

L'ORÉAL

**2020**  
**Vigilance plan**

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# VIGILANCE PLAN

## Introduction

L'Oréal is built on strong Ethical Principles that guide its development. These Principles – Integrity, Respect, Courage and Transparency – 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 meets the obligations of the French law of 27 March 2017 on the duty of vigilance for French parent companies and order-givers 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 S.A., 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), hereinafter the "Suppliers", depending on the risk level as identified in this Vigilance Plan. It is understood that in its own activities, L'Oréal complies with the rules and diligences contained in this Vigilance Plan, even when L'Oréal is not expressly mentioned therein.

The Vigilance 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 3.4.4. "Applicable rules resulting from the risk analysis" of this document). 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 3.4.5. "Effective application and control of the compliance with the Vigilance Plan" of this document). It includes a whistleblowing mechanism and reporting system (see section 3.4.6. "Whistleblowing mechanism and reporting system" of this document) and presents a report on the plan's implementation (see section 3.4.7. "Reporting on the effective implementation of the Vigilance Plan" of this document).

The actions to support, encourage and prevent serious adverse Human Rights, Fundamental Freedoms, health, safety and the environment contained in this Vigilance Plan constitute reasonable efforts to be implemented by Suppliers and Subsidiaries. Given the diversity of the businesses of the Subsidiaries and Suppliers, the Vigilance Plan contains common measures intended for them on these issues.

In addition to these common measures, L'Oréal and its Subsidiaries voluntarily conduct additional actions on these same issues. These actions are described in other chapters of L'Oréal's 2020 Universal Registration Document, particularly Chapter 4. Suppliers voluntarily conduct additional actions on these issues and L'Oréal encourages them to do so.

## A continuous improvement process

As part of an ongoing improvement approach, this Plan is regularly reviewed by a committee composed of representatives of the Office of Ethics, Risk Management and Compliance, 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, SBWA coordinators) around the world, which also means that feedback from the field can be considered in improving the Vigilance Plan.

The Plan was presented to internal stakeholders (such as the employee representatives in the context of the European Works Council (EWC) of the L'Oréal Group) and qualified outside stakeholders. Its updated contents are presented every year to the Audit Committee and to the L'Oréal Board of Directors.

## 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 plants, with a presence in the major growth markets through its network of 40 plants equipped with the very latest technologies and advances in automation. This network of plants adapts constantly with agility to incorporate acquisitions and embrace external innovations.

This network is completed by production sub-contracting, to meet temporary demand peaks in the case of specific technologies (make-up pencils, soaps, etc.) or sometimes for purchases of finished products. Cascade subcontracting is prohibited in our contracts. If, due to manufacturing constraints, some subcontractors must subcontract a portion of the production intended for L'Oréal, they must obtain authorisation from L'Oréal. L'Oréal does not work with subcontractors wishing to subcontract the entire production in order to act as simple intermediaries. When, in certain cases, the subcontractor is authorised to subcontract a portion of its production, the same rules as those defined in this Vigilance Plan are applied to the subcontractors of the subcontractors, and the same types of controls and sanctions in the event of non-compliance are in place.

In order to execute their production, L'Oréal's plants purchase different raw materials, packaging 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 packaging components is not part of L'Oréal's activity. All packaging 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.

## 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 stipulate more stringent standards than the Applicable Rules, such standards must take precedence. If, on the other hand, 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. When faced with conflicting requirements between local law and internationally recognised Human Rights, L'Oréal seeks ways to honour these international standards.

## 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

An initial analysis was conducted in 2017 by the Group and was expanded in 2020 by identifying the salient Human Rights risks. To do so, L'Oréal relied on the reporting framework of the Guiding Principles on Business and Human Rights (UNGP Reporting Framework). This identification process takes into consideration the severity, scale and remediability of its impact on people throughout its value chain. To date, the identification process on a global level and in a few pilot markets has been finalised.

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 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 attacks on 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 are prohibited. Discrimination related to pregnancy is also prohibited. In this respect, 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 also prohibited in the Group. L'Oréal requires that its Suppliers comply with this standard.

### 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. L'Oréal requires that its Suppliers comply with this standard.

### Forced or compulsory labour

L'Oréal refers to the definition of forced labour in Convention 29 of the International Labour Organisation. Forced labour is defined as "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 is present, certain practices that violate internationally recognised Human Rights, such as holding the identity papers of migrant workers, are current.

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

### Working hours

Whichever the region of the world in which L'Oréal is present, the working hours in Subsidiaries and Suppliers, 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

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 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. L'Oréal requires that its Suppliers do the same.

### Additional actions for Human Rights

In addition to the actions resulting from the risk analysis on the activities of the Group and the Suppliers, L'Oréal conducts actions on Human Rights in addition to those implemented in the context of the law on the Duty of Vigilance, which are described in chapter 4 "L'Oréal's social, environmental and societal responsibility" of L'Oréal's 2020 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 five founding members of the Responsible Mica Initiative (RMI), joined by 54 other organisations that use mica. The RMI has three goals:

- implement standards on the responsible workplace on 100% of mica supply chains in 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 approach in addition to diversified income contributing to a more resilient living conditions.

To complete this approach, L'Oréal requires that its suppliers have their own due diligence process in place on their scope of supply of Indian mica. In 2020, 99% of Indian mica used in the Group's formulas came from suppliers committed to obtaining their supply from verified sources.

### Risks and Applicable Rules to prevent serious adverse impacts on and Safety in the workplace and the Environment

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

The analysis risks to the Environment, Health and Safety in the workplace covers generic risks related to industrial activities and specific risks related to the own activities of the Suppliers and Subsidiaries.

### Generic risk analysis process

As is the case for any production (manufacture and filling 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 listed 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 this Vigilance Plan (the "Prevention System").

### Specific risk analysis process for Subsidiaries

The Subsidiaries conduct their own risk analysis based on the list of risks below, particularly the fire risk that is framed by very strict fire prevention standards (National Fire Protection Association standard).

In addition to the generic risks, the subsidiaries identify the specific risks related in particular to cosmetics production. Thus, 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 characterise the aspects and impacts of the site on its environment, and to control those that lead to potentially serious impacts, or the risks of process safety are analysed using the HAZOP (Hazard and Operability analysis) guide, which 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 for controlling industrial and specific risks are summarised in the GHAP (General Hazardous Assessment Procedure) programme.

### Specific risk analysis process for Suppliers

Suppliers, in addition to their own risk analysis, rely at a minimum on the risks identified in the audit grid provided by L'Oréal at the signing of the Letter of Ethical Commitment (see section 4.3.1.3. "Fighting climate change and preserving natural resources" of L'Oréal's 2020 Universal Registration Document) in order to implement preventive means adapted to each site concerned. 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 activity of subcontracting finished products, the specific risks may involve the use of certain raw materials, electrical machines or electrical equipment in manufacturing or storage areas, handling operations that can cause accidents involving bodily injury, wastewater treatment, etc.

In the specific case of subcontracting suppliers of aerosol production or storage, bleaching powders, flammable products, the sites are subject to specific risks analyses on 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:
  - the 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 installations;
  - 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 work (risks for the employees of Subsidiaries and Suppliers during construction work); 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 the risks 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 the Environment, Health and Safety in the workplace

### EHS Referential

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.

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, internally with its Subsidiaries and externally with its Suppliers, which is all included in the EHS referential and purchasing referential.

When local laws and/or the internal rules of Subsidiaries and Suppliers stipulate more stringent standards than what is defined in these referentials, such rules must take precedence.

### Additional Environment, Health and Safety in the workplace actions

In addition to the actions resulting from the risk analysis on the activities of the Group and the Suppliers, L'Oréal conducts actions on Environment, Health and Safety in the workplace in addition to those implemented in the context of the law on the Duty of Vigilance, which are described in Chapter 4 "Corporate Social Responsibility" of L'Oréal's 2020 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 Chairman and 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 2017, L'Oréal joined the Science Based Targets programme, an initiative of the CDP, the United Nations Global Compact, the World Resources Institute and the NGO WWF;
- in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation and, 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 "zero net 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 Task Force on Climate-related Financial Disclosures (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. Over time the Group is prolonging the ambition of moving towards "zero accidents" by ensuring the sustainability of actions and defining the requirements in terms of preparing for emergencies following an incident.

Moreover, the Sharing Beauty with All programme is intended, by the end of 2020, to reduce the environmental footprint of the Group's sites, particularly through the definition and dissemination of best practices in energy efficiency, reduction of CO<sub>2</sub> emissions, the preservation of water, biodiversity and resources, and waste reduction and treatment (the assessment of the programme is presented in Chapter 4 "L'Oréal's Corporate Social Responsibility" of L'Oréal's 2020 Universal Registration Document, in particular in the table provided in section 4.4. "Sharing Beauty with All: 2020 Results"). The new commitments made by the Group for 2030 in the context of its *L'Oréal for the Future* programme demonstrate an ambition all the greater as they aim at guaranteeing the compatibility of the Group's activities with a planet with limited resources (see section 4.1 "Introduction" of Chapter 4).

L'Oréal is also committed to no longer send waste to landfills and to reduce the footprint from transportation of its products.

In the context of ongoing improvement of its EHS performance, the Group has committed to an ISO certification process on its sites in order to permanently anchor the EHS policy on its industrial sites: 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 performance improvement.

Detailed information on these additional actions is available in Chapter 4 "L'Oréal's Corporate Social Responsibility" of L'Oréal's 2020 Universal Registration Document.

### (ii) Additional actions intended for Suppliers

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

Particular attention is paid to palm oil. In the context of its "Zero Deforestation" commitment, 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 Sustainable Palm Index 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.

## Effective application and compliance with the Vigilance Plan

The Vigilance 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. In addition, the Subsidiaries and Suppliers are asked to carry out self-assessments.

### Effective application of the Vigilance 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. In particular, 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 of Ethical Commitment.

#### 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 Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year. These commitments are also indicated 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 Chairman and Chief Executive Officer, to whom she reports.

The Chief Corporate Responsibility Officer has a budget and a dedicated team composed of experts in Human Rights. She relies on all the Group's teams and resources to carry out her work.

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 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 Executive Vice-President of Operations, reporting to the Group Chairman and 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 Sites.

The Executive Vice-President of Operations is supported by and delegates the deployment and monitoring of the policy to:

- plant and distribution centre Directors who, as a result of their positions, 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 are managers trained and dedicated to compliance with the EHS policy who ensure the deployment of the rules, procedures and associated performance objectives of the Group in all of its entities; and
- country Operations Directors who are responsible for, among other things, compliance with the EHS policy by the distribution centres, the administrative Sites and stores in their country.

In addition, the Purchasing teams are responsible for collecting confirmation of acceptance of Applicable Rules from the Suppliers via their Letter of Ethical Commitment.

The Purchasing teams are responsible for ensuring that Suppliers included in the Risk Matrix implement the prevention measures for EHS risks via control audits carried out by third-party companies. 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 Vigilance 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.

In addition, 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.

In addition, any employee in contact with Suppliers must receive the "The Way We Buy" guide when they are hired. It explains ethical standards which 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 webchat with L'Oréal's Chairman and 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 2020, the Ethics Day participation was close to 70% and over 8,900 questions were asked.

On 10 December 2020, to celebrate the UN International Human Rights Day, the Group launched a training campaign on Human Rights for the second consecutive year to increase employee awareness on this issue. On this occasion, the Chairman and Chief Executive Officer addressed all employees and restated the importance of the Group's commitment. This campaign is intended to strengthen the Group's Human Rights culture, and highlights the specific advances made on these issues.

With respect to Suppliers, in addition to the communication of Applicable Rules via the Letters of Ethical Commitment, a website has been provided to strategic Suppliers (Class A Suppliers as defined in section 3.4.5.2.1. "Risk hierarchy of non-compliance with the Applicable Rules" of this document) of raw materials, packaging and subcontractors of finished products. The site contains the following documents:

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

### (ii) Training on human rights and fundamental freedoms

There is a specific, compulsory e-learning course on ethics covering human rights and fundamental freedoms issues.

In addition, 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: 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.

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

With regard to the environment, a sustainable development week organised each year at the sites is punctuated by different events involving many employees.

In addition, 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.

An annual progress report focused on the Sharing Beauty with All programme reports on the reduction of L'Oréal's environmental footprint year after year.



#### **(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 business line 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 business training refers to training specific to a given métier area or activity (for example, all of the packaging staff of a plant).

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.

Lastly, 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.

## **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 adapted to the risks, including a policy of third-party audits. Other means of control are also used, such as monitoring and evaluation of Suppliers conducted by third-party companies such as Ecovadis.

With respect to the Subsidiaries, the risk hierarchy of non-compliance with the Applicable Rules was created taking into account the type of activity (administrative, manufacturing, warehousing, etc.) and, thereafter, the type of Site (administrative offices, plants, distribution centres, research centres, etc.).

With respect to 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;
  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 compliance failures); and
  3. L'Oréal's internal experts or partners (e.g. Ecovadis) recommend that the country be considered for auditing.
- 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	Plants and distribution centres

## 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 plants	Countries classified as "high risk"	Class A and B Suppliers <sup>(1)</sup>
<b>Packaging</b>	Suppliers of packaging used for production in L'Oréal plants	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 (manufacturing 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 Supplier Production Sites

(1) The term Class A Supplier means that these Suppliers account for 80% of the total amount of purchases in the area ("Business Sector").  
The term Class B Supplier means that these Suppliers account for 95% of the total amount of purchases in the business sector.

## Audit and self-assessment system

### (i Audits

#### Audits of Applicable Rules

Audits of Applicable Rules are used to check that the Vigilance 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 described in section 3.4.5.2.1. "Risk hierarchy of non-compliance with the Applicable Rules" of this document. 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.

#### There are three types of audits:

- initial audits (first audits conducted) 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:** minor non-conformities were found, but they do not have an impact on employee safety or health;
- **Needs Immediate Action:** non-conformities are reported either because they are serious, because they are recurring or because they have a potential impact on the health and safety of employees;
- **Zero Tolerance:** 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; 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-compliance (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. In addition, 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. In particular, visit reports are issued as part of the process of routine visits made to Suppliers. They can result, if necessary, in additional audits.

#### EHS audits specific to Subsidiaries

In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been set up since 1996, and was reinforced in 2001 with the presence of external auditors, who are experts in the local context 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 benchmarks, 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. In addition, 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-compliance, complaints and/or fines.

#### Specific EHS audits of subcontractor 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, follow-up (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, 5 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.

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can be initiated. In particular, 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 Vigilance 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 experts and the recommendations of external auditors qualified in the analysis of multi-sector risks. This is a useful rating for ongoing improvement in our programme, but it also contributes to transparency in the practices of industries. This assessment is used to select suppliers by taking their environmental and social performance into consideration.

L'Oréal is also a co-founder of the Responsible Beauty Initiative (RBI), a sector initiative created in 2017 with ECOVADIS that brings together seven 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 self-assessment tools for their practices based on the audit standards provided to them, which enables them to implement 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.

Annually, a Greenhouse Gas Assessment is established (pursuant to the GHG Protocol).

## Whistleblowing mechanism and reporting system

L'Oréal's "Speak Up" policy enables employees and external stakeholders to report serious violations of human rights and fundamental freedoms, non-compliance of rules relating to the health and safety of people and respect for the environment, notably via a secure website (ethics whistleblowing channel) directly to the Chief Ethics Officer.

## Update on the effective implementation of the Vigilance Plan

This section provides the 2020 results of the application of the Vigilance Plan for Subsidiaries and Suppliers.

### General results of whistleblowing mechanisms and reporting

The Group's ethics whistle-blowing line ([www.lorealsspeakup.com](http://www.lorealsspeakup.com)) was opened in 2008, and then to all stakeholders outside the Group, including suppliers and subcontractors, in 2018. A new procedure to collect and handle reports was published. In addition, Employees can use several other channels to raise their concerns (hierarchical line, dedicated local lines, etc.).

In 2020, there were 536 reports on potential non-compliance with the Applicable Rules, including:

- 31 on sexual harassment, 18 of which were proven, in whole or in part, and which resulted in 7 departures from the Group;
- 96 on bullying, 22 of which were proven, in whole or in part, and which resulted in 6 departures from the Group;
- 75 on discrimination, 16 of which were proven, in whole or in part, which resulted in one departure from the Group;
- 42 on health and safety, 8 of which were proven, in whole or in part, which did not result in a departure from the Group; and
- none on environmental issues.

### 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.

94% of employees individually acknowledged the receipt of the Code of Ethics and 76% of employees have been trained using an e-learning training tool on ethics.

Each EHS manager and each person working in a plant 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

Two audits were conducted within Group owned plants and distribution centres, covering all the Rules on Human Rights.

(i) **Child labour:** none of the audits revealed any non-compliance of employment of a child under the age of 16.

As part of the annual ethics reporting in 2020, it was reported that:

- 19 employees were 16-18 years of age;<sup>(1)</sup> and
- 0 employee under 16 years of age worked in the Subsidiaries.

(iv) **Forced labour:** the audits did not reveal any cases of non-compliance.

In the annual ethics reporting, no subsidiary declared the use of labour in a prison environment.

(iii) **Freedom of association:** the audits did not reveal any cases of non-compliance.

(iv) **Non-discrimination:** the audits did not reveal any cases of non-compliance.

(v) **Working hours:** one audit revealed a minor non-conformity. This was an employee who had worked ten consecutive days without a day off.

(vi) **Salaries and costs:** the audits did not reveal any cases of non-compliance.

(vii) **Sexual and psychological harassment:** the audits did not reveal any cases of non-compliance.

(viii) **Health and safety:** the audits did not reveal any cases of non-compliance.

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

In 2020, because of the Covid-19 health crisis, only 13 (versus 63 in 2019) "top managers" (managers of plants 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, 586 senior managers have been trained. The main objectives of these seminars are 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 plants are certified OSHAS 18001, or equivalent, representing 87% of the Group's plants.

33 plants are certified ISO 14001, representing 85% of the Group's plants.

In 2020, in the context of the Covid-19 health crisis, only three combined risk and EHS culture audits were performed on site.

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

There were five neighbourhood complaints in 2020: two plants were the subject of a complaint about the release of a nauseating odour due to a one-off malfunction of the installations; one distribution centre was the subject of a complaint because of the disturbance caused by a delivery truck that blocked access to the neighbouring company; one administrative site and one research centre were the subject of complaints about noise nuisances: one due to inappropriate use of the speaker system and the other because of defective operation of an air extraction motor. All these cases resulted in effective corrective action.

There were 6 cases of non-compliance with environmental regulations notified by an administrative authority in 2020. They cover one notification about a non-finalised administrative file, three notifications about the quality of effluents and, finally, two notifications on the need to adapt some of the Group's facilities. The formal notices were the subject of immediate or scheduled corrective actions over the first half of 2021.

A fine was levied in 2020 (United States) in the amount of \$US 1,000 following a sampling taken at the outlet of the site to evaluate the potential foam rate. The result required an adaptation of the quantity of anti-foam introduced at the wastewater treatment plant so that the situation is not repeated.

## Results of the application of the plan to suppliers

### Adoption of the Applicable Rules by Suppliers

100% of strategic Suppliers are contractually committed to comply with the Applicable Rules.

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

In 2020, 59 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.

1,268 on-site audits were conducted in 2020, as part of regular audits, but also *ad hoc* audits following a risk analysis (45 *ad hoc* audits in 2020)<sup>(2)</sup>. Thus, 96% 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 Vigilance Plan are described below.

(1) Venezuela, the Caribbean and Retail Excellence are excluded.

(2) Audits for which the auditor was unable to access the site or sufficient data are included. They represent 1.8% of the total number of audits. Note that these cases are excluded from the analysis of non-compliance.

## In terms of Human Rights

### Results of audits by topic

(i) **Child labour:** 1.6% non-compliance.

No audits found employment of a child under the age of 16. Cases of non-compliance were found in the area of "Child Labour", particularly concerning the absence of procedures to verify age at the time of hiring by the Supplier, and the absence of copies of identity documents. The Suppliers concerned have been asked to correct this situation, and follow-up audits are planned.

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

Most cases of non-compliance concern the demand for a monetary deposit at the time of hiring, withholding of identity documents without a legal requirement, as well as the freedom for employees to end their contracts without being penalised (financially or other) except for those stipulated by social legislation. 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<sup>(1)</sup>:** 2.7% non-compliance.

Most of the cases of non-compliance 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 to report items to be improved.

(iv) **Non-discrimination:** 1.3% non-compliance.

These cases of non-compliance 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.

Suppliers were requested to implement such policies, which will be checked in future audits.

(v) **Working hours:** 23% non-compliance.

Cases of non-compliance 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, action plans are implemented and a follow-up audit is planned.

(vi) **Wages and charges:** 19% non-compliance.

The audits did not find undue salary withholding or charges.

Most of the cases of non-compliance concerned insurance and social contributions as well as a failure to monitor payments of wages. 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:** 2.7% non-compliance.

Most of these cases of non-compliance 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-compliance did not concern serious breaches of the Applicable Rules.

## Health, Safety and the Environment

41% of the cases of non-compliance concerned the applicable rules on Health, Safety and the Environment.

Most of these cases concerned (i) the absence of fire safety certification, (ii) the lack of training in emergency evacuation, extinguisher handling or the use of protection equipment, or (iii) access to running water flows in all spaces exposed to the use of solvents, corrosive products or other chemical risks.

The missing certifications were obtained from approved third parties, and the training in emergency evacuation and extinguisher handling were implemented as the main corrective measures. Likewise, renovations to adjust the water points were carried out by the Suppliers.

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

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