

4.7. STATUTORY AUDITOR'S REPORTS

4.7.1. Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial information statement included in the Group management report

(For the year ended December 31, 2019)

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

L'Oréal S.A.

14, rue Royale
75008 Paris, France
To the Shareholders,

In our capacity as Statutory Auditor of L'Oréal (hereinafter the "entity"), appointed as an independent third party and certified by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2019 (hereinafter the "Statement"), included in the Group management report pursuant to the legal and regulatory provisions of articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal nonfinancial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from the departments that are responsible for those elements.

Independence and quality control

Our independence is defined by the provisions of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a reasoned opinion expressing a limited assurance conclusion on:

the consistency of the Statement with the provisions of article R. 225-105 of the French Commercial Code;

the fairness of the information provided in accordance with article R.225105 I, 3 and II of the French Commercial Code, i.e., the outcome of the policies, including key performance indicators, and the measures implemented in light of the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law, and anti-corruption and tax evasion legislation;
- the consistency of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A.225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional standards applicable in France to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the consistency of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the human resources and environmental risks associated with their activities, and the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of human resources and environmental information set out in article L.2251021 III, as well as information regarding compliance with human rights and anticorruption and tax evasion legislation;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R.225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L.233-16, within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative results that we considered to be the most important (see the list provided in the appendix), we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities⁽¹⁾ and covers between 18% and 31% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
 - we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important (see the list provided in the appendix);
 - we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of nine people between September 2019 and January 2020 and took a total of 11 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some 30 interviews with the people responsible for preparing the Statement, in particular representing the Operations, Risk Management and Compliance, Tax, Human Resources, Ethics, Environmental and Social Responsibility, Research and Innovation and Purchasing Departments.

(1) Selected sample: Verification of human resources and human rights information: three subsidiaries: Brazil, China and Germany/Verification of environmental and health/safety information: Suzhou, Yichang, Burgos, Rambouillet, Lassigny, Caudry, Nairobi, Warsaw and Istanbul plants; China, Burgos, Vémars, Poland, Czech Republic and Thailand distribution centers; China research and innovation center; Shanghai, Hudson Yards, Clichy, Centre Charles Zviak, Poland and Portugal administrative sites; France sales force; United Kingdom stores.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Neuilly-sur-Seine and Paris-La Défense, February 17, 2020

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Anne-Claire Ferrié

Partner

Emilie Bobin

Sustainable Development Partner

Appendix: List of information that we considered to be the most important

Key performance indicators and other quantitative outcomes:

- environment: finished goods, energy consumption (of which percentage of renewable energy), emissions of scopes 1, 2 and 3 greenhouse gases, VOC, SO₂ and ozone depleting substances, water consumption, COD effluents and discharges, waste production (of which rate of waste recovered and rate of waste sent to landfill), any noncompliance notified by an administrative body, strategic suppliers that have conducted a selfassessment of their sustainable development policy, strategic suppliers selected based on their CSR performance, new or updated products with an improved CSR impact, renewable raw materials, certified or recycled packaging materials, brands that have assessed their CSR impact, and brands that have carried out an awareness-raising measure;
- human resources: accident frequency and severity rate, MESUR visits, headcount and the breakdown thereof, turnover, absenteeism, *Share & Care*, social dialogue, profit sharing schemes, training, and diversity;
- human rights: awareness-raising and training at L'Oréal entities on human rights, child labor, forced labor, ethics indicators, number of whistleblowing reports, non-compliance issues identified during social audits and the breakdown thereof, people from underprivileged backgrounds who have had access to work, and strategic suppliers associated with the Solidarity Sourcing program;
- anti-corruption: employee anti-corruption training, and corruption risk mapping in the various countries where the Group operates.

Qualitative information (measures and outcomes):

- environment: information about EHS audits, the *Carbon Balanced* program, supplier participation in the CDP, and the "zero deforestation" commitment;
- human rights: information about the *Solidarity Sourcing* program, social audits of suppliers and L'Oréal entities, the *Beauty for a Better Life* program, and cosmeto-vigilance;
- fight against tax evasion: information about the rollout of the tax charter.

4.7.2. Reasonable assurance report of the Statutory Auditors on a selection of consolidated non-financial information published in the Group management report

For the year ended December 31, 2019

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L'Oréal S.A.

14, rue Royale

75008 Paris, France

For the attention of General Management,

In our capacity as Statutory Auditors of L'Oréal, (the "Company") and at the Company's request, we have carried out verification procedures with the aim of expressing reasonable assurance on a selection of non-financial information for the year ended December 31, 2019 published in the L'Oréal Group management report.

The information selected by L'Oréal is as follows:

- Human resources information:
 - total workforce, breakdown of headcount by geographic zone;
 - percentage of brands managed by women, number of entities that have been awarded the European labels "Gender Equality European & International Standard" and "Economic Dividend for Gender Equality".
- Social information:
 - number of social audits carried out during the year and breakdown of non-compliance by subject audited.
- Environmental, health and safety information:
 - units produced;
 - direct and indirect CO₂ emissions using the "market-based" and "location-based" method, total energy consumption and by finished good, breakdown by energy source (electricity, gas, fuel, steam, other energies), percentage of renewable energy consumed, renewable electricity consumed, refrigerant gas leakages;
 - total net water consumption and by finished good (excluding recycled and rain water used for gardening);
 - transportable waste excluding returnable packaging in rotation, with returnable packaging accounted at source, returnable packaging in rotation, treatment of transportable waste linked to activity, waste to landfill, of which for local regulatory constraints, recovery and material recovery rates;
 - conventional frequency rates, enlarged frequency rates, and severity rates for work accidents.

This information was prepared under the responsibility of L'Oréal's Board of Directors in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), a summary of which appears in the management report and which are available upon request from the Operations, Human Resources and Environmental and Social Responsibility Departments.

Based on our work, it is our responsibility to express a reasonable assurance conclusion on the selected information.

Nature and scope of procedures

- We performed our work as described below in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with international standard ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information*).
- We conducted the following procedures with the aim of expressing reasonable assurance that the consolidated human resources, social, environmental, health and safety information selected by L'Oréal has been presented, in all material aspects, in compliance with the Guidelines used by L'Oréal.
- We examined, at Group level, the reporting procedures set up by L'Oréal with regard to their relevance, completeness, reliability, neutrality and clarity.
- We verified the process set up to collect, compile and check the selected information with regard to its completeness and consistency. We also reviewed the internal control and risk management procedures used to prepare the selected information.
- We conducted analytical procedures and verified, using sampling techniques, the calculations and consolidation of the data. The work was backed up by interviews with persons from the L'Oréal Environmental Social Responsibility and Sustainable Development Departments in charge of data collection and consolidation and the proper application of procedures.
- We selected a sample of entities for which:
 - we verified, through interviews with the people in charge of data collection, the correct application of procedures;

- we conducted tests of details on representative samples, which consisted in verifying the calculations and corroborating these samples with supporting documents.
- The following entities were selected:
 - for selected human resources information: the activities in Germany, Brazil and China representing 20.5% of the Group's headcount;
 - for selected social information: the L'Oréal head office which centralizes all the information;
 - for selected environmental, health and safety information: Germany (DC Germany), Brazil (Sao Paulo), Canada (DC Canada), China (DC China, Suzhou, Yichang), Spain (Burgos, DC PP Int Burgos), the USA (DC S. Brunswick USA, DC SC Pennsylvania, Franklin), France (Aulnay, Caudry, DC Vémars, Lassigny, Mourenx, Ormes, Rambouillet), India (Baddi), Indonesia (Jakarta), Kenya (Nairobi), Mexico (San Luis Potosi), Poland (DC Poland, Varsovie), Czech Republic (DC Czech Republic), Thailand (DC Thailand) and Turkey (Istanbul), representing 42.7% of Group activity (in units of finished goods reviewed).

We were assisted in our work by our sustainable development experts.

Conclusion

Based on our work, the consolidated non-financial information selected by L'Oréal, presented hereinabove and published in its management report, has been presented, in all material aspects, in accordance with the Guidelines.

Paris-La Défense and Neuilly-sur-Seine, February 17, 2020

The Statutory Auditors

Deloitte & Associés

Frédéric Moulin
Partner

Julien Rivals
Partner,

Sustainable Development

PricewaterhouseCoopers Audit

Anne-Claire Ferrié
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