

# L'ORÉAL

## Vigilance Plan

# 2024

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## 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 sustainability, 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 a "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 subsection 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 subsection 5.). It provides a whistleblowing mechanism and reporting system (see subsection 6.) and presents a report on the plan's implementation (see subsection 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 2023 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 Department (EHS, Purchasing), the Human Resources Department, the Corporate Social Responsibility Department and the Legal Department. It meets several times a year. Each of these representatives leads a local network (Ethics Correspondents, Environmental, Health and Safety, Purchasing, and Human Relations 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 (*Instance Européenne de Dialogue Social*) and qualified outside stakeholders (NGOs and members of civil society). The Audit Committee and the Board of Directors are informed each year of the update to the Plan's content. As part of the preparation for the Corporate Sustainability Reporting Directive (CSRD), the Group conducted double materiality analyses of the main sustainability risks, impacts and opportunities. These studies enabled the Group to continue its dialogue with experts and stakeholders on the potential impacts of its business activity, specifically on the environment and human rights (see paragraph 4.1. of the 2023 Universal Registration Document).

### 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.

### 3.1. 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 37 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 packaging articles 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 packaging articles is not part of L'Oréal's activity<sup>(1)</sup>. The filling and packaging articles used are purchased from companies specialising in this area. The same is true for the production equipment.

### 3.2. 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.

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

(2) Definition of decent living wage in paragraph 4.3.2.5 of the 2023 Universal Registration Document.

## 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 all 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 an independent analysis, and was reviewed by different external stakeholders. 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:

- child labour among the employees of the Group's Suppliers;
- forced labour among the employees of the Group's Suppliers;
- 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;
- a lack of decent living wage<sup>(2)</sup> for the employees of the Group's Suppliers; and
- a lack of workervoice mechanisms for social dialogue, freedom of association and collective bargaining among the employees of the Group's Suppliers.

Other potential risks identified concern respect for the environment, the right to access water, consideration of Human Rights in the choice of raw materials and, in particular, respect for free, prior and informed consent of indigenous peoples.

### 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 business 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.

**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. 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 2023 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 97 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<sup>(1)</sup> 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 2022, 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 and Inclusive Sourcing* programmes.

### The Living Wage programme

In 2023, L'Oréal was awarded the Living Wage Employer accreditation by Fair Wage Network, an international NGO, in recognition of its worldwide status as a committed Living Wage Employer.

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

In order to roll out this approach to its strategic suppliers, L'Oréal initiates dialogue, works together and establishes common strategic frameworks, in collaboration with partners within its supply chains, other companies, civil society, governments etc.

(1) Definition of decent living wage in paragraph 4.3.2.5 of the 2023 Universal Registration Document.

In 2023, L'Oréal launched a programme aimed at explaining the principle of a living wage to its strategic suppliers and sharing information on the adoption of a living wage approach. The programme consists of a series of meetings over several months with a group of suppliers, the Fair Wage Network and L'Oréal in attendance. The purpose of these meetings was to discuss the strategy and methodology, as well as to hear from the suppliers that were furthest forward in the process. This encourages companies to share best practices and any difficulties. The suppliers are invited to make commitments via a *living wage pledge*.

In 2023, more than 115 suppliers benefitted from individual support and more than 50 suppliers pledged to be compliant by 2030.

### The Inclusive Sourcing programme<sup>(1)</sup>

Through its Inclusive 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 and 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 Inclusive Sourcing programme concerns, for example: fair trade producers, companies which employ people with disabilities, social insertion enterprises, or companies owned by minorities<sup>(2)</sup> (when this is permitted by national legislation).

Inclusive Sourcing helps to achieve L'Oréal's goal of enabling 100,000 additional people who are socially or economically vulnerable to access employment by 2030.

### Measures to improve the working conditions of beauty advisors

L'Oréal works with beauty advisors to promote its products at points of sale. Depending on the markets, they may be L'Oréal employees, distributor employees or employees hired through temporary employment agencies. Predominantly women, these advisors are in direct contact with consumers and may sometimes be faced with consumer or management behaviour that does not reflect L'Oréal's values. To improve their access to reporting tools, the Group has launched pilot projects in three markets.

For example, a mobile phone survey tool has been deployed for all beauty advisors employed by a temporary employment agency as part of a pilot in a Group country. This revealed human rights issues, concerning working conditions, employment contracts and harassment, in particular. These topics were addressed in a dedicated action plan that included measures to improve contracts and to train beauty advisors, distributors and employers of these advisors on violence against women.

Other similar feedback tool projects are being considered, as the ultimate goal is to increase the coverage of this at-risk population.

## 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.

(1) Previously called the Solidarity Sourcing programme.

(2) As part of the Inclusive Sourcing programme, L'Oréal supports suppliers who give access to employment to minorities recognised by the government standards of the country.

With regard to water discharge, each industrial site has implemented a self-monitoring system representative of the wastewater discharged<sup>(1)</sup>. This self-monitoring is a tool for detecting risks of exceeding regulatory thresholds that helps to anticipate any non-conformities and initiate corrective actions. A total of 30 L'Oréal factories have their own wastewater treatment plant. L'Oréal is continuing with the installation of these plants.

The process safety risks are analysed using the HAZOP (HAZard and OPerability analysis) guide. This method focuses on operating conditions, or FMECA<sup>(2)</sup>, 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 subparagraph 4.3.1.2.1. of the 2023 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 2023 Universal Registration Document.

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

(2) Failure Mode, Effects and Criticality Analysis.



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 CO<sub>2</sub> emissions by -81% (in absolute value), their water withdrawal by -49%<sup>(1)</sup>, and their waste generation by -37%<sup>(1)</sup>.

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<sup>(2)</sup>. The main environmental objectives of the programme concerning Subsidiaries are as follows:

- **Climate:** by 2025, reach 100% renewable energy at all operated sites<sup>(3)</sup>. 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;
- **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; and
- **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 landfills.

These objectives are accompanied by monthly reporting of detailed indicators used to monitor variations in results in each of these areas and to identify potential anomalies and incidents. This reporting is also accompanied by an annual programme to coordinate environmental projects, running until 2030, which allows objectives to be set at site level. These projects are evaluated and prioritised in order to ensure that the L'Oréal for

the Future objectives are reached. The objectives, which are defined annually and linked to the monthly reporting, make it possible to assess the performance of each site, country and zone. A summary of the results obtained is provided in subsection 7.

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.

Regular checks are carried out at sites operated by the Group to ensure that cooling gas, which is used for the production of cold (e.g. refrigeration units) and heat (e.g. heat pumps), have not leaked. A risk reduction strategy has been implemented following a comprehensive inventory of facilities that use cooling gas at sites. It is based on two pillars: detecting and managing leaks and replacing traditional cooling gases with alternative cooling gases with low global warming potential (or GWP).

Detailed information on these additional actions is available in chapter 4 of the 2023 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 suppliers. 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.

The Group has defined a methodology to engage suppliers based on their emissions contributions and to manage their emissions performance with them.

This methodology, which is being gradually implemented, is based on:

- their commitment to CDP Supply Chain;
- their emissions contributions;
- the reliability of their reported data, which is checked by monitoring the verification conducted by a third party;
- the adoption of ambitious targets and the launch of associated action plans; and
- the alignment of their trajectory with the Science Based Targets initiative.

(1) Per unit of finished product.

(2) See chapter 4 and the summary table in 1.4.2. of the 2023 Universal Registration Document.

(3) On the Group's operated sites, excluding safety and security installations as defined in paragraph 4.5.1.3. "Environmental data" of the 2023 Universal Registration Document.

- Water: by 2030, all strategic suppliers will use water responsibly in the areas where they operate.
- 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; and
  - 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.

At the end of 2021, the Group conducted a regional analysis of the Human Rights risk in Indonesia, one of the world's leading producers. This analysis confirmed that Human Rights violations largely coincide with the areas that are most at risk of deforestation. In 2023, three human rights assessments were conducted on the ground at palm oil plantations in Indonesia, following a specific approach to take into account gender violence. Action plans were implemented at the plantations where practices were identified as non-compliant (mainly discrimination, recruitment and employment contracts).

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) principles<sup>(1)</sup>. 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".

Faced with an identified human rights risk, L'Oréal joined the "Harvesting the Future" project launched by the Fair Labor Association, which was extended in January 2023 to cover the rose sector in Turkey for an initial period of two years until December 2024. The project aims to improve working conditions and respect for human rights in the rose sector in Turkey, focusing on empowering seasonal agricultural workers and their families.

The project brings together various stakeholders, including the Turkish government, civil society organisations, processors, producers and companies in the beauty and fragrance sector, in order to support and empower these companies in establishing a human rights vigilance system in their supply chains. It also strengthens the relationship with local stakeholders.

For other streams of renewable raw materials, which represent 22% of the portfolio of renewable raw materials in volume and 87% 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<sup>(2)</sup>.

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. 70% of the volume of raw materials that the SCAN index has identified as representing sustainable sourcing challenges (i.e. 60% 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 learning 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.).

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

(2) The UNDP's IHDI, the EPI from Yale University, and the Verisk Maplecroft Country Index.



- 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; and
  - 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.

L’Oréal has taken strong action in the following areas to reduce its overall plastic footprint: (1) packaging, (2) microplastics in the formulas of its products, (3) POS furniture, (4) transport and (5) plastic waste generated by its factories and warehouses.

In addition to ecodesign measures carried out by research laboratories, Operations teams and brands, this commitment requires the involvement of a range of stakeholders (companies located at different levels of the value chain, research institutions and public authorities).

In order to reduce its plastic footprint, L’Oréal has adopted a strategy known as the “3Rs”:

- reduce the quantity of plastic;
- replace fossil-based plastics with other materials that have less of an impact on the environment; and
- recycle by developing recyclable packaging and increasing the use of recycled plastic.

To do this, L’Oréal takes action at the design level of its products and develops circular economy measures that respect the environment and social rights.

Its approach to reducing the plastic content in packaging is based on the following pillars:

1. reducing the intensity of packaging used by the Group, particularly plastic packaging;
2. replacing fossil-based plastics with other materials that have less of an impact on the environment, such as shampoo bars and composite packaging; and
3. promoting reuse (solutions must be analysed with regard to their overall environmental impact and the packaging life cycle as a whole and must be compatible with health protection and the proper conservation of products).

In addition to reducing its use of plastics, L’Oréal wants to reduce the environmental impact of the remaining plastics it uses by means of recycling. Recycling helps to reduce CO<sub>2</sub> emissions associated with the production of virgin plastic and to improve waste management by preventing litter, as plastics are collected and sorted for recycling. To this end, L’Oréal promotes the implementation of Extended Producer Responsibility (EPR) initiatives in countries in which this sector is underdeveloped.

L’Oréal has had a health and safety policy for the materials used in its packaging for 20 years. It specifies the conditions for acceptance or rejection of substances that may be present in our packaging, regardless of the material. This policy is updated annually in line with regulatory developments and scientific progress, and each supplier agrees to fully comply with regard to the packaging used in the Group’s products. Quality auditing is carried out to ensure compliance.

The Group has begun working on this value chain, particularly with suppliers of plastic packaging and recycled plastics, by involving them in analysing and mitigating upstream social risks. All recycled plastic producers used by the Group’s packaging suppliers undertake to comply with the Group’s standards and commit to this by signing the Letter of Mutual Ethical Commitment. A social audit is carried out at each recycled plastic supplier factory located in a high-risk country. A conforming social audit is a prerequisite for any commercial relationship between recycled plastic suppliers and the Group’s plastic packaging suppliers. Conscious of the fact that transforming the sector requires the cooperation of all of its stakeholders, including suppliers of plastic packaging, recycled plastics and other end products, the Group maintains an active dialogue with numerous stakeholders in order to shift the industry towards responsible sourcing.

Once sources have been analysed, social audits are conducted at recycling sites based in high-risk countries in accordance with the Group’s social audit procedure.

A €50 million impact fund (the Circular Innovation Fund) is dedicated to waste management and the circular economy as part of the L’Oréal for the Future commitments.

- Commitment of suppliers to self-assess and move forward with action plans through CDP.

L’Oréal actively works with its suppliers to help them improve their performance in terms of sustainability.

In 2007, L’Oréal joined 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 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 2023, 95% of strategic suppliers completed the climate questionnaire. 76% of selected suppliers completed the water questionnaire and 73% of those selected for the sustainable management of forestry questionnaire responded.

- Supplier commitment to self-assess and improve with corrective actions recommended 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. 95% of strategic suppliers were evaluated by EcoVadis.

## 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. Social audits are conducted at the Group subsidiaries' industrial sites by a third-party company for the purpose of verifying that the Applicable Rules are implemented correctly.

##### (ii) Adoption of the 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 Relations 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 Relations 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 learning

Communication of the Applicable Rules and training of the teams involved supplement 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 Relations 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 internal Ethics website 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 2023, over 37,000 people logged on to Ethics Day sessions and more than 6,600 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<sup>(1)</sup>:

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

### (ii) Learning about Human Rights and fundamental freedoms

A new version of the specific, compulsory e-learning course on ethics and human rights was launched in July 2023. In this version, the tool provides a reminder of the respect that the Group's top management has for Human Rights, and offers varied and interactive content and exercises. Notably, it includes practical case studies to resolve, some of which can be customised according to the role selected by the user. The aim is for all employees across all departments to complete this learning.

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 version adapted for Suppliers is available on the website for strategic suppliers.

### (iii) Communication about 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) Learning about the Environment, Health and Safety (EHS) in the workplace

Learning 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 learning includes the various learning actions for health and safety in the workplace, or the environment and covers general EHS learning, EHS learning by "métier" (function) and specific EHS learning.

General EHS learning includes:

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

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

Specific EHS learning refers to EHS learning 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 learning specific to each person.

To support the Environmental aspect of the L'Oréal for the Future programme, a learning 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 Vigilance 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<sup>(1)</sup>.

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.

#### SUBSIDIARY AUDIT MATRIX

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

<sup>(1)</sup> Type of activity: administration, manufacturing, distribution etc. Type of site: administrative offices, factories, distribution centres, research centres etc.

MATRIX THAT TRIGGERS SUPPLIER AUDITS ACCORDING TO RISK MAPPING

Business sector	Description of business sector	Type of country	Suppliers audited
<b>Raw materials</b>	Suppliers of ingredients used to produce cosmetics in L'Oréal factories	Countries classified as "high risk"	100% of Suppliers
<b>Packaging</b>	Suppliers of packaging used for production in L'Oréal factories	Countries classified as "high risk"	100% of Suppliers
<b>Subcontractors</b>	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
<b>Dermo-cosmetic devices</b>	Suppliers of equipment & electronics	Countries classified as "high risk"	100% of Supplier Production Sites
<b>Manufacturing equipment</b>	Suppliers of manufacturing equipment (processing tanks, filling machines etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
<b>Promotional items</b>	Suppliers of promotional items (bags etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
<b>Items intended for points of sale</b>	Suppliers of items intended for the presentation of products at points-of-sale	Countries classified as "high risk"	100% of Supplier Production Sites
<b>Services intended for points of sale</b>	Architects, general contractors, maintenance	Not applicable	Not applicable
<b>Co-packing</b>	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
<b>Logistics service providers (excluding transport)</b>	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 Relations 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<sup>(1)</sup>; 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.

<sup>(1)</sup> 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; and
- 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 that they can use to raise any concerns they may have, including serious infringements of Human Rights and Fundamental Freedoms, the health and safety of people 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 paragraph provides the 2023 results of the application of the Plan for Subsidiaries and Suppliers.

### 7.1. General results of whistleblowing mechanisms and reporting

In 2023, there were 678 reports on potential non-compliance with the Applicable Rules, including:

- 34 on sexual harassment, 19 of which were proven, in whole or in part, and which resulted in 7 departures from the Group;
- 111 on bullying, 37 of which were proven, in whole or in part, and which resulted in eight departures from the Group;
- 30 on discrimination, six of which were proven, in whole or in part, and which did not result in any departures from the Group;
- 24 on health and safety, six of which were proven, in whole or in part, and which resulted in three departures from the Group; and
- 2 on the environment, neither of which were proven, in whole or in part.

### 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. Employees learn through an online learning programme on ethics. At the end of 2022, 87% of the relevant employees had completed this learning programme. A new version was launched in July 2023 as part of the publication of the new Code of Ethics. As at 31 December 2023, 66% of the relevant employees had already completed it.

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

A total of 13 audits have been carried out at the Group's factories and distribution centres, covering all Human Rights Rules with the exception of those relating to health and safety, which are subject to specific audits and organised separately.

- With regard to L'Oréal employees, an audit revealed that the weekly working hours of two employees on the same site were not in line with the Group's policy. The policy defines a remediation plan that includes changing the working hours.
- The other non-conformities flagged during these 13 audits concerned employees of external companies (temporary workers or subcontractors) working at Group-owned sites. These non-conformities can be broken down as follows:
  - (i) **Child labour:** it is reported that, in 2023, 19 employees were aged 16 to 18<sup>(1)</sup>; there were no employees under the age of 16 working at the Subsidiaries;
  - (ii) **Forced labour:** an audit found that three employees of a temporary work company did not have copies of their employment contracts; to remediate this, the site quickly ensured that these individual non-conformities were resolved by the company concerned and defined a procedure to systematically verify that external workers have copies of their employment contracts;
  - (iii) **Freedom of association:** the audits revealed no non-conformity;
  - (iv) **Non-discrimination:** the audits revealed no non-conformity;
  - (v) **Working hours:** an audit revealed that the hours worked by three employees of a temporary work company had not been recorded; to remediate this, the site expanded its system for recording hours worked by using electronic tags already used for L'Oréal site employees to include external workers;
  - (vi) **Wages and charges:** an audit was unable to verify the compliance of salaries paid to employees as owed in the absence of a record of the hours worked by the three employees of a temporary work company cited in (v); moving forwards, conformity verifications will be made possible by the aforementioned expansion of the tag system to include external workers. This audit also flagged that five employees from external companies did not have national social insurance because their respective employers had not organised the required medical visits prior to hiring them; upon receipt of the audit report, the site required the external companies concerned to resolve individual non-compliant situations within three months and to allow the site to systematically check compliance with their requirements in this matter;
  - (vii) **Sexual harassment and bullying:** the audits revealed no non-conformity;

(viii) **Disciplinary practices:** the audits revealed no non-conformity; and

(ix) **Subcontracting:** the audits revealed no non-conformity.

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

In 2023, 119 "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. 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.

35 factories are certified ISO 45001, representing 95% of the Group's factories.

In 2023, the following EHS audits were conducted:

- 22 risk audits;
- 8 combined EHS culture and risk audits;
- 8 combined Quality, Environment, Health, Safety and Performance audits and 1 combined Quality, Environment, Health and Safety audit; and
- 49 additional EHS audits of subcontracting sites in factories, and 18 in external distribution centres.

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

In 2023, regulatory non-conformities were found at nine factories with regard to the quality of their wastewater. Two factories were fined a total of \$1,500 for these non-conformities. In addition, two factories received neighbourhood complaints that did not result in a fine.

## 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 94.4% 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 2023, 143 newly recruited purchasers in the Group completed an in-depth learning programme on responsible purchases.

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

## 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.

1,242 on-site audits were conducted in 2023 , as part of regular audits, but also ad hoc audits following a risk analysis (16 ad hoc audits in 2023)<sup>(1)</sup>.

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

In 2023, 965 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 2023.

## In terms of Human Rights

### Results of audits by topic

- (i) **Child labour:** 1% non-conformity . The non-conformities noted concerned in particular the absence of procedures to verify age at the time of hiring by the Supplier, as well as failure to adhere to the conditions prescribed by the law regarding the employment of young people and apprentices. The concerned Suppliers were asked to correct these situations, and follow-up audits were planned.
- (ii) **Forced labour:** 5.6% non-conformity . Cases of non-conformity concerned the demand for a monetary deposit at the time of hiring, withholding of identity documents without a legal requirement, the freedom for administrative staff to end their contracts without being penalised (financially or otherwise), 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 worker contracts. Follow-up audits will check the effective implementation of these corrective measures.
- (iii) **Freedom of association and right to collective bargaining<sup>(2)</sup>:** 2.4% non-conformity . Most of the cases of non-conformity concern the failure to freely elect worker representatives without management interference. Elections must be carried out, or in countries where such elections are not legal, worker meetings must be organised or alternative arrangements made for workers to raise any concerns or complaints they may have.
- (iv) **Non-discrimination:** 0.9% non-conformity . These cases of non-conformity mainly concern the absence of a clear and uniform policy to ensure the absence of discrimination in 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. In addition, there was one proven case of discrimination. Suppliers were requested to take corrective action, which will be checked in future audits.
- (v) **Working hours:** 25% non-conformity . Cases of non-conformity involved failure to comply with applicable legislation regarding working hours and mandatory rest periods, but also the lack of sufficient documents to ensure correct application of legislation. In all of these cases, corrective action plans are implemented and a follow-up audit is planned.
- (vi) **Wages and charges:** 18.1% non-conformity . The audits did not find any salary withholdings or undue 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.
- (vii) **Sexual harassment and bullying:** 2.5% non-conformity . 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 concerned worker. 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:** 1.8% non-conformity . Most of these cases of non-conformity concerned the illegality or absence of clear written rules regarding disciplinary practices, or a lack of communication of these rules to the workers. Suppliers were requested to draft these rules, which will be checked in future audits.
- (ix) **Subcontracting:** 1.3% non-conformity . Most cases of non-conformity related Suppliers not ensuring 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

41.4%  of the cases of non-conformity concerned the applicable rules on Health, Safety and the Environment. Most of these cases involved the absence of fire safety certificates, a lack of learning about emergency evacuations, handling of fire extinguishers or the use of protective equipment, the absence of an evacuation plan, or breaches with regard to emergency routes or exits. In all of these cases, corrective action plans are implemented and a follow-up audit is planned.

The Statutory Auditors have expressed reasonable assurance about this indicator.

(1) 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 1% of the total number of audits.

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

### **Sustainable sourcing of raw materials**

In 2023, 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 345 plant species that are the source of the renewable raw materials used by the Group, around 5.5%<sup>(1)</sup> 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.

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<sup>(1)</sup> Calculated on the basis of projected purchases between January and November 2023.