliers to undertake HRIAs in their own supply chains and, where relevant, partner with them to undertake such exercises. In 2024, we will carry out several more HRIAs to assess risks where necessary.

On Bio-based raw materials for our formulas, in order to prioritise the risks to address, L’Oréal developed a specific risk matrix that cross-references social and environmental criteria.

Measures implemented by L’Oréal to evaluate social and environmental risks include baseline studies, voluntary standards and certification schemes, Human Rights Impact Assessments (HRIAs) and field assessments.

The field assessments for Tier-n suppliers are carried out using 88 indicators, which have been defined by L’Oréal with the support of external stakeholders.

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We initiated our palm sourcing sector-specific approach in 2015 to answer the challenges within the complex supply chain of palm oil and palm kernel derivatives. As a first step, and with the support from an expert advisory and our Tier-1 suppliers, we launched the tracing of our upstream value chains up to the mills and plantations. As of 2023, 96% of palm-related products are traced back to the mills and 31,5% to the plantation level.

To evaluate the risks linked to the palm sector, we developed, with an external expert, the Sustainable Palm Index (SPI) methodology, largely used now in the palm derivative sector. In 2021, we received an alert on potential cases of gender-based violence in palm plantations. As of July 2023, we conducted 3 HRIAs with a focus on gender-specific risks. We have maintained continuous engagement with our Tier-1 suppliers to identify mills that were particularly at risk and linked to L’Oréal’s supply chain.

On top of this, since 2012, 100% of our volumes are Roundtable on Sustainable Palm Oil (RSPO)-certified. To complement the certification approach, we have launched a program of field projects. Each of the field project is developed with local external experts and NGOs in order to foster more sustainable agricultural practices. As of 2023, 30% of volumes purchased by L’Oréal are connected to these field projects.

Also, L’Oréal continuously monitors complaints potentially linked to the volumes we buy, using a dedicated palm alert procedure. The alerts could be on land titles, child labour or forced labour for example. Our procedure to prioritise and address the alerts, is publicly available. Other elements of our sourcing strategy, including the Sustainable Palm Index and the Action for Sustainable Derivatives initiative are detailed in our Vigilance Plan.

The next stages of our sustainable palm strategy involve:
• Further evaluation of the value chains up to the plantations;
• Further embedding Human Rights in our strategy through a detailed roadmap that is being developed with expert partners;
• Further progress on the topic of living income for palm pickers.

FOCUS – SUSTAINABLE SOURCING OF RECYCLED PLASTIC

By 2030, 100% of the Group’s plastic packaging will be of recycled or bio-sourced origin (50% by 2025). Working towards this objective, we aim to ensure that the Human Rights of workers are respected in the complex upstream value chain of the recycled plastic sector.

We have engaged with 100% of our Tier-1 suppliers (plastic packaging producers) and 100% of our Tier-2 suppliers (recycled plastics producers) regarding their due diligence responsibilities, requesting their formal commitment to working actively alongside L’Oréal, towards a more sustainable value chain, which extends to the waste pickers.

Furthermore, we made 100% of the Tier-2 suppliers sign our MECLs and we performed social audits at their recycled plastic production sites in high-risk countries. A compliant social audit is mandatory before any order is made by L’Oréal on recycled plastic.

As part of its due diligence responsibilities, one of our major suppliers of recycled plastic bottles has engaged its own suppliers in their sustainability journey to recycled plastics. This started with the adherence to the recycled plastic bottle supplier’s code of conduct – mandatory for all its suppliers - as well as a sustainability roadmap, which includes human rights protection and compliance, natural environmental protection, health and safety and material traceability. The supplier raised awareness of the social and environmental challenges with its upstream supply chain, starting with the recycling plant (Tier-2 supplier to L’Oréal) and several bulking centers (Tier-3 suppliers to L’Oréal) in Latin America, bulking centers have implemented social audits, internal and external certifications and participated in awareness-raising campaigns.

We aim to empower further major suppliers towards a more sustainable recycled plastic sector.

In parallel, we launched in February 2023, a pilot project in Africa regarding informal waste collectors. This involved field visits with a specialist external consultancy, using a field diagnosis method based on an adaptation of L’Oréal’s sustainable sourcing criteria for the plastic waste sector. Our suppliers in this market have committed to setting up a partnership with an NGO to complement the baseline assessment of several bulking centers (Tier-3 to L’Oréal). L’Oréal will also continue to look into how to support workers in the supply chain, especially balers and waste collectors.

Based on this first pilot, we aim to share the findings on tracing the value chain up to the waste pickers, evaluating the risks and activating meaningful and scalable risk mitigation actions, in order to transform the recycled plastic sector.
BEYOND SALIENT HUMAN RIGHTS RISKS
This first dedicated Human Rights report aims to provide our stakeholders with a comprehensive overview of our commitments and actions to respect and protect Human Rights.

Given the cross-functional nature of implementing Human Rights due diligence processes, we are aware that the embedding of our Human Rights approach into our business will need to be continuously strengthened over time.

Taking into account feedback from external stakeholders, we will continue to foster a Human Rights culture across our teams. We will develop strategic roadmap with defined objectives that help us measure the progress made in its implementation and anticipate other growing risks, such as technology and Artificial Intelligence related risks, or how to accelerate the Just Transition. In doing so, we are also preparing for regulatory requirements such as the forthcoming European Union Corporate Sustainability Due Diligence Directive, which L’Oréal welcomes.

Our roadmap will be rolled out through action plans implemented at Division, Zone, and Market levels, with the support from dedicated teams and our +50 Human Rights Correspondents network.

In a world that is increasingly complex and fragile, stakeholders share with us their growing expectations towards companies. Businesses are expected to contribute to solving the issues that our societies face, including respecting Human Rights.

This report is the first report published by L’Oréal fully dedicated to Human Rights. It is a testimony to the importance L’Oréal attaches to respecting Human Rights throughout our value chain. Its purpose is to provide our stakeholders with information about how we identify and address this risk. It lays out our vision, the most salient risks, our strategy and examples of our mitigation actions. Most Human Rights risks are systemic and addressing them requires collaboration amongst teams, peers, suppliers, NGOs and governments. This report should also be read as a call to action to our stakeholders to join forces in addressing Human Rights.

We are conscious of the journey ahead of us and are keen to receive our stakeholders’ feedback."
In order to produce this report, several external stakeholders were consulted on L’Oréal’s salient Human Rights risks and the Group’s overall performance in relation to Human Rights. The following external stakeholders have agreed to be named in this report:

- **Isabelle Barthès**, IndustriAll European Trade union
- **Beata Faracik**, Polish Institute for Human Rights and Business
- **Dirk Hoffmann**, Danish Institute for Human Rights
- **Richa Mittal**, Fair Labor Association