

L'ORÉAL

Vigilance Plan

2022

This Vigilance Plan has been published in the 2022 Universal Registration Document of L'Oréal filed with the AMF (*Autorité des Marchés Financiers*, french financial market regulator) on March 16, 2023.

CONTENTS

1	Introduction	2
2	A continuous improvement process	2
3	General framework of risk analysis	2
4	Applicable rules resulting from the risk analysis	3
5	Effective application and compliance with the Plan	8
6	Whistleblowing mechanism and reporting system	14
7	Update on the effective implementation of the Plan	14

Vigilance Plan

1. Introduction

L'Oréal is built on strong Ethical Principles that guide its development: Integrity, Respect, Courage and Transparency. These Principles form the foundation of its policies on sustainable development, corporate social responsibility, and philanthropy. L'Oréal promotes respect for all internationally recognised Human Rights and Fundamental Freedoms.

In line with the United Nations Guiding Principles on Business and Human Rights, L'Oréal's particular point of reference is the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural rights, and the Fundamental Conventions of the International Labour Organisation.

L'Oréal's Vigilance Plan (the "Plan") meets the obligations of the French law of 27 March 2017 on the duty of vigilance for French parent companies and order-giver companies. It contains reasonable due diligence measures intended to prevent the risk of serious adverse impacts on Human Rights and Fundamental Freedoms, health, as well as safety and the environment within the framework of a best efforts obligation. It applies to L'Oréal, the parent company of the Group, and to the subsidiaries controlled directly or indirectly by L'Oréal (the "Subsidiaries"), as defined by Article L. 233-16 of the French Commercial Code, and to suppliers and subcontractors with which the companies of the Group have an "permanent commercial relationship", that is, a direct, ongoing and stable commercial relationship based on the definition in French case law (the "Suppliers"), depending on the risk level as identified in the Plan. It is understood that in its own activities, L'Oréal complies with the rules and diligences contained in the Plan, even when L'Oréal is not expressly mentioned therein. The Plan contains the rules applied to prevent the risk of serious adverse impacts on Human Rights and Fundamental Freedoms, the health and safety of people and the environment resulting from the activities of L'Oréal, its Subsidiaries and Suppliers (see section 4.). It also includes reasonable measures for the effective application of these rules by L'Oréal, its Subsidiaries and Suppliers as well as regular assessment procedures to evaluate their compliance (see section 5.). It provides a whistleblowing mechanism and reporting system (see section 6.) and presents a report on the plan's implementation (see section 7.). The actions to support, encourage and prevent serious adverse Human Rights, Fundamental Freedoms, health, safety and the environment

contained in the Plan constitute reasonable efforts to be implemented by Suppliers and Subsidiaries. Given the diversity of the businesses of the Subsidiaries and Suppliers, the Plan contains common measures for them.

In addition to these common measures, L'Oréal and its Subsidiaries voluntarily conduct additional actions on these same issues. These initiatives are described in other chapters of the 2022 Universal Registration Document, in particular chapter 4. Suppliers voluntarily conduct additional actions on these issues and L'Oréal encourages them to do so.

2. A continuous improvement process

As part of a continuous improvement process, the Plan is regularly reviewed by a committee composed of the Ethics, Risk and Compliance Department, the Operations Division (EHS, Purchasing), the Human Resources Department, the Corporate Social Responsibility Department and the Legal Department. It meets three times a year. Each of these representatives leads a local network (Ethics Correspondents, Environmental, Health and Safety, Purchasing, and Human Resource teams, managers from Internal Control, and Sustainability Leaders) around the world, making it possible to take into account feedback from the field when improving the Plan.

The Vigilance Plan was presented to internal stakeholders (such as the employee representatives in the context of the European Works Council) and qualified outside stakeholders (NGOs and members of civil society). Its updated contents are presented every year to the Audit Committee and to the Board of Directors.

3. General framework of risk analysis

The risks of serious impacts on Human Rights, the environment, health and safety, have been analysed on the basis of the business of L'Oréal, its Subsidiaries and its Suppliers. The risk analysis was used, first, in the definition of the applicable Rules and, second, to the measures for effective application and monitoring of these Rules.

L'Oréal's activity consists of production of cosmetic products and distribution of these products to the Group's clients.

A/ Manufacturing of finished products

L'Oréal manufactures the vast majority of the finished products that it sells in its own factories, with a presence in the major growth markets. Its network of 38 factories is equipped with the very latest technologies and advances in automation and adapts constantly, and with agility, to incorporate acquisitions and embrace external innovations.

This network is completed by production subcontracting, to meet temporary demand peaks in the case of specific technologies (make-up pencils, soaps, etc.). L'Oréal's contracts prohibit cascade subcontracting. L'Oréal's consent must be obtained by subcontractors, who need, as result of manufacturing constraints, to subcontract a portion of their L'Oréal production. When, in certain cases, the subcontractor is authorised to subcontract a portion of its production, the same rules as those defined in this Plan are applied to the subcontractors of the subcontractors. The same types of controls and sanctions are in place in the event of non-compliance.

In order to execute their production, L'Oréal's factories purchase different raw materials, filling and packing components and equipment from third-party suppliers. These suppliers have specific expertise, develop their products and have the infrastructures necessary for their production. They act with complete independence from L'Oréal, without depending on L'Oréal's instructions or expertise.

The manufacture of filling and packing components is not part of L'Oréal's activity⁽¹⁾. The filling and packing components used are purchased from companies specialising in this area. The same is true for the production equipment.

B/ Product distribution

Products are distributed by the Subsidiaries and independent third-party distributors in the countries or regions where the Subsidiaries are not present.

In order to ensure this distribution, warehouses are operated by the Subsidiaries directly, or these services are entrusted to third-party logistics service providers that render services on the same type of activity: storage and preparation of orders in warehouses that they lease or own.

4. Applicable rules resulting from the risk analysis

The Subsidiaries and Suppliers must comply with the applicable local legislation and the minimum common core of the rules listed below (the "Applicable Rules") in order to prevent the risk of serious adverse impacts on Human Rights and fundamental freedoms, health and safety of people and the environment. When local laws and/or the internal rules of Subsidiaries and Suppliers provide more stringent standards than the Applicable Rules, such standards must take precedence. If, however, the Applicable Rules provide for stricter standards, the Applicable Rules take precedence unless they result in an unlawful activity. In the event of contradictions between local laws and internationally recognised Human Rights, L'Oréal works to comply with these international standards.

4.1. Risks and Applicable Rules for the prevention of serious violations of Human Rights and Fundamental Freedoms

Risk Analysis and risks identified relating to Human Rights and fundamental freedoms

The Group expanded its mapping by identifying the potential key Human Rights risks worldwide and in 27 markets. 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. This study was conducted with an NGO specialised in the area, providing independent analysis.

As a result of this analysis, the following salient risks were identified in the context of the application of the French Law on Duty of Vigilance:

- the risk of child labour among the employees of the Group's Suppliers;
- the risk of forced labour among the employees of the Group's Suppliers;
- the risk of job discrimination because of gender, age, disability, gender identity and sexual orientation of the employees of L'Oréal and the employees of the Group's Suppliers; and
- the risk of a lack of decent living wage⁽²⁾ for the employees of the Group's Suppliers.

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).

Applicable rules on Human Rights

Subsidiaries and Suppliers must comply with the minimum core rules, which consist of the following rules that result from an analysis of the risks related to the activities of the Group and its Suppliers.

Non-discrimination: Acts of discrimination are serious violations of Human Rights that remain anchored in all regions of the world in which L'Oréal is present. Discrimination related to gender, sexual orientation and gender identity, disabilities, family situation, age, political and philosophical opinions, religious beliefs, union activities, or related to ethnic, social, cultural or national origins or pregnancy are prohibited. L'Oréal bans pregnancy testing when employees are hired within the Group, and requires its Suppliers to comply with this standard.

(1) With the exception of one production unit in the Turkey factory

(2) Definition of decent living wage in chapter 4.3.2.5 of the 2022 Universal Registration Document.

Bullying and sexual harassment: Bullying and sexual harassment are prohibited in the Group.

Child labour: L'Oréal's presence in certain regions of the world that are particularly at risk for child labour, including Asia and Latin America, has led the Group to identify this issue as a priority.

To take into consideration the vulnerability of young workers, L'Oréal has set the minimum hiring age at 16 years old.

The Subsidiaries and Suppliers are required to check the age of all new employees upon hire.

L'Oréal prohibits night work and work hazardous to health and safety for employees younger than 18 in its Subsidiaries.

Forced or compulsory labour: L'Oréal refers to the definition of forced labour set out in Convention 29 of the International Labour Organization: "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily". In certain regions of the world where L'Oréal operates, certain practices that violate internationally recognised Human Rights, such as holding the identity papers of migrant workers, are common. Any form of forced labour is prohibited. As a result:

- unless there is a legal obligation, employees' identity papers, passports or any other personal documents may not be held from them. In the event of a legal obligation, these documents must be returned to employees at their first request;
- employees may not be asked to pay for recruitment costs or to make cash deposits to obtain employment;
- if workers from foreign regions are hired, the employer must pay the costs related to these hires;
- the use of prison labour is possible only when it is voluntary within the scope of a professional reinsertion programme, and paid at the market rate. Suppliers must request authorisation from L'Oréal before they use this type of labour;
- security personnel must only ensure the safety of people and property; and
- any salary withholding must be strictly authorised by law. It may not under any circumstances be used for the purpose of confiscation, for the direct or indirect benefit of the employer.

Employees must have access to drinking water and toilet facilities. They must be free to move around their place of work, with the exception of areas to which access is restricted for confidentiality or safety reasons.

Working hours: Working hours, including overtime, may not exceed 60 hours a week for employees whose working time is monitored. All employees must also be granted at least one day of rest for every seven-day period, or two consecutive days of rest for every fourteen-day period. They must have reasonable breaks when they work.

Freedom of association and right to collective bargaining: Violations of freedom of association and the right to collective bargaining, such as discrimination against employee representatives, may occur in all regions of the world in which L'Oréal operates.

Employees' freedom of association and right to collective bargaining must be respected:

- elections of employee representatives must take place without interference from the employer, preferably by secret ballot;

- employee representatives have access to the work premises subject to safety and/or confidentiality requirements, if any; and
- discrimination against employees conducting union activities is prohibited.

In regions where freedom of association and the right to collective bargaining are limited or discouraged, L'Oréal authorises its employees to meet independently in order to discuss their professional concerns.

Additional actions for Human Rights

In addition to the action taken as a result of the risk analysis conducted on the business activities of the Group and its Suppliers, L'Oréal conducts initiatives in addition to those implemented under the French law on Duty of Vigilance. These are described in chapter 4 of the 2022 Universal Registration Document.

For example, L'Oréal set up actions with the aim to improve the working conditions of the Indian communities whose livelihood depends on the mineral mica. Since 2017, L'Oréal has been one of the 20 founding members of the Responsible Mica Initiative (RMI). This year, the RMI has 82 members.

The RMI has three goals:

- implement standards on the responsible workplace on 100% of the supply chains of its members for mica from Bihar and Jharkhand (standards on employment, health, safety in the workplace, the environment 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; and
- 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 facilitate member collaboration and effectively deploy the collective actions necessary in cooperation with local authorities. L'Oréal also supports the establishment of a price calculated using the living wage⁽¹⁾ approach in addition to diversified income contributing to a more resilient living conditions.

L'Oréal requires its Suppliers to have their own due diligence processes in place as regards their own scope of supply of Indian mica. In 2021, 99% of Indian mica used in the Group's formulas came from suppliers committed to obtaining their supply from verified sources.

The Group has set up two ambitious programmes aimed at improving working conditions for the employees and communities our suppliers use; the Living Wage programme and the Solidarity Sourcing programme.

Evaluation of the Human Rights Impact in the bergamot supply chain

In 2022, as part of L'Oréal's partnership with the Danish Institute for Human Rights, the latter conducted an evaluation of the human rights impact of the bergamot supply chain in the Calabria region of Italy. This evaluation aimed to ensure that human rights standards are observed in a region that is affected by forced labour issues, particularly in the agricultural sector. The full evaluation report has been published⁽²⁾ and it states that, despite the risks identified in the region, the practices of players in our supply chain are in compliance with human rights.

(1) Definition of decent living wage in chapter 4.3.2.5 of the 2022 Universal Registration Document.

(2) <https://www.humanrights.dk/publications/labour-rights-assessment-loreals-bergamot-supply-chain-italy>

The Living Wage programme

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

L'Oréal is supported by the Fair Wage Network, a rigorous and internationally recognised NGO.

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

In 2022, L'Oréal launched a pilot programme that included about 20 of its strategic suppliers, who were selected to represent different purchasing categories and various geographic areas. The aim of the programme was to explore the principle of a decent living wage and to help them look at gaps and the potential obstacles to implementation. The pilot consisted of a series of regular meetings with the assistance of the Fair Wage Network.

The Solidarity Sourcing programme

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.

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.

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).

As part of L'Oréal for the Future, the Group is renewing its goal to enable over 100,000 people from underprivileged or poor communities to find work by 2030.

4.2. Risks and Applicable Rules to prevent serious adverse impacts on Safety and Health in the workplace and the Environment

Analysis of Risks to Safety and Health in the workplace and the Environment

The risk analysis covers generic risks related to industrial activities and specific risks related to Suppliers' and Subsidiaries' own business activities.

Generic risk analysis process

As is the case for any production (manufacturing and packing), distribution, research and general administration operations, the Group and its Suppliers are exposed to safety and environmental challenges.

Based on the risk prevention work on the Environment, Health and Safety at the workplace carried out by L'Oréal for many years, the major risks below have been identified. On this basis, the Subsidiaries and Suppliers must define at each of their sites, the measures designed to prevent the risks identified in the Plan (the "Prevention System").

Specific risk analysis process for Subsidiaries

The Subsidiaries conduct their own risk analysis based on the list of risks set out below, particularly the fire risk is controlled by very strict fire prevention standards (such as those issued by the National Fire Protection Association).

In addition to the generic risks, the Subsidiaries identify the specific risks related in particular to cosmetics production. For example, the physical risks are the subject of SHAP (Safety Hazards Assessment Procedure) studies, which identify the dangers, generally and for each workstation, assess the risks and allow the implementation of the necessary means of control. Environmental risks are also analysed to assess the nature of the aspects and impacts of a site's activities on its environment and to control any that lead to potentially serious impacts for the air, soil, water, biodiversity and resources.

This environmental analysis is updated regularly by each of the Group Subsidiaries' sites and whenever a significant change takes place. 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.

With regard to water discharge, each industrial site has implemented a self-monitoring system representative of the wastewater discharged⁽¹⁾. This self-monitoring is a tool for detecting risks of exceeding regulatory thresholds that helps to anticipate any non-conformities and initiate corrective actions. 31 L'Oréal factories have their own wastewater treatment plant and L'Oréal is continuing with the installation of these plants.

(1) Monitoring of regulated and contractual parameters: chemical oxygen demand (COD), biochemical oxygen demand (BOD) etc.

The process safety risks are analysed using the HAZOP (HAZard and OPerability analysis) guide. This method focuses on operating conditions, or FMECA (Failure Mode, Effects and Criticality Analysis), which analyses risks related to failures in the process at the different steps in production.

The results and means of controlling industrial and specific risks are summarised in the GHAP (Global Hazard Assessment Procedure) programme.

Specific risk analysis process for Suppliers

In addition to their own risk analysis, Suppliers rely, at the very least, on the risks listed in the audit grid provided by L'Oréal when the Letter of Mutual Ethical Commitment is signed (see section 4.3.1.2.1. of the 2022 Universal Registration Document) to implement the appropriate prevention measures at each affected site. This grid was prepared in accordance with the list of the major risks described below and is applied during referencing and follow-up audits.

If the specific nature of the Suppliers' activity requires identification of specific risks and/or additional prevention measures, the Suppliers are required to roll out these additional measures in accordance with best practices in their industry.

For example, in the subcontracting of finished products activity, specific risks may involve (i) the use of certain raw materials, (ii) wastewater treatment, (iii) the use of machines or electrical equipment in processing or storage areas, and (iv) handling techniques that may cause personal injury, in particular.

In the specific case of subcontracting suppliers of aerosol production or storage, bleaching powders, flammable products, the sites are subject to specific risks analyses concerning process safety.

Risks identified in the Environment, Health and Safety in the workplace

Risks of serious adverse impacts to Health and Safety in the workplace

- (i) Risks associated with buildings and the use of equipment:
 - soundness of buildings (construction and interior fittings, including the compliance of equipment with operating authorisations and building permits issued by local authorities in compliance with the applicable legislation and, in any event, adaptation to the activity for which the buildings are intended);
 - use of motorised forklift trucks and Automatic Guided Vehicles (AGV): risks caused by interactions and interference between forklift trucks, AGVs and pedestrians; and

- injuries caused by interactions between humans and machines: risks related to access to the moving parts of work equipment.
- (ii) Risks related to energy sources, matter and materials:
 - exposure to energy sources, fluids and hazardous emissions including electricity, high pressure, steam, vapour, hot water and high temperatures;
 - fires resulting, notably, from flammable products and materials or electrical equipment;
 - exposure to hazardous dust and chemical products: by inhalation, ingestion or skin contact; and
 - exposure to high noise levels.
- (iii) Risks related to human activities:
 - entry in confined spaces and/or the risk of anoxia;
 - isolated work: risks associated with working alone for long periods of time;
 - slipping and falls;
 - ergonomics of workstations related to load handling;
 - construction works (risks during construction activities); and
 - work at heights (risk of falls associated with the use of ladders and step stools, access to and work on platforms and roofs, use of lift tables and scaffolding, etc.).

Environmental risks

The risks of serious damage to the environment are those associated with the consumption of resources or that could cause damage to soils, water, air and biodiversity (habitats and species) in the context of normal operation or the occurrence of an incident at a site of the Subsidiaries or Suppliers:

- gradual or accidental pollution; and
- pollution during the transport of hazardous materials.

Applicable rules to prevent risks of serious adverse impacts on Safety and Health in the workplace and the Environment

EHS Guidelines

The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of the employees of its Subsidiaries and Suppliers, its customers and the communities in which L'Oréal carries out its activities. For the Subsidiaries, this policy is built on an EHS management system composed of standards with stringent requirements that set the principles of L'Oréal's EHS policy, which is all included in the EHS guidelines.

Additional Environment, Health and Safety in the workplace actions

In addition to the action taken as a result of the risk analysis conducted on the business activities of the Group and its Suppliers, L'Oréal conducts Environmental Health and Safety in the Workplace initiatives in addition to those implemented under the French law on Duty of Vigilance. These are described in chapter 4 of the 2022 Universal Registration Document.

L'Oréal's commitment to Environment, Health and Safety in the workplace 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 each year.

For example, this includes the following additional actions and commitments:

- in 2015, L'Oréal was one of 100 leading companies to join the Science Based Targets programme;
- in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation: with Act4Nature, in the context of individual commitments, L'Oréal set biodiversity objectives for 2030;
- 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 "net zero emissions" by 2050 over its entire value chain, in accordance with the 1.5°C path of the IPCC; and
- in 2020, L'Oréal became a signatory of the TCFD.

(i) Additional actions intended for Sites of Subsidiaries

At its own sites, L'Oréal implements the LIFE (Life threatening Incident or Fatality Event) programme, which covers activities on all its sites that, if not controlled, could result in potentially serious injury and illness. The Group extends the ambition of moving towards "zero accidents" by ensuring the sustainability of actions and defining post-incident emergency preparedness requirements.

The Sharing Beauty with All programme has helped to reduce the environmental footprint of the Group's sites: between 2005 and 2020, our factories and distribution centres reduced their CO₂ emissions by -81% (in absolute value), their water withdrawal by -49%⁽¹⁾, and their waste generation by -37%.

The commitments made by the Group for 2030 as part of its *L'Oréal for the Future* programme are aimed at ensuring compatibility of the Group's activities with a planet that has limited resources⁽²⁾. The main environmental objectives of the programme concerning Subsidiaries are as follows:

- climate: reaching "carbon neutral"⁽³⁾ status 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. A methodology for monitoring the Biodiversity commitment was developed in 2021 and rolled out to all of the Group's sites in 2022. Becoming "biodiversity net positive" is achieved by meeting two conditions: the first is improving the potential for hosting biodiversity on the Group's sites, the second concerns developing the biodiversity culture of employees;
- 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.

These objectives are accompanied by monthly reporting of detailed indicators used to monitor evolutions in results in each of these areas and to identify potential anomalies and incidents.

The Group is engaged in a process of continuous improvement of its EHS performance through a programme to achieve ISO certification for its operated sites, in order to anchor the EHS policy in the long term: ISO 45001 for the management of employee health and safety and improvement in their working conditions; ISO 14001 for the management of environmental impacts and improvement in environmental performance; and ISO 50001 for energy management and energy performance improvement.

"Culture" audits are conducted by internal EHS specialists to assess the degree to which EHS culture has been rolled out to all Subsidiary employees. 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 levels of the hierarchy.

Detailed information on these additional actions is available in chapter 4 of the 2022 Universal Registration Document.

(ii) Additional actions intended for Suppliers

The Purchasing teams select the most competitive suppliers and in accordance with the responsible purchasing policy. Suppliers' EHS assessment is managed by monitoring indicators included in the corporate social responsibility criterion, which is one of the five criteria for monitoring supplier performance.

As part of the *L'Oréal for the Future* programme, launched in 2020 with targets for 2030, the Group has broadened its environmental commitments to its supply chain. The main environmental objectives of the programme concerning suppliers or those that may be related to their business activity are therefore as follows:

- Climate: by 2030, strategic suppliers will reduce their direct greenhouse gas emissions (scopes 1 and 2) by 50% in absolute terms compared to 2016.
- Water: by 2030, all strategic suppliers will use water responsibly in the areas where they operate.

(1) Per unit of finished product

(2) See chapter 4 and the summary table in 1.3.2., of the 2022 Universal Registration Document.

(3) A site can claim "carbon neutral" status if it meets the following 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/ of the 2022 Universal Registration Document.

- Biodiversity:
 - By 2030, 100% of the biobased ingredients for the Group's formulas and packaging materials will be traceable and will come from sustainable sources, with none linked to deforestation.
 - By 2030, the footprint on the ecosystems vital to the sourcing of its ingredients will be maintained at 2019 levels.
- Sustainable sourcing of raw materials:

For the palm oil and its by-products segment, for which specific "Zero deforestation" status was achieved at the end of 2020, 100% of the supplies were covered by action plans with the suppliers concerned. L'Oréal developed the Sustainable Palm Index (SPI), a tool to evaluate and select suppliers of palm oil and palm kernel derivatives 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.

The specific feature of the SPI lies in its integration in the purchasing decision process. A supplier in compliance with the SPI will benefit from an allocation of volumes, long-term contracts, and will be favoured in the context of partnerships in land projects.

In 2019, L'Oréal co-founded the collective Action for Sustainable Derivatives initiative in order to share knowledge and methods with other operators to encourage the production and responsible supply of palm oil derivatives. L'Oréal is committed to managing, preserving and rehabilitating forests, prioritising forestry ecosystems that are of primary strategic interest to the Group. The Group has drawn up a Forestry Policy for 2030, which enshrines its ambition and sets out the objectives associated with the sustainable supply of forest-based materials.

L'Oréal ensures compliance among its direct and indirect suppliers by applying due diligence procedures, including a geospatial monitoring tool, community monitoring and checks conducted by a third party. Nusantara Atlas is used to carry out risk assessments at province and district level, and the Global Forest Watch Palm Risk Tool is used to conduct them at plant level. Since 2019, L'Oréal has been working with the Zoological Society of London (ZSL) and Transitions to develop a new add-on for the SPOTT platform to assess the level to which mills and refineries comply with the NDPE (No Deforestation, No Peat, and No Exploitation)⁽¹⁾ principles. For its projects involving small operators in Indonesia, L'Oréal uses specific deforestation surveillance systems to ensure compliance with NDPE. Furthermore, L'Oréal continually monitors complaints made throughout its supply chain using a "palm alert procedure".

For other streams of renewable raw materials, which represent 22% of the portfolio of renewable raw materials in volume and 86% in number, L'Oréal has defined "sustainable sourcing challenges" indicators to assess the sustainability of renewable raw material streams. These indicators were defined using environmental, social and economic indicators from external databases (the UNDP's IHD, the EPI from Yale University, and the Verisk Maplecroft Country Index).

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. 71% of the volume of raw materials that the SCAN index has identified as representing sustainable sourcing challenges (i.e. 45% of the number of raw materials) are already the subject of plans or improvement initiatives with the relevant suppliers to ensure 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 asked to deploy the field audit procedure for producers (88 indicators). This procedure was 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.).

- Plastics and advertising displays:
 - By 2030, 100% of the Group's plastic packaging will be recycled or bio-sourced (target of 50% by 2025).
 - By 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable.
 - By 2025, 100% of the Group's advertising displays at points of sale will be eco-designed, taking into account the principles of the circular economy for managing their end of life.
- Commitment of suppliers to self-assess and move forward with action plans through the CDP.

L'Oréal actively works with its suppliers to help them improve their performance in terms of sustainable development.

In 2007, L'Oréal joined the CDP supply chain programme for greater transparency in the actions of its suppliers and to monitor the progress made in relation to L'Oréal's objectives. In 2014, participation in the CDP Climate programme was made compulsory by L'Oréal for all strategic suppliers. The aim is to measure and report their emissions, set targets for reducing these emissions and communicate their action plans to achieve this objective successfully. In 2022, 94% of strategic suppliers completed the climate questionnaire, 90% of selected suppliers completed the water questionnaire and 87% of those selected for the sustainable management of forestry questionnaire responded.

- Supplier commitment to self-assess and improve with corrective actions implemented by EcoVadis:

By participating in the EcoVadis assessment, L'Oréal compares its environmental and social policy with the expertise and the recommendations of external auditors qualified in the analysis of multi-sector risks. This is a useful rating for the continuous improvement of suppliers and it also contributes to the transparency of industry practices. This assessment is used to select suppliers by taking their environmental and social performance into consideration. 94% of strategic suppliers were evaluated by EcoVadis.

(1) The content of these principles is described in full at the following web address: <https://palmoilalliance.eu/ndpe-commitment>

5. Effective application and compliance with the Plan

The Plan includes effective application measures intended to ensure the correct implementation of the Applicable Rules by the Subsidiaries and Suppliers. Monitoring of compliance with the Plan is carried out through audits and analyses performed by external service providers or by Group teams. The Subsidiaries and Suppliers are asked to carry out self-assessments.

5.1. Effective application of the Plan

Adoption of Applicable Rules

(i) Adoption of Applicable Rules by Subsidiaries

The effective implementation of Applicable Rules by Subsidiaries is achieved through their incorporation in the Group's Internal Rules. For this purpose, compliance with the effective application of the Plan is based on control activities in accordance with the applicable legislation.

The communication of Applicable Rules to Group employees is described below.

(ii) Adoption of Applicable Rules by Suppliers

Suppliers undertake to comply with the Applicable Rules. The principal Suppliers sign the Letter of Ethical Commitment that covers these applicable Rules. Moreover, the Suppliers that could present the most significant risks because of their activity or geographic location may be audited on these issues in accordance with the Risk Matrix. The contents of the points that will be audited is set forth in the letter.

Governance

L'Oréal's commitment to Human Rights and Fundamental Freedoms, the health and safety of people in the workplace and the environment 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 each year. These commitments are also set out in the Group's Code of Ethics and the Human Rights and Employee Human Rights Policy.

(i) Human Rights and Fundamental Freedoms governance

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 Chief Executive Officer, to whom she reports.

The Chief Corporate Responsibility Officer has a budget and a dedicated team 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 commitments in terms of Human Rights 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 geographic areas (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.

Country Managers (or, for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring compliance with Human Rights and fundamental freedoms.

The Human Resources teams are responsible for ensuring that the activities of the Subsidiaries respect employees' Human Rights and fundamental freedoms.

Employees may contact their manager, their Human Resources Director, their Legal Director, their Purchasing Director, their Human Rights Correspondent, their Ethics Correspondent and, ultimately, the Chief Ethics, Risk and Compliance Officer if they have any questions about compliance with the Applicable Rules.

The Purchasing teams ensure that Supplier activities respect Human Rights and fundamental freedoms. Suppliers included in the Risk Matrix are not listed in L'Oréal's Supplier database until they have contractually committed to comply with the Applicable Rules. Purchasing teams discuss, during Management Committee meetings that include representatives from all Zones and purchasing areas, the results of audits, their consequences for commercial relations, and the related actions plans to achieve continuous improvement of results at the Group's Suppliers.

(ii) Environment, Health and Safety in the workplace governance

The Chief Operations Officer, reporting to the Chief Executive Officer and a member of the Executive Committee, is responsible for the general policy to prevent serious adverse impacts on the environment, and health and safety. The implementation of this policy is the responsibility of the Group's Subsidiaries and Group Sites.

The Chief Operations Officer is supported by and delegates the deployment and monitoring of the policy to:

- factory and distribution centre Directors who are responsible for the deployment and effective implementation of the policies defined by the Group. Their remuneration is partly linked to their performance in the areas of the environment, health and safety in the workplace;
- EHS managers who are trained and dedicated to compliance with the EHS policy. They are responsible for deploying the rules, procedures and associated performance objectives of the Group in all of its entities; and
- country Operations Directors who are responsible for compliance with the EHS policy by the distribution centres, the administrative Sites and stores in their country.

The Purchasing teams are responsible for collecting confirmation of acceptance of Applicable Rules from the Suppliers via the Letter of Ethical Commitment.

They use audits carried out by third-party companies to ensure that Suppliers included in the Risk Matrix implement the prevention measures for EHS risks. As for Human Rights, the Purchasing teams discuss, during Management Committee meetings that include representatives from all Zones and purchasing areas, the results of audits, their consequences for commercial relations, and the related actions plans to achieve continuous improvement of results at the Group's Suppliers.

Communication and training

Communication of the Applicable Rules and training of the teams involved complete and support the effective application of the measures set out in the Plan by L'Oréal's Subsidiaries and Suppliers.

(i) Communication on Human Rights and Fundamental Freedoms

Human Resources teams are informed of the Applicable Rules by their line manager.

All new Group employees must receive a hard or electronic copy of the Group's Code of Ethics and must confirm that they have read it. Employees must be reminded of the Code of Ethics and its contents on a regular basis.

Any employee in contact with Suppliers must receive the "The Way We Work with our Suppliers" guide when they are hired. It explains ethical standards that apply to Supplier relations.

An Ethics Intranet site is available to employees.

An annual Ethics Day, including Human Rights, has been held since 2009. This day enables employees to discuss matters such as respect for Human Rights and fundamental freedoms via a livestream with L'Oréal's Chief Executive Officer and the other members of the Executive Committee. Discussions on ethics are also organised in the Subsidiaries to let employees exchange conversations with their Subsidiary's General Manager.

In 2022, nearly 35,000 people logged on to Ethics Day sessions and more than 7,600 questions were asked worldwide.

With respect to Suppliers, in addition to the communication of Applicable Rules via the letters of ethical commitment, they are given access to the following documents⁽¹⁾:

- the Code of Ethics; and
- L'Oréal's policy on Suppliers/subcontractors and child labour.

(ii) Training on Human Rights and fundamental freedoms

A specific, compulsory e-learning course on ethics covers Human Rights and fundamental freedoms issues.

New buyers receive compulsory training on Responsible Purchasing to learn about how to ensure respect of the Group's Ethical Principles.

An e-learning course on Supplier audits, detailing the applicable audit procedure, is also available for all buyers. A Suppliers version is available on the same website as the above information. There is also an e-learning course available called "Ethics e-learning for business partners".

(iii) Communication on the Environment, Health and Safety (EHS) in the workplace

EHS managers are informed of the Applicable Rules by their functional hierarchy.

Group Sites are encouraged to hold a day dedicated to EHS to raise the awareness among all employees about the risks to which they are exposed and suitable prevention, in addition to specific local actions.

A Group awareness-raising campaign about major safety risks, deployed over three years, and the implementation of a specific topic every four months, serve to develop employee awareness of risks over time.

A monthly newsletter for the Group's EHS managers and their team leaders enables performance tracking and the sharing of best EHS practices.

(iv) Training on the Environment, Health and Safety (EHS) in the workplace

Training sessions dedicated to L'Oréal's EHS policy and practices have been provided at all levels of the Company, as well as for temporary workers and subcontractors working on Group sites. They constitute one of the cornerstones in the implementation of risk identification and management systems, and the deployment of the EHS culture in all Group entities.

EHS training includes the various training actions for health and safety in the workplace, or the environment and covers general EHS training, EHS training by *métier* and specific EHS training.

General EHS training includes:

- core general training completed, for example, when a new employee arrives at a Site (L'Oréal employee or temporary staff) regardless of their position; and
- fire safety training, first aid, pollution prevention, recycling, general EHS awareness raising, etc.

EHS training by *métier* refers to training specific to a given *métier* area or activity (for example, all of the filling and packing staff of a factory).

Specific EHS training refers to EHS training for a particular workstation and the activities carried out by the employee.

In terms of ergonomics, a "Manual handling" e-learning course is provided to all employees.

A high level of expertise for global EHS Teams and the development of an EHS culture for "Top managers", managers and supervisors is assured via the deployment of training specific to each person.

To support the Environmental aspect of the *L'Oréal for the Future programme*, a training programme on the challenges related to climate, water, biodiversity and resources (*Green steps for all*) has been launched with the intention of training 100% of the Group's employees.

⁽¹⁾ These documents are available to the public from the L'Oréal website: <https://www.loreal.com/en/articles/commitments/loreal-mutual-ethical-commitment-letter/>
<https://www.loreal.com/en/articles/commitments/code-of-ethics/>

5.2. Monitoring compliance with the Plan

Risk hierarchy of non-compliance with the Applicable Rules

The risk hierarchy is used to enhance controls on compliance with the Applicable Rules by defining procedures for monitoring compliance with the Rules that are consistent with the risks, including via a policy of third-party audits, monitoring and evaluation of Suppliers conducted by third-party companies such as EcoVadis. The Group's vigilance is strengthened in circumstances where conflict is involved, in line with applicable international standards.

As far as Subsidiaries are concerned, the risk hierarchy of non-compliance with the Applicable Rules was created taking into account the type of activity and, thereafter, the type of Site⁽¹⁾.

With respect to the Suppliers, the risk mapping of non-compliance with the Applicable Rules was created for Human Rights, Fundamental Freedoms, the environment,

and health and safety in the workplace using a methodology that takes the following parameters into account:

- The country in which the Supplier's sites are located: a country is considered vulnerable in terms of Human Rights and Fundamental Freedoms, and environment, health and safety, if it meets at least one of the following criteria:
 1. The country is classified as "High risk" or "Extreme risk" according to the criteria of the consultancy firm Verisk Maplecroft: 12 evaluation indices are used in this methodology and aggregated in a single grade compared with the threshold values set by Verisk Maplecroft; and
 2. The results of social audits conducted by L'Oréal in the country include cases of Zero Tolerance or Need Immediate Action ("NIA" rating that corresponds to the most severe non-conformities).
- The business sector: each Supplier is associated with a sector area according to a governance ranking of Purchases ("Global Purchasing Categories").
- The nature of operations: the activities most heavily exposed to labour risk are the activities with high manual added value, implying work on a production line.

(1) Type of activity: administrative, processing, warehousing etc. Type of Site: administrative offices, factories, distribution centres, research centres etc.

Subsidiary audit Matrix

Type of country	Sites audited
All countries	Factories, dispatch centres, R&D sites and administrative sites

Matrix that triggers Supplier audits according to risk mapping

Business sector	Description of business sector	Type of country	Suppliers audited
Raw materials	Suppliers of ingredients used to produce cosmetics in L'Oréal factories	Countries classified as "high risk"	100% of Suppliers
Packaging	Suppliers of packaging used for production in L'Oréal factories	Countries classified as "high risk"	100% of Suppliers
Subcontractors	Suppliers producing cosmetics for L'Oréal (Full-buy, Full-service, etc.)	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of subcontractors
Dermo-cosmetic devices	Suppliers of equipment & electronics	Countries classified as "high risk"	100% of Supplier Production Sites
Manufacturing equipment	Suppliers of manufacturing equipment (processing tanks, filling machines, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
Promotional items	Suppliers of promotional items (bags, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
Items intended for points of sale	Suppliers of items intended for the presentation of products at points-of-sale	Countries classified as "high risk"	100% of Supplier Production Sites
Services intended for points-of-sale	Architects, general contractors, maintenance	Not applicable	Not applicable
Co-packing	Co-packing Suppliers (sometimes called subcontractors or Co-Packers)	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "Satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of Supplier Production Sites
Logistics service providers (excluding transport)	External distribution centres	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "Satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of Suppliers' logistics sites

Audit and self-assessment system

(i) Audits

Audits of Applicable Rules: Audits of Applicable Rules are used to check that the Plan is correctly implemented by the Subsidiaries and Suppliers included in the Risk Matrix. Audits are done by specialist external companies. When a Subsidiary or Supplier is audited, the process is carried out in accordance with the Risk Matrix set out above. A written audit report is prepared. With respect to the Subsidiaries, the reports are stored in a secure database available to Group Human Resources Directors and to the Country Operations Directors, in some cases. The reports on Suppliers are intended for Group buyers.

EHS audits specific to Subsidiaries: In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been in place since 1996, and was reinforced in 2001 with the presence of external auditors. These are experts in the local environment and regulations. These audits take place regularly on each L'Oréal site: every three years for production sites and every four years for distribution centres, administrative sites and research centres. If the result of the audit does not meet the standard required by the L'Oréal guidelines, a specific interim audit is scheduled for the following year. Every year, the teams responsible for EHS risks review the audit results and identify general improvement plans. The improvement plans specific to the audited Sites are established immediately after the end of the audit. Any emergency measure intended to prevent an imminent risk for the health of persons at the Site is implemented by the Site EHS teams without waiting for the completion of an audit even if it is not part of the improvement plan that may exist. There are various audit grids called "risk", "culture", or "combined risk and culture", used depending on the maturity and type of activity at the Sites. They assess in particular:

- compliance of practices and facilities with the Group's rules and procedures;
- progress in terms of EHS performance;
- any risks that the sites may present from an EHS standpoint; and
- the level of management and deployment of EHS culture on the Sites.

Each risk finding is classified in one of three categories A, B and C according to a matrix of level of impact/probability of occurrence. "A" findings are monitored monthly and consolidated annually by risk type.

The monthly reporting of safety and environmental data also enables consolidation and analysis of any anomalies and incidents leading to regulatory non-conformity, complaints and/or fines.

Three types of audit specific to Suppliers:

- initial audits: first audits conducted, which are a prerequisite to the start of the relationship with a new Supplier;
- follow-up audits: audits done 12 to 24 months maximum after the immediate improvement request (Needs Immediate Action or NIA), depending on the severity of the non-conformities found; and
- confirmation audits, three years after the initial audit.

The possible outcomes of the audits are as follows:

- **Satisfactory:** all criteria conform to the Applicable Rules and the best practices are highlighted;
- **Needs Continuous Improvement (NCI):** minor non-conformities were found, but they do not have an impact on employee safety or health;
- **Needs Immediate Action (NIA):** non-conformities are reported either because they are serious, because they are recurring or have a potential impact on the health and safety of employees;
- **Zero Tolerance (ZT):** reported, for example, in the event of a critical non-conformity because of child labour, forced labour, physical abuse, restricted freedom of movement, an immediate risk of accident for employees or attempted bribery of the auditors⁽¹⁾; and
- **Access Denied:** reported when the audit is refused (for example in the event of refusal to provide partial or full site access to the auditors).

In the event of a non-conformity (Needs Continuous Improvement, Needs Immediate Action, Zero Tolerance), corrective action plans must be implemented which are then audited at the level of the Subsidiary or Supplier. Failure to implement a corrective action plan can, in the case of a Subsidiary, result in an alert being sent to the Country Manager. Subsidiaries can decide to link part or all of the remuneration of their managers and/or of their performance evaluation to the implementation of the Applicable Rules.

In the case of Suppliers, serious non-conformities (Needs Immediate Action, Zero Tolerance and Access Denied) or the failure to implement corrective action can result in the non-listing of a new Supplier or the suspension or termination of commercial relations with a listed Supplier.

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can be initiated. Visit reports are issued as part of the process of routine visits made to Suppliers. They can result, if necessary, in additional audits.

Specific EHS audits of subcontractors' sites

Additional specific EHS audits are conducted by independent third parties for subcontractor sites for aerosol production or storage, bleaching powders, flammable products under the criteria defined by L'Oréal, which are similar to those used for the Group's sites. These audits are triggered at the time of referencing/qualification and are followed up via audits conducted between 12 months and 36 months maximum after the immediate improvement request (NIA), depending on the severity of the non-conformities found, and again at the time of confirmation, five years after the initial audit.

The results of these audits are the same type as those previously described: satisfactory, NCI, NIA and ZT.

Serious non-conformities (Needs Immediate Action, Zero Tolerance and Access Denied) or the failure to implement corrective actions can result in the non-listing of a new Supplier or the suspension or termination of commercial relations with a listed Supplier.

All the main non-conformities found are monitored and consolidated annually by risk type.

⁽¹⁾ It should be noted that the concept of attempted bribery mentioned in the audit report refers to an attempt to bribe the auditor and not to the fact that the supplier may have been involved in a bribery case.

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can be initiated. Visit reports are issued as part of the process of routine visits made to Suppliers. They can result, if necessary, in additional audits.

Additional procedures: L'Oréal also uses analyses and ratings provided by EcoVadis, an analytical company, to evaluate the policies implemented by the Suppliers, among others, in terms of the issues covered by the Plan. This evaluation is an indicative guide that can be added to the audits described above. By participating in the EcoVadis assessment, L'Oréal compares its environmental and social policy with the expertise and the recommendations of external auditors qualified in the analysis of multi-sector risks. This is a useful rating for the continuous improvement of L'Oréal's programme, it also contributes to the transparency of industry practices. This assessment is used to select suppliers by taking their environmental and social performance into consideration. L'Oréal is co-founder of the Responsible Beauty Initiative (RBI), a sector initiative created in 2017 with EcoVadis. It brings together eight major players in the cosmetics industry for the sustainable transformation of the entire beauty supply chain.

(ii) Self-assessment system

Human Rights and fundamental freedoms: An annual ethics reporting system enables monitoring of the implementation of the Applicable Rules in the Subsidiaries, namely with regard to Human Rights and Fundamental Freedoms.

Environment, health and safety in the workplace: The Management Committees of L'Oréal Sites have tools for the self-assessment of their practices based on the audit standards provided to them. This enables them to produce an improvement plan, if required. These self-assessments are input data in the EHS risk audits.

To direct its performance:

- every year, each Subsidiary site defines and revises its safety and environmental roadmaps to achieve the targets set by the Group. It tracks EHS indicators monthly.
- at Group level, the indicators are consolidated monthly by region and globally for the Group's results.
- a Greenhouse Gas Assessment is prepared annually (in accordance with the GHG Protocol).

6. Whistleblowing mechanism and reporting system

"L'Oréal Speak Up", L'Oréal's internal whistleblowing mechanism, has been in place since 2008. This system gives employees and stakeholders access to a secure website they can use to raise any concerns they may have, including serious infringements of Human Rights and Fundamental Freedoms, health and safety at work and respect for the environment, with the Chief Ethics, Risk and Compliance Officer, in a secure, effective manner that provides all the

guarantees of confidentiality necessary for the reporting of potential breaches. Any allegations expressed in good faith are examined in detail and adequate corrective measures are taken, if applicable. Employees have several other methods of raising their concerns (line management, dedicated local hotlines etc.). The whistle-blowing line was opened to employees in 2008, and then to stakeholders in 2018.

7. Update on the effective implementation of the Plan

This section provides the 2022 results of the application of the Plan for Subsidiaries and Suppliers.

7.1. General results of whistleblowing mechanisms and reporting

In 2022, there were 510 reports on potential non-compliance with the Applicable Rules, including:

- 22 on sexual harassment, 6 of which were proven, in whole or in part, and which resulted in 5 departures from the Group;
- 73 on bullying, 12 of which were proven, in whole or in part, and which resulted in 1 departure from the Group;
- 28 on discrimination, 3 of which were proven, in whole or in part, and which resulted in 3 departures from the Group;
- 20 on health and safety, 1 of which was proven, in whole or in part, which resulted in no departures from the Group; and
- none on environmental issues.

7.2. Results of the application of the Plan to Subsidiaries

Adoption of the Applicable Rules by the Subsidiaries

The Applicable Rules are incorporated into the Group's Subsidiaries' internal rules.

95% of employees individually acknowledged the receipt of the Code of Ethics and 87% of employees have been trained using an e-learning training tool on ethics.

Each EHS manager and each person working in a factory or distribution centre is trained in the Applicable Rules on Health, Safety and the Environment (EHS). All new employees are trained in the Rules on Health and Safety in the workplace and the Environment, regardless of their work location.

Monitoring and control system in respect of Human Rights

The monitoring of compliance with the Applicable Rules by all Subsidiaries is bolstered by the Speak Up whistleblowing mechanism. An extensive communication campaign explains how Group employees can access the mechanism; the results for 2022 are shown in the preceding paragraph. The annual Ethics Day dialogue sessions held with the Chief Executive Officer and the Directors of Subsidiaries give employees the opportunity to have their say on these topics. Action plans may be initiated, including corrective measures when necessary.

In addition, the Group's entities self-assess compliance with the Applicable Rules and submit these self-assessments as part of the annual ethics reporting on Human Rights, in accordance with the Group's Employee Human Rights Policy.

The entities ensure that their employees are familiar with this policy. They have organised training and communication sessions on the topics covered by this policy (health/safety at work, diversity and equity and inclusion, anti-harassment policy etc.).

The completed self-assessments are consolidated at Group level; some of the key information from these self-assessments is given below.

(i) **Child labour:** it was reported that in 2022:

- 17 employees were 16-18 years of age⁽¹⁾; and
- 0 employees under 16 years of age worked in the Subsidiaries.

(ii) **Forced labour:** no use of prison labour was identified.

(iii) **Freedom of association and right to collective bargaining:** the Subsidiaries uphold freedom of association and employees' right to collective bargaining, in particular the right to form/join a union, except in countries that limit or restrict this right. In this case, they ensure there are other methods of dialogue with employees in place that allow them to raise any concerns they may have.

(v) **Working hours:** all Subsidiaries complied with the Applicable Rules on rest time.

Monitoring and control system in respect of Health, Safety and the Environment

In 2022, 85 "Top managers" (managers of factories or distribution centres, Management Committee members, etc.) attended the Leadership & Safety Culture seminar, held at the CEDEP, The European Centre for Executive Development, at the INSEAD campus in France. Since the start of this programme, 754 senior managers have been trained. The seminar aims to raise awareness with top managers about safety issues, increase their leadership ability and see these behaviours adopted and maintained over the long term.

34 factories are certified ISO 45001, representing 89% of the Group's factories. 35 factories are certified ISO 14001, representing 92% of the Group's factories.

In 2022, the following EHS audits were conducted:

- 20 risk audits;
- 8 combined risk and EHS culture audits; and
- 7 combined Quality, Environment, Health, Safety and Performance audits and 3 combined Quality, Environment, Health and Safety audits.

The most frequently identified risks during EHS risk audits are related to fire protection, procedure safety, hazardous energies, containment of fire water runoff and wastewater management. The cases of non-conformity and formal notice were systematically subject to corrective actions.

One factory was the subject of a neighbourhood complaint in 2022, for two reasons: the first involving the noise caused by the use of a chiller and the second involving an odour problem originating from the site's filtration garden (an installation that uses plants to treat wastewater).

Two cases of non-compliance with environmental regulations were notified by an administrative authority in 2022. They involve 2 factories, the first of which relates to wastewater quality, and the second to the management of lightning risk.

No fines were imposed in 2022.

7.3. Results of the application of the Plan to Suppliers

Adoption of the Applicable Rules by Suppliers

100% of strategic Suppliers in the direct purchases category and 95% of strategic Suppliers in the indirect purchases category have made a contractual commitment to comply with the Applicable Rules.

All purchasers know the Applicable Rules and know which people to contact in the event of doubts.

In 2022, 103 newly recruited purchasers in the Group received in-depth training in responsible purchases.

Monitoring and control system

The Applicable Rules are controlled through external audits. These audits cover questions on Human Rights as well as Environment, Health and Safety and cover all activities of the audited Site without being limited to the parts of the Site that operate for L'Oréal.

1,145 on-site audits were conducted in 2022, as part of regular audits, but also ad hoc audits following a risk analysis (29 ad hoc audits in 2022)⁽²⁾. Thus, 99% of Supplier production sites requiring audits were audited at least once.

The cases of non-compliance noted during these social audits that come under the Plan are described below.

In 2022, 859 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 2022.

(1) The scope of consolidation of human rights data arising from ethics reporting is identical to that of social data.

(2) Audits for which the Supplier is not part of the scope, but in respect of which the purchaser decided to conduct a social audit as a precaution. They represent 3% of the total number of audits.

In terms of Human Rights

Results of audits by topic

(i) **Child labour:** 1.3% of non-conformities.

The employment of a child under the age of 16 was identified in 3 audits. One of the three suppliers was granted exemption by L'Oréal upon presentation of a comprehensive file certifying that the young workers only carry out light duties that have no effect on their health and safety or their regular attendance at school, that their employment complies with local legislation and that the supplier has appointed an in-house "guardian" for these young people. The necessary measures have been taken to discontinue any commercial relationship with the other two suppliers. Other cases of non-conformity involved in particular, the absence of procedures to verify age at the time of hiring by the Supplier, the absence of copies of identity documents, and the employment of young people in dangerous conditions. The Suppliers concerned have been asked to correct these situations, and a follow-up audit is planned.

(ii) **Forced labour:** 6% non-compliance.

During one audit, it was noted that employees were unable to mix freely or use the toilet facilities at their own convenience. The necessary measures have been taken to rectify this situation with the company concerned. Other cases of non-conformity concern the demand for a monetary deposit at the time of hiring, withholding of identity documents without a legal requirement, the freedom for employees to end their contracts without being penalised (financially or other) except for those stipulated by social legislation, the absence or inadequacy of employment contracts, and the absence or inadequacy of work permits for foreign workers. The main corrective measures requested were the return of the identity documents and the updating of employee contracts. Follow-up audits will check the effective implementation of these corrective measures.

(iii) **Freedom of association and right to collective bargaining⁽¹⁾:** 3% non-compliance.

Most of the cases of non-conformity concern the failure to freely elect employee representatives without management interference. Elections must be carried out, or in countries where such elections are not legal, employee meetings must be organised or alternative arrangements made for employees to raise any concerns or complaints they may have.

(iv) **Non-discrimination:** 1.1% non-compliance.

These cases of non-conformity mainly concern the absence of a clear and uniform policy to ensure the absence of discrimination at recruitment or discrimination in the payment of wages and other costs. It was also noted that some suppliers required pregnancy tests as part of the recruitment process.

Suppliers were requested to take corrective action, which will be checked in future audits.

(v) **Working hours:** 25% non-compliance.

Cases of non-conformity involved failure to comply with the Applicable Rules for work time and regular days off, but also the lack of sufficient documents to ensure correct monitoring of the Applicable Rules. In all of these cases, corrective action plans are implemented and a follow-up audit is planned.

(vi) **Wages and charges:** 18.3% non-compliance.

The audits did not find undue salary withholding or charges.

Most of the cases of non-conformity concerned insurance and social security contributions, as well as a failure to monitor the payment of wages, or non-payment of the minimum wage. When an audit notes a case of non-compliance with regard to the correct settlement of wages, social benefits or the correct payment of overtime, even though these are not undue salary deductions, the Suppliers are requested to correct the situation and a follow-up audit is planned.

(vi) **Sexual harassment and bullying:** 3.1% non-compliance.

Most of these cases of non-conformity concerned the absence of a written policy prohibiting sexual harassment and bullying or the absence of an internal system allowing the situation to be reported without negative consequences for the employee concerned.

Suppliers were requested to draft these policies, which will be checked in future audits.

The other cases of non-conformity did not concern serious breaches of the Applicable Rules.

(viii) **Disciplinary practices:** 2.3% non-compliance.

Most of these cases of non-conformity concerned the absence of clear written rules regarding disciplinary practices, or a lack of communication of these rules to the company's employees.

Suppliers were requested to draft these rules, which will be checked in future audits.

(ix) **Subcontracting:** 1% non-compliance.

All cases of non-conformity related to a lack of practice on the part of the supplier to ensure that L'Oréal's standards of ethics are upheld in their own supply chain.

Corrective action has been requested and will be checked in future audits.

Health, Safety and the Environment

39.1% of the cases of non-compliance concerned the applicable rules on Health, Safety and the Environment.

Most of these cases involved the absence of fire safety certificates, a lack of training in emergency evacuations, handling of fire extinguishers or the use of protective equipment, the absence of an evacuation plan, or shortcomings with regard to emergency routes or exits.

In all of these cases, corrective action plans are implemented and a follow-up audit is planned.

Sustainable sourcing of raw materials

In 2022, 100% of the renewable raw materials used by the Group were reassessed on the basis of criteria such as respect for biodiversity and forced labour. Out of the 329 plant species that are the source of the renewable raw materials used by the Group, around 6%⁽²⁾ present significant biodiversity challenges (endangered species, 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.

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

(1) Figures exclude audits where verification could not be performed because of the specific nature of local regulations.

(2) Calculated on the basis of projected purchases between January and November 2022.