L'ORÉAL

2021 UNIVERSAL REGISTRATION DOCUMENT

Annual Financial Report

Integrated Report

Contents

Detailed chapter contents can be found at the beginning of each chapter.

* This information forms an integral part of the Annual Financial Report as provided in the article L. 451-1-2 of the French Monetary and Financial Code.

L'ORÉAL

Universal Registration Document

2021

including the Annual Financial Report -
Integrated Report Corporate and Social Responsability

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document has been filed on March 17, 2022 with the Autorité des Marchés Financiers (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to article 9 of said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

This Universal Registration Document including the Annual Financial Report is a reproduction of the official version which has been prepared in ESEF format and is available on the issuer's website www.loreal-finance.com

This document is a free translation of the original 2021 Universal Registration Document issued in French Language and is provided solely for information purposes. In case of discrepancy between the French and the English version, the French language version of the Universal Registration Document shall prevail.

“I have immense confidence in L’Oréal’s future”

JEAN-PAUL AGON
Chairman of the Board of Directors of L’Oréal

2021 was a decisive year for L’Oréal.

Firstly, both in the financial and extra-financial spheres. Thanks to its robust and balanced business model, coupled with the strategic choices made over the past few years, the Group has come through the crisis remarkably well and continued its virtuous path. The exceptional financial performance achieved in 2021—a combination of very strong sales growth, market share gains and a record increase in profitability—enables us to pursue our dynamic shareholder return policy.

L’Oréal has again made huge progress in sustainable development, gender equality and inclusion. It is vital to continue accelerating in tackling today’s huge environmental and societal challenges. This is what we do particularly with L’Oréal for the Future. This programme, launched during the pandemic, aims at a more radical transformation of our company towards being an ever more exemplary, responsible, and supportive corporate citizen.

This dual excellence-financial performance and environmental, social, and societal exemplarity-forms the backbone of our strategy.

On behalf of the Board of Directors and myself, I would like to warmly thank and congratulate each and every one of L’Oréal’s 85,400 employees. It is they who-through their quality, creativity, engagement, and desire to act responsibly-create lasting, shared value.

2021 was also a year of change with regards to governance and shareholder structure, in order to strengthen L’Oréal’s position in the years to come.

Following the dissociation of the functions of Chairman and Chief Executive Officer, in May Nicolas Hieronimus became in May the sixth CEO in L’Oréal’s 112-year history. The transition, prepared long in advance, took place seamlessly and in the spirit of continuity, true to the tradition of our company. The two roles are complementary and clearly defined. As Chairman, I will oversee the definition of the strategic orientations and ensure effective governance. I am particularly honoured to continue serving the company I have devoted my life to.

I am convinced that our commitment to continuously improving our governance will be a fundamental asset for the Group in the long term. In this regard, receiving the 2021 Grand Prix Award for Corporate Governance from l’AGEFI is a source of great pride and encourages us to intensify our efforts.

Another strategic milestone was the reinforcement of the shareholder stability around the Bettencourt Meyers founding family and Nestlé. The agreement, approved by the Board, for the repurchase by L’Oréal of 4% of its capital held by Nestlé, is in the interest of L’Oréal and all its shareholders.

I have immense confidence in L’Oréal’s future. Driven by the vision, talent, and commitment of Nicolas Hieronimus and all our teams, a new era of the L’Oréal Adventure is beginning.

It truly promises to be remarkable.

“L’Oréal is uniquely positioned to succeed in 2022 and beyond”

NICOLAS HIERONIMUS
Chief Executive Officer of L’Oréal

2021 in three key words?

Historic: L’Oréal sales grew by +16.1%(1), twice the growth of the beauty market.

Balanced: we grew in all Zones, all Divisions and all categories, showing the true power of our unique business model.

Responsible: our strong financial results enabled us to share our success with our employees and invest in our social and environmental commitments.

What was behind the historic results in 2021?

2021 saw the beauty market bounce back to almost its 2019 levels. As the world’s leading beauty company, we continued to drive the market with strong innovations. One of the most interesting things to note is our balanced business model and our unique portfolio of brands.

Our success can also be explained by our virtuous growth model. We continued to invest in our brands and in game-changing innovations, despite all the uncertainties of the market, fuelling more growth while still delivering on profit. In addition, we saw incredible agility and outstanding results from our teams. And, we continued to leverage our digital edge. We accelerated in e-commerce, optimised consumer engagement in the new O+O(2) world and reinvented beauty experiences.

How are you approaching 2022?

I am confident in the continued growth of the beauty market. In the years to come, this growth will be further driven by expanding middle classes and increased premiumization. L’Oréal will continue its transformation to become a Beauty Tech(3) powerhouse. By harnessing the power of data, AI(4) and strategic tech partnerships, we will redefine the future of beauty. And let’s not forget Green Sciences(5). Already well underway, this approach will help us reconcile performance, safety and sustainability, and meet our L’Oréal for the Future commitments. L’Oréal is uniquely positioned to succeed in 2022 and beyond. In a global context that remains volatile at the beginning of the year, we are confident in our ability to outperform the market in 2022 and achieve another year of growth in sales and profits.

---

(1) Like-for-like: based on comparable structures and identical exchange rates.
(2) Offline + Online.
(3) New technologies for the beauty industry.
(4) Artificial intelligence.
(5) Wide range of disciplines, from agronomy to biotechnologies and green chemistry by way of formulation science, upon which L’Oréal relies to meet its sustainable development goals all while creating safe, high-performance products.

1

PRESENTATION OF THE GROUP INTEGRATED REPORT*

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

As the sixth edition of L'Oréal's Integrated Report, this chapter aims to present the well-balanced business model of the L'Oréal Group, its strategic orientations, its 2021 results, its non-financial performance, and its relationships with its stakeholders, particularly in the context of its programme representing its commitments to sustainable development L'Oréal for the Future(1).

1.1. THE L'ORÉAL GROUP: THE FUNDAMENTALS

1.1.1. Our Sense of Purpose (*raison d'être*)

The desire for beauty has existed since the dawn of humanity.
It is a universal aspiration that flows through time, countries and cultures.

Beauty is a powerful force that moves us.

Beauty is not just about appearance.
It gives us confidence in who we are, in who we want to be, and in our relationships with others.

For more than a century, we have been in the unique business of creating beauty.
True to the pioneering vision of our founder and with the unstinting support of his family
who have always accompanied our development.

Our goal is to offer each and every person around the world the best of beauty
in terms of quality, efficiency, safety, honesty and responsibility
to meet all needs and desires for beauty in their infinite diversity.

Because beauty is a permanent quest,
we harness the power of our innovation to continually enhance the performance of our products and services.
Because we value diversity,
we leverage each of our brands to celebrate all expressions of beauty.
Because we strive to be exemplary with a long-term vision,
we anchor our actions in our strong values and demanding ethical principles.

And because we are the global leader in beauty,
we are aware that **everything we do can have a meaningful impact.**

Therefore:

We act to shape the future of beauty
by leveraging the best of science and technology, increasingly inspired by nature.
We act to drive social innovation
by offering the best working conditions, training and social protection for our employees.
We act to build an enterprise with inclusivity at its heart
by ensuring we are as diverse as the consumers we serve.
We act to nurture lasting partnerships with our clients and suppliers,
based on mutual trust and collaboration.
We act to create value for all our shareholders,
by sustaining a robust business model.
We act to champion the cause of women and to strengthen the communities with which we engage.
We act to protect the beauty of the planet
by fighting climate change, respecting biodiversity and preserving natural resources.

At L'Oréal, we share a common purpose to:

Create the beauty that moves the world.

---

(1) *See section 1.3.2. "Corporate Social Responsibility (CSR): shared and lasting growth" of this document.*

L'Oréal's purpose (*raison d'être*) is a core principle for the Group, to see ourselves as a high-performing, committed, responsible, inclusive company showing solidarity in decades to come. L'Oréal's raison d'être is included in the strategies defined by its Board of Directors and its business model.

L'Oréal's *raison d'être* was developed following work implemented over almost two years, initiated and driven at the highest level by Mr Jean-Paul Agon and Mr Nicolas Hieronimus, as well as several members of the Executive Committee. L'Oréal's raison d'être was the result of dialogue with Group employees in three of its key countries (France, the United States and China) and many external stakeholders, including consumers. The progress made was discussed several times in the Executive Committee. For L'Oréal, the aim was to collect and formalise what it contributes to the world as a company, its values and its commitments in one document.

This *raison d'être* was approved on 6 February 2020 by the Board of Directors, who incorporated it into their Management Report published in the 2019 Universal Registration Document and presented to the Annual General Meeting of Shareholders on 30 June 2020.

A single sentence epitomises L'Oréal's sense of purpose (*raison d'être*): "Create the beauty that moves the world." It is defined in concrete actions made to consumers, employees, clients, suppliers, shareholders, service providers and communities. L'Oréal is committed to fighting climate change, by respecting biodiversity and preserving natural resources, and to championing the cause of women.

In its Management Report, L'Oréal's Board of Directors reports on the implementation of the commitments included in its raison d'être, and on the progress towards the goals set:

- for L'Oréal, economic performance is inseparable from its corporate social responsibility performance. The results of the Group's non-financial performance, which are reviewed by external auditors along with its financial performance, reflect the achievements of L'Oréal arising from its raison d'être. Chapter 4 of this document, "L'Oréal's Corporate Social Responsibility", reports on the social, environmental and societal policies and progress, inclusion and ethics within the L'Oréal for the Future programme covering the Group's commitments to sustainable development;
- L'Oréal also presents its progress and achievements in non-financial areas through its annual reporting made to the United Nations Global Compact;
- this chapter also reports on the Group's financial performance, particularly through its business model (see section 1.2. "Business model: Economic and societal excellence to create lasting value for all" of this document); and
- the Group's Corporate Social Responsibility performance is one of the factors considered in determining the variable portion of the remuneration of L'Oréal's executive corporate officers (see section 2.4. "Remuneration of directors and corporate officers" of this document) and the Group's senior managers.

1.1.2. A clear mission and strategy

L'Oréal has defined a clear vision that is broken down into two points: its sense of purpose (*raison d'être*), which is detailed above, and Beauty for All. L'Oréal aims to offer women and men around the world the best in cosmetics in terms of quality, effectiveness, safety, sincerity and responsibility in order to meet all their needs and all their beauty wishes in their infinite diversity. More than ever, L'Oréal's vision takes on its full meaning and represents a strong anchor in this increasingly unpredictable and complex environment.

L'Oréal's strategy is Glocalization, meaning the globalisation of its brands with a detailed understanding and respect for local differences. The goal is to offer beauty by responding to the specific aspirations of consumers in every region of the world. In contrast to standardisation, it is based on careful attention to consumers and a deep respect for their differences(1).

1.1.3. The challenge of innovation: the strength of Research, Innovation and Technology

L'Oréal believes that beauty happens when science and technology come together to impress and meet the needs of consumers who expect new experiences over and above products and services.

On the one hand, the beauty of the future is now focused on Green Sciences as a new frontier of Research that reconciles efficiency, naturalness and sustainability to give the Group's products, formulas or even packaging a competitive advantage; and, on the other hand, on Beauty Tech to enhance science via cutting-edge technologies on a large scale and to offer unparalleled beauty experiences.

Innovation is at the heart of the model and, coupled with technology, is a driving force for growth and discovery of new areas of beauty. Data, artificial intelligence, robotics and nanotechnologies will strengthen and speed up the Group's innovations to help make it a champion of Beauty Tech. L'Oréal invents the beauty of the future while becoming the company of the future.

---

(1) The strategy of the L'Oréal Group is detailed in section 1.2.4. "Meeting the global demand for beauty" in this document.

1.1.4. The dual goal: economic and corporate excellence to create lasting value for all

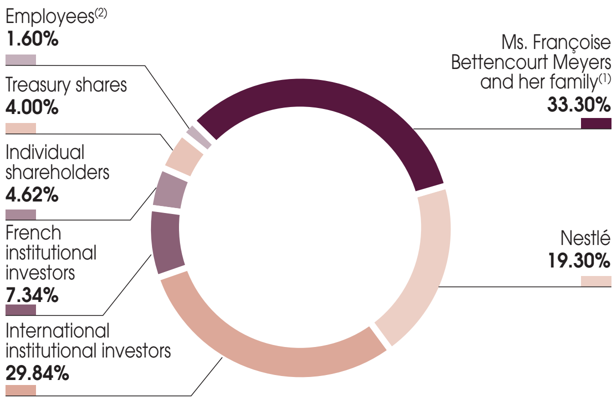
For L'Oréal, the economic and financial performance is not sufficient. Because there will be no economic growth without sustainability in the future, L'Oréal has set itself the dual goal of excellence, in both the economic and ESG (Environmental, Social and Governance) domains. It will be the condition for its success and its long-term existence. Because L'Oréal is the global leader in beauty, it has the duty to contribute to the beauty of the planet and be the champion in corporate social responsibility. And it is because L'Oréal is a social, environmental, societal and ethical leader that it will achieve greater performance in the future. The two performances go hand in hand and mutually enhance each other, as L'Oréal has demonstrated to date.

1.1.5. Stable governance

The stability of the Group's governance in a changing world makes it possible to work towards long-term objectives and to ensure regular growth.

Loyal shareholders, stable capital structure

SHAREHOLDERS AT 31 DECEMBER 2021



(1) Consisting of Ms Françoise Bettencourt Meyers, Mr Jean-Pierre Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers, along with Téthys SAS.

(2) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Including 0.89% as part of the L'Oréal Employee Savings Plan and employee investment fund as defined by Article L. 225-102 of the French Commercial Code.

On 7 December 2021, L'Oréal entered into an agreement with Nestlé to repurchase L'Oréal shares with a view to cancelling them. The conclusion of this contract was authorised by the Board of Directors at its meeting of 7 December 2021, after having reviewed the findings of the independent expert's report. The shares repurchased on 15 December were allocated to the cancellation target.

This transaction with Nestlé constituted a further strategic step in strengthening L'Oréal's shareholder stability, in the interests of the Company and that of all its shareholders.

On 9 February 2022, the Board of Directors cancelled 22,260,000 shares repurchased by L'Oréal from Nestlé effective as of 10 February 2022.

Following this cancellation, the stake held by Ms Françoise Bettencourt Meyers and her family is 34.69% of the share capital, while Nestlé's stake is 20.10%. As at 10 February 2022, the Company no longer holds any of its own shares (see section 7.3.2. "Changes in allocation of the share capital and voting rights over the last three years" of this document).

Separation of the offices of Chairman of the Board and Chief Executive Officer with effect from 1 May 2021

On 14 October 2020, on the recommendation of the Nominations and Governance Committee, the Board of Directors announced its intention to dissociate the functions of Chairman and Chief Executive Officer, to renew Mr Jean-Paul Agon's mandate as Chairman of the Board of Directors, a position he had held since 2011, and to appoint Mr Nicolas Hieronimus as Chief Executive Officer.

This new governance took effect on 1 May 2021, by decision of the Board of Directors at the meeting held following the company's Annual General Meeting on 20 April 2021.

The Board of Directors is convinced that the proposed organisation will guarantee the sustainability of the performance, values and commitments of the Group, as well as the quality of its governance.

A balanced and committed Board of Directors, which fully plays its role of reflection and strategic impetus

The Board of Directors defines the strategic orientations of L'Oréal and monitors its implementation, in accordance with its corporate interest, taking the social and environmental challenges of its business activity into consideration. It oversees the management of both the financial and non-financial aspects, and ensures the quality of the information provided to shareholders and to the market.

The composition of L'Oréal's Board makes it possible to take into account the specific nature of its shareholding structure while guaranteeing the interests of all its stakeholders.

At 31 December 2021, the Board of Directors comprised 16 members:

- the Chairman, Mr Jean-Paul Agon;
- the Chief Executive Officer, Mr Nicolas Hieronimus;
- three Directors (one of whom is the Board's Vice-Chairman) from the Bettencourt Meyers family, which owns 33.30% of the share capital[1] – Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers;
- two Directors (one of whom is the Board's Vice-Chairman) linked to Nestlé, which owns 19.30% of the share capital[1] – Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch;

---

(1) At 31 December 2021.

- seven independent Directors: Ms Sophie Bellon, Ms Fabienne Dulac, Ms Belén Garijo, Ms Ilham Kadri, Ms Virginie Morgon, Mr Patrice Caine and Mr Alexandre Ricard. 50% of the Directors are independent (7 out of 14 excluding the Directors representing the employees); and
- two Directors representing the employees: Ms Ana Sofia Amaral and Mr Georges Liarokapis ; their term of office expires at the end of the General Meeting of 21 April 2022 (see section 2.2.1.3. "Two directors representing the employees since July 2014" of the document).

The Board takes steps to ensure that the Directors come from different backgrounds, and most of them have international experience acquired in groups with a global dimension and complementary skills: entrepreneurial, financial, non-financial (including human resources and sustainable development), manufacturing, digital, etc. The diversity of skills and expertise on the Board (see section 2.2.1.2. "Diversity Policy applied to the Board of Directors: experienced Directors who complement one another") means that the Board understands rapidly and in detail the development challenges with which L'Oréal is faced, the leader in a highly competitive globalised cosmetics market, in a rapidly changing world.

L'Oréal is attentive to compliance with the principle of balanced gender representation on the Board: 50% of its members are women (excluding Directors representing employees), and three Board Committees out of four are chaired by women.

Ethics, at the heart of the Group's governance and commitments

L'Oréal has built up its business on the basis of strong ethical principles that guide its development and contribute to establishing its reputation: Integrity, Respect, Courage and Transparency.

These principles underpin the Group's culture and business model and our compliance, responsible innovation, sustainable development, corporate social responsibility, philanthropy, and Human Rights policies, alongside diversity, equity and inclusion.

L'Oréal's commitments to act ethically and responsibly are set out in L'Oréal's Code of Ethics. This document is available in 45 languages. It is distributed to all employees. 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 the Code.

COMPOSITION OF THE BOARD AT 31 DECEMBER 2021

	At 31 December 2021		Age	Female/Male	Nationality	No. of offices in listed companies*	Independence	Initial date of appointment	Expiry date of term of office (AGM)	Years of service on the Board	Board Committees			
											Strategy and Sustainability	Audit	HR and Remuneration	Nominations and Governance
Chairman	**Mr Jean-Paul Agon**		65	M	French	1		25/04/2006	2022	15	C			
Chief Executive Officer	**Mr Nicolas Hieronimus**		57	M	French			20/04/2021	2025	< 1				
Françoise Bettencourt Meyers and her family	**Ms Françoise Bettencourt Meyers** Vice-Chairwoman		68	F	French			12/06/1997	2025	24	●		●	●
	Mr Jean-Victor Meyers		35	M	French			13/02/2012	2024	9	●			
	Mr Nicolas Meyers		33	M	French			30/06/2020	2024	1		●		
Directors linked to Nestlé	**Mr Paul Bulcke**** Vice-Chairman		67	M	Belgian Swiss	2		20/04/2017	2025	4	●		●	●
	Ms Béatrice Guillaume-Grabisch		57	F	French			20/04/2016	2024	5		●		
Independent directors	**Ms Sophie Bellon**		60	F	French	1	♦	22/04/2015	2023	6		●	C	C
	Mr Patrice Caine		51	M	French	1	♦	17/04/2018	2022	3	●			●
	Ms Fabienne Dulac		54	F	French	1	♦	18/04/2019	2023	2		●	●	
	Ms Belén Garijo		61	F	Spanish	2	♦	17/04/2014	2022	7			●	
	Ms Ilham Kadri		53	F	French Moroccan	2	♦	30/06/2020	2024	1				
	Ms Virginie Morgon		52	F	French	2	♦	26/04/2013	2025	8		C		
	Mr Alexandre Ricard		49	M	French	1	♦	20/04/2021	2025	< 1				
Director representing employees	**Ms Ana Sofia Amaral**		56	F	Portuguese			15/07/2014	2022	7			●	
	Mr Georges Liarokapis		59	M	French Greek			15/07/2014	2022	7		●		

55.3
average age of directors

50%
independent directors***

50%
female directors***

50%
male directors***

♦ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors* ● *Member of the Committee* **C** *Chairman of the Committee*

* *Number of offices (excluding L'Oréal) held in listed companies, including foreign companies, in accordance with the provisions of Article 19 of the AFEP-MEDEF Code (i.e. excluding offices in subsidiaries and shareholdings, held alone or in concert, by a corporate executive officer of companies whose main activity is to acquire and manage such holdings).*

** *Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017.*

*** *Excluding directors representing employees.*

ACTIVITIES OF THE BOARD AND ITS COMMITTEES IN 2021

The Board of Directors fully assumes its role in defining the Group's strategic orientations.

Thanks to an open and constructive dialogue with the General Management and regular meetings with management, the Directors are completely up-to-date with L'Oréal's economic reality and fully informed of all the Company's activities, its performances and the challenges it faces. They examine the main areas and opportunities for long-term development and acquisitions in particular.

The Directors make sure that the decisions taken contribute to implementation of the strategy.

Wishing to continually enhance its role to reflect on issues and drive strategic decision-making, in 2021, the Board carried out an evaluation of its modus operandi and organisation, as it has done every year since 1996 (see section 2.3.4. "Self-evaluation by the Board of Directors" of this document).

BOARD OF DIRECTORS
8 meetings in 2021 *95% attendance rate*
MAIN WORK IN 2021

- **Corporate governance:**
  - Changes in the composition of the Board and Committees, preparation of draft resolutions on the renewal of terms of office and nominations; information on the expectations of investors and proxy advisors;
  - 2021 Annual General Meeting: monitoring the requirements for holding the meeting behind closed doors;
  - New governance structure from 1 May 2021: separation of the offices of Chairman and Chief Executive Officer;
  - Evaluation of the modus operandi of the Board; and executive sessions.
- **Strategic transaction approved by the Board of Directors:** repurchase by L'Oréal of 4% of its own shares held by Nestlé.
- **Remuneration policy for executive corporate officers and Human Resources**: definition of the remuneration policy applicable to the Chairman of the Board and the Chief Executive Officer; determination of the annual variable remuneration of Mr Jean-Paul Agon for 2020; Group employee remuneration policy; review of the diversity and gender balance policy and definition of objectives for gender balance within management bodies; report on the third worldwide shareholding plan.
- **Business activity and results**: systematic review of sales by business segment, by zone and by brand; analysis of market share and competition; analysis of the development of e-commerce; regular update on the consequences of the Covid-19 health crisis and the actions taken.
- **Strategic issues in 2021**: presentation of L'Oréal's CSR policy for 2030; presentation of the Ethics policy and update on its roll-out within the Group; analysis of digital transformation and strategic challenges for L'Oréal; update on acquisitions conducted over the last 10 years; presentation on the activities of the Values Committee.
- **Strategic seminar held in June 2021**: "e-visit" to three countries (China, India, United States) and the Sub-Saharan Africa zone. Continued reflection on beauty in 2030 and post-Covid beauty.

STRATEGY AND SUSTAINABILITY COMMITTEE	AUDIT COMMITTEE	NOMINATIONS AND GOVERNANCE COMMITTEE	HUMAN RESOURCES AND REMUNERATION COMMITTEE
5 meetings – 100% attendance rate	*4 meetings – 93% attendance rate*	*4 meetings – 100% attendance rate*	*4 meetings – 96% attendance rate*
2021 MAIN ACTIVITIES	2021 MAIN ACTIVITIES	2021 MAIN ACTIVITIES	2021 MAIN ACTIVITIES
● Analysis of sales, update on business activities, regular report on the consequences of the Covid-19 health crisis; ● Update on changes in the markets and on competition; ● Analysis of the performance of the latest product launches; ● Review of the Group's strategic development prospects; ● Review of the latest sustainable development initiatives; ● Review of the main acquisition projects, and review of recent acquisitions; ● Review of the proposed credit line subject to ESG criteria; ● Update on the brands.	● Review of the accounts and financial position; ● Risk review and monitoring; ● Review of risk mapping and the changes in the Vigilance Plan and risk factors (URD); ● Review of Internal Control and Internal Audit; ● Monitoring of the business plan for acquisitions; ● Approval of non-audit services; ● Review of Statutory Auditors' Reports; ● Review of the transition plan following the expiry of the Statutory Auditors' terms of office at the 2022 Annual General Meeting; ● Data privacy: assessment of measures deployed; ● Taxation: impact of the new international taxation system.	● Monitoring of implementation of General Management procedures from 1 May 2021: separation of the offices of Chairman and Chief Executive Officer; ● Reflection on the composition of the Board and its Committees; ● Review of succession and emergency plans; ● Diversity policy applied to the Board of Directors: objectives and 2021 results; ● Review of the independence of Directors; ● Organisation and annual evaluation of the modus operandi of the Board; ● Topical issues with regard to governance (Reports by the French Financial Markets Authority - AMF and the Haut Comité de Gouvernement d'Entreprise, etc.); ● Review of the voting policies of the main investors and proxy advisors; ● Implementation of the procedure for regular evaluation of current agreements concluded under normal terms; ● Review of the Committees' CSR obligations; ● Presentation on the Values Committee.	● Analysis of the performance of the Chairman and Chief Executive Officer in 2020; ● Recommendations on the 2021 remuneration policies, proposals concerning the variable remuneration structure and setting of objectives for 2021; ● Recommendations on the 2022 remuneration policies for the Chairman of the Board and the Chief Executive Officer; ● Analysis of the voting policies of the main investors and proxy advisors on remuneration issues; ● Preparation of the *Say On Pay* resolutions (*ex ante* and *ex post*); ● Long Term Incentive Policy (delivery of the 2017 Plan, preparation of the 2021 Plan, review of the draft resolution on performance shares for 2022); ● Diversity: policy developed and results obtained; ● Distribution of directors' remuneration; ● Review of the Group's remuneration policy; ● Project to launch the third global employee shareholding plan.

Composition of the Executive Committee at 1st March 2022

The Executive Committee puts into practice the strategic orientations defined by the Board of Directors and directs L'Oréal's business activities all over the world. Its members head the Operational Divisions, the Support Divisions and the geographic zones, reflecting the complementarity of the Group's expertise.

Nicolas Hieronimus
Chief Executive Officer
Nationality: French
Age: 57

Barbara Lavernos
Deputy Chief Executive Officer, in charge of Research, Innovation & Technology
Nationality: French
Age: 53

Christophe Babule
Chief Financial Officer
Nationality: French
Age: 56

Vincent Boinay
President
Travel Retail
Nationality: French
Age: 54

Cyril Chapuy
President – Luxe
Nationality: French
Age: 57

Myriam Cohen-Welgryn
President
Active Cosmetics
Nationality: French
Age: 56

Vianney Derville
President – Europe Zone
Nationality: French
Age: 54

Asmita Dubey
Chief Digital and Marketing Officer
Nationality: Indian
Age: 47

David Greenberg
President - North America & Chief Executive Officer L'Oréal USA
Nationality: American
Age: 59

Omar Hajeri
President
Professional Products
Nationality: French/Tunisian
Age: 45

Blanca Juti
Chief Corporate Affairs & Engagement Officer
Nationality: Finnish/Mexican
Age: 53

Jean-Claude Le Grand
Chief Human Relations Officer
Nationality: French/American
Age: 57

Fabrice Megarbane
President - North Asia Zone & Chief Executive Officer L'Oréal China
Nationality: French/Syrian
Age: 47

Alexandra Palt
Chief Corporate Responsibility Officer and CEO of the Fondation L'Oréal
Nationality: Austrian
Age: 49

Alexis Perakis-Valat
President
Consumer Products
Nationality: French/Greek
Age: 50

Ersi Pirishi
President
Latin America Zone
Nationality: French/Cypriot
Age: 57

Frédéric Rozé
Chief Global Growth Officer
Nationality: French
Age: 60

Vismay Sharma
President - South Asia Pacific, Middle East, North Africa Zones
Nationality: Indian
Age: 50

Antoine Vanlaeys
Chief Operations Officer
Nationality: French
Age: 53

Change in the composition of the Executive Committee after 31 December 2021: since 25 February 2022, Mr. David Greenberg exercises the functions of CEO of L'Oréal USA and President of North America Zone, succeeding Mr. Stéphane Rinderknech.

1.2. BUSINESS MODEL: ECONOMIC AND CORPORATE EXCELLENCE TO CREATE LASTING VALUE FOR ALL

Created in 1909,
No1
in beauty,
its sole business

SENSE OF PURPOSE (“RAISON D’ÊTRE”)

Create the beauty that moves the world

The purpose (raison d’être) is a core principle for the Group, to see ourselves as a high-performing, committed, responsible, inclusive company showing solidarity in decades to come.

BEAUTY FOR ALL

L’Oréal’s ambition s to offer women and men around the world the best in cosmetics in terms of quality, responsibility, effectiveness, sincerity and safety, in order to meet all their needs and beauty wishes in their infinite diversity.

RESOURCES

Human capital

- 85,412 employees
- 55% of key positions held by women

Research and innovation

- 517 patents filed in 2021
- €1,029 million: Research and Innovation expenses
- 20 cosmetic research centres, 13 assessment centres
- 4,054 employees around the globe

Brands

- 35 diverse and complementary brands
- Supported by strong media investment
- 4th largest advertiser worldwide across all industries

Purchases of goods and services

- €5.01 billion in purchases related to production
- 63% of newly referenced raw materials are renewable
- 40% of newly referenced raw materials respect the principles of green chemistry

Production

- **39** plants around the world
- In 2021, **97%** of L’Oréal plants were ISO 9001 (Quality Management) certified and **100%** were ISO 22716 (Best cosmetics manufacturing practices) compliant

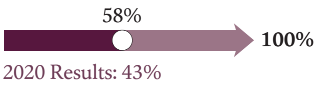
A SUSTAINABLE COMMITMENT

L’ORÉAL POUR LE FUTUR

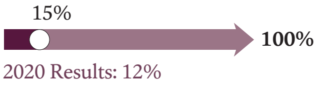
2021-2030
New commitments

Transforming our business

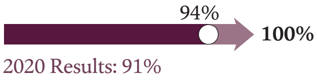
By 2025, all our sites will have achieved carbon neutrality by improving energy efficiency and using 100% renewable energy.



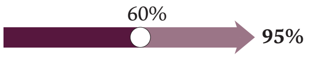
By 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop.



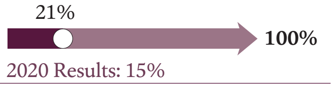
By 2030, 100% of the biobased ingredients for formulas and packaging materials will be traceable and will come from sustainable sources, and none of them will be linked to deforestation.



By 2030, 95% of our ingredients in formulas will be biobased,derived from abundant minerals or from circular processes.



By 2030, 100% of the plastic used in our packaging will be either from recycled or biobased sources (we will reach 50% by 2025).



Empowering our ecosystem in our transformation

By 2030, 3 million people will have benefited from our brands’ social engagement programmes.

Science Based Targets commitments

By 2025, 100% of the Group’s plastic packaging will be refillable, reusable, recyclable or compostable

L’Oréal is committed to reducing greenhouse gas emissions on its scopes 1, 2 and 3 by 25% in absolute value by 2030

THE STRATEGY

Glocalization

Meaning the globalisation of its brands with a detailed understanding and respect for local differences. The goal is to offer beauty by responding to the specific aspirations of consumers in every region of the world.

In contrast to standardisation, it is based on careful attention to consumers and a deep respect for their differences.

ETHICAL PRINCIPLES

INTEGRITY
Respect
Courage
TRANSPARENCY

STAKEHOLDERS

Employees

- 1st prize for gender equality in business (Equileap France)
- 97% of the Group's permanent employees have access to healthcare coverage reflecting the best practices in their country of residence
- 93% of the Group's permanent employees have access to financial protection in the event of unexpected life events (including death or permanent disability)

Consumers

- 96% of the Group's products are eco-designed

Shareholders

- Dividends distributed in 2021: €2.3 billion
- Market capitalisation at 31/12/2021: €232.5 billion
- Shareholder return over 10 years: +19.8% per year
- Employee shareholders: approximately 30,000 employees

Providers and suppliers of goods and services

- 82% of the direct and indirect strategic suppliers have completed a self-assessment of their sustainable development policy with the support of L'Oréal Group

Governments and local authorities

- Tax charge in 2021: €2 billion

Communities

- 985,089 people benefited from the brands' social commitment programmes.
- 13,946 people from underprivileged communities gained access to employment

Ecosystem and environment

- Achieving zero waste to landfill for all plants and distribution centres (excluding regulatory obligations)
- 35% reduction in CO_2 emissions and 5% reduction in water consumption vs 2019 (plants and distribution centres)

BUSINESS ACTIVITY

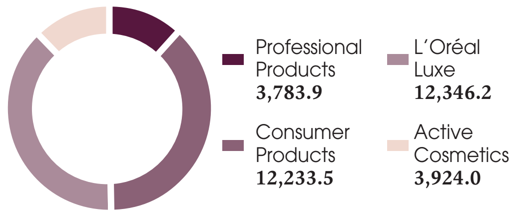
2021 CONSOLIDATED SALES: €32.28 BILLION

Presence in over 150 countries

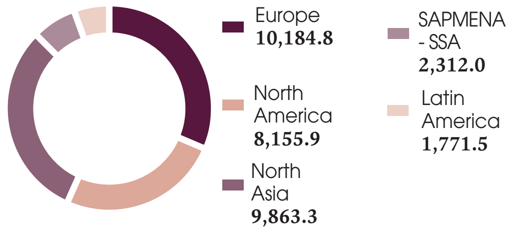
Diversity of distribution channels:
hair salons, mass-market retail channels, perfume shops, department stores, pharmacies, drugstores, medispas, branded retail, travel retail, e-commerce

BREAKDOWN OF SALES
(€ millions)

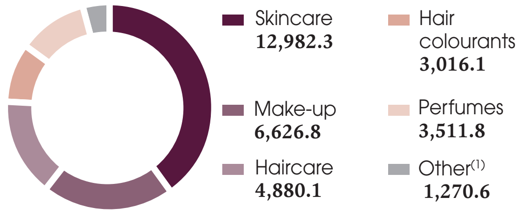
by operational division



by geographic zone



by business segment



---

(1) "Other" includes hygiene products and sales made by American distributors with non-Group brands.

1.2.1. L’Oréal Group Profile

L’Oréal is the world leader in beauty – its sole business, expertise and passion for more than 110 years. The Group is split into Divisions, each of which has a specific vision of beauty, by consumer universe and distribution channels. This strategy is backed by a portfolio of 35 diverse and complementary brands.

SUPPORT DIVISIONS

Research, Innovation and Technology

The Research, Innovation and Technology Division will be the crucible for the Group’s future great inventions.

Digital and Marketing

The Digital and Marketing Division is responsible for accelerating the Group’s digital transformation by helping the brands create enriched spaces for expression and helping teams to establish more interactive, close-knit and bespoke relationships with consumers, while taking advantage of the development opportunities offered by digital as a distribution channel.

Operations

The Operations Division contributes to the growth of the Group, from packaging design, product development, sourcing, production, to the distribution of the Group’s products through an integrated value chain, aiming to ensure that consumers around the world are ensured high standards of quality, safety, security and social and environmental responsibility.

Human Resources

The Human Resources Division is responsible for recruitment, training, employee development and social innovation policies.

Administration and Finance

The Administration and Finance Division is responsible for the Group’s financial policy, investments (*via* its corporate venture fund BOLD) and holdings, management and consolidation, acquisitions, legal and tax coordination, financial communication and shareholder and investor relations, and strategic planning, as well as *data* governance.

Corporate Affairs and Engagement

The Corporate Affairs and Engagement Division is responsible for coordinating corporate communications, public affairs and the communication of the group’s brands.

Corporate Social Responsibility

The Corporate Social Responsibility Department is responsible for the Group’s sustainable development policy, notably through the L’Oréal for the Future programme (2021-2030), corporate philanthropy and employee civic engagement projects.
It also includes the philanthropy programmes run by the L’Oréal Corporate Foundation.

Professional Products

Offer professional beauty expertise by drawing on over 110 years of knowledge and support for the hairdressing sector.

Consumer Products

Democratise the best that thee world of beauty has to offer.

L’Oréal Luxe

Provide consumers with the best luxury beauty products and services through exceptional and memorable experiences.

Active Cosmetics

Provide sustainable and life-changing dermatological solutions.

Professional Products

CONTRIBUTION TO PERFORMANCE

NET SALES
€3,783.9 million

11.7%
OF GROUP SALES

OPERATING MARGIN
21.3%(1)

- **A unique portfolio of brands.**
- **Reinventing professional beauty** and leading the industry's transformation towards digitalisation and sustainability.

L'ORÉAL PROFESSIONNEL PARIS
KÉRASTASE PARIS
REDKEN 5TH AVENUE NYC
MATRIX
PUREOLOGY serious colour care
PULPRIOT

Consumer Products

CONTRIBUTION TO PERFORMANCE

NET SALES
€12,233.5 million

37.9%
OF GROUP SALES

OPERATING MARGIN
20.2%(1)

- **Underpinned by four major global brands** (L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup), and by the deployment of its specialised or regional brands (Essie, Niely, Dark and Lovely, Stylenanda, etc.).
- **Uses digital as a major growth accelerator** through the development of e-commerce, tools to optimise the Division's marketing investments.
- **A major representation of the group's sustainable commitment** through its brands.

L'ORÉAL PARIS
GARNIER
MAYBELLINE NEW YORK
NYX PROFESSIONAL MAKEUP
3CE STYLENANDA
essie
Mixa
Dark and Lovely PROFESSIONAL EXPERTISE

L'Oréal Luxe

CONTRIBUTION TO PERFORMANCE

NET SALES
€12,346.2 million

38.2%
OF GROUP SALES

OPERATING MARGIN
22.8%(1)

- **A complementary portfolio of strong and desirable brands,** catering to the needs of luxury consumers worldwide.
- **A balanced footprint across all categories,** regions and distribution channels, both physical and digital.
- **Established and powerful pillars,** driven by disruptive, superior quality and technology-enhanced innovations.
- **A committed vision of a more sustainable and responsible luxury.**

LANCÔME PARIS
YVES SAINT LAURENT
GIORGIO ARMANI beauty
Kiehl's SINCE 1851
HR HELENA RUBINSTEIN
BIOTHERM
shu uemura
it COSMETICS
RALPH LAUREN
ud URBAN DECAY
MUGLER
VALENTINO
VIKTOR&ROLF
AZZARO
PRADA
DIESEL
Atelier Cologne MAISON DE PARFUM PARIS

Active Cosmetics

CONTRIBUTION TO PERFORMANCE

NET SALES
€3,924.0 million

12.2%
OF GROUP SALES

OPERATING MARGIN
25.2%(1)

- **Meets all expectations in terms of health and beauty with a highly complementary portfolio of brands:** from dermatological and aesthetic solutions to natural care, from the most affordable to the most premium ranges.
- **Launches personalised products and services** with the recommendation and advice of health professionals and health and beauty influencers, both in stores and on digital platforms.
- **Develops or reinvents, in its markets,** the dermocosmetic category in healthcare channels around the world: pharmacies, drugstores, beauty clinics, branded retail and e-commerce sites.

LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE
CeraVe DEVELOPED WITH DERMATOLOGISTS
VICHY LABORATOIRES
SKINCEUTICALS ADVANCED PROFESSIONAL SKINCARE

---

(1) *As a % of sales at 31 December 2021.*

1.2.2. The Group in key dates and figures

No.1
in beauty

150+
countries
International
presence

113
years
Created in 1909

85,412
employees

Recognised for the 12th time as one of the world's most ethical companies by the **Ethisphere Institute**

Recognised for the 5th time by the **Bloomberg Gender-Equality Index** acknowledging the most advanced companies in the area of gender parity

985,089
people benefited from the brands' social commitment programmes.

€232.5 billion
Market capitalisation
at 31/12/2021

€1,029 million
Research
and innovation budget

517
patents

100
Group sites achieved carbon neutrality

-35%*
CO_2 emissions
(plants and distribution centres)

-5%*
Water consumption
(plants and distribution centres)

96%
of the Group's products are eco-designed

** Versus 2019, see Chapter 4.*

HISTORY: SIGNIFICANT DATES IN THE GROUP'S DEVELOPMENT

1909
- Founding of Société Française de Teintures Inoffensives pour Cheveux by Eugène Schueller

1928
- *Monsavon*

1929
- Imédia, the first rapid oxidative hair dye

1934
- *DOP*

1935
- Ambre Solaire, the first filtering sun protection oil

1953
- Cosmair becomes the agent for L'Oréal in the United States

1960
- Launch of the Elnett hairspray

1963
- *Lancôme*

1964
- Listing of L'Oréal on the Paris Stock Market

1965
- *Laboratoires Garnier*

1970
- *Biotherm*

1973
- *Gemey, entry into consumer make-up*

1979
- First epidermis model reconstructed by L'Oréal's Research department

1981
- Creation of Laboratoires dermatologiques Galderma

1988
- *Armani licence*

1989
- *La Roche-Posay*

1993
- *Redken 5th avenue in the United States*

1994
- *Acquisition of the American agent Cosmair*

1996
- *Maybelline in the United States*

1997
- *Creation of the Chinese subsidiary*

1998-2000
- *Softsheen and Carson in the United States and in South Africa*

2000
- *Matrix and Kiehl's since 1851 in the United States*

2003
- *L'Oréal acquires majority control of Shu Uemura in Japan*

2004
- *Absorption of the holding company Gesparal*

2006
- *The Body Shop*

2007
- Creation of the L'Oréal Corporate Foundation

2008
- *YSL Beauté*

2009
- L'Oréal celebrates its 100-year anniversary and has set a goal to attract one billion new consumers

2010
- *Essie Cosmetics in the United States*

2012
- *Urban Decay in the United States*

2013
- Announcement of the Sharing Beauty With All programme by 2020 and the Share & Care programme

2014
- L'Oréal/Nestlé Strategic Agreement
- *Magic Holdings in China and NYX Professional Makeup in the United States*
- Disposal of Galderma

2015
- *Niely Cosméticos*

2016
- *IT Cosmetics*

2017
- *CeraVe*
- Disposal of The Body Shop

2018
- *Modiface, Armani (licence renewal), Stylenanda, Pulp Riot, Valentino (licence), Thermes de la Roche-Posay, Logocos*

2019
- Licensing agreement with Prada

2020
- Definition of the sense of purpose (*raison d'être*): Create the beauty that moves the world.
- Announcement of the L'Oréal for the Future programme for 2030
- *Mugler and Azzaro fragrances brands*

2021
- *Takami Co in Japan and Youth To The People in the United States*
- L'Oréal announces a new organisation of geographic zones
- Agreement between L'Oréal and Nestlé for the repurchase by L'Oréal of 4% of its own shares held by Nestlé

- *Acquisitions*
- Important dates

L'ORÉAL RECOGNISED FOR ITS NON-FINANCIAL PERFORMANCE

CDP: AAA for the 6th consecutive year

Global leader in sustainable development for its actions to fight climate change, protect forests and manage water sustainably.

The CDP is a non-profit organisation that encourages companies to publish their environmental data and assesses their sustainable development performance as well as their transparency efforts.

S&P Global Ratings: 85/100

The ESG assessment reflects the Group's ability to deliver strong performance through the commitment of the senior managers of L'Oréal to an ambitious sustainability strategy.

The ESG rating conducted by S&P Global Ratings assesses a company's ability to prepare for future risks and opportunities in terms of sustainable development.

Global Compact Lead for the 7th consecutive year

L'Oréal was recognised as a Global Compact LEAD company by the United Nations for its continued commitment to the Ten Principles of the UN Global Compact and for placing the UN Sustainable Development Goals at the centre of its growth strategy.

Launched in 2000, the United Nations Global Compact is a call for companies to align their activities and strategies with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of the UN goals and challenges expressed in the Sustainable Development Goals.

Ethisphere: 12th year

In 2021, L'Oréal was recognised for the twelfth time as one of the world's most ethical companies.

Ethisphere Institute is the world leader in defining and promoting ethical business standards.

Bloomberg Gender-Equality Index

L'Oréal was again recognised by the Bloomberg Gender-Equality Index, acknowledging the most advanced companies in the area of gender parity among 380 companies evaluated in 44 countries.

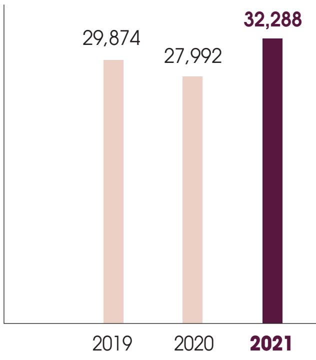
The Bloomberg Gender-Equality Index acknowledges the most advanced companies in the area of gender parity.

Universum: 5th place

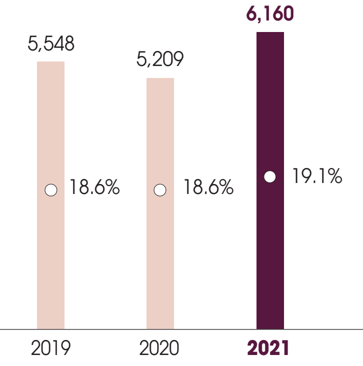
In 2021, L'Oréal was ranked #5 in the world (business schools), making it the first EU multinational company in the Top 5.

The Universum "World's Most Attractive Employers" ranking compiles the results of surveys conducted in 10 countries: United States, China, Germany, United Kingdom, France, India, Italy, Brazil, Russia and Canada.

CONSOLIDATED SALES
(€ millions)

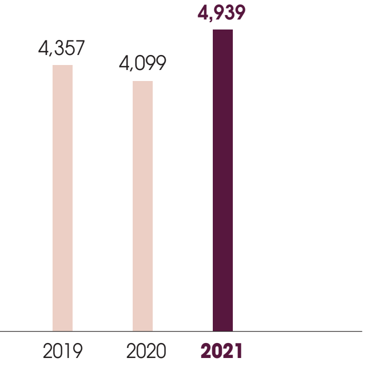


OPERATING PROFIT
(€ millions)



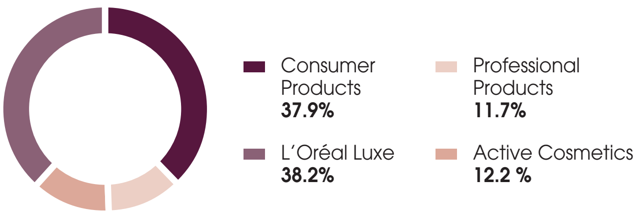
○ *Operating margin as a % of sales.*

NET PROFIT EXCLUDING NON-RECURRING ITEMS[(1)] ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (€ millions)

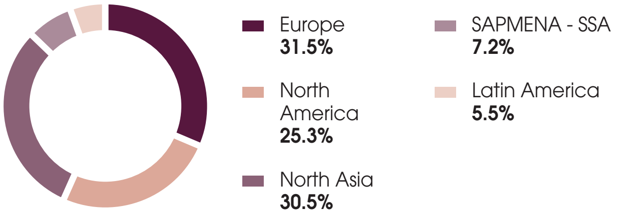


BREAKDOWN OF SALES

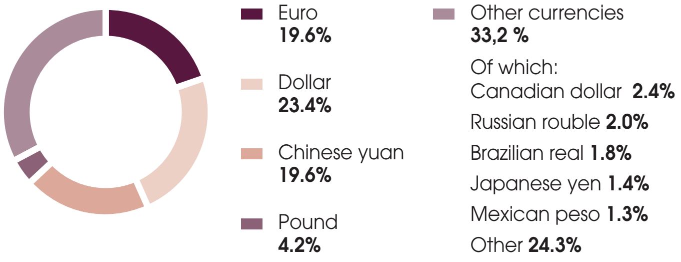
By operational division



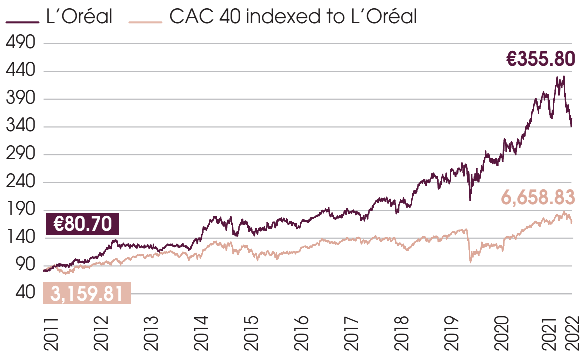
By geographic zone



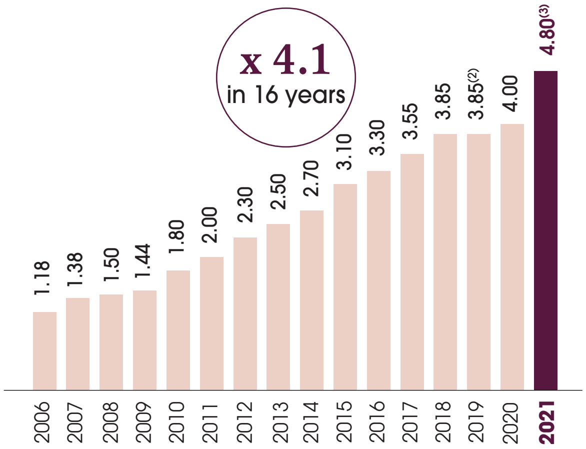
By currency



CHANGE IN THE L'ORÉAL SHARE PRICE COMPARED TO THE CAC 40 INDEX
(from 1 January 2010 to 26 February 2022)



STEADY INCREASE IN DIVIDEND PER SHARE (€)



---

(1) Non-recurring items mainly include gains or losses on disposals of long-term assets, impairment of assets, restructuring costs, and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements. See note 11.4 of the Consolidated financial statements.

(2) The Board of Directors of L'Oréal met on 12 May 2020 and, in the exceptional context of the Covid-19 health crisis, decided to forego the planned 10.4% increase in the dividend, and consequently to propose to the Annual General Meeting a dividend of €3.85, identical to that paid in 2019.

(3) Proposed dividend at the Annual General Meeting of 21 April 2022.

NET DEBT

	31.12.2019	31.12.2020	31.12.2021
Net cash position = Net cash or net debt (in € million) (1)	2,399.3(2)	+3,859.4(2)	-3,586.4(2)
Net debt ratio (Net financial position/ Equity)	n/a	n/a	15.2%

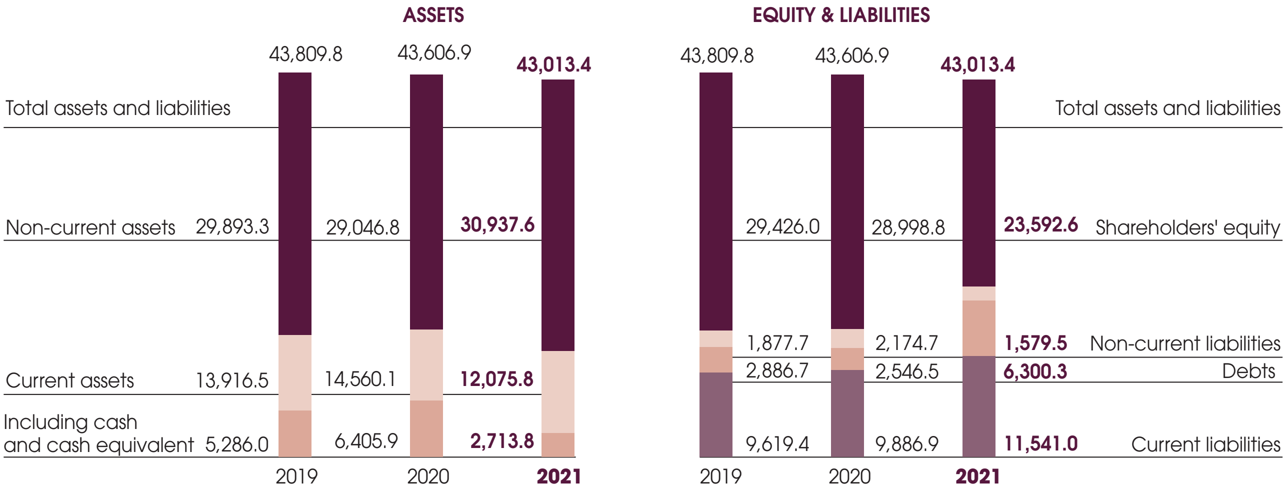
(1) *Net cash or net debt = cash and cash equivalents – current and non-current financial debt.*

(2) *Including IFRS 16 lease debt for €2,035.9 million in 2019, €1,681.6 million in 2020 and €1,670.3 million in 2021.*

SHORT-TERM RATINGS

A1 +	Standard & Poor's	DECEMBER 2021
PRIME – 1	Moody's	DECEMBER 2021

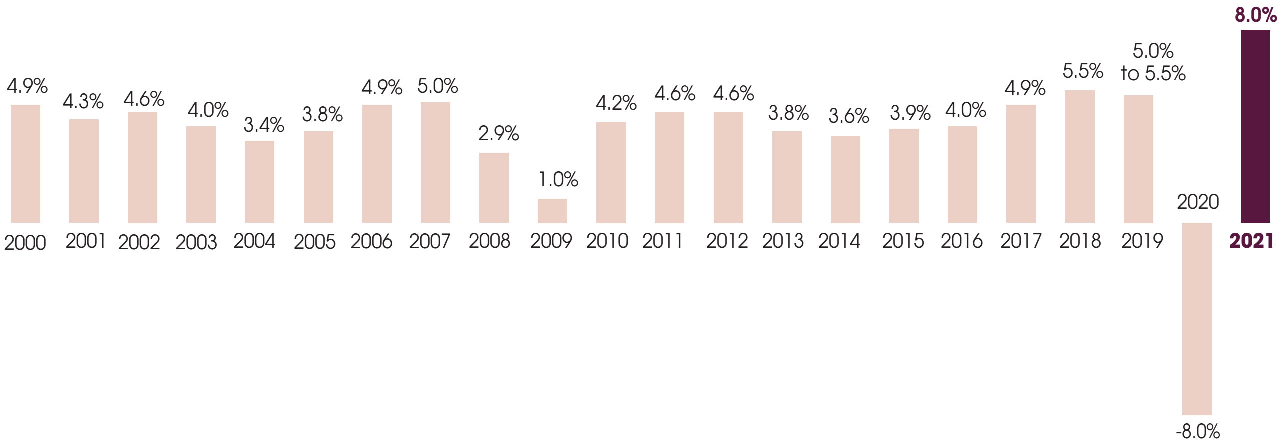
A SOLID BALANCE SHEET (€ MILLION)



1.2.3. The beauty market, a strong recovery in 2021

Warning: *the competitive positions and market share held by the Group's Divisions and brands mentioned in this Document are based on studies, panels and polls obtained from specialised organisations and companies, or, in the absence of comprehensive studies, are the result of estimates made by L'Oréal on the basis of available statistical data.*

WORLDWIDE COSMETICS MARKET FROM 2000 TO 2021(1)

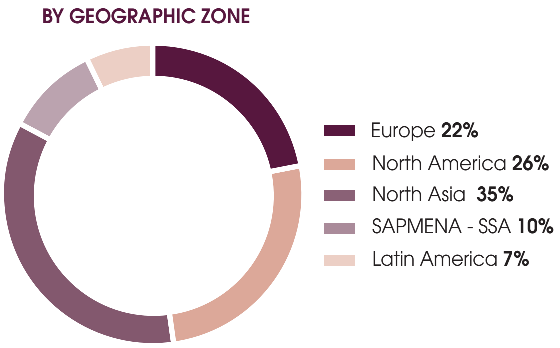


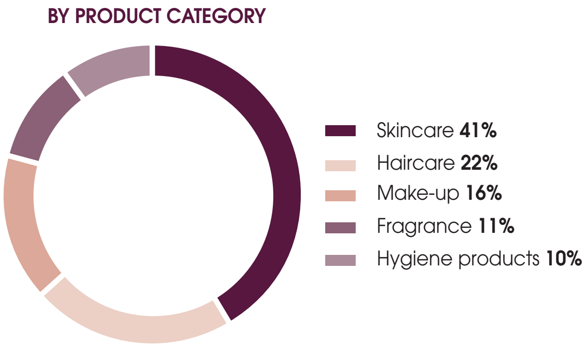
---

(1) *Source: L'Oréal estimates of the global cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades, evolution excluding currency fluctuations.*

The cosmetics market remains a supply-led market driven by innovation, where consumers are always on the look-out for quality, performance and perceived results. The global cosmetics market is worth nearly €230 billion(1). It is a particularly robust market that has demonstrated a certain resilience in the current crisis and which has recovered strongly overall. The cosmetics consumer always looks for quality and novelty value, and puts a premium on leading-edge technology, trends and new ideas.

GLOBAL COSMETICS MARKET IN 2021(1)





In 2021, the beauty market grew by around 8%, almost regaining its 2019 level.

After 2020, when many points of sale and hair salons were closed, in 2021 points of sale reopened almost completely and online sales increased. The different distribution universes of the beauty market suffered contrasting effects, as did the different regions.

In effect, general public products, offered in mass-market retail channels were relatively spared during the crisis and growth was stable in 2021, at near-record levels; while luxury products were more heavily impacted by the closing of department stores and other selective channels, and so the recovery in this segment was more marked in 2021. Similarly, Travel Retail suffered greatly from the drastic drop in air traffic, and is still far from pre-crisis levels. Professional products declined sharply in volume due to salon closures; they also recorded a significant catch-up effect afterwards.

The Dermocosmetics segment stood out significantly, as its 2020 growth continued in 2021, driven by the strong demand for health-related products prescribed by dermatologists.

In terms of product categories, 2021 saw positive trends continue for skin care; this category remains the leading contributor to the growth of the beauty market. Haircare also recorded a strong performance this year, as demand held up during the global crisis. However, the recovery in the make-up category is not yet sufficient to offset the decline associated with the crisis.

The level of economic recovery varied in different regions of the world, which therefore had an impact on the recovery of the market.

- Europe was the region most heavily impacted by the crisis, to a lesser extent in the countries of Northern Europe, and the recovery remains limited;
- In North Asia, in some countries, such as China, where the epidemic was more rapidly contained, the markets did not decline during the crisis and continued to grow in 2021. Other countries, however, followed the global trend;
- Having fallen sharply in 2020, the US market recovered strongly in 2021, exceeding 2019 levels;
- Other markets (Latin America, Africa and the Middle East) are pretty close to getting back to their pre-crisis levels.

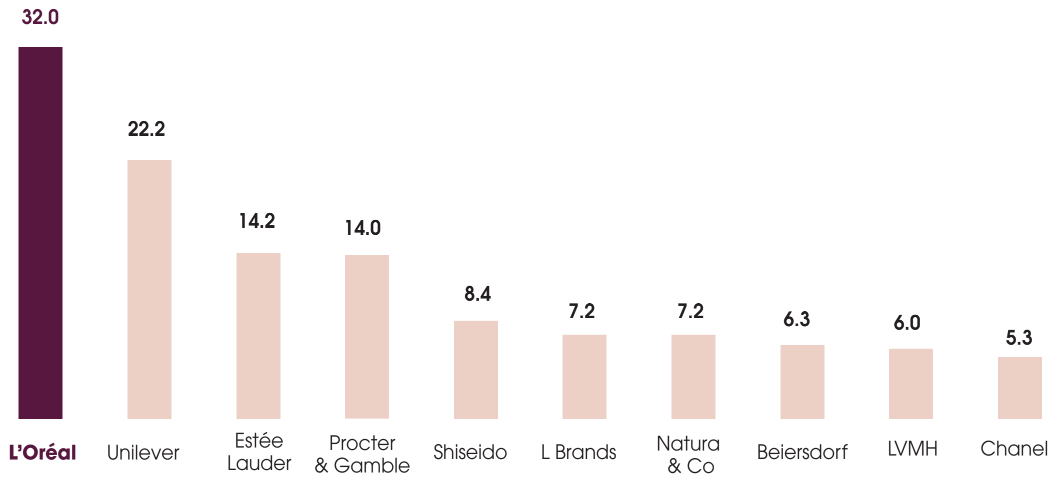
The acceleration of digitalisation, in online sales, communication and in sales via social media, continued in 2021, but at a slower pace than in 2020.

---

(1) *Source: L'Oréal estimates of the global cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades, evolution excluding currency fluctuations.*

MAIN WORLDWIDE PLAYERS

2020 sales in billions of US $ [(1)]



A solid market carried by major socio-demographic changes

Estimated at nearly €230 billion[(2)], the global cosmetics market has grown at a steady pace over the long term, driven by several fundamental trends:

- the first and probably most important factor is the insatiable desire for beauty across all countries and cultures: beauty is synonymous with well-being, pleasure, confidence and self-esteem, at every stage in life. This phenomenon was stronger in 2021 with a consolidation between health/well-being and beauty;
- secondly, global digitalisation, because beauty and digital are a perfect match. Discovering beauty and buying products online has never been simpler. Digital is a tremendous booster for the beauty market, a trend that intensified in 2021;
- thirdly, premiumisation: consumers are ready to pay more and trade up for products with new benefits, better performance and superior quality;
- finally, increased penetration of beauty all over the world. First, because of e-commerce, which is extending our reach far beyond the limits of traditional distribution, especially in emerging economies. Also because of the many areas that remain to be explored in terms of categories and countries. And finally, because there are always new consumer targets with the expansion of the middle classes related to urbanisation, an ageing population, male consumers, etc.

1.2.4. Meeting the global demand for beauty

With €32.28 billion in net sales and 85,412 employees in 2021, L'Oréal is the world leader in beauty.

Building on a long-term vision, with a clear strategy, L'Oréal continues its development by relying on its fundamental assets and transforming itself to respond to the new aspirations of consumers, employees and society. Because the beauty market is a growing market with a focus on the future, the Group is, now more than ever, in a position to seize all opportunities, strengthen its leadership and ensure tomorrow's success.

Focus on a single, unique business: beauty, nothing but beauty and all beauty

For over a century, L'Oréal has carried out a single business: creating beauty. Cosmetics are rich in meaning. They allow each person to boost their self-confidence, express their personality and open up to others.

Focusing on a single business represents, more than ever, a major competitive advantage for L'Oréal. In effect, the Group boasts more than one hundred years of cosmetic expertise, talented specialists and an in-depth knowledge of consumers, built on a detailed knowledge of beauty cultures, needs, desires and aspirations in their infinite diversity. The digital revolution, in perfect alignment with "social beauty", connected and shared, acts to speed up the development of the beauty market driven by economic, technological, demographic and sociological developments.

By focusing its energy on a single business, along with an obsession for seizing "what is new and fresh" (*"Saisir ce qui commence"*), L'Oréal is able to identify new consumer trends very quickly and respond rapidly.

---

(1) Source: Beauty's top 100, WWD, May 2021.

(2) Source: L'Oréal estimates of the global cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades, evolution excluding currency fluctuations.

The best on Innovation to address the ongoing search for quality and premiumisation

L'Oréal harnesses the power of its innovation to continually enhance the performance of its products and services.

Innovation has always been the core of the L'Oréal model: the Group was born from a breakthrough innovation – safe hair dye invented by its founder Eugène Schueller. Cosmetics is an offer business: beauty is an ideal and an ongoing quest. Consumers always want to try new products, and they are willing to pay more for innovations that offer superb performance, quality and benefits. Because L'Oréal records a significant share of its sales with new products every year, the Group has a duty to be the champion of cosmetics innovation.

Given the acceleration of scientific and technological progress, and the growing demands of consumers, L'Oréal is able to innovate and lead in all areas: formulation, packaging, products, services, point-of-sale and online experience, personalisation, brand image and reputation, etc. The beauty of the future will be fuelled and nurtured by Green Sciences(1), this new research frontier that brings together efficacy, naturalness and sustainability to give the Group's products a new competitive advantage.

Because the future of beauty is limitless, it is the Group's responsibility to offer maximum creativity and inventiveness through all its brands to surprise and satisfy consumers.

Digital technologies are accelerating marketing models for brands, products, services and customer experience.

The cosmetics market is becoming increasingly digital and competitive, with the arrival of new players from new markets and other industries such as fashion, luxury and e-commerce.

In this context, the superior marketing of the Group's brands and products is a key and differentiating factor. The creation and development of major brands prized by consumers around the world, the launch of new or innovative franchises, the design of new products and services, including in the e-commerce sphere, will all be essential and fundamental assets for the next decade.

Glocalization: a unique development strategy that respects differences

L'Oréal relies on a single strategy – Glocalization – meaning the globalisation of its brands with a detailed understanding and respect for local differences. Since beauty lies at the crossroads of contemporary and future civilisational issues, the Glocalization strategy is more relevant than ever, timeless and evolutionary. The goal of the Glocalization strategy is to offer bespoke and inclusive beauty by responding to the specific aspirations of consumers in every region of the world. In contrast to standardisation, it is based on careful attention to consumers and a deep respect for the differences in their needs, lifestyles, desires and traditions.

The battle on Emerging Markets, aimed at conquering hundreds of millions of new consumers

L'Oréal has set the goal of attracting hundreds of millions of new consumers in the coming years, particularly in emerging countries. Over the next decade, North Asia and the SAPMENA-SSA zone will be the key areas in the battle for global leadership and will represent a particularly significant source of growth in the beauty market. Although L'Oréal is already the leader in this region, the potential here is still enormous, since the Group's market share remains limited. Consumption from Chinese customers should continue to rise sharply due to the increase in their living standards and their growing appetite for beauty.

At the same time, L'Oréal also aims to accelerate its presence in Africa, which is the Group's "next frontier" and to continue its expansion in other regions of the world.

Priority to digital and Beauty Tech to become the champion

Technology, particularly Beauty Tech, is the future of beauty because of the phenomenal breakthroughs in artificial intelligence, robotics, the Internet of Things, 3D printing, nanotechnology, biotechnology, etc., which make it possible to expand L'Oréal's offering and satisfy all consumer expectations.

Digital has radically transformed the Group, and today is fully integrated in the business, brands, and jobs, in all countries, and relies on a solid network of over 3,000 digital experts and close to 52,000 employees trained and a wealth of in-house know-how. Digital has boosted L'Oréal's strengths tenfold and represents a tremendous booster of opportunities and growth. It enhances the power of brands and products, enriches the connection with consumers and creates experiences, new services and personalisation.

L'Oréal, which is already a digital-first company, decided to be the pioneer, champion and leader of Beauty Tech in all its areas of application. By building up state-of-the-art and secure IT, its leadership in Beauty Tech, its expertise in artificial intelligence and data will enable L'Oréal to be a data-driven company for all its activities and business lines.

Beauty Tech will ensure that beauty for all evolves into beauty for each person. To achieve this, L'Oréal has a unique strength: being the only company that can combine more than 110 years of scientific beauty expertise and knowledge of our consumers with cutting-edge digital excellence.

---

(1) This covers all the scientific fields, from agronomy and biotechnology to green chemistry and formulation science, on which L'Oréal relies to achieve its sustainable development goals while offering safe, effective products.

Reinventing the *future of work* while strengthening the L'Oréal culture

All across the globe, the working world has undergone profound changes as a result of the Covid-19 health crisis, particularly with remote working becoming more widespread, a phenomenon that employees now want in their everyday lives, as well as a key factor in the appeal of an employer.

In this new "hybrid" working environment, L'Oréal – with its strong historical tradition of discussion – has opted for balanced and flexible solutions between on-site and remote working to preserve and promote opportunities for exchange, cooperation and creativity.

In order to support and train managers and teams, "Best of Both" online training workshops and modules have been made available to provide a better mutual understanding of these new ways of working.

Furthermore, in a context of accelerated digitalisation of consumption, production, distribution and communication methods, the Group must anticipate the global impact these transformations will have on its structure by continuing to develop its employees' skills in these areas, as well as by recruiting new expertise.

1.2.5. A portfolio of diverse and complementary brands

To meet the beauty expectations of consumers all over the world, the Group has the richest, most varied and most powerful brand portfolio in the cosmetics industry. Moreover, its brands are constantly being reinvented so that they are always a perfect match with local consumer demand.

New acquisitions also regularly provide valuable additions to this unique portfolio to respond to consumer trends.

Some of these acquisitions are global brands, such as the CeraVe skincare brand in the Active Cosmetics Division portfolio, the Italian Prada and Valentino brands, as well as Mugler and Azzaro perfumes for L'Oréal Luxe, Logocos with its vegan and organic concept for the Consumer Products Division; and Pulp Riot, which expands the growth potential of Professional Products.

Other acquisitions aim to extend the Group's geographic scope: the makeup brand Vogue in Colombia, Interbeauty in Kenya, Niely Cosmeticos in Brazil, Stylenanda in South Korea, Takami Co in Japan and Youth To The People in the United States.

These acquired companies, through their integration and deployment, are helping to accelerate the Group's penetration of their markets and drive organic growth going forward.

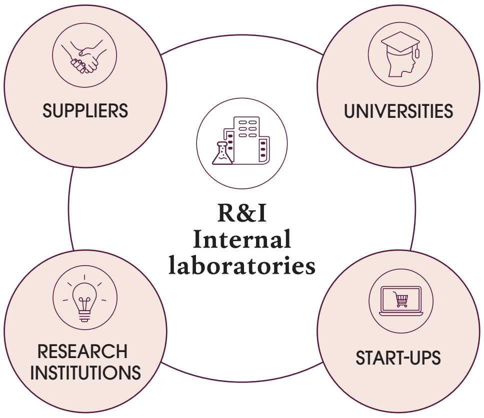
1.2.6. The bet on Research, Safety and Innovation

The cosmetics market is driven by supply and innovation. L'Oréal's success, today and in the future, is fed by its permanent obsession for innovation, which feeds into its performance in all its forms.

With 4,054 researchers and a budget of approximately 3.2% of sales, L'Oréal has the top Research and Innovation (R&I) force in the cosmetics industry. R&I is a powerful organisation, in which the level of expertise and wealth of scientific and technical data represent a significant asset. The Group's laboratories make no compromise about the absolute safety of its ingredients, superior quality and the effectiveness of the formulas, and the sincerity of its claims.

L'Oréal invests in all areas, from Advanced Research to formulation and from France to regional centres anchored in the major markets around the world. The Group holds a total of 20 research centres and 13 assessment centres.

R&I: A VAST ECOSYSTEM OPEN TO THE WORLD



Technology-enhanced research

With the acceleration of new technologies, L'Oréal is enhancing its capacity for innovation, creating and developing products, services and beauty experiences that are increasingly personalised and inclusive.

Its Augmented Beauty business line makes it possible for L'Oréal to use algorithms and artificial intelligence to increase the power of its 100-year-old legacy of information on skin, hair and biomarkers. Augmented Beauty seeks to meet and anticipate consumer expectations by offering breakthrough innovations that incorporate new and ever-more personalised experiences with services and applications. This also means that L'Oréal can directly connect with and reach out to more and more consumers, collecting information on their beauty rituals, their use of products, their everyday concerns, and gathering their opinions in real time – all while complying with and safeguarding laws on consumers' data privacy.

A partnership-based approach to building a data ecosystem

L'Oréal has entered into several strategic partnerships with scientific "Tech" specialists in order to reinforce its knowledge and understand how beauty can be affected by hormonal activity, sleep and environmental conditions, particularly pollution.

Precision health

At the beginning of 2022(1), an unprecedented partnership was signed between L'Oréal and Verily, a subsidiary of Alphabet specialising in precision health. The aim is to decrypt the ageing mechanisms of hair and skin and inform L'Oréal's strategy and product development with new precision beauty technologies. This combination will enable L'Oréal to pool its profound scientific knowledge of skin with Verily's comprehensive clinical research capabilities, to decode and discover the links between exposome, skin aging, and deep biology of the skin. It will also make it possible to explore the development of new technologies and tele-diagnosis solutions such as sensors, and Artificial Intelligence algorithms for dermatology and skincare, that can form the basis for new services.

Learning about the impact of hormonal cycles

L'Oréal has announced a partnership with Clue, an app dedicated to menstrual cycles, to enrich knowledge about the impact of hormonal cycles on skin health and quality. This collaboration combines L'Oréal's historical expertise in skincare knowledge with Clue's leadership in menstrual cycle data thanks to its 12 million subscribers in 190 countries. It will also be enriched by the participation of dermatologists, endocrinologists and gynaecologists with whom the Group already works. Thanks to the enrichment of this knowledge, all consumers will benefit from the best personalised skincare routines, from the first menstrual cycle to the menopause, taking into account the health of their skin, as well as their beauty and well-being aspirations.

An exposome platform

L'Oréal has entered a long-term research partnership with BreezoMeter, a leader in environmental information on air quality, pollen and fire. The aim is to improve the health and safety of billions of people around the world by providing accurate, exploitable data (filters, UV, pollution, etc.). The respective expertise of the partners in skin sciences and the climate environment will combine to develop an exposome platform based around beauty, able to offer practical advice to consumers on their skin routines to combat the effects of their environment on skin ageing.

Global Research

L'Oréal today has a powerful R&I model with a level of expertise and a wealth of scientific and technical data, which represent a true asset. Advanced Research teams create, develop and source raw materials, drawing on the knowledge of skin and hair from around the world; the Applied Research teams then develop formula architectures that improve the performance of assets, and the Development laboratories create innovative formulas with a proven superiority for each brand. This innovation model is nurtured by a constant dialogue between the laboratories and marketing to respond to the expectations of consumers, supporting them with the latest technological breakthroughs.

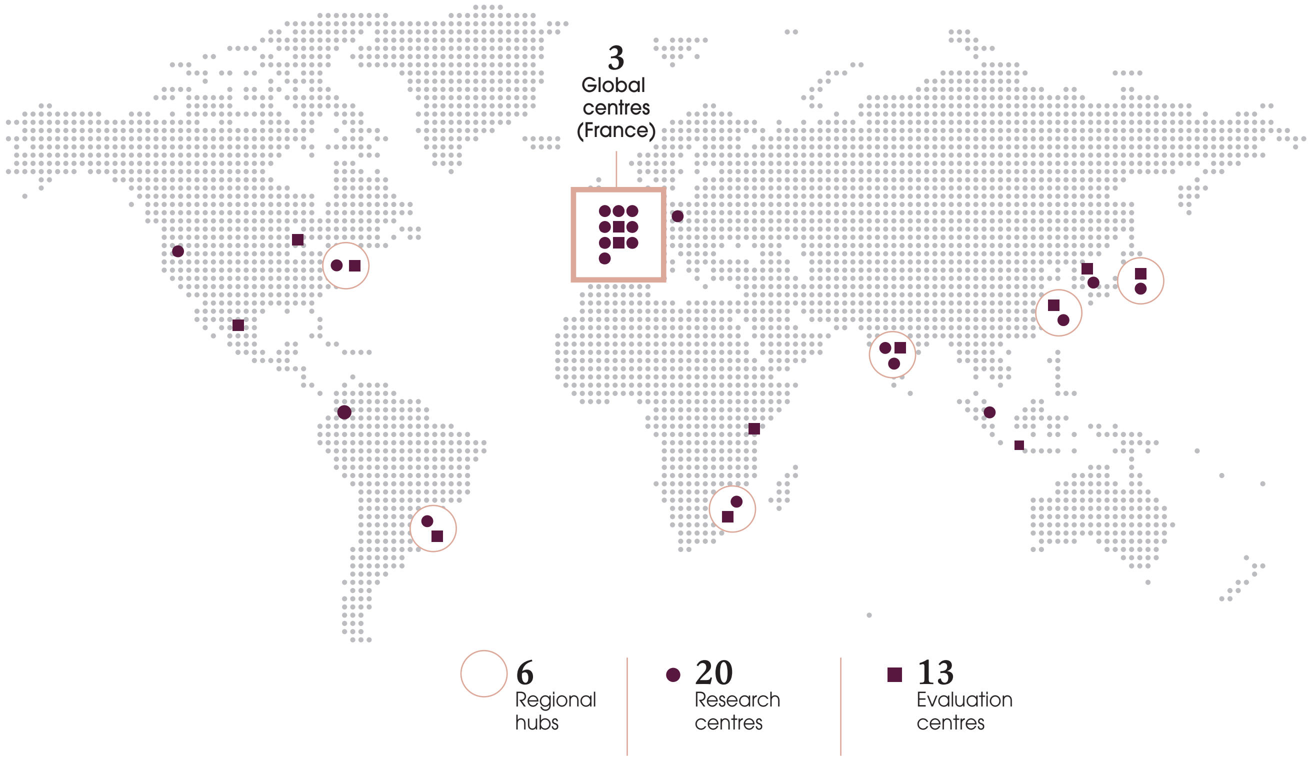
Research facilities around the world

In order to adapt to consumer expectations worldwide, L'Oréal's Research teams work in 20 cosmetics research centres and 13 assessment centres. The research centres are grouped into three global centres in France (Advanced Research, Haircare and Cosmetics). The six regional hubs (Japan, US, China, India, South Africa and Brazil) identify consumer needs and study their cosmetics habits. R&I teams build on this rich seam of local scientific ecosystems to develop collaboration agreements and partnerships of excellence. The data generated enables researchers to develop new products, that are perfectly in tune with market needs and local expectations. The innovations produced are also shared in a coordinated way to promote discussion flows.

---

(1) *Press release of 20 January 2022.*

GROUP LABORATORIES ESTABLISHED AROUND THE WORLD



Research and Innovation budget
(€ millions)

2019	985
2020	964
2021	**1,029**

Research and Innovation headcount

2019	4,100
2020	4,044
2021	**4,054**

Number of patents filed

2019	497
2020	500
2021	**517**

Beauty without animal testing

In order to meet essential tolerance requirements for its products, research was initiated in the 1980s to develop alternatives to animal testing to assess the safety of its ingredients and its products. Today, none of the Group's products or ingredients are tested on animals by L'Oréal. For more than 30 years and since 1989, L'Oréal definitively stopped the safety testing of its products on animals, 14 years before it was officially prohibited. The Group believes that there are other effective ways of ensuring that cosmetic products are safe that do not involve animal testing. For example, over 40 years ago, L'Oréal was the first company to develop reconstructed skin, which is a more accurate way to test the effects of ingredients and cosmetic products on human skin than any other method. Different types of reconstructed human skin are currently produced in France, China and Brazil, in the laboratories of L'Oréal's subsidiary, Episkin. This technology is made available to governments, organisations and other companies so they do not have to resort to animal testing.

L'Oréal is a pioneer in technology and methods free from animal testing.

The Group has also been active in advocating for alternative methods in China. L'Oréal has been working with the Chinese authorities for over 10 years on introducing methods that are free from animal testing for all cosmetic products. Over the last few years, China abolished the requirement to carry out animal testing that applies to most cosmetics sold in the country. Since 2014, the Chinese authorities no longer test non-functional cosmetics (such as shampoo or make-up) manufactured locally, and this progress is gradually being extended: since 2021, these same cosmetics imported into China no longer need to be tested on animals, subject to a certificate of compliance with manufacturing best practices.

A new solar filter: Mexoryl 400

Ultraviolet UVA and UVB rays are some of the main causes of skin cancer. Accordingly, it is essential to stay protected from all this radiation during your lifetime. L'Oréal has a long history of expertise in the development of sunscreens, starting with its patenting of Mexoryl SX in 1982, followed by Mexoryl XL in 1989. The combination covers the UVB and short UVA range well, though less so the long UVA range. After 10 years of research in collaboration with BASF, in 2021 L'Oréal launched MEXORYL 400, the first solar filter that absorbs previously inaccessible long UVA rays. By widening the range of solar filtration, this filter plays an active role in preventing deep skin damage. Combined with several filters, the products now provide complete protection across the entire UV spectrum and thus protect the skin from sun damage.

Transparency

More transparency to promote responsible choices

In order to meet consumers' growing demand for transparency in the ingredients that make up the products, L'Oréal has strengthened its approach through new initiatives that improve information and allow everyone to make informed choices. Launched in March 2019, the Inside Our Products website answers questions from the general public about what goes into the ingredients used in the Group's products. The platform lists more than 1,300 ingredients and is now accessible in 45 countries and in 8 languages. This content, based in scientific foundations, is gradually being added to the websites of the Group's major brands (L'Oréal Paris, Garnier, La Roche-Posay, Maybelline, Redken, Essie, Kérastase, Yves Saint Laurent etc.). As a continuation of this initiative, the Product Impact Labelling (PIL) system for displaying the environmental and social impact of products, that has been used in several European countries for the Garnier haircare and skincare brand, has now been extended to the La Roche Posay, Vichy and Biotherm skincare brands in France and will be rolled out gradually in new markets and for new product categories.

The transparency of fragrances

Faced with increasing consumer demand for information on the composition of its beauty products, L'Oréal is pursuing its transparency approach by launching InFragrance, a new information platform dedicated to fragrance ingredients. Its development began three years ago with the analysis of more than 20,000 perfume formulas working jointly with its main perfume suppliers (Firmenich, Givaudan, and IFF and Mane), given that each fragrance is a unique complex composition that combines a large number of ingredients. The challenge was to preserve the know-how and confidentiality associated with the uniqueness of each fragrance in a system that works for both consumer products and luxury fragrances: it allows us to understand the natural or synthetic origin of the ingredients, their olfactory properties and the way they are combined to create the fragrance of products. Roll-out of the platform began in the United States with Atelier Cologne, Garnier and Yves Saint-Laurent.

The model will then extend to all of the Group's brands throughout the world. As a responsible leader in the beauty industry, L'Oréal would like the InFragrance model to be open to other players in the sector, both manufacturers and retailers, so as to provide more transparency to consumers.

Preparing for a sustainable future

Stronger together when making sustainable consumer choices

L'Oréal has announced a ground-breaking global collaboration with Henkel, LVMH, Natura & Co and Unilever to develop the Eco Beauty Score, a rating system to assess the environmental impact of beauty products, which pools their experience, knowledge and data in this area. The scheme will provide consumers with transparent and comparable information on the environmental impact of products in the form of an overall score, to be made available in late 2022. This approach is based on a full analysis of their life cycle (formula, packaging and use) using a common scientific methodology established with the consulting firm Quantis. This system, common to all cosmetics companies, aims to allow consumers to make more sustainable consumer choices. In addition, L'Oréal and the above-mentioned companies have invited all other cosmetics players to join them.

A sustainable investment that targets water use

Through its corporate venture fund BOLD (Business Opportunities for L'Oréal Development), in 2021 L'Oréal took a minority stake in the Swiss start-up Gjosa, which develops unique water-saving solutions. L'Oréal and Gjosa have been working together since 2015 to reduce the amount of rinse water used by 65% via a shower head that can reduce the flow of water without compromising its ability to rinse a shampoo. Presented in January 2021 at the Consumer Electronics Show in Las Vegas, *L'Oréal Water Saver* technology operates using micro-ionised droplets in a high-pressure flow. The system connected to the tub has three slots for infusing shampoo, conditioner and care products directly into the water stream, while the shower head reduces water consumption in salons by up to 65%. It is being used in about 100 pilot hair salons. TIME Magazine named it one of the *100 Best Inventions* of 2021.

Laboratories of the future are hiring cobots (collaborative robots)

RALF (Robot Assistance with Laboratory Flexibility) is a modular platform that works with an operator to prepare and process hair strands. Designed with the Labman company, RALF brings together multiple strands of expertise in the field of hair treatment (assessment, physical measurement, hair knowledge, mechatronic prototyping, robotic programming, IT and security, among others) to provide appropriate responses to tests, such as the automated application of dyes to hair, standardised hair setting procedures, and so on. The results obtained show that RALF is able to automate low value-added tasks, such as dye application, standardising operator-dependent tests, and guaranteeing the quality and traceability of data, while reducing the amount of water used to shampoo and rinse hair.

1.2.7. Operations, specialised expertise and core values to contribute to growth

The Operations Division harnesses the most specialised, agile, effective and connected technological expertise, from packaging design and product development, sourcing and production through to distribution of all the Group's products, contributing with brands to offer consumers worldwide the most advanced cosmetic products and services.

The Operations Division guarantees consumers compliance with strict standards of quality, safety, security and societal and environmental responsibility all over the world.

Agility and resilience to meet changing demands and better respond to consumer expectations

Relying on an approach of operational excellence conducted for years, high-tech industry is at the core of L'Oréal's Operations Division. As a result, the integration of data and new technologies all along the value chain responds specifically both to the new challenges of personalisation, agility and traceability expected by consumers and to the new needs of its employees: simplification, ergonomics, real-time access to data, new capacities related, for example, to the use of virtual reality, 3D printing, artificial intelligence, etc.

For product development, 3D printing of prototypes for products and/or functional packaging components reduces development times and therefore brings products to the market faster. This fast prototyping ensures an agile response to consumers' new consumer beauty expectations and cosmetic trends.

In production, the combination of technologies such as 3D printing, artificial intelligence, connected objects (Internet of Things, IoT), cobots (collaborative robots) and virtual reality are new tools to assist operators and to develop new, agile and more flexible production lines.

In traceability and productivity, the IoT and data management (Big Data) open up exciting prospects for improving the supply chain, creating smoother flows for the customer experience, managing the omni-channel experience and increased interaction with consumers.

At the centre of design and development is innovation in responsible packaging

The packaging of a product is the first identifying link between a brand and its consumers. Beyond science, experience and performance, packaging is a key differentiating factor for the product and therefore for the value perceived by the consumer. The L'Oréal teams, distributed over five Packaging Hubs around the world, specialise in design, consumer experience (ease of use and creativity), innovation in packaging, and product development. They rely on the expertise of laboratories dedicated to materials and packaging to offer cutting-edge innovations worldwide. L'Oréal filed 517 patents for packaging and processes in 2021.

Since 2007, L'Oréal has been committed to an eco-design process for sustainable packaging and has very significantly intensified its progress in recent years. The process occurs in three steps: Reduce the intensity of packaging and thus avoid using too many resources; Replace impactful materials with materials that have a better environmental footprint (renewable, post-consumer recycled); Recycle by creating packaging that will contribute to the circular economy.

At the end of 2021, 96% of the Group's products were eco-designed. By 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable. By 2030, all the plastics used in L'Oréal's product packaging will be recycled or biosourced in origin. As part of an innovative, long-term partnership with green biotech company Carbios, L'Oréal announced the design of the first cosmetic bottle for Biotherm in 2021 to be made from fully recycled plastics using Carbios' enzymatic technology. In 2021, with its partner Paboco, L'Oréal developed the first cardboard-based bottle for the La Roche Posay and Kiehl's brands.

A purchasing programme that combines economic, environmental and social value with high standards in terms of quality and security

To accompany the Group's growth, the Purchasing teams select the most economically, environmentally and socially effective suppliers in accordance with the *L'Oréal Buy & Care responsible purchasing policy*. Supplier performance is monitored thanks to precise indicators relating to social, environmental and ethical criteria and through their ability to innovate and to meet the Group's requirements in terms of quality, agility, service and competitiveness.

L'Oréal builds solid relationships with its suppliers which makes it possible to work with them on their supply chains for responsible sourcing and ensure the agility, reliability and traceability of sourcing. In 2021, the Group conducted 1,236 social audits, a total of more than 14,900 since 2006.

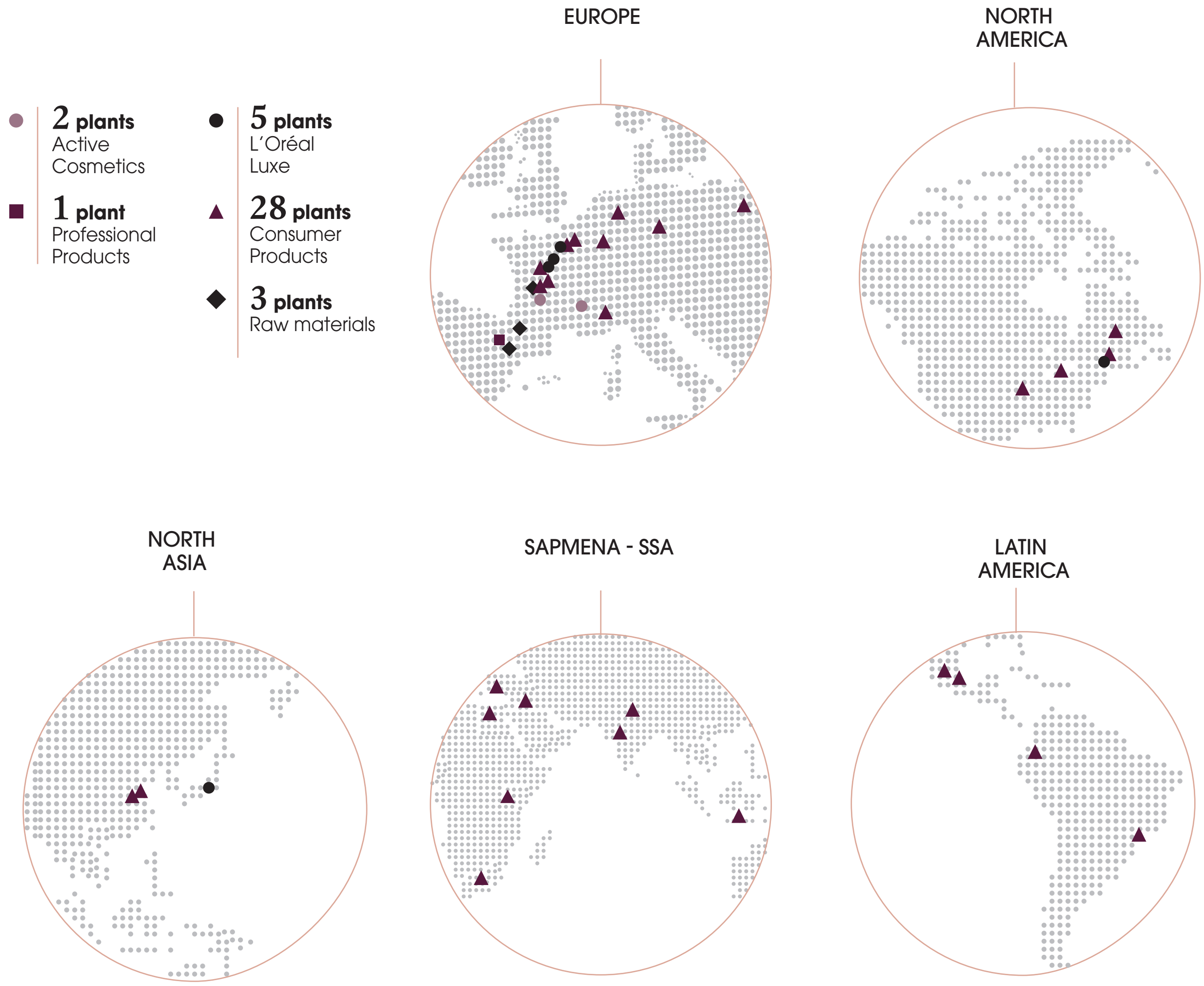
Furthermore, by creating the Solidarity Sourcing responsible purchasing programme, L'Oréal chose as from 2010 to enable sourcing from suppliers with an inclusive solidarity model, in other words, companies that offer employment to vulnerable workers and people in economically or socially disadvantaged communities, such as people with a disability, the long-term unemployed or fair trade suppliers (see section 4.3.3.6. "Measures taken in favour of local communities" of this document). At the end of 2021, 89,093 people had been able to access employment via the Solidarity Sourcing programme.

Manufacturing performance that relies on a global system of operational excellence

L'Oréal has 39 plants around the world incorporating the latest advances in technology, automation and digitalisation, close to the needs of consumers in L'Oréal's key growth markets. This network of plants adapts constantly to incorporate acquisitions and embrace external innovations. It is supported by a network of subcontracting partners to deal with cyclical peaks in demand for specific technologies (make-up pencils, soaps, etc.).

The Group's manufacturing organisation is also based on specialisation by technology (haircare, skincare, makeup, perfumes, etc.) to maximise best practices, increase agility, improve productivity, adapt more easily to the specific needs of local clients and consumers, and to optimise investments.

MANUFACTURING FOOTPRINT BY GEOGRAPHIC ZONE



Operational excellence

L'Oréal's industrial sites are equipped with high-tech innovations, including robotic technologies, automation and cobotics (collaborative robots), for the flexibility required to meet the demands of the market and consumer needs: from high-productivity plants for large-scale production to agile plants producing limited editions.

The Group is continuing to roll out its Operational Excellence System in all its plants to meet the challenges of a constantly changing world and go even further in adapting its manufacturing equipment to the needs of consumers. This approach relies on the involvement of all Operations employees in technical and technological areas related to safety, quality, service levels, productivity, ergonomics and environmental impact, while promoting commitment.

Product quality and safety: a priority

Offering consumers the highest quality product is an absolute priority. Over several decades, the Group has set up a single product quality and safety management programme that applies to all its plants and subsidiaries around the world. In 2021, 97% of L'Oréal plants were ISO 9001 (Quality Management) certified and 100% were ISO 22716 (Best cosmetics manufacturing practices) compliant.

This unique quality management system guarantees manufacturing excellence and the quality of products with the same high standards applicable everywhere in the world. It includes efficient production methods and stringent control standards: around 100 quality controls are carried out on a single product during the production cycle, from the input of raw materials and packaging to when products leave the plant and heads towards customers and consumers.

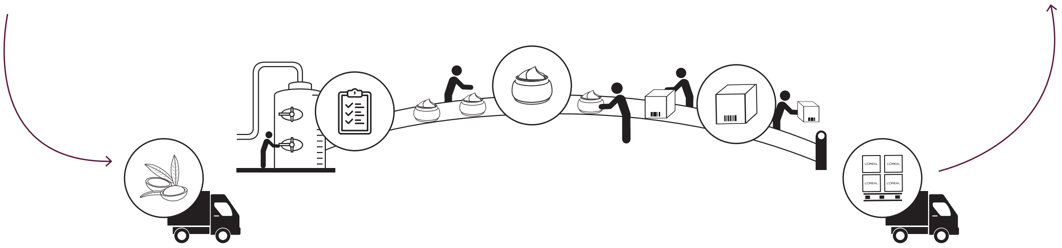
The ongoing quality improvement process has been effective as seen in the low rate of consumer complaints in 2021: 39 complaints per million products sold.

L'Oréal selects suppliers according to strict standards and criteria

in respect of quality, safety, and social and environmental responsibility, applied worldwide and compliant with its responsible purchasing policy

L'Oréal offers consumers effective and high-quality products

by respecting the most stringent regulations and though its continuous improvement approach, which is central to its quality policy



~100 quality controls

For each cosmetic product

Products meet the same standards of excellence and quality all over the world

Identical processes are followed in the 39 plants, from the reception of raw materials, through the manufacturing of formulas and the packaging of finished products, until products are placed on the market

Certifications
ISO 9001
ISO 22716
Certifications

Plants certified to the highest level

100%

of the Group's plants

are **ISO 22716*** compliant

97%

of the Group's plants

are **ISO 9001**** compliant

---

* Best practices in cosmetics manufacturing
** Quality management

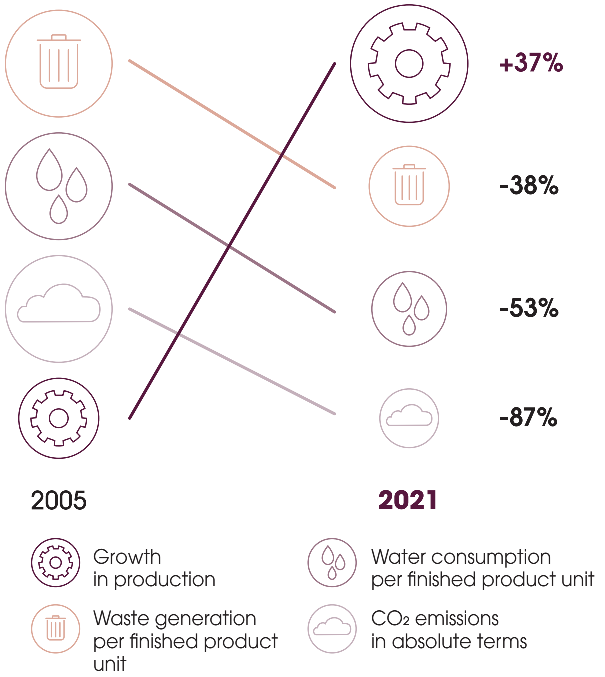
Employee safety is at the centre of L'Oréal's model

In 2021, the Security Management System, which applies to the Group's teams and all administrative sites, laboratories, plants, distribution centres and shops, was recognised by RoSPA (Royal Society for the Prevention of Accidents), which allotted 53 awards to L'Oréal. L'Oréal Brazil was awarded the highly prestigious Sir George Earle Trophy, the highest distinction allotted by the RoSPA Awards. This award recognises excellence in management and performance in terms of health, safety and well-being, both inside and outside of work.

At the heart of production: environmental protection

The Group's environmental policy aims to roll out best practice in sustainable production so as to limit the direct impact of the Group's business activities on the environment, and to preserve biodiversity and resources: energy efficiency, use of renewable energy, optimisation of water consumption and recycling, preservation of biodiversity, reduction of waste production, etc. In 2021, L'Oréal continued to prioritise programmes to reduce its environmental footprint (e.g. continuation of renewable energy projects around the world, start-up of two new treatment plants in France) with, since 2019, a -35% drop in CO_2 emissions in absolute value (-87% since 2005), a -5% drop in water consumption per unit of finished product (-53% since 2005), and a -1% drop in waste generation per unit of finished product (-38% since 2005). It should be noted that 97% of residual waste was recovered in 2021, meaning that it was reused, recycled or used for energy recovery.

A LONG-STANDING COMMITMENT TO RESPONSIBLE PRODUCTION (PLANTS AND DISTRIBUTION CENTRES COMPARED WITH 2005)



60 industrial sites(1) were "carbon neutral"(2) at the end of 2021, an increase of 20% since 2020. 25 plants are carbon neutral: Libramont in Belgium, Settimo in Italy, Burgos and Alcalá de Henares in Spain, Rambouillet, Ormes, Gauchy, Vichy, La Roche-Posay, Tours, Aulnay, Saint-Quentin, Lassigny and Caudry in France, Karlsruhe and Salzhemmendorf in Germany, Yichang and Suzhou in China, Montreal in Canada, Funza in Colombia, Florence, Franklin, Piscataway and North Little Rock in the USA, and Baddi in India.

All L'Oréal USA sites (production and distribution sites, administrative sites, research centres) achieved carbon neutrality in 2021 (see section 4.3.1.1.3. "Fighting climate change on operated sites, A/ Fighting climate change" of this document).

---

(1) Owned plants and distribution centres.
(2) As defined in section 4.3.1.1.3 of this document.

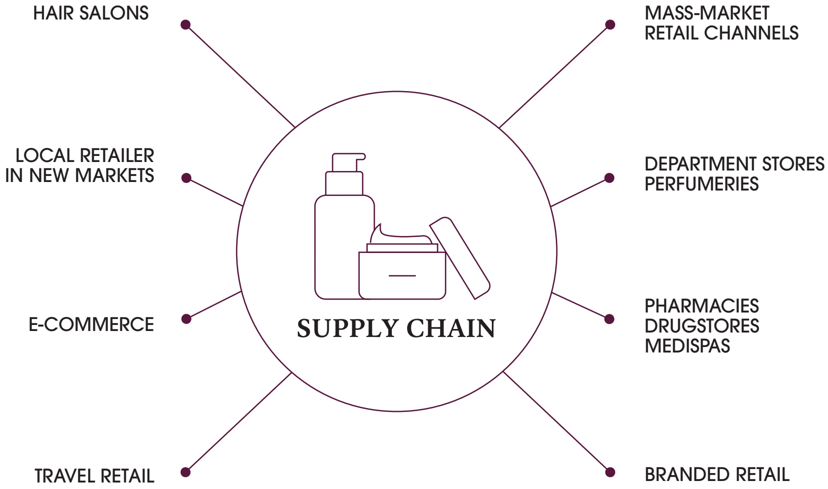
At year-end 2021, there were six Waterloop Factory plants (Burgos in Spain, Settimo in Italy, Vorsino in Russia, Libramont in Belgium, Mexico City in Mexico and Yichang in China): all the water required by the utilities (equipment cleaning, steam production, etc.) comes from reused water or water recycled in a closed loop on the site (see section 4.3.1.1.4., Preserving water resources on operated sites, in this document).

L'Oréal's commitment for over 25 years to environmental leadership was recognised in 2016, 2017, 2018, 2019, 2020 and 2021, with the best possible rating by the CDP(1) : a triple "A". L'Oréal is thus the only company in the world, out of more than 12,000 companies assessed, to receive a triple "A" ranking for the sixth consecutive year, for its commitment and results in each of the key areas for environmental protection: the fight against climate change, sustainable water management and the fight against deforestation.

Rapidly changing omni-channel logistics strategy

L'Oréal Group's supply chain organises and optimises all product delivery flows to all our customers as well as direct deliveries to e-commerce consumers. It is responsible for making sure that the products are delivered under optimum conditions, at the right time and at the best cost. L'Oréal distributes more than 6 billion products accross all channels. The supply chain and its distribution centres were particularly strategic and responsive in 2021 in order to provide deliveries to consumers and thus support L'Oréal's growth, despite a challenging global context in the supply of raw materials and transport.

L'Oréal is unique in the cosmetics market in that it serves a global market through a diverse range of distribution channels (see below) with a portfolio of many different beauty and cosmetic product categories. L'Oréal continuously optimises all information flows and physical flows from suppliers to customers.



The goal is to increase agility to handle market variations on all distribution channels and to adapt to market expectations in real time. L'Oréal has therefore implemented a planning strategy for the manufacturing, sales and distribution process (S&OP, Sales and Operations Planning) in order to deliver an optimum service to the Group's customers. Digitalisation of the supply chain and data management are critical challenges, and represent a real opportunity, especially in the retail sector and in stores managed directly by L'Oréal. It can provide a comprehensive view of business in a store, as well as improve understanding of the consumer purchase journey.

The supply chain network composed of 148 distribution centres is a strategic lever to ensure agile coverage of market challenges and expand our service offer. To create a more responsive supply chain, L'Oréal is investing in its plants to gradually transform them into Fulfilment Centres for more services: powered by automation and data, they will manage a range of services to consumers such as personalisation, box preparation, tailor-made delivery, and so on. They will facilitate stock interoperability for omnichannel management and allow enhanced product traceability for greater transparency to consumers. In France, the Mitry-Mory plant in the Paris region was transformed to meet the changing demands of hairdressers with an increasing number of small and split orders, based on the direct to consumer model.

Sustainable development is also central to the supply chain strategy. In order to reduce its environmental footprint, L'Oréal is co-creating with carriers low-carbon multimodal solutions adapted to the specific features of each geographic zone (green delivery, reduced air freight, hydrogen engines, etc.). To improve the energy efficiency of its centres, L'Oréal is increasing the use of 100% renewable energies everywhere in the world and is also targeting the elimination of the use of single use plastic in its centres.

By the end of 2022, the aim is to eliminate single-use plastic in materials used to fill packaging voids or in adhesive tapes in all distribution centres worldwide. By the end of 2021, 100% of the Group's distribution centres in Latin America, Europe and SAPMENA-SSA had already achieved this goal.

---

(1) The CDP is an independent NGO which offers a global system for the measurement and publication of environmental information and which assesses the strategy, close involvement and results obtained by companies in the fight against climate change, sustainable water management and forest protection.

Global economic performance at the service of the brands and the commercial entities

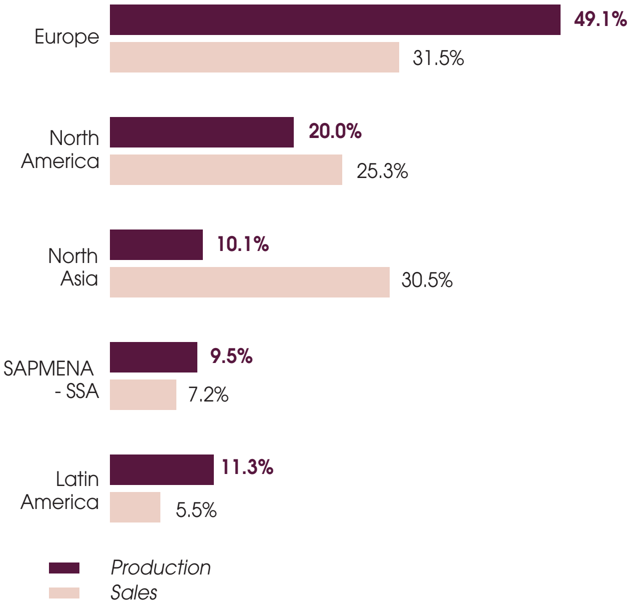
The Operations Division plays a key economic role for all brands and markets, which has an impact on the overall cost of products and their distribution.

Economic optimisation efforts led by Operations involve tracking the total landed cost, i.e., the final full cost of a product, which includes the cost of packaging and raw materials, the value added by the plants and all supply chain costs.

COMMITMENT TO INVEST IN OPERATIONS

(production and supply chain commitments in € million)

PRODUCTION AND SALES OF THE OPERATIONAL DIVISIONS BY GEOGRAPHIC ZONE IN 2021: PRODUCTION CLOSE TO ITS MARKETS



1.3. 2021 FINANCIAL RESULTS AND CORPORATE SOCIAL RESPONSIBILITY COMMITMENTS

1.3.1. 2021 Results*

"2021 was a historic year for L'Oréal. Thanks to the expertise, passion and commitment of our 85,400 L'Oréalians around the world, the Group achieved record growth of +16.1%(1), twice that of the worldwide beauty market. L'Oréal gained market share in all Zones, Divisions and categories. Over two years, the Group achieved growth of +11.3% like-for-like, spectacularly outperforming a market that had returned almost to 2019 levels.

In 2021, all stars aligned for this historic performance.

In terms of Zones, North America made a strong comeback and joined North Asia as the primary growth contributor. In Europe, boosted by the Zone's reorganisation, L'Oréal achieved significant market share gains and saw a return to 2019 levels. With an extremely volatile public health situation in SAPMENA-SSA(2) and Latin America, L'Oréal demonstrated agility and delivered solid performance.

L'Oréal Luxe became the Group's largest Division, with remarkable success in fragrances, while the Consumer Products Division, the largest Division by volume, strengthened its position, with noteworthy performance in makeup. The fast-growing Professional Products Division continued its far-reaching transformation and became truly omnichannel. With a portfolio of brands that perfectly matches consumers' health aspirations, Active Cosmetics also achieved spectacular growth, doubling in four years.

In 2021, we again extended our digital lead: e-commerce(3) grew by +25.7%(1), accounting for 28.9% of sales. We have been able to seize the opportunities offered by new digital channels. At the same time, we are continuing to digitalise points of sale aspart of an integrated omnichannel strategy.

We are also pursuing our Beauty Tech transformation by investing in data and artificial intelligence, and by establishing strategic partnerships such as our alliance with Verily, to better understand and characterise skin and hair aging mechanisms.

L'Oréal's exceptional growth, driven by superior innovations, as well as rigorous cost control, has enabled us to invest extensively in our brands and increase their appeal, while at the same time delivering record operating profit and an operating margin up 50 basis points.

We are also proud of our social and environmental performance, which reflects our ambition to grow responsibly and share value with all our stakeholders. First of all, with our employees, whom we associate with these exceptional results through a record redistribution of profit-sharing schemes. Furthermore, to promote youth employment, last year we offered more than 18,300 job opportunities to young people under 30 as part of our new global "L'Oréal For Youth" programme, which has an ambitious target of 25,000 opportunities per year from 2022 to 2025. Our efforts to support gender parity were also recognised by the Bloomberg Gender-Equality Index. In addition, L'Oréal USA, our largest subsidiary, achieved carbon neutrality for all its sites in 2021, some four years ahead of our L'Oréal for the Future commitments. L'Oréal is the only company in the world to have been awarded an AAA score by CDP six years in a row, for environmental leadership in tackling climate change, protecting forests and ensuring water security.

The end of the year was marked by the strategic transaction consisting of the buyback by L'Oréal of 4% of its own shares held by Nestlé, which strengthens our shareholder structure, a key asset in the Group's long- term success.

In a global context that remains volatile at the beginning of the year, we are confident in our ability to outperform the market in 2022 and achieve another year of growth in both sales and profits."

1.3.1.1. Overview of the results for 2021

- Sales: 32.28 billion euros
  - +16.1% like-for-like(1)
  - +16.9% at constant exchange rates
  - +15.3% based on reported figures
- Sales growth compared to 2019: +11.3% like-for-like
- Record operating profit: 6.16 billion euros, 19.1% of sales
- Earnings per share(4): 8.82 euros, an increase of +20.9%
- Dividend(5): 4.80 euros, an increase of +20%

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

(1) *Like-for-like: based on a comparable structure and identical exchange rates.*

(2) *SAPMENA – SSA: South Asia Pacific, Middle East, North Africa, Sub-Saharan Africa.*

(3) *Sales achieved on our brands' own websites and with e-commerce pure players + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data). Like-for-like.*

(4) *Diluted earnings per share, basedon net profit, excluding non-recurring items, after non-controlling interests.*

(5) *Proposed at the Annual General Meeting of 21 April 2022.*

€8,155.9 M
SALES

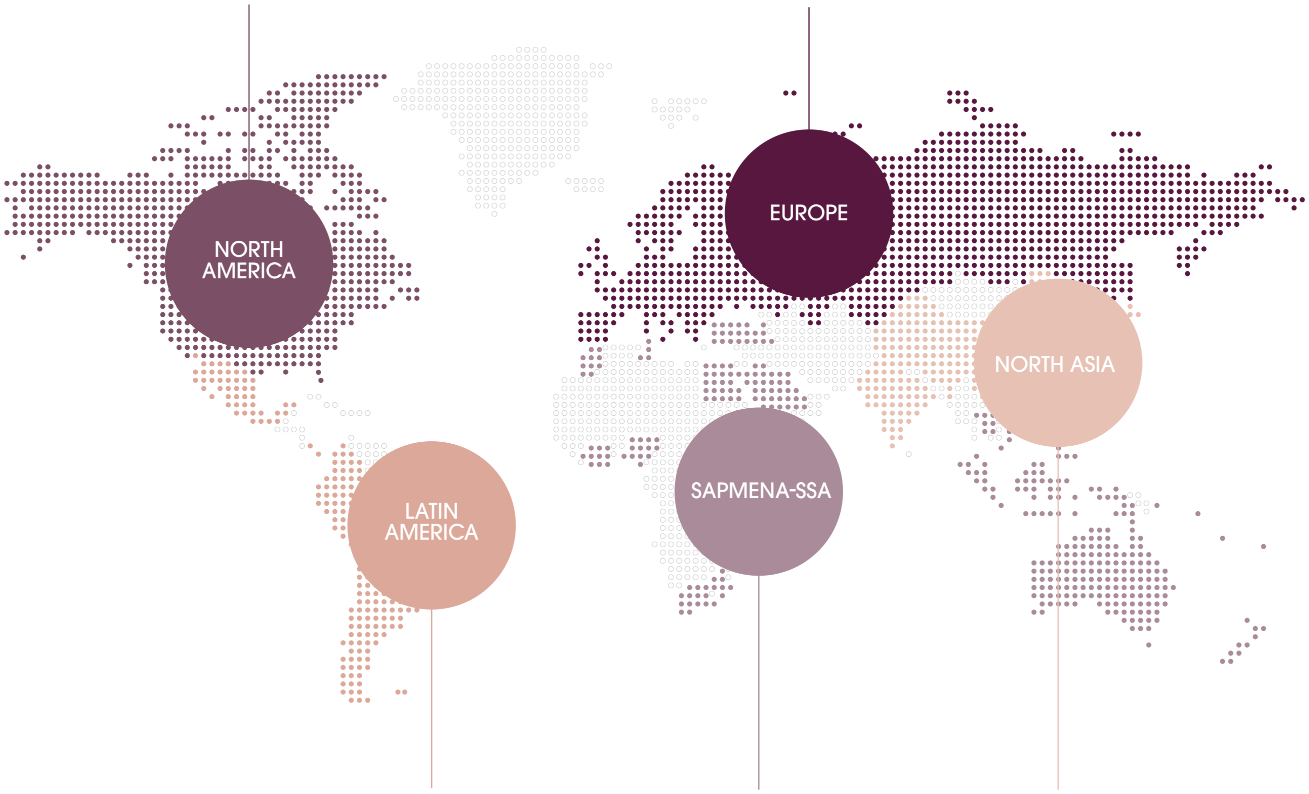
25.3% share of Group sales

+22.2 % sales growth in 2021(1)

€10,184.8 M
SALES

31.5% share of Group sales

+10.1% sales growth in 2021(1)



€1,771.5 M
SALES

5.5% share of Group sales

+20.6% sales growth in 2021(1)

€2,312.0 M
SALES

7.2% share of Group sales

+13.9% sales growth in 2021(1)

€9,863.3 M
SALES

30.5% share of Group sales

+17.6% sales growth in 2021(1)

€32,28 billion
TOTAL SALES

+16,1% sales growth in 2021(1)

---

(1) Like-for-like sales growth: based on a comparable structure and identical exchange rates.

1.3.1.2. Consolidated sales

Like-for-like, *i.e.* based on a comparable structure and identical exchange rates, the sales growth of the L'Oréal group was +16.1%.

The net impact of changes in the scope of consolidation was +0.8%.

Growth at constant exchange rates came out at 16.9%.

At the end of 2021,**currency fluctuations** had a negative impact of -1.6%.

Based on reported figures, the Group's sales, at 31 December 2021, amounted to 32.28 billion euros, an increase of +15.3%.

SALES BY OPERATIONAL DIVISION AND BY GEOGRAPHIC ZONE

					2020/2021 progression	
€ millions	**2019**	**2020**	**2021**	**% 2021 sales**	**Like-for-like**	**Reported figures**
By Division						
Professional Products	3,441.9	3,097.3	3,783.9	11.7%	+24.8%	+22.2%
Consumer Products	12,748.2	11,703.8	12,233.5	37.9%	+5.6%	+4.5%
L'Oréal Luxe	11,019.8	10,179.9	12,346.2	38.2%	+20.9%	+21.3%
Active Cosmetics	2,663.7	3,011.1	3,924.0	12.2%	+31.8%	+30.3%
Group total	**29,873.6**	**27,992.1**	**32,287.6**	**100%**	**+16.1%**	**+15.3%**
By geographic Zone						
Europe	10,186.8	9,199.3	10,184.8	31.5%	+10.1%	+10.7%
North America	7,567.0	6,903.4	8,155.9	25.3%	+22.2%	+18.1%
North Asia	7,908.2	8,318.1	9,863.3	30.5%	+17.6%	+18.6%
SAPMENA – SSA(1)	2,438.5	2,101.9	2,312.0	7.2%	+13.9%	+10.0%
Latin America	1,773.1	1,469.3	1,771.5	5.5%	+20.6%	+20.6%
GROUP TOTAL	**29,873.6**	**27,992.1**	**32,287.6**	**100%**	**+16.1%**	**+15.3%**

(1) SAPMENA – SSA: South Asia Pacific, Middle East, North Africa, Sub-Saharan Africa.

Summary by Division

Professional products

The Professional Products Division ended the year with strong growth: +24.8% like-for-like and +22.2% based on reported figures.

The Division maintained its upward momentum and achieved historic market share gains across all Zones, with remarkable performance in the United States and mainland China in particular. The benefits of its omnichannel strategy were reflected in the recovery of in-salon sales, the exceptional performance of the Salon Centric distribution channel in the United States as well as a strong increase in e-commerce.

Haircare remained the number one growth category. Kérastase had a spectacular year, driven by the success of *Curl Manifesto*. L'Oréal Professionnel, thanks to its disruptive innovation *Metal Detox*, and Redken, with its new *Acidic Bonding Concentrate* line, also recorded strong growth. Hair colour made a very strong recovery, thanks in particular to the success of *Shades EQ* by Redken and *Dialight* by L'Oréal Professionnel.

As an industry leader,the Division is encouraging all its partner hairstylists to engage in the sustainable transition by launching its "Hairstylists for the Future" programme.

Consumer products

The Consumer Products Division grew by +5.6% like-for-like and +4.5% reported, with +6.5% like-for-like growth in the fourth quarter.

The Division gained market share in 2021. The momentum is strong in the United States as well as in high- potential markets, including India, Brazil, Mexico and Indonesia. Growth was driven by the development of e-commerce, in all the Zones and notably in emerging markets.

All major brands grew, with an exceptional run of innovations in all categories: in makeup, with *Sky High* mascara by Maybelline, which was the most successful launch in the brand's history; in haircare, with premium innovations such as *Dream Lengths Wonder Water* by Elsève, or *L'Oréal Fall Resist* in mainland China;and in skincare, with Garnier's hugely successful Vitamin C Serum in many countries in the SAPMENA and Latin America Zones. *NYX Professional Makeup* also had an exceptional year, boosted by major launches and new types of partnerships, such as the one with hit Netflix series Money Heist (*La Casa de Papel*). L'Oréal Paris strengthened its position as the world's number one beauty brand with sales exceeding 6 billion euros.

L'Oréal Luxe

L'Oréal Luxe recorded strong growth at +20.9% like-for-like and +21.3% reported, in a global luxury beauty market that confirmed its recovery and saw a return close to pre-Covid levels.

The Division achieved remarkable, balanced performance, by category, geographic Zone and distribution network, and has become the largest Division of the Group. L'Oréal Luxe took full advantage of the complementarity between its distribution channels, with a balanced acceleration of online and offline sales.

L’Oréal Luxe gained market share in its three categories. The ultra-premium brands Lancôme Absolue and Helena Rubinstein, and anti-aging innovations such as *Retinol Skin-Renewing Daily Micro-Dose Serum* by Kiehl’s performed very well in skincare. The Division consolidated its leadership in fragrances, driven by the strength of established icons like *Libre* byYves Saint Laurent and by promising launches like *Alien Goddess* by Mugler and *Luna Rossa Ocean* by Prada. In a less dynamic makeup market, performance was driven by Lancôme and Shu Uemura.

The Division strengthened its position across all Zones, recording significant market share gains in North Asia and excellent performance in Europe. Following the reorganisation of its distribution network in North America, sales are again accelerating in this Zone.

At the end of the year, L'Oréal Luxe finalised the acquisition of *Youth to the People*.

Active cosmetics

The Active Cosmetics Division ended the year with exceptional growth at +31.8% like-for-like and +30.3% reported.

The Division significantly outperformed a booming dermocosmetics market in 2021, with health having become a core concern for consumers. It strengthened an already solid relationship with healthcare professionals and confirmed its leadership in dermocosmetic recommendations.

Active Cosmetics posted strong growth across all Zones, with exceptional performance in North America and North Asia. Offline sales saw a return to strong double-digit growth and online sales were exceptionally buoyant, exceeding one billion euros.

The Division’s major brands reported vigorous growth. La Roche-Posay more than doubled its growth rate compared with 2020, thanks to cutting edge innovations such as *Effaclar* serum and *Lipikar EczemaMED,* which is revolutionising the treatment of eczema. *Vichy* strengthened its leadership in anti-aging in Europe, particularly in skincare for menopausal women, while accelerating in Latin America and North America. *SkinCeuticals* continued to gather momentum, with the success of *Silymarin CF* confirming its antioxidant expertise. CeraVe saw spectacular growth for the second year running, in both the United States and the rest of the world.

Summary by geographic Zone

Europe

The Zone ended the year up +10.1% like-for-like and +10.7% reported, and is almost back to its 2019 level like-for-like.

The beauty market recovered across Europe in 2021 but remained below 2019 levels. L’Oréal significantly outperformed the European market, driven by a new surge in its online sales and digital leadership. The Group strengthened its position in the vast majority of countries, particularly the United Kingdom, Germany, France, Russia and the Scandinavian countries. It also gained market share in all its strategic categories: skincare, haircare,makeup and fragrances.

Active Cosmetics delivered particularly dynamic growth, driven by the continued success of CeraVe and La Roche-Posay. Despite the closure of salons in several countries at the beginning of the year, the Professional Products Division returned to significantly higher performance levels than in 2019, thanks to keen interest in its entire catalogue and the success of *Kérastase and L’Oréal Professionnel* innovations. L’Oréal Luxe confirmed its leadership in fragrances, with excellent starts for *Alien Goddess* by Mugler and *Luna Rossa Ocean* by Prada, and the strengthening of mainstays like *La Vie Est Belle* by Lancôme and *Libre* by Yves Saint Laurent. The Consumer Products Division meanwhile continued to gain market share in makeup.

North America

The Zone ended the year at +22.2% like-for-like and +18.1% based on reported figures.

In a year still impacted by the pandemic and supply chain pressures, the Zone recorded market share gains in all Divisions and continued to grow both online and offline, as brick-and-mortar outlets reopened. The strong launch plan helped win over consumers and secure their loyalty.

Thanks to the success of breakthrough innovations such as Maybelline *Sky High* mascara and *Infallible* powder by L’Oréal Paris, the Consumer Products Division reported growth over two years in the makeup category. Following the reorganisation of its distribution network, L’Oréal Luxe freed up resources allowing it to accelerate growth, with highly successful launches in the fragrances category, including *Ralph’s Club* by Ralph Lauren and *Luna Rossa Ocean* by Prada. The Professional Products Division saw tremendous growth, led by SalonCentric. Redken was a standout brand, driven by the launch of *Acidic Bonding Concentrate*. The Active Cosmetics Division recorded spectacular growth; CeraVe confirmed its position as the most recommended skincare brand.

North Asia

The Zone ended the year at +17.6% like-for-like and +18.6% reported.

L’Oréal significantly strengthened its position across all Divisions and had a good year, despite public health restrictions and their adverse effect on footfall.

In the Zone, L'Oréal Luxe continued to gain market share, with the success of premium skincare Lancôme Absolue and Helena Rubinstein, and strong performance of Yves Saint Laurent and Shu Uemura. Kérastase was the growth driver of the Professional Products Division. Active Cosmetics growth continued, fueled by La Roche-Posay and SkinCeuticals. With a remarkable acceleration of its premium haircare range, L’Oréal Paris boosted the performance of the Consumer Products Division.

In mainland China, L'Oréal reported strong double-digit growth in 2021, twice that of the beauty market. In the fourth quarter, despite a slowdown compared to a very high base in 2020, the beauty market remained much more buoyant than in 2019. In the last quarter, L'Oréal China achieved like-for-like growth of more than 50% compared with 2019. During the Double 11 festival on Tmall, L'Oréal broke all records and reported further market share gains, confirming its brands' appeal to Chinese consumers. The iconic consumer event established L'Oréal Paris and Lancôme as the beauty market No.1 and No.3; Yves Saint Laurent took the top slot in makeup, while Kérastase led the field in haircare. Winning the Best Innovation award from ByteDance (TikTok) demonstrates L'Oréal China's edge in terms of digital activation and brand building.

Travel Retail also continued to grow well thanks to its booming business in Hainan, while maintaining the appeal of Group brands.

SAPMENA – SSA[1]

The Zone grew by +13.9% like-for-like and +10.0% based on reported figures.

In SAPMENA, in a volatile context related to the resurgence of the pandemic, e-commerce accelerated. In South-East Asia, L'Oréal saw a return to pre-Covid levels in the fourth quarter, with Vietnam achieving remarkable performance, boosted by the online sales boom. The Pacific countries recovered thanks to the plans put in place to stimulate demand. India and Pakistan continued to deliver solid performance. The Gulf region,hosting the World Expo in Dubai, maintained growth momentum.

The Consumer Products Division recorded good performance, thanks to Garnier's haircare lines and the gradual recovery of Maybelline New York. L'Oréal Luxe reported exceptional performance in fragrances, with Yves Saint Laurent and Armani. Growth for the Professional Products Division was driven by *Kérastase. The Active Cosmetics Division continued to deliver dynamic growth in skincare, powered by La Roche-Posay and CeraVe.*

The SSA Zone experienced dynamic growth over the year. The Active Cosmetics Division recorded remarkable performance, thanks to the exceptional dynamism of La Roche-Posay. L'Oréal Luxe achieved strong market share gains in fragrances in South Africa. The Consumer Products Division saw very strong performance from Dark & Lovely and Nice & Lovely, as well as Maybelline New York.

Latin America

In 2021, the Zone posted strong growth: +20.6% like-for-like and +20.6% reported.

Distribution channels were fully open in the second half of the year, following the temporary store closures in the first half. Although malls and professional salons experienced lower footfall throughout the year, the beauty market nonetheless reported strong growth.

Against this backdrop, L'Oréal achieved significant market share gains, with remarkable performance in Mexico, Brazil and Chile. Growth was driven by e-commerce and offline sales: the Group's brands welcomed consumers returning to stores with targeted activation, while continuing their digital engagement and online activation, leveraging key online events such as Buen Fin and Black Friday.

Major categories posted strong growth, driven by the launch of superior innovations as well as the success of iconic brands and products, most notably in haircare, skincare and fragrances. L'Oréal Paris increased its market share gains in Brazil, Mexico and Chile, thanks to the highly successful launch of Elsève *Hidra Hialurônico* and the activation of *Revitalift*. La Roche-Posay posted significant market share gains; continuing to grow rapidly, CeraVe more than doubled its sales in the Zone.

1.3.1.3. 2021 consolidated results

OPERATING PROFITABILITY AND CONSOLIDATED INCOME STATEMENT

	2019		2020		2021	
	€ millions	% 2019 sales	€ millions	% 2020 sales	€ millions	% 2021 sales
Sales	**29,873.6**	**100.0%**	**27,992.1**	**100%**	**32,287.6**	**100.0%**
Cost of sales	-8,064.7	27.0%	-7,532.3	26.9%	-8,433.3	26.1%
Gross profit	**21,808.9**	**73.0%**	**20,459.8**	**73.1%**	**23,854.3**	**73.9%**
R&I expenses	-985.3	3.3%	-964.4	3.4%	-1,028.7	3.2%
Advertising and promotion expenses	-9,207.8	30.8%	-8,647.9	30.9%	-10,591.0	32.8%
Selling, general and administrative expenses	-6,068.3	20.3%	-5,638.5	20.1%	-6,074.2	18.8%
OPERATING PROFIT	**5,547.5**	**18.6%**	**5,209.0**	**18.6%**	**6,160.3**	**19.1%**

Gross profit, at 23,854 million euros, came out at 73.9% of sales, compared with 73.1% in 2020, an improvement of 80 basis points.

Research & Innovation expenses, at 3.2% of sales, exceed one billion euros.

Advertising and promotion expenses increased by 190 basis points, at 32.8% of sales.

Selling, general and administrative expenses, at 18.8% of sales, decreased by 130 basis points.

Overall, **operating profit** increased by 18.3% to 6,160 million euros, and amounted to 19.1% of sales, an improvement of 50 basis points.

---

(1) SAPMENA – SSA : South Asia Pacific, Middle East, North Africa, Sub-Saharan Africa.

NET PROFIT

Consolidated profit and loss accounts: from operating profit to net profit excluding non-recurring items:

€ millions	2019	2020	2021	Evolution
Operating profit	**5,547.5**	**5,209.0**	**6,160.3**	**+18.3%**
Financial revenues and expenses excluding Sanofi dividends	-62.7	-95.9	-59.6	
Sanofi dividends	363.0	372.4	378.3	
Profit before tax excluding non-recurring items	**5,847.9**	**5,485.5**	**6,478.9**	**+18.1%**
Income tax excluding non-recurring items	-1,486.7	-1,383.1	-1,535.6	
Net profit excluding non-recurring items of equity consolidated companies	+1.0	+0.9	+0.6	
Non-controlling interests	5.4	-4.2	-5.5	
Net profit excluding non-recurring items after non-controlling interests	**4,356.9**	**4,099.0**	**4,938.5**	**+20.5%**
EPS (1) (€)	7.74	7.30	**8.82**	+20.9%
NET PROFIT AFTER NON-CONTROLLING INTERESTS	**3,750.0**	**3,563.4**	**4,597.1**	**+29.0%**
Diluted EPS after non-controlling interests (€)	6.66	6.34	8.21	
Diluted average number of shares	562,813,129	561,635,963	**559,791,545**	

(1) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

Net finance costs amounted to 59 million euros.

Sanofi dividends amounted to 378 million euros.

Income tax excluding non-recurrent items amounted to 1,535 million euros, representing a tax rate of 23.7%.

Net profit excluding non-recurring items after non-controlling interests amounted to 4,938 million euros.

Earnings per share[1], at 8.82 euros, increased by 20.9%.

Non-recurring items after non-controlling interests[2] amounted to 341.4 million euros net of tax.

Net profit after non-controlling interests came out at 4,597 million euros, increasing by 29.0%.

Cash flow statement, Balance sheet and Cash position

Gross cash flow amounted to 6,640 million euros, an increase of 16%.

The **working capital requirement** decreased by 88 million euros.

At 1,075 million euros, **investments** represented 3.3% of sales.

Net cash flow[3] at 5,653 million euros, increased by 3.1%.

The **balance sheet** remains solid, with shareholders' equity amounting to 23.6 billion euros. On 7 December 2021, L'Oréal repurchased from Nestlé 22,260,000 of its own shares. At the end of December 2021, the **net debt** of the Group amounted to 3,586 million euros, including 1,670 million euros of finance lease liabilities.

Proposed dividend at the Annual General Meeting of 21 April 2022

The Board of Directors has decided to propose to the shareholders' Annual General Meeting of 21 April 2022 a dividend of 4.80 euros per share, an increase of +20.0% compared with the dividend paid in 2021. The dividend will be paid on 29 April 2022 (ex-dividend date 27 April at 0:00 a.m., Paris time).

Share capital

At 31 December 2021,the capital of the company was formed by 557,672,360 shares. As of 10 February 2022, the capital is formed by 535,412,372 shares, each with one voting right.

Operating profit by Division

	2019		2020		2021	
	€ millions	% 2019 sales	€ millions	% 2020 sales	€ millions	% 2021 sales
Professional Products	691	20.1%	582	18.8%	807	21.3%
Consumer Products	2,575	20.2%	2,388	20.4%	2,466	20.2%
L'Oréal Luxe	2,494	22.6%	2,276	22.4%	2,816	22.8%
Active Cosmetics	621	23.3%	766	25.4%	991	25.2%
DIVISIONS TOTAL	**6,381**	**21.4%**	**6,012**	**21.5%**	**7,080**	**21.9%**
Non-allocated(1)	833	-2.8%	-803	-2.9%	-920	-2.8%
GROUP	**5,548**	**18.6%**	**5,209**	**18.6%**	**6,160**	**19.1%**

(1) Non-allocated = CentralGroup expenses, fundamental research expenses, free grant of shares expensesand miscellaneous items.

The profitability of the **Professional Products Division** came out at 21.3% in 2021, an improvement of 250 basis points.

The profitability of the **Consumer Products Division,** at 20.2%, decreased by 20 basis points. The profitability of **L'Oréal Luxe** improved by 40 basis points, at 22.8%.

The profitability of the **Active Cosmetics Division** came out at 25.2%, a decrease of 20 basis points.

Non-allocated expenses amounted to 919.4 million euros.

---

(1) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.
(2) Non-recurring items include impairment of assets, net profit of discontinued operations, restructuring costs and tax effects of non- recurring items.
(3) Net cash flow = Gross cash flow + changes in working capital - capital expenditure.

Sales by business segment

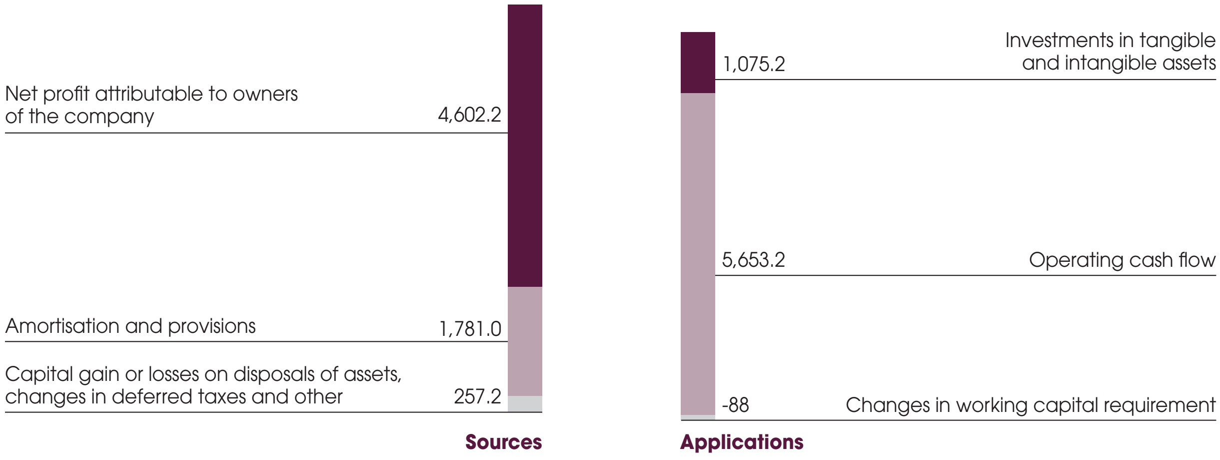
				2020/2021 evolution	
€ millions	**2019**	**2020**	**2021**	**Like-for-like**	**Reported figures**
Skincare	10,453	11,052	12,982	17.7%	17.5%
Make-up	7,854	5,969	6,627	13.1%	11.0%
Haircare	4,461	4,254	4,880	16.7%	14.7%
Hair colourants	3,032	2,972	3,016	3.6%	1.5%
Perfumes	2,771	2,529	3,512	34.5%	38.9%
Other(1)	1,303	1,216	1,271	4.3%	4.4%
TOTAL COSMETICS SALES	**29,874**	**27,992**	**32,288**	**16.1%**	**15.3%**

(1) "Other" includes hygiene products, sales made by American distributors with non-Group brands.

Compared consolidated income statements

€ millions	**2021**	**2020**	**2019**
Net sales	**32,287.6**	**27,992.1**	**29,873.6**
Cost of sales	-8,433.3	-7,532.3	-8,064.7
Gross profit	**23,854.3**	**20,459.8**	**21,808.9**
Research & Innovation expenses	-1,028.7	-964.4	-985.3
Advertising and promotion expenses	-10,591.0	-8,647.9	-9,207.8
Selling, general and administrative expenses	-6,074.2	-5,638.5	-6,068.3
Operating profit	**6,160.3**	**5,209.0**	**5,547.5**
Other income and expenses	-432.0	-709.0	-436.5
Operational profit	**5,728.3**	**4,500.0**	**5,111.0**
Finance costs on gross debt	-38.0	-79.2	-75.4
Finance income on cash and cash equivalents	18.5	19.8	28.7
Finance costs, net	**-19.4**	**-59.4**	**-46.7**
Other financial incomeand expenses	-40.2	-36.5	-16.0
Sanofi dividends	378.3	372.4	363.0
Profit before tax and associates	**6,046.9**	**4,776.5**	**5,411.4**
Income tax	-1,445.4	-1,209.8	-1,657.2
Share of profit in associates	0.6	0.9	1.0
Net profit	**4,602.2**	**3,567.6**	**3,755.2**
Attributable to:			
• owners of the company	4,597.1	3,563.4	3,750.0
• non-controlling interests	5.1	4.2	5.2
Earnings per share attributable to owners of the company *(euros)*	8.24	6.37	6.70
Diluted earnings per share attributable to owners of the company *(euros)*	8.21	6.34	6.66
Earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	8.86	7.33	7.78
Diluted earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	8.82	7.30	7.74

Sources and application of funds



Gross cash flow: 6,640.4

Financial ratios

	2019	2020	2021
Operating profit/Sales (as % of sales)	18.6%	18.6%	19.1%
Net profit excluding non-recurring items attributable to the owners of the group/Opening shareholders' equity (% of shareholders' equity)	16.2%	13.9%	17.0%
Net gearing(1) (% of shareholders' equity)	n/a	n/a	15.2%
Gross cash flow/Investments	4,7x	5,9x	6,2x

(1) Net gearing: (Current and non-current debt – Cash and cash equivalents) / Shareholders' equity attributable to owners of the company.

L'Oréal 2015-2021

€ millions	2015	2016	2017	2018	2019	2020	2021
Results							
Consolidated sales	25,257	25,837	26,023	26,937	29,874	27,992	32,288
Operating profit	4,388	4,540	4,676	4,922	5,548	5,209	6,160
As a percentage of consolidated sales	17.4%	17.6%	18.0%	18.3%	18.6%	18.6%	19.1%
Profit before tax excluding non-recurring items	4,711	4,867	5,003	5,278	5,848	5,485	6,479
Net profit excluding non-recurring items attributable to the owners of the company(1)	3,490	3,647	3,748	3,988	4,357	4,099	4,938
Net profit attributable to owners of the company	3,297	3,106	3,581	3,895	3,750	3,563	4,597
Total dividend	1,742	1,858	2,006	2,177	2,173	2,268	2,601
Balance sheet							
Non-current assets	24,458	25,585	24,320	25,991	29,893	29,047	30,938
Current assets excl. cash and cash equivalents	7,854	8,300	7,792	8,474	8,631	8,154	9,362
Cash and cash equivalents	1,400	1,746	3,047	3,992	5,286	6,406	2,714
Equity(2)	23,617	24,504	24,819	26,933	29,426	28,999	23,593
Net financial position(3)	-618	-481	-1,872	-2,751	-2,399	-3,859	3,586
Gross cash flow	4,399	4,717	4,972	5,178	5,802	5,724	6,640
Per share data (€)							
Diluted earnings per share attributable to owners of the company excluding non-recurring items(1)	6.18	6.46	6.65	7.08	7.74	7.30	8.82
Dividend	3.10	3.30	3.55	3.85	3.85	4.00	4.80 (4)
Share price at 31 December(5)	155.30	173.40	184.95	201.20	264.00	310.80	416.95
Highest share price during the year(5)	181.30	177.90	197.15	214.90	267.60	321.40	433.65
Lowest share price during the year(5)	133.40	142.65	167.75	170.30	194.55	196.00	290.10
Diluted weighted average number of shares outstanding(5)	564,891,388	564,509,135	563,528,502	563,098,506	562,813,129	561,635,963	559,791,545

(1) For 2015 this is the net profit from continuing operations.
(2) Plus non-controlling interests.
(3) The net cash surplus was €618 million in 2015, €481 million in 2016, €1,872 million in 2017, €2,751 million in 2018, €2,399 million in 2019 and €3,859 million in 2020. The net debt was €3,586 million in 2021.
(4) Dividend proposed to the Annual General Meeting of 21 april 2022.
(5) The L'Oréal share has been listed in euros on the Paris Stock Exchange since 4 January 1999, where it was first listed in 1963. The share capital is €111,974,316 at 31 December 2020; the par value of one share is €0.2.

1.3.1.4. Significant and recent events

Significant events in 2021

- On 29 January, for the fourth consecutive year, L'Oréal was recognised by the 2021 Bloomberg Gender-Equality Index for its commitment to female leadership, talent diversity and gender pay parity.
- On 1 February, L'Oréal finalised the acquisition of Takami Co announced on 23 December 2020.
- On 4 March, for the fourth consecutive year, L'Oréal ranked among the top five companies in the Equileap Global Gender Equality Ranking 2021, which assessed almost 4,000 companies in 23 countries. L'Oréal is ranked fourth overall, first in the consumer goods sector and first in France.
- On 5 March, L'Oréal announced two changes within the Group's Executive Committee. Omar Hajeri has been appointed President of the Professional Products Division and joins the Executive Committee. He succeeds Nathalie Roos, who has chosen to take her career in a new direction. Ersi Pirishi will be appointed President of the Latin America Zone and will join the Executive Committee in autumn 2021. She will take over from Javier San Juan, who has decided to retire.
- On 16 March, the 2020 Universal Registration Document was filed with the Autorité des Marchés Financiers. It is made available to the public according to the terms of the regulations in force and may be viewed on the www.loreal-finance.com website. On 16 March, L'Oréal announced that its Annual General Meeting would take place behind closed doors, without the physical presence of the shareholders and other persons entitled to attend, at 10.00 am on Tuesday 20 April 2021. The convening notice was published in the Bulletin des Annonces Légales Obligatoires (BALO) on Monday 15 March 2021 and includes the agenda, draft resolutions and main terms of participation and voting at the Annual General Meeting.
- On 23 March, L'Oréal's venture capital fund Business Opportunities for L'Oréal Development (BOLD) announced that it had taken a minority stake in the Swiss environmental tech startup Gjosa.

- On 20 April, L'Oréal held its Annual General Meeting behind closed doors. All resolutions were approved, including:
  - Payment of a dividend of €4 per share;
  - Appointments as directors of Mr Nicolas Hieronimus and Mr Alexandre Ricard, as well as renewal of the tenures as directors of Ms Françoise Bettencourt Meyers, Mr Paul Bulcke and Ms Virginie Morgon.
- On 20 April, the L'Oréal Board of Directors decided:
  - The dissociation of the functions of Chairman of the Board of Directors and Chief Executive Officer. Mr Jean-Paul Agon will continue to fulfil the role of Chairman as he has done since 2011 and Mr Nicolas Hieronimus was appointed Chief Executive Officer as of 1 May 2021;
  - On the basis of the authorisation approved by the Annual General Meeting of 20 April 2021, to buy back L'Oréal shares for a maximum amount of 1.2 billion euros and a maximum of 3 million shares, in a period starting 3 May 2021 and ending 30 June 2021, in a view to cancelling them. 3,000,000 shares were bought back from 3 May to 18 June 2021.
- On 22 April, L'Oréal announced the appointment of Asmita Dubey as Chief Digital and Marketing Officer, a member of the Executive Committee, to drive the second phase of the Group's digital transformation.
- On 23 June, L'Oréal announced the creation of the Europe Zone, led by Vianney Derville, previously President of the Western Europe Zone.
- On 29 July, the Board of Directors has decided to cancel 3,000,000 shares bought back, effective on 30 July 2021, pursuant the share buyback programme decided on 20 April 2021.
- On 31 August, L'Oréal ranked first across all categories in the Vigéo Eiris indices. The international non-financial rating agency evaluates companies' governance as well as social and environmental performance, and lists L'Oréal in the CAC 40 ESG index.
- On 20 September, for the seventh consecutive year, L'Oréal was recognised as a Global Compact LEAD company by the United Nations for its continued commitment to the Ten Principles of the UN Global Compact and for placing the UN Sustainable Development Goals at the centre of its growth strategy.
- On 20 September, Henkel, L'Oréal, LVMH, Natura &Co and Unilever announced a new global collaboration to co-develop an industry-wide environmental impact assessment and scoring system for cosmetics products. The aim is to co-design an approach that is brand-agnostic, and which provides consumers with clear, transparent and comparable environmental impact information, based on a common science-based methodology.
- On 27 September, L'Oréal joined Expo 2020 Dubai as the official Beauty Products and Services Partner to share its sustainability initiatives. L'Oréal is also a partner of the World Green Economy Summit, hosted by Expo 2020 in the lead-up to COP26, which will focus on global cooperation to address the challenges facing our planet, step up sustainable development and invest in the green economy.
- On 27 September, it was announced that ADL is to honour Jean-Paul Agon, Chairman of the L'Oréal group, with its prestigious Courage Against Hate award in recognition of L'Oréal's long-standing commitment to advancing diversity, equity and inclusion within the company and to respecting Human Rights and combating antisemitism in society. The award will be presented during the "Never is Now" summit on 7 November.
- On 28 September, Jean-Paul Agon was granted Honorary Citizenship of Shanghai, a distinction conferred on international entrepreneurs and experts who have contributed the most to the economic and social development of the city.
- On 30 September, L'Oréal received the 2021 Grand Prix Award for Corporate Governance conferred by L'Agefi, which (in partnership with CMS Francis Lefebvre, EcoVadis and Ethics & Boards) conducts an independent assessment of CAC 40 and SBF 120 companies to review their corporate governance performance.
- On 6 October, L'Oréal announced that it had taken 5th place in the Universum 2021 global rankings of business students' favourite companies, moving up five spots from 2020. The Group is the highest-ranking EU multinational company in this prestigious ranking.
- On 13 October, the L'Oréal group ranked in Fortune magazine's Change the World 2021 List, which recognises companies that have a positive social impact through activities that are part of their core business strategy. Fortune identified L'Oréal as a company that is changing the world through its sustainability programme, L'Oréal for the Future.
- On 26 October, L'Oréal won the "Parité du Top 100" Special Award given at the 8th edition of the Awards for the Feminisation of the Governing Bodies of SBF120 companies, presented by the French Ministry for Gender Equality, Diversity and Equal Opportunities.
- Also on 26 October, L'Oréal announced the launch of the largest ever fragrance disclosure model, to strengthen its commitment to transparency and enable consumers to make more informed purchase decisions. To develop the new tool, L'Oréal worked hand in hand with four international leaders in fragrance creation: Firmenich, Givaudan, IFF and Mane.
- On 3 November, L'Oréal received HRH The Prince of Wales's Terra Carta 2021 Seal, which recognises global companies driving innovation and demonstrating their commitment to, and momentum towards, the creation of genuinely sustainable markets.
- On 16 November, L'Oréal Water Saver was named a top innovation of 2021 by TIME Magazine. Developed in partnership with environmental innovation company Gjosa, the L'Oréal Water Saver is a one-of-a kind showerhead that can reduce water consumption by as much as 65%. Equipping 100,000 salons with this technology could potentially save up to 6.8 billion litres of water.
- On 7 December, L'Oréal was recognised for leadership in corporate sustainability by global environmental non-profit CDP. L'Oréal is the only company in the world to have been awarded an AAA score by CDP six years in a row, covering the organisation's three areas of focus: climate change, water security and forest conservation.

- On 13 December, L'Oréal was recognised by S&P for its outstanding sustainability performance, receiving a score of 85 out of 100, one of the world's highest Environmental, Social & Governance (ESG) ratings.
- On 29 December, L'Oréal completed its acquisition of Youth to the People, an American company based in California that develops high-performance skincare products, known for their innovative, science-based formulas combining premium vegan superfood extracts.

Significant events that have occurred since the beginning of financial year 2022

- On 3 January 2022, at CES 2022, L'Oréal unveiled its latest Beauty Tech innovations to reinvent the entire hair-colouring category. Colorsonic and Coloright are user-design breakthroughs set to transform the at-home and in-salon experience for consumers and professionals.
- On 20 January 2022, L'Oréal and Verily, an Alphabet precision health company, announced an exclusive beauty partnership to advance skin health. The first-of-its kind partnership in the beauty industry is expected to entail two programmes aimed at better understanding and characterising skin and hair aging mechanisms. It will also inform L'Oréal's precision Beauty Tech strategy and product development.
- On 26 January 2022, L'Oréal was recognised by Bloomberg Gender-Equality Index 2022 for the 5th consecutive year, for having successfully created an inclusive and equal work environment. This reference index measures gender equality across five pillars: female leadership & talent pipeline, equal pay & gender pay parity, inclusive culture, anti-sexual harassment policies, as well as pro-women brand.
- On 9 February 2022, the Board of Directors of L'Oréal cancelled the 22,260,000 L'Oréal shares repurchased from Nestlé, in accordance with the Board's decisions on 7 December 2021, effective as of 10 February 2022. As of 10 February 2022, L'Oréal's capital is formed by 535,412,372 shares with equivalent voting rights.
- On 9 March 2022, the Group strongly condemned the invasion of Ukraine by Russia and announced its decision to temporarily close all its own stores and directly operated counters in department stores, its own brand e-commerce sites, and to suspend all industrial and national media investments in Russia. The Group's presence in these two countries is limited. In 2021, the Group's sales in Ukraine and Russia amounted to 0.4% and 2% of Group sales respectively. In addition, the net book value of our industrial assets is less than €40 million as of 31 December 2021.
- On 11 March 2022, L'Oréal has received a Long-Term Issuer Credit ratings of AA from Standard and Poor's and an Issuer Rating of Aa1 from Moody's. The outlooks assigned to the ratings by both agencies are 'Stable'.

2022 Outlook

In a global context that remains volatile at the beginning of the year, we are confident in our ability to outperform the market in 2022 and achieve another year of growth in both sales and profits.

Measures taken by L'Oréal in the context of the Covid-19 health crisis

2021 was marked by the impacts of the Covid-19 health crisis that has spread around the world and has affected a number of geographic zones in which the Group operates.

The Group's priority is to protect the health, safety and security of its employees. The Group achieves this through compliance with the directives of the authorities in the countries in which it operates, the application and adaptation of its worldwide, high management standards for health and safety at its operational sites and in business travel situations (see section 4.3.2 of this document).

Since the start of the Covid-19 health crisis, L'Oréal has committed to taking action on social issues, considering itself responsible for working with its stakeholders, particularly with its suppliers (see section 4.3.1.2 "Involving suppliers in the Group's transformation" of this document), by offering them online training on safety measures in the context of the pandemic, and also its employees with remote working, online training and specific information on cyber security.

1.3.1.5. L'Oréal's investment policy responds to long-term objectives

L'Oréal is a growing manufacturing company thanks largely to two types of investments:

1. scientific and manufacturing investments, which are described in several sections of this document (see sections 1.2.6. "The bet on research, safety and innovation" and 1.27. "Operations, expertise and services closer to consumers for lasting performance" of this document); and
2. marketing investments, which are made on an ongoing basis and are inherent to the Group's activities in the cosmetics industry. Indeed, winning new market share requires in-depth and situation-specific studies, as well as advertising and promotional expenses attuned not only to the familiarity of brands and their competitive position, but also to constant changes in consumers' aspirations – something that the subsidiaries' sales and marketing teams monitor constantly. Lastly, investments in point-of sale (POS) advertising materials ensure optimal presence for our brands in points of sale.

For reasons relating to strategy and competition, L'Oréal cannot therefore provide any systematic information on future investments.

In 2021, the Group's investments totaled €1,075.20 million, or 3.3% of its sales. This level reflects the Group's constant efforts to improve manufacturing efficiency, research and digital development performance and enhance brand value.

Investment commitments in 2021 can be broken down as follows:

- production and the physical supply chain represented approximately 25% of total investments;
- marketing investments, including moulds, POS advertising materials and stores accounted for 31%;
- IT investments spread over all these categories represented 29% of total investments; and
- research and the head offices in the different countries accounted for the remainder.

See notes 3.2.2., 7.2. and 14.2. to the "Consolidated Financial Statements" for more details on these investments.

Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

1.3.2. Corporate Social Responsibility (CSR): shared and lasting growth

Priority to Human Capital

As our founder Eugène Schueller declared with conviction: "a company is not walls and machines but people, people and more people."

The Group's employees, who are strategic intangible assets, are one of the Group's main competitive advantages in the long term, alongside its portfolio of brands, its governance, Research and Innovation, data and technology with its transformation to Beauty Tech.

The Group's human and social project is based around two priorities: developing the individual performance of all its employees on the one hand, and social performance on the other, which is illustrated by the global Share & Care programme.

L'Oréal has always targeted constant, sustainable growth.

Since its very beginnings, the Group has been committed to developing its presence in all regions of the world by applying the fundamental rules of a good corporate citizen. The products offered to consumers meet the highest quality standards; the Group's social commitments are the same in all its subsidiaries; all production centres comply with the same rules aimed at reducing their environmental footprint. Social audits are conducted on the suppliers of the plants and distribution centres.

As far as its resources allow, each subsidiary takes part in the financing of sponsorship initiatives in keeping with the key pillars of the Group's commitment to philanthropy: Research, women and the environment. Above and beyond its solid long-term economic performances, L'Oréal seeks to be exemplary and sets itself demanding standards in order to limit its environmental footprint.

More consumers and more growth, for L'Oréal, necessarily imply more responsibilities. The Group intends to develop its activity with the utmost respect for the planet, and to improve its social and economic impact on the life of the people and communities that surround it. It is for this reason that, in 2013, in the context of its Sharing Beauty with All programme, and in 2020 with the L'Oréal for the Future programme, L'Oréal set itself ambitious Sustainable Development Goals that were formalised and structured at a strategic level.

Focus: sharing growth with employees

The L'Oréal Share & Care programme is a large-scale social programme initiated at the end of 2013. It consists of commitments revolving around four pillars that were updated in 2021 and implemented in all countries: social protection, healthcare, work/life balance and the working environment.

Protection
Providing employees and their families with financial support in the event of unexpected life events, by allocating appropriate assistance.

Health
Providing employees and their relatives with access to a high-quality healthcare system as well as prevention measures, placing greater emphasis on mental and emotional health, in order to create a new global approach to "personal ecology".

L'ORÉAL Share & Care

Balance
Enabling all employees to fully experience milestones in life such as maternity and paternity and demonstrating flexibility in working organisation for a better work/life balance.

Workplace
Offering the best working environment thereby enabling employees to work in a pleasant, appropriate and effective way, and, depending on their activity, to meet, share, learn, collaborate, create or concentrate.

The new sustainable development goal for 2030: L'Oréal for the Future

For many years, L'Oréal has shown a strong commitment to environmental, social and societal responsibility. L'Oréal placed sustainability at the heart of its strategy, with the launch in 2013 of the Sharing Beauty With All programme with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth. By the end of 2020, the Group had reduced CO_2 emissions from its plants and distribution centres by 81% compared to 2005, while production volumes increased by 29% over the same period. By the end of 2020, 72 industrial sites were carbon neutral (using 100% renewable energy), including 19 plants.

The L'Oréal for the Future programme marks the launch of a new phase of L'Oréal's sustainable development approach, with the intention of building on the Group's earlier achievements to accelerate its transformation towards an increasingly sustainable business model. L'Oréal wants to engage its entire ecosystem and demonstrate that companies can be part of the solution to the environmental and societal challenges the world is facing. Today, their acceleration promotes a much more radical transformation. Since April 2019, seven groups of internal experts have coordinated independent studies and collaborated with outside partners and civil society to define the next steps in L'Oréal's sustainable development transformation.

In June 2020, the Group announced its new sustainability programme, L'Oréal for the Future (see chapter 4 of this document), with a new set of ambitious objectives for 2030, based on three pillars:

- transform L'Oréal activities to remain within the "planetary boundaries" defined by environmental science;
- associate the Group's ecosystem in its transformation for a more sustainable world; and
- contribute to meeting the great environmental challenges by creating different funds to promote the regeneration of nature, the circular economy and women in vulnerable situations.

In order to reconcile its needs to preserve a planet with limited resources, L'Oréal has raised its goals and defined targets for improvement by 2030 that cover all its direct and indirect impacts, related for example to the activity of its suppliers or the use of its products by consumers.

L'Oréal for the Future: 2021 Results

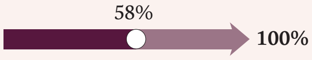
The L'Oréal for the Future programme marks the launch of a new phase of L'Oréal's sustainable development approach, with the intention of building on the Group's earlier achievements to accelerate its transformation towards an increasingly sustainable business model. 2021 is the first reporting year for the programme. Detailed information is provided in Chapter 4 of this document.

■ Results 2021 ▨ Targets

Transforming our business

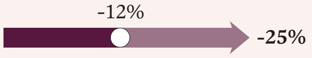
CLIMATE

By 2025, all our sites will achieve carbon neutrality by improving energy efficiency and using 100% renewable energy▲.



2020 Results: 43%

By 2030, we will innovate to enable our consumers to reduce their greenhouse gas emissions resulting from the use of our products by 25% compared to 2016 per finished product(1).



2020 Results: -12%

By 2030, we will reduce by 50%, on average and per finished product, the greenhouse gas emissions per finished product linked to the transport of our products compared to 2016▲.

2020 Results: +17%

By 2030, our strategic suppliers will reduce their direct emissions (scopes 1 and 2) by 50% in absolute terms compared to 2016.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

WATER

By 2030, we will evaluate all formulas thanks to our environmental test platform, to guarantee they are respectful of all aquatic ecosystems, whether continental or coastal.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

By 2030, we will innovate to enable our consumers to reduce by 25%, on average and per finished product, the water consumption linked to the use of our products, compared to 2016(2).

2020 Results: +6%

By 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop▲(3).

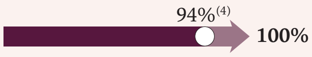
2020 Results: 12%

By 2030, all our strategic suppliers will use water sustainably in the areas where they operate.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

BIODIVERSITY

By 2030, 100% of the biobased ingredients for formulas and packaging materials will be traceable and will come from sustainable sources, none of them will be linked to deforestation▲(4).



2020 Results: 91%(4)

By 2030, the Group will hold flat the total land occupancy vital to the sourcing of our ingredients, compared to 2019.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

By 2030, all of our industrial sites and all our operated buildings will have a positive impact on biodiversity, compared to 2019.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

▲ These indicators are used to assess the performance of L'Oréal's Chief Executive Officer – see section 2.4. Remuneration of directors and corporate officers of this document.

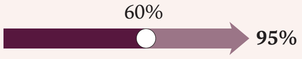
(1) *Unit used: TCO_2eq./kg of formulas sold.*

(2) *Unit used: L/Kg of formulas sold.*

(3) *Waterloop factories.*

RESOURCES

By 2030, 95% of our ingredients in formulas will be biobased, derived from abundant minerals or from circular processes*.



By 2030, 100% of the plastic used in our packaging will be either from recycled or biobased sources (we will reach 50% by 2025)*.

2020 Results: 15%

By 2030, we will reduce by 20% in intensity the quantity of packaging used for our products, compared to 2019.

2020 Results: -8%

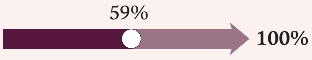
By 2025, 100% of our plastic packaging will be refillable, reusable, recyclable or compostable.

2020 Results: 40%

By 2025, 100% of our new displays will be eco-designed, taking into account circular economy principles for end of life management.

By 2025, 100% of our new Free Standing Stores will be designed and built following our principles of sustainability principles.

By 2030, 100% of the waste generated in our sites[5] will be recycled or reused.



2020 Results: 58%

Empowering our ecosystem in our transformation

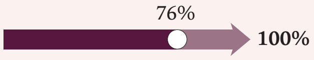
By 2030, 100% of our strategic suppliers' employees will be paid at least a living wage covering their basic needs and those of their dependents, calculated in line with best practices.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

By 2030, we will have helped 100,000 people from disadvantaged communities gain access to employment*.

By 2030, 3 million people will benefit from our brands' social engagement programs.

By 2022, the Product Environmental and Social Labelling system will apply to all the Group's rinse-off products[6].



By 2030, all Group products will be eco-designed*.

2020 Results: 96%

Contribute to solving the challenges of the world

By 2023, we will have invested €50 million to support highly vulnerable women.

By 2030, the L'Oréal fund for Nature Regeneration will have invested €50 million to help restore 1 million hectares of degraded ecosystems.

By 2030, the Fund will have helped capture 15 to 20 million tonnes of CO_2 and we will have created hundreds of jobs opportunities.

The impacts in terms of CO_2 and job creation will be measured and published once the projects have reached maturity

By 2030, we will have invested €50 million to finance projects that will help promote a more circular economy.

The Fund will construct and deploy its investment portfolio from 2022.

(5) *Industrial sites.*

(6) *In 2021, an environmental impact score was calculated for 76% of the Group's rinse-off products; labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.*

1.4. AN ORGANISATION SERVING THE GROUP'S DEVELOPMENT

The Group's organisation responds to a dual challenge: pursuing the strategy which has enabled L'Oréal to be successful over the last 110 years and at the same time inventing the new L'Oréal of the future, perfectly matched to an ever-changing world.

1.4.1. L'Oréal S.A.

L'Oréal S.A. is a French company, with its head office in France. It performs a domestic sales activity in France and an export sales activity in its operating territory. At the same time, L'Oréal S.A. also acts as the holding company and provides on the one hand strategic coordination, and scientific and technical coordination for the Group throughout the world on the other hand.

The subsidiaries operate the Group's business activities in the country or region in which they are located. To do so, they define the development strategy specific to their market, make the most suitable choices in terms of consumer targets and distribution channels, and manufacture, directly or indirectly, and market the brands they decide to sell on their market.

Almost all of the subsidiaries are owned by L'Oréal S.A. which has a holding or control percentage equal or close to 100%(1). The detailed list of these subsidiaries is set out in the notes to the consolidated and parent company financial statements.

1.4.2. Operational Divisions

The Group's business activities are organised into four Operational Divisions. In the markets, each of these Divisions develops and enhances its brand portfolio with consumers (see section 1.2.1. "L'Oréal Group Profile" of this document).

By establishing the Group-wide multi-division Travel Retail Department, the Group has given itself the resources to grow this influential segment using a global shopper strategy: a bespoke approach designed, at the destinations favoured by each nationality, to personalise the experience on the basis of the language, culture and beauty rituals of travellers.

1.4.3. Geographic zones

The Group's international development led L'Oréal, from 1 January 2021, to change its organisation to give more coherence to each Zone, particularly in terms of consumer behaviour and market maturity, in order to create the conditions for a cross-functional transformation of the organisation and maximise growth.

Thus the geographic zones, each of which has operational responsibility for the subsidiaries in their country, are as follows:

- Europe Zone comprises Western and Eastern Europe;
- North America Zone;
- North Asia Zone brings together mainland China, Hong Kong, Taiwan, Japan and South Korea;
- SAPMENA - SSA Zone incorporates South Asia, the Pacific, the Middle East, North Africa and Sub-Saharan Africa; and
- Latin America Zone.

1.4.4. Support Divisions

Several specialist corporate departments provide their expertise and support to the Operational Divisions, to subsidiaries in their markets and to the other business activities (see section 1.2.1. "Group Profile" of this document).

---

(1) Furthermore, it should be noted, that pursuant to Article L. 232-1 of the French Commercial Code, L'Oréal S.A. has branches.

1.5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Group operates in a constantly changing environment and like any company, L'Oréal is necessarily exposed to risks which, if they were to materialise, could have a negative impact on its business activities, its financial position and its assets, particularly in terms of reputation and image.

In order to ensure the sustainability of its development and the achievement of its objectives, the Group strives to anticipate and manage the risks to which it is exposed in its different areas of activity.

L'Oréal's risk management consists in identifying, assessing and controlling risks that may affect the smooth running of the Company. It also participates in the Group's development by promoting good use of resources to minimise the impact of negative events and maximise the realisation of opportunities.

By contributing to preventing and managing the risks to which the Group is exposed, the purpose of the Internal Control system is to enable the Group's manufacturing and economic development to take place in a steady and sustainable manner in a control environment appropriate for the Group's businesses.

At L'Oréal, Internal Control is a system that applies to the Company and its consolidated subsidiaries and aims at ensuring that:

- economic and financial targets are achieved in compliance with the laws and regulations in force and the Group's Ethical Principles and standards;
- the orientations set by General Management are followed;
- the Group's assets and reputation are valued and protected; and
- the Group's financial and accounting information is reliable and provides true and fair statements.

The control environment, which is critical to the Internal Control system, good risk management and the application of procedures, is based on behaviour, the organisational structure and employees. At L'Oréal, it forms part of a culture of rigour and commitment communicated by senior management and in line with the Group's strategic choices.

Risk management and Internal Control is everyone's business, from the governance bodies to all employees.

The Internal Control system is the subject of ongoing supervision in order to verify whether it is relevant and meets the Group's objectives and addresses its issues.

See also Chapter 3 "Risk factors and control environment" of this document, which includes, in particular, details regarding the identification and management of the most significant risks from the point of view of investment decision-making, within the meaning of the regulations, listed in the table below.

Major risks to which the Group believes it is exposed

		Residual importance
Business risks	Sanitary crisis*	Significant
	Information and cybersecurity systems*	Significant
	Geographic presence and economic and political environment*	Significant
	Crisis management	Moderate
	Data	Moderate
	Market and Innovation	Moderate
	Business ethics	Moderate
	Sales distribution networks	Moderate
	Human Resources risk	Limited
	Product quality and safety	Limited
	Safety of people and property	Limited
Industrial and environmental risks	Product availability*	Significant
	Climate change	Significant
	Environment and safety	Limited
Legal and regulatory risks	Risk of non-conformity*	Moderate
	Intellectual property: trademarks, designs & models, domain names, patents	Limited
	Product claims	Limited
Financial and market risks	Currency risk*	Limited
	Risk on financial equity interests	Limited
	Risk relating to the impairment of intangible assets	Limited

* *Most material risks in each category.*

2

CORPORATE GOVERNANCE*

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

This chapter reports the conditions under which the Board of Directors' work is prepared and organised and includes a summary of the principles of organisation that guarantee a balance of powers. It includes the complete text of the Internal Rules of the Board of Directors.

All components of the remuneration of directors and corporate officers are provided, as is the trading in L'Oréal shares reported by directors and corporate officers in 2021, and the remuneration policy pursuant to Article L. 22-10-8 of the French Commercial Code.

2.1. FRAMEWORK FOR THE IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

2.1.1. AFEP-MEDEF Code: the reference Code

The Code of Corporate Governance to which the Company refers is the AFEP-MEDEF Code. This code may be consulted online at the following address: http://www.medef.com/.

In accordance with the provisions of Article L. 225-37, section 6 of the French Commercial Code, this chapter includes a specific section of the Management Report on corporate governance and reports on the following, in particular:

- the Board's composition and application of the principle of balanced gender representation on the Board;
- the ways in which the Board's work is prepared and organised;
- the remuneration policy for directors and corporate officers;
- information relating to the remuneration and benefits of any kind for directors and corporate officers during the previous financial year pursuant to Article L. 22-10-9 of the French Commercial Code; and
- limitations placed by the Board of Directors on the powers of the Chief Executive Officer.

The other information included in the particular section of the Management Report dedicated to corporate governance is published in chapter 7 of this document, specifically:

- the table summarising the authorisations in force granted by the Annual General Meeting (see section 7.2.2. "Issued share capital and authorised unissued share capital" of this document);
- the special rules for shareholder participation in the Annual General Meeting or the provisions of the Articles of Association providing for these rules (see section 7.1.11. "Annual General Meeting" of this document); and
- the elements with the potential to have an impact in the event of a public offer for the purchase or exchange of the Company's securities (see section 7.3. "Shareholder structure" of this document).

In accordance with the recommendations of the AFEP-MEDEF Code, this chapter identifies, in a summary table, those provisions of the Code which were not applied and explains the reasons for that choice (see section 2.5. "Summary table of the recommendations of the AFEP-MEDEF Code which have not been applied" of this document).

2.1.2. Procedures for exercising the General Management: Separation of the functions of Chairman of the Board and Chief Executive Officer since 1 May 2021

L'Oréal has a method of corporate governance that is suited to its specificities and is part of a constant quest for progress.

The procedures for conducting the General Management of L'Oréal have always been decided in the best interest of the Company and with the constant concern that the mode of governance chosen will make it possible to optimise the Group's financial and economic performances and to create the most favourable conditions for its long-term development.

After a period of 5 years (between 2006 and 2011) during which the duties of Chairman of the Board of Directors and those of Chief Executive Officer were separated in order to ensure a smooth transition between Sir Lindsay Owen-Jones and Mr Jean-Paul Agon, the Board of Directors decided in 2011 to merge these positions and to appoint Mr Jean-Paul Agon as Chairman of the Board of Directors responsible for the Company's General Management (Chairman and Chief Executive Officer of L'Oréal), roles that he held until 30 April 2021.

As the Company's Articles of Association do not provide for any exception to the legal retirement age of 65 years for the Chief Executive Officer, Mr Jean-Paul Agon was required to hand over his duties as Chief Executive Officer before 6 July 2021.

On his recommendation, the Nominations and Governance Committee initiated the process to appoint the future Chief Executive Officer.

On 14 October 2020, on the recommendation of the Nominations and Governance Committee, the Board of Directors announced its intention to dissociate the functions of Chairman and Chief Executive Officer, renew Mr Jean-Paul Agon's mandate as Chairman of the Board of Directors, a position he had held since 2011, and appoint Mr Nicolas Hieronimus as Chief Executive Officer.

Mr Nicolas Hieronimus joined L'Oréal 34 years ago. He held various positions in marketing before being named to General Management (L'Oréal Paris France, L'Oréal Paris World and L'Oréal Mexico). In 2008, Mr Jean-Paul Agon appointed him as

General Manager of the L'Oréal Professional Products Division and welcomed him to the Executive Committee. In January 2011, he was appointed Chief Executive Officer of L'Oréal Luxe, a role that he held until the end of 2018. In 2013, he became Chief Executive Officer of the Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was named Deputy CEO in charge of Divisions in May 2017.

This new governance took effect on 1 May 2021, by decision of the Board of Directors at the meeting held following the company's Annual General Meeting on 20 April 2021.

The proposed organisation guarantees the sustainability of the performance, values and commitments of the Group, as well as the quality of its governance.

The Board of Directors and Mr Nicolas Hieronimus benefit from Mr Jean-Paul Agon's successful and recognised experience in both positions. The Board of Directors can count on his expertise in matters of governance to meet the growing expectations of the Group's stakeholders.

Mr Nicolas Hieronimus will provide his expertise in the cosmetics market and his intimate knowledge of L'Oréal acquired during a 34-year career with the Group, as well as his vision of the future of beauty to implement the strategic guidelines of the coming years. The Board is convinced that Mr Nicolas Hieronimus will be able to take advantage of all the opportunities offered by a fast-changing world to adapt the Group and reinvent it in keeping with its values, commitments and purpose (*raison d'être*) to "Create the beauty that moves the world".

The Board, which considers the participation of the Chief Executive Officer in the discussions of the Board of Directors to be essential, submitted his appointment as a Director for approval at the Annual General Meeting held on 20 April 2021, of which 99.21% approved his appointment.

2.1.3. Balance of power within the Board of Directors

2.1.3.1. Key role of the composition and functioning of the Board of Directors

A harmonious composition

The balance of powers on the Board of Directors principally rests on its coherent and harmonious composition and on the qualities of its Directors.

At 31 December 2021, the Board of Directors is made up of the Chairman and Chief Executive Officer, three Directors (one of whom is Vice-Chairman of the Board) from the Bettencourt Meyers family, two Directors (one of whom is Vice-Chairman of the Board) linked to Nestlé, seven independent Directors and two Directors representing the employees.

Thus 50% of the Board are independent Directors, who are highly committed and fully play their role given their backgrounds and experience. They all hold responsibilities at the highest level in major international groups, which allows them to understand all the dimensions of L'Oréal's operations, clarify Board discussions and interact effectively with General Management.

All Board members participate in the discussions and are a driving force for ideas in terms of the smooth running of the Board. The diversity and complementarity of the Directors' experience and expertise (entrepreneurial, financial, extra-financial, including human resources and sustainable development, industrial, digital, etc.) enable them to quickly and thoroughly understand the development issues facing the L'Oréal Group, the leader in the highly competitive, globalised cosmetics market in which the requirement to innovate and adapt is very high.

Specialised active and effective Committees of the Board

The establishment of Board Committees, their composition and responsibilities contribute to a good balance of power and are a point of attention for the Board of Directors. In fact, the Board has set up specialised committees to help all Directors carry out their main duties collectively. The term of office, composition and operating procedures of the Board are defined in its Internal Rules, which are published by the Board of Directors (see section 2.3.3. "Activities of the Board Committees" of this document).

All Committees have a high number of independent Directors: 60% for the Audit Committee and the Human Resources and Remuneration Committee, and 50% for the Nominations and Governance Committee. The Chairman of each of these Committees is independent. Only the Strategy and Sustainability Committee, the organisation of which is not regulated, is chaired by a non-independent Director within the meaning of the AFEP-MEDEF Code. Two Directors representing employees sit on two of the Board committees: one is a member of the Human Resources and Remuneration Committee and the other is a member of the Audit Committee. The Chairman of the Board of Directors is a member of, and chairs, the Strategy and Sustainability Committee. The Chief Executive Officer is not a member of any Committee.

These committees are completely free to draw up their respective agendas. They report on their work to the Board of Directors, whose meetings they prepare and to which they make proposals.

As part of its review of its activities at the end of 2021, the Board again emphasised the quality of the work and recommendations of its Committees, which helped to inform its decisions.

Executive sessions

Since 2019, the Board of Directors has met in executive sessions, at one or two meetings per year.

The Board considers that these meetings, which are not attended by any corporate officers or any employees of the Group, contribute to good governance. Initially, the Chairman of the Board of Directors is asked to attend these meetings; after this, they may be held without his or her attendance.

Regular evaluation of the organisation and functioning of the Board

As part of the annual assessment of the way the Board operates, each year Directors set themselves new objectives to improve the quality of their organisation. They seek to achieve optimum effectiveness and ensure that they have the necessary assets to carry out their duties successfully and with complete freedom to act.

Attentive prevention of conflicts of interest

The Directors are required to act in all circumstances in the interest of the Company and of all its shareholders.

Every year, the Board of Directors assesses the situation of the Directors using the conflict of interest prevention process.

Each Director has the obligation to report potential conflicts of interest which could concern him/her and, in any event, must abstain from participating in the corresponding debates and deliberations.

2.1.3.2. Relationships between the Board and General Management

Powers and duties of the Chief Executive Officer

The Internal Rules of the Board of Directors stipulate that the Chief Executive Officer is vested with the broadest powers to act in all circumstances in the name of the Company, in compliance with the limits set by the Board; however, transactions of a significant amount or falling outside the Company's normal course of business are submitted to the Board of Directors (see section 1.2.2 of the Internal Rules of the Board of Directors).

Mr Nicolas Hieronimus exercises these powers within the limit of the Company's purpose subject to the powers expressly granted by French law to Annual General Meetings and the Board of Directors.

He represents the Company in its dealings with third parties.

The Chief Executive Officer communicates completely transparently with all the Directors and keeps them regularly informed of all aspects of the Company's affairs and its performances. He is required to provide each Director with all documents and information required to perform their remit.

More specifically, the Chief Executive Officer provides the Board members with useful information in connection with the preparation of meetings, or at any time during the life of the Company if the importance or urgency of the information so requires. This provision of ongoing information also includes any relevant information concerning the Company, and in particular press articles and reports containing financial analysis.

The Chief Executive Officer gives the Board and its Committees the possibility to meet with the senior managers of L'Oréal within the strict framework of their remits and duties. In consultation with the Chief Executive Officer, the Board and the Committees may use external consultants if they consider it necessary.

The Board is informed, at the time of closing of the annual financial statements and the review of the interim financial statements or at any other time if necessary, of the Company's financial position and cash position.

Thus, the Board has the resources it needs to manage, with complete freedom, the issues that concern it, in particular when this involves determining the strategic orientations of the company, ensuring and monitoring the implementation and overseeing the good management thereof.

The Board provides the General Management with invaluable support for strategic decision-making through its reflections and the impetus it provides.

Duties of the Chairman of the Board of Directors

The Internal Rules of the Board stipulate the following duties of Mr Jean-Paul Agon, in his capacity as Chairman of the Board of Directors: "The Chairman of the Board of Directors organises and oversees the Board's work and reports thereon to the Annual General Meeting.

The Chairman sets the dates and the agenda for Board meetings and leads the discussions.

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, inter alia, links between the Company and the main market players. The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for the communication of any document or information that is likely to assist the Board of Directors in preparing for its meetings.

The Chairman of the Board must use his best efforts to promote the values and image of the Company at all times. He expresses his views in that capacity.

He is provided with the material resources required to perform his duties.

The Chairman of the Board takes care to develop and maintain a trustful and regular relationship between the Board and the General Management, in order to guarantee continuous, ongoing implementation by the General Management of the strategies defined by the Board."

Taking into consideration Mr Jean-Paul Agon's experience and expertise, as well as his in-depth knowledge of the Group and the beauty market, the Board decided to expand the duties entrusted to the Chairman. In all these specific missions, the Chairman acts in close collaboration with the Chief Executive Officer who alone directs and manages the Company's operations.

Mr Jean-Paul Agon, as Chairman of the Board of Directors, provides his assistance and advice to the Chief Executive Officer, particularly in the implementation of the strategic orientations of the Company defined by the Board:

- he is informed and consulted by the Chief Executive Officer on all significant issues and events, such as proposed acquisitions or disposals, major financial transactions, financial communication, the guidelines of the Human Resources policy and appointments of the Group's principal executives, Ethics and issues of Corporate Social Responsibility;
- he monitors, in collaboration with the Chief Executive Officer, certain equity interests, including L'Oréal's stake in Sanofi;
- in collaboration with the Chief Executive Officer, he can represent the Group in its high-level relations, both nationally and internationally, including with public authorities, and L'Oréal's strategic partners and stakeholders;
- he ensures respect for L'Oréal's values and culture;
- he can hear the Statutory Auditors for the preparation of the work of the Board of Directors and the Audit Committee;
- he chairs and leads the Strategy and Sustainability Committee;
- he meets with the members of the Board outside the presence of Directors belonging or reporting to General Management; these meetings serve as an opportunity to discuss the performance and remuneration of executive corporate officers; and
- he reports to the Board on the performance of his mission.

2.2. COMPOSITION OF THE BOARD OF DIRECTORS

	At 31 December 2021		Age	Female/Male	Nationality	No. of offices in listed companies*	Independence	Initial date of appointment	Expiry date of term of office (AGM)	Years of service on the Board	Board Committees Strategy and Sustainability	Board Committees Audit	Board Committees HR and Remuneration	Board Committees Nominations and Governance
Chairman	**Mr Jean-Paul Agon**		65	M	French	1		25/04/2006	2022	15	C			
Chief Executive Officer	**Mr Nicolas Hieronimus**		57	M	French			20/04/2021	2025	< 1				
Françoise Bettencourt Meyers and her family	**Ms Françoise Bettencourt Meyers** Vice-Chairwoman		68	F	French			12/06/1997	2025	24	●		●	●
	Mr Jean-Victor Meyers		35	M	French			13/02/2012	2024	9	●			
	Mr Nicolas Meyers		33	M	French			30/06/2020	2024	1		●		
Directors linked to Nestlé	**Mr Paul Bulcke**** Vice-Chairman		67	M	Belgian Swiss	2		20/04/2017	2025	4	●		●	●
	Ms Béatrice Guillaume-Grabisch		57	F	French			20/04/2016	2024	5		●		
Independent directors	**Ms Sophie Bellon**		60	F	French	1	♦	22/04/2015	2023	6		●	C	C
	Mr Patrice Caine		51	M	French	1	♦	17/04/2018	2022	3	●			●
	Ms Fabienne Dulac		54	F	French	1	♦	18/04/2019	2023	2		●	●	
	Ms Belén Garijo		61	F	Spanish	2	♦	17/04/2014	2022	7			●	
	Ms Ilham Kadri		53	F	French Moroccan	2	♦	30/06/2020	2024	1				
	Ms Virginie Morgon		52	F	French	2	♦	26/04/2013	2025	8		C		
	Mr Alexandre Ricard		49	M	French	1	♦	20/04/2021	2025	< 1				
Director representing employees	**Ms Ana Sofia Amaral**		56	F	Portuguese			15/07/2014	2022	7			●	
	Mr Georges Liarokapis		59	M	French Greek			15/07/2014	2022	7		●		

55.3
average age of directors

50%
independent directors***

50%
female directors***

50%
male directors***

♦ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors* ● *Member of the Committee* **C** *Chairman of the Committee*

* *Number of offices (excluding L'Oréal) held in listed companies, including foreign companies, in accordance with the provisions of Article 19 of the AFEP-MEDEF Code (i.e. excluding offices in subsidiaries and shareholdings, held alone or in concert, by a corporate executive officer of companies whose main activity is to acquire and manage such holdings).*

** *Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017.*

*** *Excluding directors representing employees.*

2.2.1. Guiding principles

2.2.1.1. Balance in the composition of the Board of Directors

At 31 December 2021, the Board of Directors comprised 16 members:

- the Chairman, Mr Jean-Paul Agon;
- the Chief Executive Officer, Mr Nicolas Hieronimus;
- three Directors from the Bettencourt Meyers family, which owns 33.30% of the share capital[1]: Ms Françoise Bettencourt Meyers (Vice-Chairwoman of the Board of Directors), Mr Jean-Victor Meyers and Mr Nicolas Meyers;
- two Directors linked to Nestlé who hold 19.30% of the share capital[1]: Mr Paul Bulcke (Vice-Chairman of the Board of Directors) and Ms Béatrice Guillaume-Grabisch;
- seven independent Directors: Ms Sophie Bellon, Mr Patrice Caine, Ms Fabienne Dulac, Ms Belén Garijo, Ms Ilham Kadri, Ms Virginie Morgon and Mr Alexandre Ricard, who joined the Board at the end of the Annual General Meeting of 20 April 2021. 50% of the Directors are independent (7 out of 14 excluding the Directors representing the employees); and
- two Directors representing the employees: Ms Ana Sofia Amaral and Mr Georges Liarokapis.

An elected representative of the Central Social and Economic Council of L'Oréal, Mr Thierry Magontier, also attends Board meetings, in an advisory capacity.

The breakdown of L'Oréal's share capital at 31 December 2021 is shown in chapter 7 "Stock Market Information Share Capital" of this Document.

2.2.1.2. Diversity policy applied to the Board of Directors: experienced Directors who complement one another

As it does every year, the Board considered the issue of the desirable balance of its members and that of its Committees (balanced representation of men and women, ages, qualifications, and professional experience).

The Directors of L'Oréal come from different backgrounds. They complement one another due to their different professional experience, their skills and their international exposure.

The Board is attentive to maintaining a balance between Directors with historical knowledge of the Company and Directors who have joined the Board more recently.

SUMMARY TABLE OF THE DIVERSITY POLICY APPLIED TO THE BOARD OF DIRECTORS

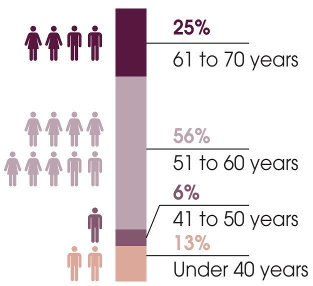
Criteria	Policy and objectives	Means of implementation and outcomes achieved in 2021
Age and seniority of Directors	Search for generational balance beyond compliance with the Internal Rules: • no more than one-third of Directors over the age of 70; and • in principle, it is agreed that Directors must resign from the Board before the Annual General Meeting following their 73rd birthday. Other than the age of Directors, search for balanced distribution in terms of seniority on the Board.	Directors are aged between 33 and 68, with an average age of 55.3. The Board considers that its composition is balanced, with Directors with long-standing knowledge of L'Oréal and Directors who have joined more recently.
Gender balance **Representation of men and women**	Compliance with the Copé-Zimmermann law, which provides for a minimum of 40% of Directors of the same gender on Boards. Desire to maintain gender balance of around 50% on the Board. Gender balance in the Committees.	The Board believes that the proportion of 50% of female Directors perfectly meets the obligations for a balanced representation of women and men on the Board of Directors. Three out of four Committees are chaired by women (Audit Committee, Nominations and Governance Committee and Human Resources and Remuneration Committee).
Nationalities **International profiles**	Recruitment of international profiles: • search for Directors of foreign nationality or international culture; and/or • having international experience in L'Oréal's strategic markets.	The Board has seven different nationalities (Belgian, Spanish, French, Greek, Moroccan, Portuguese, and Swiss). The majority of Directors have international careers and responsibilities. Five Directors are based outside France.
Qualifications and professional experience	Search for complementarity in the experience of Directors. Definition of a base of skills and expertise shared by all Directors. Skills related to L'Oréal's strategy and development objectives.	The Nominations and Governance Committee has identified a set of skills and expertise, validated by the Board. (See below)

---

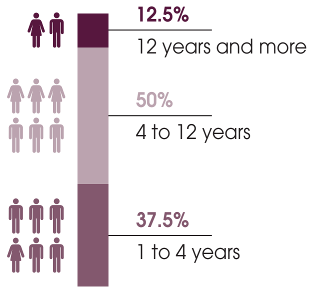
(1) *At 31 December 2021.*

SITUATION AT 31 DECEMBER 2021

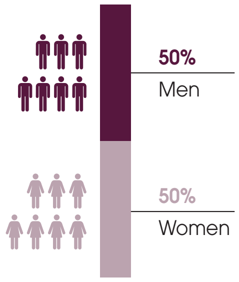
BREAKDOWN BY AGE



SENIORITY IN OFFICE*



BREAKDOWN BY GENDER*



* *Excluding Directors representing the employees.*

QUALIFICATIONS AND PROFESSIONAL EXPERIENCE OF THE DIRECTORS

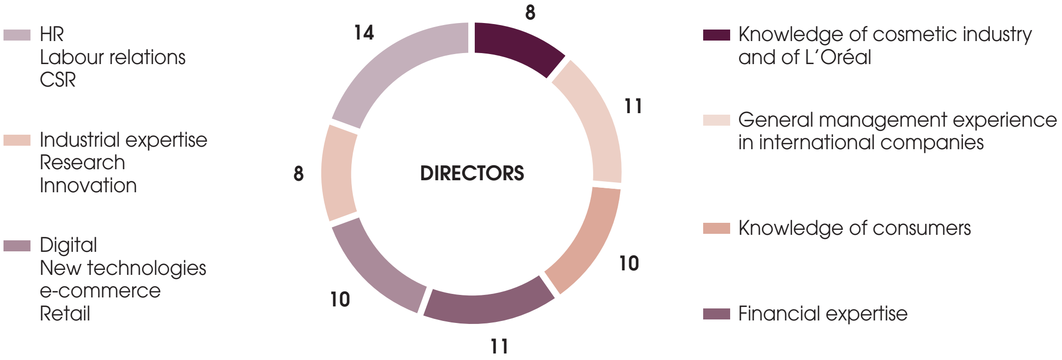
Skills base and shared expertise

All L'Oréal Directors provide the Board of Directors with:

- Good judgement
- Ethics
- Concern for the interests of the Company
- Strategic vision
- A sense of innovation and entrepreneurship
- International experience
- Experience in the functioning of governance bodies

Skills related to the strategy and development objectives of L'Oréal

L'Oréal's Directors complement one another on account of their different professional experience and business undertakings. Their individual skills and expertise cover the areas indicated in the chart below.



With their complementary expertise and freedom of judgement, the Directors collectively ensure that the measures adopted contribute to the implementation of L'Oréal's strategy.

SELECTING NEW DIRECTORS

The procedure for selecting new Directors is described in Article 5.3.1. of the Internal Rules of the Board of Directors, which is reproduced in full in section 2.3.5. of this document. In 2021, this procedure was applied to the recruitment of Mr Alexandre Ricard.

The Board also believes that the participation of the Chief Executive Officer, Mr Nicolas Hieronimus, as a Director in the Board's discussions is essential.

Selection process for new independent Directors appointed by the Annual General Meeting

Profile	Applications	Selection	Appointment
Definition of the profile sought by the Nominations and Governance Committee (NGC) in terms of: • the skills and experience sought to complement that of the existing Directors; • the professional and personal qualities sought; and • gender equality.	• Selection of a recruitment firm. • Discussions and review within the NGC. • Establishment of a list of candidates to be submitted to members of the NGC.	• Discussion of the proposed profiles: match with the identified needs, checking with rules of the AFEP-MEDEF code (number of directorships held simultaneously, independence). • Individual meetings with the Chairman of the Board and each member of the NGC. • Discussion at the Committee meeting with a view to submitting a recommendation to the Board.	• Approval by the Board of the draft resolution relating to the appointment of a new Director at the Annual General Meeting.

2.2.1.3. Two Directors representing the employees since July 2014

Two Directors representing the employees are members of the Board of Directors.

Their experience as employees gives these two Directors an in-depth understanding of the business and the risks it faces, meaning they can enhance Board discussions in the interests of sustainable and long-term governance.

Ms Ana Sofia Amaral was appointed by the Instance Européenne de Dialogue Social/European Works Council (IEDS/EWC). She holds the duties of Scientific and Technical Affairs Director for L'Oréal Portugal. Ms Ana Sofia Amaral has been a member of the Human Resources and Remuneration Committee since 2015.

Mr Georges Liarokapis was appointed by the CFE-CGC, the most representative trade union in L'Oréal for France. He holds the duties of Coordinator of Corporate Sustainable Responsibility for L'Oréal Western Europe. Mr Georges Liarokapis has been a member of the Audit Committee since 2015.

Both were appointed in 2014 and again in 2018 for a second four-year term. Their term of office expires at the end of the Annual General Meeting of 21 April 2022.

The relevant bodies have appointed two new directors representing employees:

Mr Thierry Hamel has been appointed by the CFE-CGC union. He is a Sales Regional Manager for the Professional Products Division in France.

Mr Benny de Vlieger has been appointed by the Instance Européenne de Dialogue Social/European Works Council (IEDS/EWC). He is a Sales Representative for the Consumer Products Division in Belgium.

Their four-year term of office begins at the end of the Annual General Meeting of 21 April 2022.

As soon as they take up their office, the Directors representing employees will, just like all L'Oréal Directors, receive support in the form of dedicated meetings with, in particular, the Chairman of the Board, the Chief Executive Officer, the Chairwoman of the Nominations and Governance Committee and the Secretary of the Board of Directors.

Directors representing L'Oréal employees are also offered a personalised programme so they can supplement their knowledge of the business, understand the new requirements of serving as a Director and make preparations to join one of the Board's special committees.

Throughout their term of office, the Directors representing employees are entitled to receive appropriate training on carrying out their functions. The Board of Directors has adopted a personalised approach to this training entitlement. Every year, each Director representing employees helps to identify their requirements and build a training plan that is approved by the Board in December on the recommendation of the Nominations and Governance Committee.

Directors representing employees are remunerated for their position according to the same distribution rules as other Directors. The components of their remuneration as employees are not published.

2.2.1.4. Independent Directors

All the Directors of L'Oréal have freedom of judgement

The balance of powers on the Board is ensured through a very precise definition and sharing of the tasks to be carried out by everyone.

All the Directors receive information on an ongoing basis and have suitable means for the performance of their duties. They all have a duty of vigilance and participate, in total independence, in the decisions and work of the Board and, where applicable, its Committees.

They are all required to comply with the rules in force with regard to conflicts of interest.

The Directors who qualify as independent under the criteria defined by the AFEP-MEDEF Code

A member of the Board is considered independent when he/she does not maintain any relationship of any kind with the Company, its Group or its Management which could interfere with his/her freedom of judgement.

With this in mind, the criteria that guide the Board in determining whether a member can qualify as independent are the following criteria specified by the AFEP-MEDEF Code:

- the member must not be an employee or executive corporate officer of the Company, an employee or executive corporate officer or Director of a company that is consolidated by the Company, or an employee or executive corporate officer or Director of its parent company or of a company consolidated by that parent company and must not have held any of these positions during the previous five years;
- the member must not be an executive corporate officer of a company in which the Company directly or indirectly holds the office of Director or in which an employee designated as such or an executive corporate officer of the Company (either currently or having performed such duties within the last five years) holds an office as Director;
- the member must not be a customer, supplier, investment banker, financial banker, or advisor siignificant to the Company or its Group, or for whom the Company or its Group represents a significant proportion of business;
- the member must not have any close family ties to a director or corporate officer;
- the member must not have been the Company's Statutory Auditor over the previous five years; and
- the member must not have been a Director of the Company for more than twelve years.

At its meeting on 9 February 2022, the Board of Directors examined, on a case-by-case basis, the situation of each of the members concerned in light of the independence criteria provided for in the AFEP-MEDEF Code.

	Not an employee or executive corporate officer	No cross-directorships	No significant business relationships	No family links	Not a Statutory Auditor	Not a Director for more than 12 years	Classification adopted
Ms Sophie Bellon	yes	yes	yes	yes	yes	yes	Independent
Mr Patrice Caine	yes	yes	yes	yes	yes	yes	Independent
Ms Fabienne Dulac	yes	yes	yes	yes	yes	yes	Independent
Ms Belén Garijo	yes	yes	yes	yes	yes	yes	Independent
Ms Ilham Kadri	yes	yes	yes	yes	yes	yes	Independent
Ms Virginie Morgon	yes	yes	yes	yes	yes	yes	Independent
Mr Alexandre Ricard	yes	yes	yes	yes	yes	yes	Independent

Based on the work carried out by the Nominations and Governance Committee, the Board of Directors analysed on 9 February 2022, as it does every year, the financial flows that took place during financial year 2021 between L'Oréal and companies in which the Directors who qualify as independent also hold an office or position. As to the significance of the business relationship, and in keeping with French Financial Markets Authority - AMF recommendations, the Board of Directors carried out a quantitative and qualitative analysis, adopting a wide multi-criteria approach (duration and continuity, importance of the business relationship for L'Oréal and the Director, and organisation of the relationship). Following this analysis, the Board concluded there was no significant business relationships.

In summary, on 31 December 2021, 7 members of the Board of Directors out of 14 (excluding the Directors representing the employees) qualify as independent (i.e. 50% of the Board of Directors):

- Ms Sophie Bellon;
- Mr Patrice Caine;
- Ms Fabienne Dulac;
- Ms Belén Garijo;
- Ms Ilham Kadri;
- Ms Virginie Morgon; and
- Mr Alexandre Ricard.

It is specified that the following are not considered to be independent: Mr Jean-Paul Agon (former executive corporate officer for less than five years and Director since 2006); Mr Nicolas Hieronimus (executive corporate officer); Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers (Bettencourt Meyers family holding 33.30% of the share capital(1)); Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch (Nestlé holding 19.30% of the share capital(1)).

---

(1) At 31 December 2021.

2.2.1.5. Responsible Directors

Within the scope of French law and the rights and obligations of the Directors as defined in the Internal Rules of the Board of Directors of L'Oréal, and in accordance with the AFEP-MEDEF Code, Directors are subject to compliance with the rules in force with regard to conflicts of interest and stock market ethics upon their appointment as a Director and throughout their term of office.

Selection of responsible Directors

Directors are appointed, subject to a vote of the Annual General Meeting, following a selection process. This process determines the Director profiles required by the Company in terms of skills, qualifications and experience needed to complement those of the Directors already appointed. Issues such as candidates' availability, numbers of directorships held and independence are also considered (see section 2.2.1.2. "Diversity policy applied to the Board of Directors: experienced Directors who complement one another" of this document). Thanks to this selection process applied by the Nominations and Governance Committee and the Board of Directors, the Annual General Meeting is able to appoint responsible Directors capable of exercising complete freedom of judgement. This freedom of judgement allows Directors to participate, independently, in the work and joint decisions of the Board and the activities of the Committees. Particular attention is also paid to directorships held in other companies; Directors are required to devote the necessary time and attention to their duties and limit the number of their directorships to ensure their availability (see section 3.3. "Obligations of due diligence and provision of information" of the Internal Rules of the Board of Directors, reproduced in full in section 2.3.5. of this document).

When joining the Board of Directors, each Director receives a copy of the Internal Rules of the Board and the Articles of Association of L'Oréal, the Stock Market Ethics Code, the Code of Ethics, etc. These codes adopted by the Company serve as a frame of reference for Directors in terms of the standards required by L'Oréal in this area. As soon as they take up their office, Directors will also receive support in the form of dedicated meetings with, in particular, the Chairman of the Board, the Chief Executive Officer, the Secretary of the Board and the Chairman of the Nominations and Governance Committee.

Members of the Board of Directors require the necessary objectivity to make an independent judgement on the conduct of the Company's business. The balance of powers established within the Board allows its members to exercise independent judgment. The Board is composed of:

- the Chief Executive Officer, who directly contributes to the work, discussions and, ultimately, the decisions taken by the Board;
- the Chairman of the Board, who is responsible for developing and maintaining an ongoing relationship of trust between the Board and the General Management, particularly in view of his expertise in matters of governance and the quality of his discussions with the Chief Executive Officer, based on a relationship of trust established over the course of many years;
- Directors from major shareholders that have a specific interest in the long-term performance of the Company;
- seven independent Directors with experience as senior managers of large international groups, whose independence of thought, sense of perspective and freedom of speech enable them to challenge and support the General Management in defining the Group's strategy; and
- two Directors representing employees who have extensive knowledge of the Company (see section 2.2.1.3. "Two Directors representing the employees since July 2014" of this document).

Responsible exercise of office

To maintain a high standard, the Board of Directors, based on the work of the Nominations and Governance Committee, shall ensure that, throughout their term of office, Directors are able to act in the best interests of the Company, with all the due diligence and care required and subject to a strict confidentiality and loyalty obligation.

Directors must keep the Board informed of the directorships they hold in other companies, including any involvement in Board Committees of such French or foreign companies. They are required to notify the Board of any situation that may constitute a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberations.

In addition, each year all Directors must issue a declaration relating to potential conflicts of interest between their duties to L'Oréal and their private or professional interests, specifically with regard to other directorships and roles. Based on these declarations, the Board of Directors has not identified any conflict of interests on the date they were issued pursuant to Delegated European Regulation No. 2019/980 supplementing Regulation No. 2017/1129, known as "Prospectus 3".

Using this annual declaration, all relevant information about the Directors (such as their qualifications, shareholding in the Company, membership of the board of directors of other companies, or management positions held in other companies, and the fact that they are considered independent by the Company) are made public. The individual attendance of Directors at meetings of the Board of Directors and the Committees of which they are members is also reported.

The Nominations and Governance Committee conducts an annual review of the summary table prepared by the Company of the financial flows that occurred during the financial year between L'Oréal and interested parties as defined by regulations in order to report to the Board of Directors as part of the regular procedure to evaluate current agreements signed under normal terms pursuant to Article L. 22-10-12 of the French Commercial Code. In case of doubts about the classification of an agreement, the Committee must verify that the transactions have been concluded in ordinary course of business and under normal conditions, so that the Board of Directors can implement the procedure for related-party agreements when necessary. In this case, the persons directly or indirectly interested in this agreement do not participate in the assessment. In accordance with the AFEP-MEDEF Code and the recommendations of the French Financial Markets Authority - AMF, the Board of Directors, based on the work carried out by the Nominations and Governance Committee, also analyses each year any possible business relationships between L'Oréal and companies in which independent Directors hold directorships or perform functions, to ensure these relationships are not significant (see section 2.2.1.4. "Independent Directors" of this document).

The information described in Annex 1 of Delegated European Regulation No. 2019/980 set out hereafter contains additional details in this respect.

Information relating to directors and corporate officers pursuant to Annex 1 of Delegated European Regulation No. 2019/980

Family relationship between directors and corporate officers (Article 12.1 of the Annex)

Ms Françoise Bettencourt Meyers is the mother of Mr Jean-Victor Meyers and Mr Nicolas Meyers.

Absence of any conviction or incrimination of the directors and corporate officers (Article 12.1 of the Annex)

To the Company's knowledge, over the last five years, the directors and corporate officers have not been convicted for fraud, associated with a bankruptcy, receivership or liquidation, or the subject of any official public incrimination or sanction imposed by statutory or regulatory authorities (including designated professional bodies) or a decision by a court disqualifying them from acting as a member of an administrative, management or supervisory body or from acting in the management or conduct of the business of any issuer.

Potential conflicts of interest between the duties of the directors and corporate officers with regard to L'Oréal, and their private interests and/or other duties (Articles 12.2 and 16.3 of the Appendix)

The method of organisation and modus operandi adopted by the Board would allow it, where applicable, to prevent any abusive exercise of their rights by one or more shareholders that come to control the Company, notably due to the presence of seven independent Directors on the Board of Directors.

Regarding any arrangement or agreement entered into with the major shareholders, customers, suppliers, or others, under which a Director was selected as a member of the Board of Directors, an agreement between the Bettencourt Meyers family and Nestlé S.A., which expired on 21 March 2018, concerned the reciprocal voting commitment in favour of the appointment as Directors of three members proposed by the Bettencourt Meyers family and two members proposed by Nestlé (see also section 7.3.5. "Shareholders' agreements relating to the securities comprising the Company's share capital" of this document).

The Company was informed of the participation, amounting to 100 shares, of its Chairman, Mr Jean-Paul Agon, in the collective lock-up agreements signed on 16 December 2016 by Téthys SAS and members of the Bettencourt Meyers family group under the Dutreil law. The Nominations and Governance Committee Meeting of 6 December 2016 examined this arrangement prior to signature of the agreement and considered that it could not be contested on the basis of the Company's interests, nor could it lead to consequences for the Company's governance, and informed the Board of Directors accordingly.

Information on service contracts with members of the administrative bodies (Article 12.2 of the Appendix)

No directors or corporate officers have a service contract with L'Oréal or any of its subsidiaries providing for the granting of benefits upon termination of such contract.

Stock market ethics

The Board noted the rules to be applied to prevent insider trading, in particular those resulting from European Regulation (EU) No. 596/2014 on Market Abuse which became applicable on 3 July 2016, and the recommendations of the French Financial Markets Authority - AMF, in particular regarding the periods during which it is prohibited from trading in shares. It decided to amend its Internal Rules accordingly.

On the basis of the legal provisions, regulations and market recommendations, L'Oréal's Stock Market Ethics Code points out that inside information must only be passed on and used for professional purposes.

Inside information is information of a precise nature, which has not been made public and which, if it were made public, would likely to have a significant effect on the share price. Such inside information may fall into one of three categories: strategic, linked to the definition and application of the Group's development policy; recurring, linked to the annual schedule for production and publication of annual and interim financial statements, regular releases or periodic meetings devoted to financial information; exceptional, linked to a specific programme, project or financial transaction.

The Stock Market Code of Ethics restates the ban on any person in possession of insider information from executing or ordering the execution of financial transactions on L'Oréal shares, and emphasises that any misconduct in this area may result in criminal proceedings. The Internal Rules of the Board specifically ask Directors to refrain from trading in L'Oréal shares precisely in certain periods and when they have access to inside information.

Lastly, Directors are required to notify the AMF of each transaction carried out by them or by persons closely associated with them related to L'Oréal shares. This obligation is periodically restated by the Company (see section 2.6. "Summary statement of trading by Directors and corporate officers in L'Oréal shares in 2021" of this document).

2.2.2. List of corporate offices and directorships of the Directors and corporate officers exercised at 31 December 2021

Jean-Paul Agon

-

CHAIRMAN OF THE BOARD OF DIRECTORS

-

Age: 65

French

Expiry date of term of office: 2022

Chairman of the Strategy and Sustainability Committee

Jean-Paul Agon joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, General Manager of the Asia Zone, Chairman and Chief Executive Officer of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006, and finally Chairman and Chief Executive Officer in 2011. Since 1 May 2021, Jean-Paul Agon has been the Chairman of the Board of Directors without assuming the functions of Chief Executive Officer. Jean-Paul Agon has been a Director of L'Oréal since 2006. Jean-Paul Agon is the Chairman of the L'Oréal Corporate Foundation and Director of Air Liquide.

- Professional address: L'Oréal – 41, rue Martre – 92117 Clichy Cedex – France
- Holds 1,268,000 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French company	
Air Liquide S.A. *	Director
Others	
L'Oréal Corporate Foundation	Chairman of the Board of Directors
Raisesherpas	Director
French Association of Private Enterprises (AFEP)	Director
French Institute of International Relations (IFRI)	Director
HEC Foundation	Director
Société des Amis du Musée d'Art Moderne de Paris	Chairman

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French company		
L'Oréal	Chairman and Chief Executive Officer	2021
Other		
L'Oréal Fund for Women	Chairman of the Board of Directors	2021

* *Listed company.*

Nicolas Hieronimus

-

CHIEF EXECUTIVE OFFICER

-

Age: 57

French

Expiry date of term of office: 2025

Nicolas Hieronimus joined the L'Oréal Group in 1987 and was appointed Marketing Director for Laboratoires Garnier in 1993. After an international career as Director of the Garnier Maybelline Division in the United Kingdom, General Manager in France, then International General Manager of L'Oréal Paris and General Manager of L'Oréal Mexico, Nicolas Hieronimus was appointed as the General Manager of the L'Oréal Professional Products Division and joined the Executive Committee in 2008. In 2011, he was appointed President L'Oréal Luxe, a role that he held until the end of 2018. In 2013, Nicolas Hieronimus became the General Manager of Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was appointed Deputy CEO in charge of Divisions in May 2017. Nicolas Hieronimus was appointed Chief Executive Officer of L'Oréal on 1 May 2021. He has been a Director of L'Oréal since April 2021.

- Professional address: L'Oréal – 41, rue Martre – 92117 Clichy Cedex – France
- Holds 202,428 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Others	
L'Oréal Fund for Women	Chairman of the Board of Directors
L'Oréal Corporate Foundation	Director

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French company		
L'Oréal Produits de Luxe International	Manager	2019

Françoise Bettencourt Meyers

-

VICE-CHAIRWOMAN

-

Age: 68

French

Expiry date of term of office: 2025

Committee Member:

- Strategy and Sustainability,
- Nominations and Governance,
- Human Resources and Remuneration

Daughter of Liliane Bettencourt and granddaughter of the founder of L'Oréal, Eugène Schueller, Françoise Bettencourt Meyers has been the Chairwoman of the family-owned holding company Téthys since 31 January 2012, and is the Chairwoman of the Supervisory Board of the investment subsidiary Téthys Invest, Chairwoman of the Bettencourt Schueller Foundation and Honorary Chairwoman of the Pour l'Audition Foundation.

Françoise Bettencourt Meyers has been a Director of L'Oréal since 1997 and has been Vice-Chairwoman of the Board of Directors since 2020.

- Professional address: Téthys – 27-29, rue des Poissonniers – 92200 Neuilly-sur-Seine – France
- Holds 33,182,455 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Téthys SAS	Chairwoman Chairwoman of the Supervisory Board
Téthys Invest SAS	Chairwoman of the Supervisory Board
Financière l'Arcouest SAS	Chairwoman
Others	
Bettencourt Schueller Foundation	Chairwoman of the Board of Directors
Fondation Pour l'Audition	Honorary Chairwoman and member of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French company		
Société Immobilière Sebor SAS	Chairwoman	2020

Paul Bulcke

-

VICE-CHAIRMAN

-

Age: 67

Belgian and Swiss

Expiry date of term of office: 2025

Committee Member:

- Strategy and Sustainability,
- Nominations and Governance,
- Human Resources and Remuneration

After pursuing an international career at the highest level within the Nestlé Group, holding various positions in Europe and Latin America, in 2004 Paul Bulcke was appointed Executive Vice President and Zone Director for zone Americas of Nestlé S.A. before becoming Chief Executive Officer of Nestlé S.A. from 2008 to 2016.

Paul Bulcke has served as the Chairman of the Board of Directors of Nestlé since 2017. Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017. He is also a Director of Roche Holding (Switzerland).

- Professional address: Nestlé – Avenue Nestlé, 55 – CH 1800 Vevey – Switzerland
- Holds 3,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Nestlé S.A. (Switzerland)*	Chairman of the Board of Directors

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign company	
Roche Holding Ltd (Switzerland)*	Member of the Board of Directors
Others	
2030 Water Resources Group (WRG)	Co-Chairman
JP Morgan International Council	Member
The Avenir Suisse foundation (Switzerland)	Member of the Board of Directors
World Economic Forum (WEF)	Member of the Community of Chairpersons

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign companies		
Nestlé Health Science S.A. in Lutry (Switzerland)	Member of the Strategic Advisory Board	2017
Nestlé Skin Health S.A. (Switzerland)	Member of the Strategic Advisory Board	2017
Others		
European Round Table for Industry (ERT) (Belgium)	Member	2021
Consumer Goods Forum	Member of the Board of Directors and member of the Governance Committee	2017

* *Listed companies*

Ana Sofia Amaral

-

Age: 56

Portuguese

Expiry date of term of office: 2022

Member of the Human Resources and Remuneration Committee

Scientific and Technical Affairs Director for L'Oréal Portugal, Ana Sofia Amaral was appointed in 2014 by L'Oréal's *Instance Européenne de Dialogue Social* (European Works Council) as a Director representing employees; her tenure was renewed for a period of four years in 2018.

- Professional address: Rua Dr António Loureiro Borges, Edificio 7 – Arquiparque – Miraflores – 2796-959 Linda A Velha – Portugal

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign company	
EMBOPAR Embalagens de Portugal SGPS S.A. (Portugal)	Permanent representative of L'Oréal Portugal on the Board of Directors Member of the Remuneration Commission

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign company		
Sociedade Ponto Verde (Portugal)	Director Member of the Remuneration Commission	2020

Sophie Bellon

-

Age: 60

French

Expiry date of term of office: 2023

Chairwoman of the Nominations and Governance Committee

Chairwoman of the Human Resources and Remuneration Committee

Member of the Audit Committee

Chairwoman of the Board of Directors and CEO of Sodexo. After a career in finance in the United States, Sophie Bellon joined Sodexo in 1994, where she held various positions, including as the Chief Executive Officer of the Corporate Services business unit of Sodexo France and as Research, Development and Innovation strategy Manager of Sodexo.

Sophie Bellon has been a Director of L'Oréal since 2015.

- Professional address: Sodexo – 255, quai de la Bataille de Stalingrad – 92130 Issy-Les-Moulineaux – France
- Holds 1,043 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Sodexo*	Chairwoman and Chief Executive Officer

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Bellon S.A. [S]	Member of the Management Board
PB Holding SAS [S]	Chairwoman
Others	
French Association of Private Enterprises (AFEP)	Member of the Board of Directors
French Association of Joint Stock Companies (ANSA)	Member of the Board of Directors
France-China Committee (CFC)	Member of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Others		
United Way Alliance (UWA)	Member of the Board of Directors	2021
Pierre Bellon Foundation	Founding Member	2018
SWIFT (Sodexo Women's International Forum for Talent)	Co-Chair	2018

* *Listed company.*

[S] *Sodexo group company.*

Patrice Caine

-

Age: 51

French

Expiry date of term of office: 2022

Committee Member:

- Strategy and Sustainability
- Nominations and Governance

Chairman and Chief Executive Officer of the Thales group since December 2014, after holding management positions in various operating units (Aviation and Naval, Communication, Navigation and Identification, Air Systems, Radio-Communication Products, Network and Infrastructure Systems, and Protection Systems) from 2002 to 2013.

Patrice Caine has been a Director of L'Oréal since 2018.

- Professional address: Thales – Tour Carpe Diem – 31, place des Corolles – 92098 Paris La Défense Cedex – France
- Holds 1,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL

Thales*	Chairman and Chief Executive Officer

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD

French company	
Naval Group (ex-DCNS)	Director
Others	
National Association for Research and Technology (ANRT)	Chairman
France Industrie (*Cercle de l'Industrie* and Industrial Federations Group)	Vice-Chairman and Director
French Aerospace Industries Association (GIFAS)	Vice-Chairman

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED

None

* *Listed company.*

Fabienne Dulac

-

Age: 54

French

Expiry date of term of office: 2023

Committee Member:

- Audit
- Human Resources and Remuneration

Chairwoman and Chief Executive Officer of Orange France and Deputy Chief Executive Officer of the Orange group, which she joined in 1997. She has held various positions in marketing, business development, communication and digital. She joined the Executive Committee of the Orange group in 2015 as Chief Executive Officer of Orange France. She is also a Director of Willa (an incubator dedicated to female entrepreneurship).

Fabienne Dulac has been a Director of L'Oréal since 2019.

- Professional address: Orange – 1, avenue Nelson Mandela – 94745 Arcueil Cedex – France
- Holds 500 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL

Orange*	Deputy Chief Executive Officer CEO Orange France

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD

French companies	
Orange France °	Chairwoman and Chief Executive Officer
Française des Jeux*	Director
Other	
Willa	Member of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French company		
Orange Bank	Member of the Board of Directors	2020

* *Listed company.*
° *Orange Group companies.*

Belén Garijo

-

Age: 61

Spanish

Expiry date of term of office: 2022

Member of the Human Resources and Remuneration Committee

Chairwoman of the Management Board and Chief Executive Officer of the Merck group since 1 May 2021, Belén Garijo previously served as Chair and Chief Executive Officer of Merck Healthcare, an entity encompassing all the pharmaceutical activities of the Merck group.

Belén Garijo has been a Director of L'Oréal since 2014. She is also a Director of BBVA (Spain).

- Professional address: Merck KGAA – Frankfurter STR 250 Postcode A1/601 – 64293 Darmstadt – Germany
- Holds 1,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Merck * (Germany)	Chairwoman of the Management Board and Chief Executive Officer of the group

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign company	
BBVA* (Spain)	Director

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign company		
Merck Healthcare (Germany)	Chairwoman and Chief Executive Officer	2021

* *Listed companies*

Béatrice Guillaume-Grabisch

-

Age: 57

French

Expiry date of term of office: 2024

Member of the Audit Committee

Executive Vice President and Global Head Human Resources & Business Services of the Nestlé group, which she joined in 2013. She was formerly Chief Executive Officer of Nestlé Germany after a career in various consumer goods groups (Colgate-Palmolive, Beiersdorf, Johnson & Johnson, L'Oréal, Coca-Cola).

Béatrice Guillaume-Grabisch has been a Director of L'Oréal since 2016.

- Professional address: Nestlé – Avenue Nestlé, 55 – CH 1800 Vevey – Switzerland
- Holds 1,400 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Nestlé S.A. (Switzerland)*	Executive Vice President and Global Head Human Resources and Business Services

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Other	
GS1	Director

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign company		
Nestlé (Germany)	Chief Executive Officer	2019
Other		
MarkenVerband/Brand producers' association (Germany)	Member of the Management Board	2019

* *Listed company.*

Ilham Kadri

-

Age: 53

French and Moroccan

Expiry date of term of office: 2024

Chairwoman of the Executive Committee and CEO of Solvay, which she joined in March 2019. Ilham Kadri had been CEO and Chairwoman of the American company Diversey since 2013. Ilham Kadri has international experience acquired in leading industrial companies (Shell, UCB, Dow, Sealed Air, etc.) where she performed roles in research & development, sales, marketing, strategy, business management and digital technology. She is also a Director of A.O. Smith Corporation.

Ilham Kadri has been a Director of L'Oréal since June 2020.

- Professional address: Solvay – 310, rue de Ransbeek – 1120 Brussels – Belgium
- Holds 250 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Solvay (Belgium) *	Chairwoman of the Executive Committee and CEO Member of the Board of Directors

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign company	
A.O. Smith Corporation*	Member of the Board of Directors
Other	
Brussels University Hospital	Director

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign company		
Diversey	Chairwoman and CEO	2018

* *Listed company.*

Georges Liarokapis

-

Age: 59

French and Greek

Expiry date of term of office: 2022

Member of the Audit Committee

Coordinator of Corporate Sustainable Responsibility for L'Oréal Europe, Georges Liarokapis was appointed by the CFE-CGC union as a Director representing employees in 2014, his term of office was then renewed for a period of four years in 2018.

- Professional address: 41, rue Martre – 92117 Clichy Cedex – France

OTHER CORPORATE OFFICES AND POSITIONS HELD
None

CORPORATE OFFICES AND POSITIONS HELD OVER THE LAST FIVE YEARS AND EXPIRED
None

Jean-Victor Meyers

-

Age: 35

French

Expiry date of term of office: 2024

Member of the Strategy and Sustainability Committee

Member of the Supervisory Board of the family holding company Téthys since January 2011 and member of the Supervisory Board of the investment subsidiary Téthys Invest.

Jean-Victor Meyers has been a Director of L'Oréal since 2012.

- Professional address: Téthys – 27-29, rue des Poissonniers – 92200 Neuilly-sur-Seine – France
- Holds 1,500 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD

French companies	
Téthys SAS	Member of the Supervisory Board
Téthys Invest SAS	Member of the Supervisory Board
Exemplaire SAS	Chairman
Constantine Capital SAS	Chairman

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED

None

Nicolas Meyers

-

Age: 33

French

Expiry date of term of office: 2024

Member of the Audit Committee

Member of the Supervisory Board of the family holding company Téthys since 2011, member of the Supervisory Board of the investment subsidiary Téthys Invest since 2016, and Director of the Bettencourt Schueller Foundation since 2012.

Nicolas Meyers has been a Director of L'Oréal since June 2020.

- Professional address: Téthys – 27-29, rue des Poissonniers – 92200 Neuilly-sur-Seine – France
- Holds 1,500 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD

French companies	
Téthys SAS	Member of the Supervisory Board
Téthys Invest SAS	Member of the Supervisory Board
Lille Capital SAS	Chairman
Other	
Bettencourt Schueller Foundation	Member of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED

None

Virginie Morgon

-

Age: 52

French

Expiry date of term of office: 2025

Chairwoman of the Audit Committee

Chairwoman of the Management Board of Eurazeo, which she joined in 2008 after working for sixteen years at Lazard, as well as Chairwoman of Eurazeo North America Inc. (USA). She is also Co-Chair of the Paris Committee of Human Rights Watch and Chairwoman of the Board of Directors of the Eurazeo endowment fund. Virginie Morgon has been a Director of L'Oréal since 2013.

- Professional address: 1, rue Georges Berger – 75017 Paris – France
- Holds 2,070 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Eurazeo* E	Chairwoman of the Management Board

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French company	
Eurazeo Investment Manager E	Chairwoman of the Board of Directors
Foreign companies	
Alpine Newco Inc. (USA) E	Chairwoman
Eurazeo North America Inc. (USA) E	Chairwoman
Moncler SpA (Italy)*	Member of the Board of Directors
Others	
Human Rights Watch	Co-Chair of the Paris Committee
Eurazeo endowment fund E	Chairwoman of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French companies		
Idinvest Partners	Chairwoman of the Supervisory Board	2021
Eurazeo	Chief Executive Officer	2018
Asmodee Holding	Chairwoman of the Supervisory Board	2018
Eurazeo PME	Chairwoman of the Supervisory Board	2018
Grandir (Les Petits Chaperons Rouges investment)	Member of the Supervisory Board	2018
CPK	Vice-Chairwoman of the Supervisory Committee	2018
Vivendi	Member of the Supervisory Board	2018
Legendre Holding 43 (People Doc investment)	Chairwoman	2017
Legendre Holding 44 (Fintrax investment)	Chairwoman	2017
Legendre Holding 47 (Les Petits Chaperons Rouges investment)	Chairwoman	2017
Foreign companies		
Moncler SpA (Italy)	Vice-Chairwoman of the Board of Directors	2019
Abasic SL (Spain)	Director	2018
Open Road Parent LLC (USA)	Member of the Board of Directors	2018
Trader Interactive LLC (USA)	Member of the Board of Directors	2018

* *Listed company.*
E *Subsidiary or investment of Eurazeo (whether alone or in concert)*

Alexandre Ricard

-

Age: 49

French

Expiry date of term of office: 2025

Alexandre Ricard has been Chairman and Chief Executive Officer of Pernod Ricard since February 2015. He joined Pernod Ricard in 2003 after seven years as a strategy consultant at Accenture and as an M&A consultant at Morgan Stanley. In 2004, he was appointed Director of Finance and Administration of Irish Distillers, and then appointed Chief Executive Officer of Pernod Ricard Asia Duty Free in 2006. In 2008, he was appointed Chairman and Chief Executive Officer of Irish Distillers and joined the Executive Committee of Pernod Ricard. In 2011, he joined the General Management of Pernod Ricard as Deputy Chief Executive Officer in charge of the distribution network.

Alexandre Ricard has been a Director of L'Oréal since April 2021.

- Professional address: Pernod Ricard – 5, cours Paul Ricard – 75008 Paris – France
- Holds 500 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Pernod Ricard *	Chairman and Chief Executive Officer

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Pernod Ricard Europe, Middle East and Africa [PR]	Member of the Supervisory Committee Permanent representative of Pernod Ricard
Martell & Co SA [PR]	Director
Société Paul Ricard	Member of the Management Board
Le Delos Invest I	Director
Le Delos Invest II	Director
Foreign companies	
Suntory Allied Limited (Japan) [PR]	Chairman
Geo G. Sandeman Sons & Co. Ltd (United Kingdom) [PR]	Director
Havana Club International SA (Cuba) [PR]	Member of the Board of Directors (*Junta de Directores*)
Bendor SA (Luxembourg)	Director

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign companies		
Havana Club Know-How SARL (Luxembourg)	Manager	2018
Havana Club Holding SA (Luxembourg)	Director	2018

* *Listed company.*
[PR] *Company of the Pernod Ricard Group.*

2.2.3. Changes in corporate offices and directorships of Directors

Changes in 2021

Appointment of two new Directors: Mr Nicolas Hieronimus and Mr Alexandre Ricard

- **Appointment of Mr Nicolas Hieronimus as Director**

The Annual General Meeting of 20 April 2021 appointed Mr Nicolas Hieronimus as Director for a four-year term.

By decision of the Board of Directors following the 2021 Annual General Meeting, Mr Nicolas Hieronimus holds the office of Chief Executive Officer.

The Board believes that the participation of the Chief Executive Officer as a Director in the Board's discussions is essential. Mr Nicolas Hieronimus, 57, joined L'Oréal 34 years ago and has spent all his career with the Group, in many countries and divisions.

- **Appointment of Mr Alexandre Ricard as Director**

The Annual General Meeting of 20 April 2021 appointed Mr Alexandre Ricard as Director for a four-year term.

Alexandre Ricard has served as Chairman and Chief Executive Officer of Pernod Ricard since February 2015. He will bring to the Board of Directors of L'Oréal his experience as an executive for a major international company, his strategic vision and entrepreneurial spirit.

The Board benefits from his knowledge of consumers and his marketing and digital expertise in the luxury, travel retail and mass-market retail channels, particularly in the Asian and American markets.

He also brings his deep understanding of financial and governance issues to the Board.

Renewal of the term of office of three Directors: Ms Françoise Bettencourt Meyers, Mr Paul Bulcke and Ms Virginie Morgon

- **Renewal of the term of office of Ms Françoise Bettencourt Meyers as Director**

The Annual General Meeting of 20 April 2021 renewed the tenure as Director of Ms Françoise Bettencourt Meyers for a four-year term.

Ms Françoise Bettencourt Meyers, daughter of Liliane Bettencourt and granddaughter of the founder of L'Oréal, Eugène Schueller, has been the Chairwoman of the family-owned holding company Téthys since 31 January 2012, and is the Chairwoman of the Supervisory Board of the investment subsidiary Téthys Invest, Chairwoman of the Bettencourt Schueller Foundation, and Honorary Chairwoman of the Pour l'Audition Foundation.

Ms Françoise Bettencourt Meyers brings to the Board her strategic vision for the future growth of L'Oréal, taking into consideration the long-term interests of the Company and its shareholders. Her in-depth knowledge of the Company and the L'Oréal model that fashioned the Group's success over the years are precious assets. She pays close attention to ensuring that social and environmental issues are at the heart of L'Oréal's commitments and also ensures that its culture and values are ongoing and are specifically reflected in both the policy and the practices of the Company.

- **Renewal of the term of office of Mr Paul Bulcke as Director**

The Annual General Meeting of 20 April 2021 renewed the tenure as Director of Mr Paul Bulcke for a four-year term.

Mr Paul Bulcke, who is of Belgian and Swiss nationality, pursued a high-level international career with the Nestlé group. After holding different positions in Europe and Latin America, he was named Executive Vice President of Nestlé S.A. in 2004 for the Americas zone, before becoming Chief Executive Officer of Nestlé S.A. from 2008 to 2016. He has served as Chairman of the Board of Directors of Nestlé since 2017. He is also a Director of Roche Holding Ltd (Switzerland).

He brings to the Board his strategic vision, his multicultural approach, his detailed knowledge of consumers on all continents, and his taste for innovation, which are vital assets for developing L'Oréal's glocalization strategy. His analyses enhance Board discussions and allow the Board to adopt solid orientations in a number of areas.

- **Renewal of the term of office of Ms Virginie Morgon as Director**

The Annual General Meeting of 20 April 2021 renewed the tenure as Director of Ms Virginie Morgon for a four-year term.

Ms Virginie Morgon is Chairwoman of the Management Board of Eurazeo, which she joined in 2008 after working for 16 years at Lazard, as well as Chairwoman of Eurazeo North America Inc. (USA). She is also Co-Chair of the Paris Committee of the Human Rights Watch.

Ms Virginie Morgon brings to the Board her recognised financial expertise, combined with a dynamic and entrepreneurial vision of business. The Board will benefit from her serious interest in innovation and the ongoing attention she brings to new consumer trends. She actively contributes, particularly in her capacity as Chairwoman of the Audit Committee, to the development of a sustainable business model, based both on economic excellence and corporate social responsibility excellence.

Changes in 2022

Renewal of the term of office of three Directors: Mr Jean-Paul Agon, Mr Patrice Caine and Ms Belén Garijo

- **Renewal of the term of office of Mr Jean-Paul Agon as Director**

As the term of office of Mr Jean-Paul Agon as Director is set to expire, the renewal of his term for four years is submitted to the Annual General Meeting.

Mr Jean-Paul Agon joined the L'Oréal Group in 1978 and has been a Director since 2006. He was Chairman and Chief Executive Officer of L'Oréal from 2011 until the end of April 2021.

The Board of Directors appointed Mr Jean-Paul Agon as Chairman of the Board as of 1 May 2021.

Mr Jean-Paul Agon is also Chairman of the L'Oréal Foundation.

The Board of Directors will be able to count on his commitment, experience and skills, as well as his expertise in matters of governance, to meet the growing expectations of stakeholders. Mr Jean-Paul Agon has been committed to the success and reputation of the company for over 43 years. His in-depth knowledge of the company, its environment and the beauty market represent a major asset for the Board in their discussions and decisions relating to the definition of L'Oréal's strategy and the monitoring the implementation thereof. Mr Agon is also deeply committed to the values of L'Oréal and the embedding of its culture.

Over the four years of his tenure as Director, Mr Jean-Paul Agon's attendance at meetings of the Board of Directors has been 100%; at the Strategy and Sustainability Committee, which he chairs, it has been 100%.

- **Renewal of the term of office of Mr Patrice Caine as Director**

As the term of office of Mr Patrice Caine as Director is set to expire, the renewal of his term of office for four years is submitted to the Annual General Meeting.

Mr Patrice Caine has been Chairman and Chief Executive Officer of the Thales Group since 2014.

Mr Patrice Caine is an independent Director who is deeply involved in the work of the Committees and discussions of the Board. Of particular note was his active participation in the succession planning for General Management in 2020 and 2021, as part of the Nominations and Governance Committee.

The Board benefits from Mr Caine's expertise in the area of governance, his experience as an executive in a leading international company, his strategic vision, his industrial expertise, as well as an in-depth knowledge of new technologies and cyber security.

Over the four years of his term as Director, his attendance was 90% for Board meetings (and 100% over the last three years) and 92% for meetings of the Nominations and Governance Committee (100% over the last three years). Mr Caine joined the Strategy and Sustainability Committee in June 2020. Since that date, he has participated in all meetings except one in 2020 (100% attendance in 2021).

- **Renewal of the term of office of Ms Belén Garijo as Director**

As the term of office of Ms Belén Garijo as Director is set to expire, the renewal of her term of office for four years is submitted to the Annual General Meeting.

Ms Belén Garijo, of Spanish nationality, has been Chairwoman of the Management Board and Chief Executive Officer of the Merck group, a German science and technology group since 1 May 2021. She previously served as Chief Executive Officer of Merck Healthcare, an entity pooling all the pharmaceutical activities held by the Merck group.

Belén Garijo assumes her office as independent director with great commitment and great freedom of judgement. The Board benefits from her experience as a director of a large international group. Her scientific skills and expertise in research and innovation acquired during a career in the pharmaceutical industry represent valuable assets for the Board.

Over the four years of her term as Director, her attendance rate has been 97% for meetings of the Board of Directors and 86% for meetings of the Human Resources and Remuneration Committee.

If the Meeting approves the resolutions concerning the three proposed renewals of term of office, then the composition of the Board of Directors will remain unchanged. The Board of Directors will then be composed of 16 members: 14 Directors elected by the Meeting and two directors representing the employees.

The balances of independence and gender will remain unchanged:

- 7 independent Directors out of 14 Directors elected by the Annual General Meeting, *i.e.* 50%; and
- 7 women and 7 men out of 14 Directors elected by the General Meeting, *i.e.* a parity of 50%.

2.3. ORGANISATION AND MODUS OPERANDI OF THE BOARD OF DIRECTORS

2.3.1. General information on the meetings of the Board of Directors and its Committees in 2021

The Board met eight times in 2021, including an exceptional meeting of the Board of Directors on 5 November 2021 dedicated to the review of the strategic transaction of 7 December 2021 (agreement between L'Oréal and Nestlé relating to L'Oréal's buyback of 4% of its own shares held by Nestlé).

Four Committees prepare for the discussions and deliberations by the Board. 17 meetings were held in 2021: 5 for the Strategy and Sustainability Committee, 4 for the Audit Committee, 4 for the Nominations and Governance Committee, and 4 for the Human Resources and Remuneration Committee.

Directors may independently propose any subject that is appropriate for good governance to be included on the agenda for work of the Board and its Committees. L'Oréal's Directors are regularly informed of all the Company's activities and its performances in a highly competitive universe. Board meetings are generally held in the presence of senior managers of the Company invited to attend on the basis of topical developments at L'Oréal and many aspects of its strategy. In an open, constructive dialogue, exchanges of views, in confidence, contribute to the quality of the Directors' work. Board discussions, encouraged by the Chairman, take place transparently and in great detail.

Executive sessions

Directors meet at least once a year without the presence of the executive corporate officer, Directors representing employees or any other Group employee (Article 4.2 of the Internal Rules). An executive session was held on 7 December 2021. The Chairman of the Board attended initially, after which he withdrew and the executive session continued without him. The Audit Committee also meets twice a year in the presence of Statutory Auditors and in the absence of any representative from Management, at the end of the meetings dedicated to reviewing the annual and interim financial statements. These two meetings were held on 11 February and 29 July 2021.

Attendance rate

The preparation and holding of Board and Committee meetings requires significant availability and investment by the Directors. In 2021, the attendance rate at Board meetings was 95% on average. The individual attendance rate at Board and Committee meetings is specified below. The allocation of Directors' fees, based on the rate of attendance by each member at Board meetings and meetings of the various Committees, is described in section 2.4. "Remuneration of directors and corporate officers" of this document.

INDIVIDUAL ATTENDANCE RATES OF DIRECTORS IN 2021 AT BOARD AND COMMITTEE MEETINGS

	Board of Directors	Strategy and Sustainability	Audit	Nominations and Governance	Human Resources and Remuneration
Mr Jean-Paul Agon	100%	100%			
Mr Nicolas Hieronimus (from 20/04/2021)	100%				
Ms Françoise Bettencourt Meyers	87.5%*	100%		100%	100%
Mr Paul Bulcke	87.5%*	100%		100%	100%
Ms Ana Sofia Amaral	100%				100%
Ms Sophie Bellon	100%		75%	100%	100%
Mr Patrice Caine	100%	100%		100%	
Ms Fabienne Dulac	100%		75%		100%
Ms Belén Garijo	87.5%*				75%
Ms Béatrice Guillaume-Grabisch	87.5%*		100%		
Ms Ilham Kadri	100%				
Mr Georges Liarokapis	100%		100%		
Mr Jean-Victor Meyers	87.5%*	100%	100%***		
Mr Nicolas Meyers	87.5%*		100%**		
Ms Virginie Morgon	100%		100%		
Mr Alexandre Ricard (from 20/04/2021)	100%				
2021 AVERAGE	**95%**	**100%**	**93%**	**100%**	**96%**

* *Excluding the exceptional meeting of the Board of Directors held on 5 November 2021 to review the strategic transaction of 7 December 2021 (agreement between L'Oréal and Nestlé relating to L'Oréal's repurchase of 4% of its own shares held by Nestlé), the Directors' attendance rate would have been 100%. Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers, Mr Nicolas Meyers, Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch all abstained from taking part in meetings or items of the agenda of the Board of Directors and, consequently, were not involved in any discussions or votes relating to matters connected to the L'Oréal share repurchase transaction with Nestlé.*

** *Director who joined this Committee in 2021.*

*** *Director who left this Committee in 2021.*

2.3.2. Activities of the Board of Directors

2.3.2.1. Main Remits and Internal Rules

The Directors oversee the Group's economic and financial management and contribute to defining its strategy, taking into account social and environmental issues. They examine and approve the main lines of action adopted by the General Management, which implements them.

Within this context, the Board of Directors seeks on an ongoing basis to adopt a modus operandi which, while strictly complying with French law, assures the conditions of good corporate governance.

Internal Rules that frame and organise actions of the Board of Directors

The work of the Board of Directors is based on Internal Rules, regularly updated, and designed to supplement the legal, regulatory and statutory rules and the market recommendations to which the Board of Directors refers. The Internal Rules are made public in full in this document and published on L'Oréal's website.

The Internal Rules address both the formal aspects of the Board of Directors' remits and the rights and obligations of the Directors (knowledge of and compliance with regulations, recommendations and obligations, respect of the Company's interest, obligations of diligence and provision of information, reserve and confidentiality, responsibility with regard to stock market ethics, etc.).

They are updated by the Board of Directors in order to take account of the changes in the laws and regulations, best corporate governance practices and its own modus operandi, particularly within the scope of the annual evaluation of its work. The latest updates to the Internal Rules were made on 20 April 2021 and 9 February 2022. These updates provide the option for Directors to be consulted in writing under the conditions set out in the regulations, following the approval (100% of the votes cast) by the Annual General Meeting of 20 April 2021 of the amendment to Article 9 of the Articles of Association, and change the minimum number of shares that Directors are required to own.

The composition of L'Oréal's Board of Directors, the rules it applies to its work, its modus operandi, and the work that it has carried out in the year, evaluated on an annual basis by the Directors, as well as the decisions made, are described in sections 2.2. and 2.3. of this document.

The Board of Directors wishes to point out that it carries out its work above all on a collegial basis, in accordance with ethical principles and in compliance with regulations and market recommendations.

The Board's debates and decisions are assisted by the work performed by its Committees, which report to the Board after each of their meetings. The Board of Directors ensures that all of the topics within its remit are thoroughly investigated by the Committees in charge of those issues. Details on the activity of these Committees appear in section 2.3.3. "Activities of the Board Committees" of this document.

The Board's involvement in non-financial matters

Every year, the L'Oréal Board of Directors determines L'Oréal's strategic directions, which integrate the challenges of climate change and, more generally, the issues of sustainable development, as well as the Group's sense of purpose (*raison d'être*) to "Create the Beauty that moves the world". The Board ensures these strategic directions are implemented, in accordance with its corporate interest, taking the social and environmental challenges of its business activity into consideration.

Each of the four Consultative Committees set up by the Board of Directors to work on topics falling within their field of expertise is involved in determining and monitoring the non-financial strategy.

Strategy and Sustainability Committee

- Examines the Group's strategic orientations.
- Examines strategic projects and their economic, financial, social and environmental consequences.
- Examines the sustainable development commitments and regularly reviews CSR developments.

Audit Committee

- Carries out the process for preparation of non-financial information and, where applicable, making recommendations to guarantee the integrity thereof.
- Monitors the efficiency of the internal control and risk management systems.

Human Resources and Remuneration Committee

- Establishes proposals for the remuneration of the corporate officers, including the non-financial targets of the variable remuneration.
- Examines the Human Resources policy and the rules of ethical conduct.

Nominations and Governance Committee

- Discusses governance issues related to the functioning and organisation of the Board, including the Board's diversity policy.

Board of Directors

- Determines strategic orientations, takes into consideration social and environmental issues in its decisions, reviews the Group's CSR policy annually, and benefits from a report on the L'Oréal for the Future programme following each SSC meeting.

2.3.2.2. The Board's work in 2021

In 2021, the Board of Directors met 8 times.

The work and agendas were prepared so as to cover all of the subjects within the Board's remit and to meet the expectations expressed by the Directors in the annual evaluation of the modus operandi of the Board.

The Board of Directors is consistently informed of the work of the various Committees by each Chairman and bases its decisions on their recommendations.

In 2021, the Board's activity was mainly focused on the following areas:

Corporate governance

Composition of the Board and its Committees

In 2021, the Board of Directors deliberated on its **composition**, taking diversity into consideration in terms of gender, skills, and expertise (see section 2.2.1.2. "Diversity policy applied to the Board of Directors: experienced Directors who complement one another" of this document).

At the Annual General Meeting of 20 April 2021, the renewal of the term of office of three Directors were proposed, namely: Françoise Bettencourt Meyers, Vice-Chairwoman of the Board of Directors, Chairwoman of the family holding company Téthys; Mr Paul Bulcke, Vice-Chairman of the Board of Directors, Chairman of the Board of Directors of Nestlé and Ms Virginie Morgon, independent Director, Chairwoman of the Management Committee of Eurazeo.

At the Annual General Meeting of 20 April 2021, the Board of Directors also proposed the appointment of Alexandre Ricard, Chairman and Chief Executive Officer of Pernod Ricard, as an independent Director and Nicolas Hieronimus as a Director, considering that the participation of the future Chief Executive Officer in Board meetings was essential to ensure the quality of the Board's discussions.

The composition of the Committees was reviewed and, on the recommendation of the Nominations and Governance Committee, Nicolas Meyers joined the Audit Committee, replacing Mr Jean-Victor Meyers.

In addition, the Board welcomed the fact that L'Oréal had been awarded the *Grand Prix du Gouvernement d'Entreprise* (Grand Prix Award for exemplary corporate governance) in 2021 by French business and finance magazine L'AGEFI based on an independent evaluation of the corporate governance of all CAC 40 and SBF 120 companies(1).

2021 Annual General Meeting

Due to the Covid-19 related health crisis, on 11 February 2021 the Board decided to invite shareholders to attend the Annual General Meeting to be held on 20 April 2021 behind closed doors, in accordance with the French Order of 25 March 2020 as amended by the French Order of 2 December 2020.

The Board was kept informed of the conditions for organising the Annual General Meeting behind closed doors, including its live broadcast and, since the meeting was being held without the physical presence of shareholders, the ability for shareholders to send questions between 17 and 19 April using an email address supplied by L'Oréal or by phone during the Annual General Meeting (see also section 7.1.11. "Annual General Meeting" of this document).

The Board approved the agenda and draft resolutions to be submitted to the vote of the Annual General Meeting.

New governance as of 1 May 2021

On 14 October 2020, following recommendations from the Nominations and Governance Committee, the Board announced its intention to separate the functions of Chairman and Chief Executive Officer, to renew Mr Jean-Paul Agon's mandate as Chairman, and to appoint Mr Nicolas Hieronimus as Chief Executive Officer.

These changes took effect on 1 May 2021 by decision of the Board of Directors at the close of the Company's Annual General Meeting of Shareholders of 20 April 2021. The Meeting was notably convened in order to appoint Mr Nicolas Hieronimus as a Director and to approve the remuneration policy corresponding to this reorganisation.

The Board believes that this structure will ensure the sustainability of the Group's performance, values and commitments, as well as the quality of its governance.

Evaluation of the modus operandi and organisation of the Board

As is the case every year, the Board made a full evaluation of its modus operandi and its organisation. This was discussed as an agenda item at its meeting of 7 December 2021. This evaluation led to proposals for improvements and made it possible to define the strategic topics on which the Board particularly wished to focus its reflections (see section 2.3.4. "Self-evaluation by the Board of Directors" of this document).

Executive sessions

One executive session in which the Directors meet in the absence of corporate officers and any in-house Directors or employees, was held on 7 December 2021.

Mr Jean-Paul Agon introduced the meeting by reviewing his activities with a specific emphasis on the duties entrusted to him by the Board. He reviewed the topics of governance, in particular the organisation and coordination of Board meetings, the chairmanship of the Strategy and Sustainability Committee, the chairmanship of the L'Oréal Foundation, relations with shareholders and stakeholders, as well as the monitoring of capital operations. The Chairman reported on the implementation of the separation of functions and on his regular meetings with the Chief Executive Officer, who had informed and consulted him in areas relevant to the specific remit of the Chairman. Mr Jean-Paul Agon also summarised his actions in terms of his representation of L'Oréal in high-level relationships, within France and internationally.

In accordance with the decision of the Board of Directors based on the recommendation from the Nominations and Governance Committee, the meeting continued without the Chairman of the Board of Directors, led by the Chairwoman of the Nominations and Governance Committee.

Dialogue with shareholders and investors

The Board was informed of the expectations and positions of the main investors and proxy advisors, as expressed during meetings with the Company's departments responsible for preparing for the Annual General Meeting.

It met to respond to the questions posed by the shareholders before the Annual General Meeting.

---

(1) *Evaluation of more than 90 criteria covering five categories: Functioning of management bodies, Board composition, CSR and Compliance, Management Diversity and shareholder democracy, information transparency and quality of communications.*

The Board ensures that shareholders and investors receive relevant information regarding L'Oréal's strategy, particularly during meetings with major investors in accordance with the principles of stock market ethics and equal access to information. In 2021, the Chief Financial Officer presented the Board with a **comprehensive assessment of "shareholder relations**" (*roadshows*, conferences, events and meetings on specific topics, particularly CSR issues, and e-meetings with the Individual Shareholder Consultation Committee). He provided details of changes in the expectations and focus of investors before and after the publication of results.

Ordinary contracts ("*conventions courantes*")

In 2021, the Board determined that ordinary contracts entered into under normal terms and conditions fulfill the rdinary conditions criteria, in accordance with the procedure implemented in 2020.

Remuneration policy, Human Resources, gender balance within the management bodies

Based on the extensive work by and recommendations from the Human Resources and Remuneration Committee, the Board deliberated on the rules relating to the **remuneration policy for directors and corporate officers for 2021, specifically the policy for the Chairman of the Board of Directors and the Chief Executive Officer**. It determined the amount to be paid as annual variable remuneration in 2020 to the Chairman and Chief Executive Officer, in accordance with the remuneration policy adopted by the Annual General Meeting on 30 June 2020.

It approved the **Performance shares award plan** of 7 October 2021.

On 7 October 2021, it approved the principle of increasing the Company's capital reserved for employees in accordance with the 13th resolution approved by the Annual General Meeting of 30 June 2020 and the 20th and 21st resolutions approved by the Annual General Meeting of 20 April 2021, in view of the launch in 2022 of a **third Employee Shareholding plan**.

In October 2021, the Board interviewed the Chief Human Relations Officer on the Group's Human Resources policy. In particular, the Board was updated on the **diversity and gender balance policy** deployed in the Company, specifically with regard to the gender parity in management bodies. The Chief Human Relations Officer stated that women made up 32% of the Company's governing bodies, including the Executive Committee, and 48% of the Top 300 (strategic positions). On the proposal of General Management, the Board defined objectives for gender balance within management bodies. The goal is to maintain gender parity within the governing bodies each year, ensuring that employees of each gender do not represent less than 40%. The Board will be informed annually of the results obtained. The results for 2021 are also presented in section 4.3.2.6. "Promoting Diversity, Equity and Inclusion" of this document.

Business activity, results and strategy

The Board of Directors defines the strategic orientations taking social and environmental needs into consideration. It also considers L'Oréal's raison d'être, which it approved in February 2020.

The chart showing the L'Oréal business model can be found in section 1.2. "Business model: economic and corporate excellence to create lasting value for all" of this document.

Business activity and results

The systematic and in-depth review, at each meeting, of **the Group's activities and results** and net sales generated by Division, geographic zones, brand, and e-commerce, as well as an analysis of market share gains, enables the Directors to be immersed in the Company's realities and to be continually informed of the problems faced by L'Oréal.

The Board is also informed throughout the year of the **evolutions in the cosmetics market, the results of competitors and the Group's relative positioning.**

The Board was kept regularly informed of the consequences of the **Covid-19 health crisis**, particularly with regard to retail activity and the opening of outlets worldwide. The measures to support and assist employees were reported to the Board, with a special focus on the organisation of home working.

Strategic themes in 2021

The Board regularly meets with the Group's main executives and thus benefits from in-depth knowledge of the challenges specific to each business segment. It is able to forge a clear, independent opinion of the opportunities for the Group's development over the next few years.

In February 2021, the **Chief Ethics, Risk and Compliance Officer** presented the Group's ethical policy. He reiterated the importance of having an ethics policy, in particular with regard to Human Rights and the risks of corruption. He explained how these issues were perceived in the various regions of the world. He detailed the organisational structure implemented in the Group (networks of ethics champions, training and self-evaluation tools, charters, whistleblowing websites) and the roadmap for the current year.

The **Chief Corporate Responsibility** Officer presented L'Oréal's CSR policy in April 2021. She presented the review of the Sharing Beauty with All 2013-2020 programme. She presented the Group's new objectives of the L'Oréal for the Future programme for 2030 and the Directors were able to discuss the importance of these new commitments.

The **Board meeting dedicated to the strategic seminar of June 2021** was designed to meet the needs expressed by Directors as part of the self-evaluation of the work of the Board conducted at the end of 2020. The first part of the meeting was devoted to an "e-visit" of three countries, *i.e.* **China, India and the United States**, as well as the **Sub-Saharan Africa Zone**. The second part reflected on Beauty 2030 (Strategic Consultation of June 2019) **and Post-Covid Beauty** (presentation by Nicolas Hieronimus in July 2020).

The Board also contributes to the development of strategy, by analysing the interest of **acquisitions** and the conclusion of licensing contracts. It studies their impact on the Company's financial structure and its long-term development capabilities. In 2021, the Directors examined new projects, including the acquisition of the Japanese company Takami Co and an agreement to purchase Youth to the People, a US skin care brand based in California.

In July 2021, the Chief Financial Officer presented a review of acquisitions made **over the past 10 years**, particularly in terms of compliance with their original *business plan*. The Directors discussed the contribution of acquisitions to the Group's growth and the increase in its operating profit. The qualitative contribution of these acquisitions (for example, the discovery of new models and technological innovations) was also analysed.

In October 2021, the Directors welcomed the Chief **Digital and Marketing** Officer of L'Oréal. She provided an overview of the Group's digital transformation, which began in 2010. She explained the consequences of the Covid-19 health crisis, which has ramped up digitalisation worldwide. The Directors were able to discuss the strategic challenges related to this revolution and the development prospects for the Group that will arise from those challenges.

Lastly, in December 2021, the Board heard from the Deputy Chief Executive Officer. She reviewed the activities of the **Values Committee**, which was set up in 2021 at the request of the Board of Directors. The Chief Executive Officer, Deputy Chief Executive Officer in charge of Research, Innovation & Technology, Chief Ethics, Risk and Compliance Officer, Chief Corporate Sustainability Officer, Chief Human Relations Officer and Chief Corporate Affairs and Engagement Officer all sit on this committee. The following Values were restated, namely: integrity and ethics, human and social progress, diversity and inclusion, corporate social responsibility and championing the cause of women. The Group's policies were reviewed and discussed with regard to how they reflect its values.

Strategic transaction approved by the Board of Directors: Agreement between L'Oréal and Nestlé for the repurchase by L'Oréal of 4% of its own shares held by Nestlé

The Board of Directors of L'Oréal met on 5 November 2021, without the presence of the Directors linked to Nestlé and to the Bettencourt Meyers family, to determine its position in the event that L'Oréal were to receive an offer to repurchase Company shares held by Nestlé. Consequently, the Board set up an ad-hoc committee and, based on the recommendations of the said committee, voluntarily appointed an independent expert (Ledouble firm), in line with governance best practice and AMF guidance relating to such transactions (i.e. Nestlé's potential decision to reduce its shareholding in the Company's capital and offer L'Oréal the possibility to repurchase these shares).

The ad-hoc committee was composed of four members (of which three were Independent Directors) and met four times between 5 November and 7 December 2021. The remit of its first meeting was to recommend the appointment of an independent expert to the Board; at subsequent meetings, its role was to monitor the satisfactory progress of the work and to report to and assist the Board in assessing the merits of any potential project.

At the meeting of L'Oréal's Board of Directors on 7 December 2021, after reading the conclusions of the independent expert, the Directors unanimously approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. Board members linked to Nestlé and from the Bettencourt Meyers family did not take part in the discussions or votes.

The Board considered that the Nestlé transaction was in the best interest of L'Oréal and all of its shareholders. It constitutes a new strategic milestone in reinforcing the shareholder stability of L'Oréal. (see section 7.3.2. "Changes in allocation of the share capital and voting rights over the last three years" of this document).

2.3.2.3. Information provided to the Board on the Company's financial position, cash position and commitments

The financial position and the cash position are reviewed at least twice a year at a Board meeting, when the annual financial statements are approved and when the interim financial statements are reviewed, or at any other time if necessary. The balance sheet structure is solid.

Every year, it reviews the agreements concluded and authorised during previous financial years and which continued in force.

As attested to by the preparatory work of its Committees (see below), the Board also analyses other aspects of strategy, the Group's economic and financial management and the Company's commitments in terms of corporate social responsibility. The Committees' work systematically gives rise to a report presented by their Chairman/Chairwoman at Board meetings.

2.3.3. Activities of the Board Committees

The Board's debates and decisions are assisted by the work performed by its Committees, which report to it after each of their meetings. The remits of each Committee are described in detail in the Internal Rules of the Board of Directors.

The Board's Committees act strictly within the framework of the remits given to them by the Board. They actively prepare for its work and make proposals but they do not have any decision-making powers. All the Directors who are members of a Committee participate in Committee meetings with complete freedom of judgement and in the interest of all the shareholders.

In 2021, the Committees were once again tasked with preparing the Board's deliberations. The composition of these Committees, their remits and their work in 2021 are described in detail below.

STRATEGY AND SUSTAINABILITY COMMITTEE

Composition	Independence	Number of meetings in 2021	Attendance (average 100%)	Date of appointment to the Committee
Mr Jean-Paul Agon (Chairman)		5	100%	2011
Ms Françoise Bettencourt Meyers			100%	2012
Mr Paul Bulcke			100%	2017
Mr Patrice Caine	◆		100%	2020
Mr Jean-Victor Meyers			100%	2020

◆ Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.

It is specified that two members belong to the Bettencourt Meyers family and one member is linked to Nestlé.

An update on the latest CSR initiatives is presented at each meeting by Ms Alexandra Palt, Chief Corporate Responsibility Officer.

REMITS	2021 MAIN ACTIVITIES
• Providing insight, through its analyses, into the strategic orientations submitted to the Board. • Monitoring the implementation and advancement of significant operations in progress and ensuring that the main financial balances are maintained. • Examination of the main strategic lines of development, options or projects presented by the General Management, and their economic and financial consequences, opportunities for acquisitions and financial transactions likely to significantly change the balance sheet structure. • Verification of the integration of the Company's commitments with regard to Sustainable Development, in light of the challenges specific to the Group's business activities and its objectives. • Examination of the proposed strategic orientations defined by the Board of Directors for consultation of the Central Works Council.	• Analysis of sales, update on business activities, regular report on the consequences of Covid-19. • Update on changes in the markets and on competition. • Analysis of the performance of the latest product launches. • Review of the Group's strategic development prospects. • Review of the latest sustainable development initiatives. • Review of the proposed credit line subject to ESG criteria. • Review of the main acquisition projects, and follow-up of recent acquisitions. • Update on the brands.

AUDIT COMMITTEE

Composition	Independence: 60%	Number of meetings in 2021	Attendance (average 93%)	Date of appointment to the Committee
Ms Virginie Morgon (Chairwoman)	◆	4	100%	2013
Ms Sophie Bellon	◆		75%	2016
Ms Fabienne Dulac	◆		75%	2019
Ms Béatrice Guillaume-Grabisch			100%	2016
Mr Georges Liarokapis	●		100%	2015
Mr Nicolas Meyers			100%	2021

◆ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*

● *Director representing employees.*

The committee is chaired by Ms Virginie Morgon, an independent Director who has recognised financial expertise.

The members of the Audit Committee have the necessary financial and accounting skills due to their professional experience and their good knowledge of the Group's accounting and financial procedures.

The Statutory Auditors attend meetings, except for discussions on items that concern them. The Committee meets at least twice a year without management present, with the participation of the Statutory Auditors.

The Committee did not deem it appropriate to call upon outside expert.

The Chairman of the Board of Directors and the Chief Executive Officer are not members of the Committee.

REMITS

- Monitoring the process for preparation of financial and non-financial information.
- Monitoring the statutory audit of the annual and consolidated financial statements by the Statutory Auditors.
- Review of the audit plans and the Statutory Auditors' work programme and the findings of their audits.
- Monitoring of the Statutory Auditors' independence.
- Process for selecting Statutory Auditors.
- Approval of non-audit services.
- Monitoring the efficiency of the Internal Control and risk management systems.
- Monitoring the Group's main risk exposures and sensitivities.
- Highlight the detection of any substantial risk that it believes is not being adequately handled.
- Review of the programme and objectives of the Internal Audit Department and the Internal Control system methods and procedures used.
- Annual review of the section of the Management Report on risk factors and Internal Control and risk management procedures.

2021 MAIN ACTIVITIES

- Review of annual and interim results and balance sheet. Analysis of operating income by Division and Zone.
- Review of the Independent Auditors' Reports on parent company and consolidated financial statements (specifically the key points of the audit).
- Review of the Statutory Auditors' 2021 audit plan and the results of the audits carried out, their recommendations and the follow-up actions taken, as part of the statutory audit of the accounts.
- Review of the audits carried out by the Statutory Auditors or the Independent Third-Party Organisation with regard to CSR information, expansion of the audit scope and improvement of data reliability making it possible to issue a voluntary reasonable assurance report on an array of indicators.
- Statutory Auditors: review of the transition plan (digital tools to be deployed from April 2022) from the new joint Statutory Auditors submitted to the 2022 Annual General Meeting.
- Approval by the Audit Committee of non-audit services.
- Monitoring Internal Audit activities, including CSR commitments.
- Regulatory changes relating to Sustainable Finance goals of the "*Green Deal*", the Taxonomy Regulation and the draft revision of the *Corporate Sustainability Reporting Directive*.
- Internal Control, Risks and Compliance: review of the systems implemented (in particular the Vigilance and Corruption Prevention Plan) and the proposal to update the Group's risk mapping.
- Review of legal risks and potential litigation and of major events that could have a significant impact on L'Oréal's financial position and on its assets and liabilities.
- Monitoring the business plan for major acquisitions, goodwill and impairment.
- Data privacy: monitoring the policies implemented.
- Taxation: reform of the international taxation system.
- Transformation of the finance and legal functions as part of the 2030 vision.

NOMINATIONS AND GOVERNANCE COMMITTEE

Composition	Independence: 50%	Number of meetings in 2021	Attendance (average 100%)	Date of appointment to the Committee
Ms Sophie Bellon (Chairwoman)	◆	4	100%	2016
Ms Françoise Bettencourt Meyers			100%	2020
Mr Paul Bulcke			100%	2017
Mr Patrice Caine	◆		100%	2018

◆ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*

The Chairman of the Board of Directors and Chief Executive Officer may attend Committee meetings with the exception of items on the agenda that concern them directly.

REMITS

- Reflections and recommendations to the Board on General Management procedures and on the status of directors and corporate officers.
- Issuing an opinion on proposals made by the Chairman of the Board of Directors for appointment of the Chief Executive Officer, where applicable.
- Preparation and annual review of succession plans for directors and corporate officers in the event of an unforeseen vacancy.
- Proposal on new Directors to the Board.
- Examination of the classification as independent Director which is reviewed by the Board of Directors every year.
- Verification of the due and proper application of the Code of Corporate Governance to which the Company refers (AFEP-MEDEF Code).
- Discussion on governance issues related to the functioning and organisation of the Board.
- Conducting the reflection process with regard to the Committees that are in charge of preparing the Board's work.
- Preparation for the decisions by the Board with regard to updating its Internal Rules.
- Evaluation of the modus operandi of the Board.
- Procedure to evaluate non-regulated agreements: annual review of the summary table prepared by the Company of the financial flows that occurred during the financial year between L'Oréal and interested parties as defined by regulations in order to report to the Board of Directors as part of the regular procedure to evaluate current agreements signed under normal terms pursuant to Article L. 22-10-12 of the French Commercial Code. In case of doubts about the classification of an agreement, the Committee must verify that the transactions have been concluded in ordinary course of business and under normal conditions, so that the Board of Directors can implement the procedure for related-party agreements when necessary. In this case, the persons directly or indirectly interested in this agreement do not participate in the assessment.

2021 MAIN ACTIVITIES

- Monitoring of the implementation of the arrangements for exercising General Management as of 1 May 2021 and proposal of the draft deliberations of the Board regarding:
  - the separation of the offices of Chairman and Chief Executive Officer;
  - the appointment of Mr Nicolas Hieronimus as Chief Executive Officer; and
  - the renewal of Mr Jean-Paul Agon in his office as Chairman of the Board of Directors.
- Reflection on the composition of the Board (diversity, complementary profiles, expertise, gender balance, combining of offices, etc.) and update of the skills matrix for Directors.
- Update on the renewal of terms of office put to the vote at the Annual General Meeting of 21 April 2022 and arrangements for the renewal of the terms of office of the two Directors representing the employees.
- Reflection regarding the amendment of the Articles of Association with regard to the age limit rules applicable to the Chairman and the Chief Executive Officer.
- Reflection on the composition of the Board Committees and proposals.
- Proposal to the Board regarding the organisation of the executive session in December 2021.
- Examination of the independence of each of the Directors in light of the criteria set out in the AFEP-MEDEF Code (meeting of February 2022).
- Determination of the terms and conditions of the annual evaluation of the Board.
- Review of the succession plans for the purpose of ensuring the continuity of General Management and Chairmanship of the Board in the event of an unforeseen vacancy in the medium-term.
- Review of the key positions in the organisation from the perspective of ensuring the continuity of business activities (in the short-term).
- Analysis of the 2021 reports of the French Financial Markets Authority - AMF and the *Haut Comité de Gouvernement d'Entreprise* (High Committee on Corporate Governance).
- Review of the letter sent by the AMF to the Company and the draft response.
- Analysis of the 2021 voting policies of investors and proxy advisors with regard to governance topics (composition of the Board, balance of powers, terms of office, independence of Directors, etc.).
- Review of the Board of Directors' CSR obligations and recommendations.
- Values Committee: review of the five key values identified.
- Implementation of the procedure for regular evaluation of current agreements concluded under normal terms.
- Recommendation to the Board to update the Internal Rules in order to allow for decision-making to be made after consultation with the Directors in writing and to review the shareholding threshold for Directors (meeting of February 2022).

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Composition	Independence: 60%	Number of meetings in 2021	Attendance (average 96%)	Date of appointment to the Committee
Ms Sophie Bellon (Chairwoman)	◆	4	100%	2018
Ms Ana Sofia Amaral	●		100%	2015
Ms Françoise Bettencourt Meyers			100%	2020
Mr Paul Bulcke			100%	2017
Ms Fabienne Dulac	◆		100%	2020
Ms Belén Garijo	◆		75%	2015

◆ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*

● *Director representing employees.*

The Chairman of the Board of Directors and Chief Executive Officer may attend Committee meetings with the exception of items on the agenda that concern them directly.

REMITS

- Making proposals relating to the remuneration of the Chairman of the Board of Directors and that of the Chief Executive Officer, where applicable.
- Setting the total budget allocated for remuneration of the Directors to be submitted to the Annual General Meeting and the distribution rules.
- Determination of the policy for long-term incentive plans, in particular through plans for free grants of shares or performance shares (ACAs).
- Monitoring the Human Resources policy: remuneration, remuneration ratios, employee relations, recruitment, diversity, etc.
- Monitoring the application of the Code of Ethics in the Company.

2021 MAIN ACTIVITIES

- Remuneration of the executive officers(1) for 2020 and 2021:
  - analysis of the performance of the Chairman and Chief Executive Officer in 2020 and communication to the Board of a recommendation on setting the annual variable remuneration for 2020; and
  - proposal of the targets and weightings for 2021 for the Chairman and CEO and for the Chief Executive Officer.
- Remuneration of the executive officers for 2022:
  - review of the remuneration policy applicable to the Chairman of the Board of Directors and to the Chief Executive Officer; and
  - study of the structure of the annual variable remuneration of executive and non-executive corporate officers and the targets set for 2022.
- Analysis of the voting policies of investors and proxy advisors concerning remuneration issues.
- Say on Pay: preparation of the draft resolutions proposed to the Annual General Meeting of 20 April 2021 (ex-ante vote on the remuneration policy for 2021 for the Chairman and the CEO and ex-post vote on the components of remuneration paid to the Chairman for 2020), review of the proposed resolutions for the 2022 Annual General Meeting.
- Review of the regulated agreement relating to the status of Mr Nicolas Hieronimus.
- Review of ongoing regulated agreements relating to Mr Jean-Paul Agon.
- Change to additional pension schemes: review of the new provisions implemented within the Group.
- Delivery of *long-term incentive* (LTI) plans: recording of performance relating to the ACAs plan of 2017.
- Long-term incentive plans: preparation of the October 2021 ACAs Plan. Proposed allocation to the Chief Executive Officer. Review of the draft resolution concerning the ACAs Plan for the 2022 Annual General Meeting.
- Review of the Group's remuneration policy.
- Employee shareholding: review of the draft third global plan scheduled for 2022.
- Directors' fees: breakdown of fees for 2021 and recommendation for the policy and schedule to be applied in 2022 (meeting in February 2022).
- Diversity and equality in management bodies: presentation of the various levers and results obtained, specifically with regard to gender equality in management bodies(2).

---

(1) Directors and corporate officers.

(2) The results in terms of gender balance in the top 10% most responsible positions are presented in section 4.3.2.6. "Promoting Diversity, Equity and Inclusion" of this document.

2.3.4. Self-evaluation by the Board of Directors

ORGANISATION OF THE ANNUAL EVALUATION OF THE MODUS OPERANDI OF THE BOARD

September 2021	October 2021	October - November 2021	December 2021	March 2022
• Update of the Thematic interview guide. • Update of the Flash questionnaire developed with the help of an external consulting firm.	**Nominations and Governance Committee (NGC)** • Validation of the Interview Guide, the Flash Questionnaire and the internal evaluation procedure.	• Sending the Flash questionnaire and the Interview Guide to the directors. • Individual interviews (Directors / Secretary of the Board).	**NGC** • Detailed report of the evaluations. **Board of Directors** • Summary of the evaluations. • 2021 balance sheet. • Discussions / wishes for 2022. • Decision on internal/ external evaluation in 2022.	• Publication of the evaluation summary in the 2021 Universal Registration Document.

Every year, the Board carries out the formal evaluation provided for by the AFEP-MEDEF Code of its composition, its organisation and its modus operandi, in particular in order to verify that, under these conditions, the agenda for its work duly covers the scope of its remits, that important questions have been appropriately prepared for and discussed and to measure the contribution made by each member to the Board's work.

This evaluation is carried out within the framework of the AFEP-MEDEF Code, to which the Company refers and market recommendations like those of the AMF.

The evaluation procedure for 2021 was reviewed by the Nominations and Governance Committee.

It was carried out with the help of a thematic interview guide, which was updated in October 2021 and sets out the principles stipulated in the AFEP-MEDEF Code and identifies the Board's practices and market expectations. It enables each Director to ask questions about the operation of the Board and their personal contribution to its work and decisions. This guide was accompanied by a questionnaire prepared in 2020 with the assistance of the Spencer Stuart firm.

These documents, approved by the Nominations and Governance Committee before they were sent to each Director, served as a basis for the individual interviews arranged between the Directors and the Secretary of the Board.

These interviews concerned the Board's composition, its organisation and its modus operandi.

The Directors were called upon to reconsider key governance issues, specifically: General Management structure, appointment of a Lead Director, the *executive sessions* organised without the presence of Executive Directors, and relations with shareholders in connection to Corporate Governance issues.

Committee activities were reviewed, in particular the procedure for evaluating current agreements, analysing the independence of Directors and any conflicts of interest.

The Directors expressed their opinion more specifically with regard to the quality and relevance of the information provided to them and on the agendas for the Board meeting, and gave their points of view on the Board's involvement in the definition of L'Oréal's strategy.

They formulated suggestions for improvements and submitted proposals on strategic issues that they would like to discuss in further detail in 2022.

The summary of these interviews, carried out by the Secretary of the Board, was submitted first to the Nominations and Governance Committee meeting on 6 December 2021, and, the next day, to the Board of Directors, followed by a debate between the Directors and decisions for 2022.

Firstly, with regard to the **Board's composition**, the Directors considered it completely satisfactory and balanced. In 2021, the Board welcomed Mr Alexandre Ricard, Chairman and Chief Executive Officer of Pernod Ricard, and Nicolas Hieronimus, Chief Executive Officer of L'Oréal (see section 2.2.3 "Changes in corporate offices and directorships of Directors" of this document). The number of Independent Directors – who represent 50% of the Board – was deemed appropriate, given their profile and considerable freedom of expression. The Board is sufficiently diversified in terms of the age, profile and experience of Directors. The genders are represented equally. The Board has the required expertise and the Directors' skillsets are complementary – particularly in terms of experience managing large companies. The international experience of Directors was highlighted. This diversity of profiles and experience corresponds to the requirements defined by the Board (see section 2.2.1.2. "Diversity policy applied to the Board of Directors: experienced Directors who complement one another" of this document). This diversity allows the Board to actively discuss the strategic issues facing the Group with the Chief Executive Officer, who sits on the Board, and to make decisions independently.

The Board considers that the procedure for onboarding **new Directors** is satisfactory (in particular in relation to the transfer of all necessary information documents, meetings with the Board Secretary, and the organisation of interviews with members of the Group's Executive Committee). It allows new members to rapidly familiarise themselves with the strategic issues of the Company. At the Board's request, a meeting with the Chief Ethics, Risk and Compliance Officer will be systematically included in the onboarding process.

The Directors who represent employees play an active role on the Board and committees on which they are members. They have proposed the creation of an in-house guide for new L'Oréal Directors representing employees to enable these new Board members to benefit from the experience and skills they have gained from eight years in office.

The **composition of the Committees** is considered appropriate, with the appropriate Directors serving on each committee.

With regard **to the functioning of the Board**, it was noted that all Directors are diligent, active and committed and that each Board member contributes fully. It operates as a collegial body. Independent Directors are deeply committed and fully assume their role by questioning General Management. Discussions are free and frank. and Directors can express themselves in a positive environment of mutual trust. The Chairman is open and transparent and encourages discussion and in-depth debate. The Chief Executive Officer communicates transparently, keeps Directors informed of the Company's performance and provides in-depth answers to their questions. He highlights the accomplishment of his management team, which appears regularly at Board meetings, giving Directors the opportunity to get to know L'Oréal's senior managers and appreciate their expertise in their areas of responsibility. The Board dynamic is positive and there is excellent interaction between the Directors, the Chairman of the Board and the Chief Executive Officer. Directors expressed a high level of confidence in the Chairman and the Chief Executive Officer.

The **Board Committees** work well and produce well thought-out documents. The Directors believe that issues are handled by these committees in a serious and sound manner. The reports to the Board are comprehensive and detailed. As a result, the Board is able to make its decisions with complete confidence on the basis of Committee recommendations.

The **Strategy and Sustainability Committee** works smoothly with good discussions. It is chaired by the Chairman of the Board, who conducts the work competently and objectively. The Chief Executive Officer is invited to each of its meetings and contributes actively to the quality of discussions. The Directors considered that they had all the necessary information to make the proper recommendations to the Board regarding strategy and the monitoring of its implementation. For example, the Group's business activities, any planned acquisitions and the Group's results and those of its competitors were examined in depth. CSR issues, which are an integral part of the L'Oréal strategy, are systematically discussed at each meeting with the Chief Corporate Responsibility Officer. These discussions are considered essential by the Committee members.

The **Audit Committee** is managed very well, with work that is unanimously praised. Directors understand the balance between compliance and business matters. Performance in relation to CSR topics and the monitoring of non-financial data is good but there is room for further improvement. The high level of professionalism and transparency of management was highlighted.

The **Human Resources and Remuneration Committee** is well prepared, and the work is anticipated sufficiently well in advance. Committee members receive the right level of information to enable them to make the correct recommendations, particularly regarding the remuneration of directors and corporate officers. They were pleased that HR policy topics were regularly discussed at the Committee meetings and would like to further explore issues relating to diversity and upcoming changes in working practices.

The quality of the work undertaken by the **Nominations and Governance Committee** was recognised, particularly with regard to the selection of new Directors, which was anticipated sufficiently in advance. The separation between the functions of Chairman of the Board and Chief Executive Officer was implemented very smoothly. Emergency plans are reviewed and updated regularly. Annual information on the "Top 100" executives is a good idea.

The organisation, duration and frequency of Board meetings are considered satisfactory. The confidential nature of discussions and decisions – of which attendees are reminded at the start of each meeting – is fully respected. Directors believe that an effort has been made to respect their schedules, but draw attention to the fact that this should not have a negative impact on presentations. Respecting the balance of agendas is considered to be essential. Meetings organised via videoconference (up to and including July 2021) due to the Covid-19 health crisis were a success. However, face-to-face meetings – if the health situation allows – remain the preferred option.

The Directors considered that the **information provided by the Board** was satisfactory, comprehensive, and sufficiently detailed. Making documentation available prior to Board or Committee meetings boosts the quality of the debates. Some Directors would like to receive presentations much earlier before the meetings to improve discussions and the decision-making process. Subject to the confidentiality requirements and deadline constraints to which the Company is subject, this wish will be taken into account in 2022. Expanding the use of the *Nasdaq Boardvantage* secure digital platform could assist in this area.

The **agendas** for the Board meetings are appropriate and cover all issues.

The Directors appreciate the Chief Executive Officer's detailed presentation on sales, the markets and competition, e-commerce and *Travel Retail* at each Board meeting, as it enables Directors to be immersed in the operational business of the Company and monitor performance.

Presentations from L'Oréal managers were organised in order to meet the needs of Directors, as expressed during the self–evaluation of the modus operandi of the Board in 2020. Their presentations were of high quality, well prepared, comprehensive and transparent. They provided an excellent insight into the vision and strategy of L'Oréal and facilitated discussions with the General Management. Directors stressed the importance of allowing sufficient time for questions and discussions.

The **Board meeting dedicated to the strategic seminar in June 2021** was greatly appreciated and deemed extremely rewarding, as considerable information was shared during the process. Its agenda was drawn up in accordance with the wishes expressed by the Directors: presentations on the activities of three countries, China, India and the United States, and one geographic zone, Sub-Saharan Africa. There were also presentations on long-term transformations, particularly those brought about by the Covid-19 health crisis, to be achieved by 2030.

Concerning **acquisitions**, the Directors are satisfied with the way in which projects are presented and discussed. They are in line with the Group's strategy. General Management listens to the opinions of the Directors. The monitoring of acquisitions by the Board and the Audit Committee was highly appreciated this year. Directors believe that this should become a regular occurrence.

The now-annual presentation of **Digital** issues by the Chief Digital and Marketing Officer is considered to be essential to obtain a better understanding of the Group's strategic challenges.

The Board appreciates that its agendas and those of the Committee meetings cover all of the Group's business activities – relating not only to business but also to **Ethics, CSR,** and **Human Resources**, which give an extremely complete picture of L'Oréal's commitment to these issues that are deemed to be strategic. The aim is for these topics to be included on the Board's agenda at least once a year, as was the case in 2021.

Thus, in 2021, the Board reviewed the Ethics Policy with the Chief Ethics, Risk and Compliance Officer, specifically in the area of Human Rights and corruption risks. The intervention of the Chief Corporate Responsibility Officer was considered very useful. Her presentation acted as a final review, as at 31 December 2020, of the Group's Sharing Beauty with All CSR programme, while providing details of the commitments of the new L'Oréal for the Future programme over the next decade. Directors welcomed the suggestion to organise CSR training in 2022, and noted that it could be an opportunity to involve an external expert. The Board was also able to listen to the Chief Human Relations Officer and learn more about the issues related to professional equality between women and men and the targets established for gender balance in management bodies. The Directors appreciate that these issues are discussed in detail with a constant concern for promoting best practices.

The Directors appreciate receiving **analysts' reports** after the publication of the annual and half-yearly results and sales figures. The July 2021 presentation of the Chief Financial Officer on **feedback from roadshows** was considered very interesting. This subject should appear regularly on the agenda.

During the period between meetings of the Board and the Committees, the monthly press briefing, "L'Oréal This Month" covering business activities in general and the main events in the life of the Group, is considered very useful. Information, including press releases, that is systematically sent between Board meetings enables Directors to be continually in line with L'Oréal's business activity.

Overall, Directors think that the Board performs its various duties satisfactorily, in particular, its role as a **think-tank and driver of Group strategy**. Strategic issues are shared properly, at the right level, and without going into operational detail. The "Strategic guidelines" document is very well written. The Board and the Committees regularly address CRS topics. Decisions are taken after consideration of L'Oréal's corporate social challenges.

Directors also expressed their opinions on the following governance-related issues:

The **separation of the functions of Chairman and Chief Executive Officer**: Directors believe that the separation of the functions in place since 1 May 2021 is the governance structure best suited to L'Oréal's current situation. The change in governance occurred in the best possible manner. This new governance structure functions in a balanced and satisfactory manner. These changes were made smoothly. The Directors highlighted the complementary relationship between the Chairman and the Chief Executive Officer. The Chairman fully fulfils the role defined by the Board and stimulates debate. The Chief Executive Officer is allowed to focus entirely on business and management. The balance of power is assured, given the composition of the Board (particularly the presence of two long-standing shareholders, and the number and background of the independent Directors) and the freedom of speech available for all Directors. The Directors expressed their high confidence in the new governance structure.

Appointment of a Lead Director: the Directors do not consider it necessary to appoint a Lead Director. There would be little interest for L'Oréal in doing so, given the Board's current composition and modus operandi, as well as the freedom of speech enjoyed by the Directors.

Executive sessions: since 2016, the Directors meet at least once a year without the presence of any corporate officers, Directors representing employees or other Group employee. These meetings work well and there are no specific comments in this regard. The Board made changes to the organisation of these meetings as part of the separation of the functions of the Chairman of the Board and the Chief Executive Officer. They now involve two stages: the Chairman of the Board introduces the meeting by presenting a review of his work. After this, he leaves the meeting and it is chaired by the Chairwoman of the Nominations and Governance Committee.

There is a special emphasis on **conflicts of interest** since strategy themes are discussed openly at Board meetings. The Directors believe that the rules in force are satisfactory: non-participation in debates and decisions, and an annual declaration of independence. They attach great importance to the analysis of the independence of Directors, which is carried out in depth each year, and deem appropriate the procedure for regular evaluation of agreements concluded in the ordinary course of business under normal conditions, which was implemented in 2021.

Directors consider that the current procedure for organising **meetings with shareholders**, investors, and proxy advisors on issues of corporate governance (meetings organised by the department in charge of financial communication and shareholder relations that are attended by the Secretary of the Board and Legal Corporate and Securities) is satisfactory. They appreciate that their expectations are detailed in the minutes taken in the Committee and Board meetings.

Regarding the **self-evaluation** of the Board in 2022, the Board considers that the current procedure does not need to be reviewed. The Interview Guide will be examined again by the Nominations and Governance Committee, after having been reviewed, where applicable, by an external firm consulted on the best operating practices for Boards of directors. The Nominations and Governance Committee will supervise the process in liaison with the Secretary of the Board. The summary of the interviews with the Directors has been discussed at a Board meeting as is the case every year.

For 2022, various **decisions with regard to improvements** were made. They mainly concern the earlier provision of management information and presentations and the optimisation of the use of the *Nasdaq Boardvantage* digital platform. The Directors also stated their desire to go into further detail about certain strategic points. The Directors made **proposals for topics** to be included on the Board's agenda in 2022 and the organisation of the 2022 strategy seminar. After discussion and review, a list of priority subjects was drawn up by the Board meeting of 7 December 2021. These topics will be included on the agenda of Board meetings in 2022.

2.3.5. Appendix: Complete text of the Internal Rules of the Board of Directors

These Rules are applicable to all present and future Directors, whether they are appointed by the General Meeting or by the employees, and are intended to complement the legal, regulatory and statutory rules and those under the Articles of Association in order to state accurately the modus operandi of the Board of Directors and its committees, in the interests of the Company and its shareholders.

L'Oréal's Board of Directors refers to the principles of corporate governance as presented by the AFEP-MEDEF Code. The Internal Rules specify the modus operandi of the Board, in the interests of the Company and of all its shareholders, and those of its Committees, whose members are Directors to whom it gives preparatory assignments for its work. The latest updates to the Internal Rules were made on 20 April 2021 and 9 February 2022. These updates provide the option for Directors to be consulted in writing under the conditions set out in the regulations, following the approval (100% of the votes cast) by the Annual General Meeting of 20 April 2021 of the amendment to Article 9 of the Articles of Association, and change the minimum number of shares that Directors are required to own. As was the case for previous versions, the Internal Rules are made public in full in this section.

PREAMBLE

The Board of Directors of L'Oréal ("the Company") is a collegial body which is mandated by all the shareholders. It has the authority given to it by law to act in all circumstances in the best interests of the Company.

By exercising its legal prerogatives, the Board of Directors ("the Board") fulfils the following main duties: it validates the Company's strategic orientations, appoints the directors and corporate officers given responsibility for managing the Company within the scope of this strategy, chooses the method of organisation of General Management (combination or separation of the roles of Chairman and Chief Executive Officer), oversees management and ensures the quality of the financial and non-financial information provided to the shareholders and to the markets.

The organisation of the Board's work and its composition is adapted to the specificities of L'Oréal and is in line with an approach of constant progress. The Board's main responsibility is to adopt the method of organisation and the modus operandi which enable it to perform its duties to the best of its ability. Its organisation and modus operandi are described in these Internal Rules which it draws up, and which are published in full on L'Oréal's website and in the Universal Registration Document.

The Board's actions are carried out within the framework of the AFEP-MEDEF Code. The Corporate Governance Report provides more detail on the Board's composition and on the way in which the Board's work is prepared and organised, and explains, where applicable, the recommendations that have not been adopted in light of the Company's specificities.

These Rules apply to all the Directors, both current and future, whether they are appointed by the Annual General Meeting or the employees, and are intended to complement the legal, regulatory and statutory rules and those under the Articles of Association in order to state accurately the modus operandi of the Board of Directors and its committees.

1. Remit and authority of the Board of Directors

1.1. General powers of the Board

The Board defines the business strategy of the Company and monitors its implementation, in accordance with its corporate interest, taking social and environmental challenges into consideration.

Subject to the powers expressly conferred to Annual General Meetings and within the limit of the Company's purpose, the Board deals with all matters regarding the smooth running of the Company and settles issues concerning the Company by virtue of its decisions. At any time in the year, the Board carries out the controls and verifications it deems appropriate.

The Board ensures, as appropriate, that a mechanism for the prevention and detection of corruption and influence-peddling is in place.

The Board also ensures that the executive corporate officers implement a policy of non-discrimination and diversity as regards the balance of women and men in management bodies.

The Corporate Governance Report relays the Board's activity.

The Board prepares for and convenes Annual General Meetings and sets the agenda. It puts the parent company and consolidated financial statements to the vote and presents to the meeting its Management Report to which the Corporate Governance Report is appended.

The Board sets the remuneration of directors and corporate officers. It reports on its policy and decisions in its Management Report and in the Corporate Governance Report. The Annual General Meeting is consulted every year on the components of remuneration due or allocated to each executive corporate officer for the past financial year. The Board is a collegial body which is legally unable to delegate its authority, except to the General Management in those cases expressly provided for by law. Within the scope of its work, it may decide to set up Committees which do not have decision-making powers but have the task of providing all useful information for the discussions and decisions which it is called upon to make. The Board decides on the composition of the Committees and the rules with regard to their modus operandi.

The Board may ask one or more of its members or third parties to carry out special assignments or projects aimed in particular at studying one of more specific topics.

1.2. Relations between General Management and the Board

1.2.1. Forms of General Management

General Management of the Company is carried out, under the responsibility of either the Chairman of the Board of Directors (the Chairman and Chief Executive Officer) or by another individual with the position of Chief Executive Officer. Leaving the possibility to choose between the separation or combination of roles, French law does not give preference to any form and gives the Board authority to choose between the two methods of organisation of the General Management in light of the specificities of the Company.

Whether the General Management is carried out by a Chairman and Chief Executive Officer or a Chief Executive Officer, the Board has the same prerogatives. It may in particular take all specific measures aimed at ensuring the continued balance of powers.

1.2.2. Powers of General Management

The General Management, which may be carried out by the Chairman of the Board of Directors or by a Chief Executive Officer, is vested with the broadest powers to act in all circumstances in the name of the Company. It must exercise these powers within the limit of the Company's purpose subject to the powers expressly granted by French law to General Shareholders' Meetings and the Board of Directors.

The Board has the possibility to provide for limitations on the powers of the General Management. Thus, transactions which may materially impact the scope of consolidation of the Company, in particular, transactions involving an amount in excess of €250,000,000 and all new transactions which are outside the normal course of business for an amount in excess of €50,000,000, must be submitted to the Board. In any event, the Board of Directors must be informed of the conclusion and implementation of all transactions.

The General Management represents the Company in its dealings with third parties.

Upon a proposal by the Chief Executive Officer, the Board may appoint one or more individuals responsible for assisting the Chief Executive Officer, who will hold the corporate office of Deputy Chief Executive Officer(s).

1.2.3. Duties of General Management

Whatever the form of organisation chosen (Chairman and Chief Executive Officer or Chief Executive Officer), the General Management is required to provide each Director with all the documents and information required to carry out their duties.

More specifically, the General Management provides the Board members with useful information in connection with the preparation of meetings, or at any time during the life of the Company if the importance or urgency of the information so requires. This provision of ongoing information also includes any relevant information concerning the Company, and in particular press articles and reports containing financial analysis.

The General Management gives the Board and its Committees the possibility to meet with the senior managers of L'Oréal within the strict framework of their remits and duties. In consultation with the General Management, the Board and the Committees may use external consultants if they consider it necessary.

The Board is informed, at the time of closing of the annual financial statements and the review of the interim financial statements or at any other time if necessary, of the Company's financial position and cash position.

2. Composition of the Board

2.1. Directors

The Directors of the Company:

- provide their expertise and professional experience;
- are required to act with due care and attention and participate actively in the work and discussions of the Board;
- have complete freedom of judgement.

This freedom of judgement enables them in particular to participate, in total independence, in the decisions and work of the Board, and, where appropriate, of its Committees.

2.1.1. Independence

The Board reviews the independence of each of its members every year, after obtaining the opinion of the Nominations and Governance Committee, in particular in light of the independence criteria in the AFEP-MEDEF Code and taking account of the specific needs of L'Oréal. The findings of this evaluation are reported to the shareholders and made available to the general public.

2.1.2. Diversity

The Board considers the issue of the desirable balance of its composition and that of its Committees, notably in the representation of men and women, nationalities and diversity of skills. The objectives, terms and conditions, and results of its policy in this area are made public in the Corporate Governance Report and included in the Registration Document.

2.1.3. Terms of office

The length of the term of office of Directors is four years. However, the staggering of the terms of office is organised in order to avoid renewing too many Directors at once and favour renewing Directors harmoniously.

In principle, it is agreed by the Board members that all Directors will tender their resignation to the Board prior to the Annual General Meeting following their 73rd birthday and that they will no longer apply for renewal of their term of office if this rule does not enable them to perform their office for at least two years.

In any event, in accordance with French law and the Articles of Association, the total number of Directors who are over 70 years of age may not exceed one third of the Directors in office.

2.2. Chairman of the Board

The Board of Directors must elect a Chairman from among its members.

The Chairman of the Board organises and oversees the Board's work and reports thereon to the Annual General Meeting.

The Chairman sets the dates and the agenda for Board meetings and leads the discussions.

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, inter alia, links between the Company and the main market players.

The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for the communication of any document or information that is likely to assist the Board of Directors in preparing for its meetings.

The Chairman of the Board must use his best efforts to promote the values and image of the Company at all times. He expresses his views in that capacity.

He is provided with the material resources required to perform his duties.

The Chairman of the Board takes care, particularly in the event of separation of roles, to develop and maintain a trustful and regular relationship between the Board and the General Management, in order to guarantee continuous, ongoing implementation by the General Management of the strategies defined by the Board.

3. Rights and obligations of the Directors

3.1. Knowledge of and compliance with regulatory texts, recommendations and obligations

Each of the members of the Board declares that they have read the following documents:

- the Company's Articles of Association;
- the legal and regulatory texts that govern French "sociétés anonymes" (public limited companies) within the framework of the functioning of a Board of Directors and, in particular, the rules relating to:
  - the number of offices that may be held simultaneously,
  - the agreements and transactions concluded between the Director and the Company,
  - the definition of the powers of the Board of Directors,
  - the holding and use of inside information, which are discussed in section 4.6. ;
- the recommendations defined in the AFEP-MEDEF Code;
- L'Oréal's Code of Ethics;
- L'Oréal's Stock Market Code of Ethics;
- and the provisions of these Rules.

3.2. Respect for the interests of the Company

The Directors are required to act in all circumstances in the interest of the Company and all its shareholders.

The Directors are obliged to notify the Board of any situation that may constitute a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberations.

The Directors must inform the Board every year of the offices and positions they hold in other companies and of any conflicts of interest, even if they are only potential, that they have identified (see Annual Report on independence under Article 4.4).

The Board furthermore discusses every year the assessment of whether or not the business relationships maintained between the companies in which the Directors hold their offices and the Company are significant. It reports on its evaluation in the Registration Document.

3.3. Obligations of due diligence and provision of information

The Director must devote the necessary time and attention to his/her duties.

He/she must limit the number of offices held so as to ensure his/her availability.

A Director must not hold more than four other terms of office in listed companies outside the Group, including foreign companies. The Director concerned is given enough time to bring his/her situation into compliance with this rule, where required.

The Director must keep the Board informed of the terms of office held in other companies, including his/her participation on the Board Committees of such French or foreign companies.

A corporate officer must not hold more than two offices as Director in listed companies outside the Group, including foreign companies. The Director must ask for the Board's opinion before accepting a new corporate office in a listed company.

Each Board member undertakes to be diligent:

- by attending all Board meetings, where necessary by means of videoconference or telecommunication facilities, except in the case of a major impediment;
- by attending, whenever possible, all General Shareholders' Meetings;
- by attending the meetings of the Board Committees of which he/she is a member.

The Corporate Governance Report gives shareholders all useful information on the Directors' individual participation in these sessions and meetings.

In connection with decisions to be made, the Director must ensure that he/she has all the information he/she considers essential for the smooth conduct of the work of the Board or the Committees. If this information is not made available to him/her, or he/she considers that it has not been made available, he/she must request such information from the Chairman of the Board who is required to ensure that the Directors are in a position to perform their duties.

3.4. Training for Directors

All the Directors, and in particular those representing the employees, may benefit, on their appointment or throughout their directorship, from the appropriate training programmes for the performance of the office.

These training programmes are organised and proposed by the Company and are provided at its expense.

3.5. Obligation of reserve and confidentiality

The Directors undertake not to express themselves individually other than in the internal deliberations of the Board on questions raised at Board meetings.

Outside the Company, only collegial expression is possible, particularly in the form of releases intended to provide the markets with information.

With regard to information not in the public domain to which the Director has access as a result of his duties, the Director must consider him/herself to be bound by strict professional confidentiality, which is more demanding than the mere legal obligation of discretion. This obligation applies to all persons called on to attend Board meetings, and covers all information of a confidential nature and all information presented as confidential by the Chairman of the Board.

Beyond this legal obligation and to ensure the quality of the discussions of the Board of Directors, all the information given to Board members and the opinions they express must be kept strictly confidential.

This obligation applies to any person invited to attend a Board meeting.

3.6. Stock market ethics

3.6.1. Principles

The Company has put in place a "Stock Market Code of Ethics" that is regularly updated, in particular to take into account changes in the regulations in force. This Code was updated following the applicability, as from 3 July 2016, of European Regulation (EU) No. 596/2014 on market abuse ("Market Abuse Regulation"). The Board members comply with the Principles of Stock Market Ethics "related to inside information" provided for by this code.

Inside information must only be used by the Director in the exercise of his office. Such information must in no case be communicated to a third party other than in the exercise of the Director's duties, and for any other purpose or any other activity than those for which it is held.

It is the duty of all Directors to refrain from trading in, having others trade in, or enabling others (including through recommendations or encouragements) to trade in the securities of the Company on the basis of this information, until such time as the information has been made public.

It is the personal responsibility of each Director to determine whether the information he/she holds is inside information or not, and accordingly whether he/she may or may not use or transmit any of the information, and whether he/she may or may not trade or have others trade in the Company's securities.

3.6.2. Abstention periods

During the period preceding the publication of any inside information to which Directors have access, in their capacity of insiders, the members of the Board must by law refrain from all trading in the Company's securities.

Furthermore, in accordance with the Market Abuse Regulation and the recommendations of the French Financial Markets Authority - AMF, they are prohibited from trading in the Company's shares over the following periods:

- a minimum of 30 calendar days before the date of publication of the press release on the annual and half-year results;
- a minimum of 15 calendar days before the date of publication of the press release on quarterly financial information.

The Directors are only authorised to trade in L'Oréal shares on the day after publishing the press release.

3.6.3. Insider trading

The Director has been informed of the provisions in force relating to the holding of inside information, insider trading and the unlawful disclosure of inside information: Articles 465-1 et seq., L. 621-14 and L. 621-15, III c of the French Monetary and Financial Code and Articles 7 et seq. of the Market Abuse Regulation.

3.6.4. Obligation to declare trading in the securities of the Company

In accordance with the applicable regulations, the Directors and closely associated persons, as defined by Article 3.1.26 of the Market Abuse Regulation, must inform the AMF(1) of all acquisitions, sales, subscriptions or trades of the Company's shares and transactions involving related instruments where the cumulative amount of such transactions is higher than €20,000 for the current calendar year.

The Directors and closely associated persons must submit their declarations to the AMF by email within three trading days following completion of the transaction.

These individuals must simultaneously provide a copy of this declaration to the Secretary of the Company's Board of Directors.

The declarations are then posted on the AMF's website and are mentioned in an annual summary set out in the Company's Management Report.

3.6.5. Appointment of an Internal Stock Market Ethics Advisor

L'Oréal has appointed an "Internal Stock Market Ethics Advisor",

who is responsible for assisting, in confidence, any person who so requests, with the analysis and assessment of their situation, without prejudice to the principle of personal accountability.

---

(1) On the AMF's secure website, ONDE, after verification of identity by email to the following address: ONDE_Administrateur_Deposant@amf-france.org.

3.7. Holding of a minimum number of shares

In accordance with the AFEP-MEDEF Code and independently of any obligation to hold shares under the Articles of Association, the Directors must personally be shareholders of the Company and hold a significant number of shares.

Each Director shall own at least 250 shares in the Company: at least 125 shares on the date of his/her election by the Annual General Meeting, and the balance no later than 24 months after this election.

The decision as to whether the shares held by the Director should be registered or deposited, in full or in part, is the responsibility of the Director.

This stock ownership obligation is not applicable to the Directors representing the employees.

4. Modus operandi of the Board of Directors

4.1. Convening the Board

The Board is convened by any appropriate means. Notices convening a meeting may be transmitted by the Secretary of the Board of Directors. They are sent in writing at least eight days prior to each meeting, except in particular circumstances. The notices specify the venue of the meeting, which may be the headquarters or any other venue.

All the documents that are necessary to inform the Directors about the agenda and about any questions submitted to the Board for review are enclosed with the notice convening the meeting or are sent or provided to them within a reasonable period of time, prior to the meeting.

These documents may be provided to them on a secure digital platform, within a reasonable period of time prior to the meeting. They may in exceptional cases be provided at the meeting.

4.2. Board meetings and method of participation

The Board meets as often as required in the best interest of the Company, and at least five times per year.

The dates of the Board meetings for the following year are set no later than the beginning of the summer, except in the case of Extraordinary Meetings.

The frequency and length of Board meetings must be such that they allow for an in-depth review and discussion of the matters that fall within the scope of the remits of the Committees.

The Directors meet once a year without the presence of the executive corporate officer, the Directors representing the employees or any other Group employee.

In accordance with the legal and regulatory provisions and with Article 9 section 2 of the Articles of Association, Directors who take part in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of calculating the quorum and the majority.

These means must guarantee simultaneous, continuous retransmission of the debates.

However, these means of participation are excluded when the Board so decides and in any event when it decides with regard to closing of the Company's parent company and consolidated financial statements and on the preparation of the Management Report.

A Director who participates by means of videoconference or teletransmission must ensure that the confidentiality of the debates is preserved.

The attendance register mentions the Board members who attend Board meetings by means of videoconference or telecommunication facilities, with the Secretary of the meeting having the task of initialling the register for them.

The Board may take the following decisions by written consultation with the Directors, electronically if necessary: (i) co-optation of Directors, (ii) authorisations related to the sureties, endorsements and warranties referred to in Article L. 225-35 of the French Commercial Code, (iii) amendments to the Articles of Association to ensure compliance with the legislative and regulatory provisions, when the Annual General Meeting has approved a delegation for this purpose, (iv) the convening of the Annual General Meeting and (v) decisions to transfer the registered office within the same department.

At the request of the Chairman of the Board, the Board Secretary will send the consultation to each Director, with an indication of the appropriate deadline by which to respond, as determined by the Chairman based on the decision to be taken, the urgency or the time required to reflect on the vote to be made. The document provided for this purpose details the procedures of the consultation, its purpose, a presentation and the reasons for the proposed decision, as well as the draft deliberation. Directors who have not responded by the end of the specified deadline will not be considered to form part of the quorum for the purposes of taking the decisions set out in the consultation, unless the Chairman has extended the said deadline. The Secretary of the Board counts the votes of the Directors on the proposed resolution and informs the Board of the result of the vote.

4.3. Minutes of Board meetings

Minutes are prepared for each Board meeting.

The minutes of the meeting mention the use of videoconference or telecommunication facilities and the name of each person who participated in the Board by such means. The minutes also indicate whether any technical incidents occurred during a meeting held by means of videoconference or telecommunication facilities, and if such incidents disrupted the course of the meeting.

The minutes of the deliberations include a summary of the debates and specify the decisions that were made. They mention the questions raised or the reservations expressed by participants.

The draft minutes of the last Board meeting are sent or given to all the Directors at the latest on the date when the next meeting is convened.

The Secretary of the Board is empowered to issue and certify copies or extracts of the minutes of Board meetings.

Decisions taken by means of written consultation with the Directors are recorded in minutes that are stored under the same conditions as other decisions taken by the Board of Directors.

4.4. Secretary of the Board

The Secretary is appointed by the Board. He/she assists the Chairman in organising the Board's work and in particular with regard to the definition of the annual work programme and the dates of Board meetings.

With the support of the General Management, he/she ensures the quality and production, sufficiently in advance, of the documents and drafts put to the vote of the Board at its meetings.

He/she prepares the draft minutes of Board meetings, which are submitted for the Board's approval.

He/she is responsible for the secure IT platform made available to the Directors.

He/she monitors on an ongoing basis changes in the regulations and reflections in the marketplace with regard to the corporate governance of listed companies.

The Secretary organises, together with the Chairman, the annual evaluation of the Board's work and receives the annual reports on independence by each Director (see Article 3.2).

Every Director may consult the Board Secretary at any time with regard to the scope of the rights and obligations linked to his/her office.

4.5. Annual evaluation of the modus operandi of the Board

Every year, the Board carries out an evaluation of its ability to respond to the expectations of shareholders by reviewing its composition, its organisation and its modus operandi.

At its last meeting for the year and on the basis of a summary of the interviews that are previously organised and conducted with each Director, on the basis of a guide which includes the recommendations adopted by the AFEP-MEDEF Code, the Board discusses points of view and opinions expressed. It draws the conclusions from this with the aim of improving the conditions for the preparation and organisation of its work and that of its Committees.

The results of the evaluation, with the avenues of progress that remain open, are passed on to the shareholders in the Annual Report and at the time of the Annual General Meeting.

5. Board Committees

When the Board sets up Committees, it appoints the members of these Committees and determines their duties and responsibilities.

These Committees act within the remit granted to them by the Board and therefore have no decision-making power. The Committees may not at any time take over the powers of the General Management as set out in chapter 1.2.2. of these Rules.

The Committee members are Directors. They are appointed by the Board in person and may not be represented. All Board members have the necessary qualifications due to their professional experience. They actively take part in Committee meetings with complete freedom of judgement and in the interest of the Company.

The task of secretary of each Committee is carried out by a person appointed in agreement with the Chairman/Chairwoman of the Committee. It may also be performed by the Secretary of the Board.

Each Committee defines the frequency of its meetings. These meetings are held at the Company's headquarters or at any other place decided by the Chairman/Chairwoman of the Committee.

The Chairman/Chairwoman of each Committee prepares the agenda for each meeting.

The Committees may make contact, in the performance of their duties, with the Company's main senior managers, in agreement with the Chairman/Chairwoman of the Board and after informing the General Management and will report on such contacts to the Board.

The Board may entrust a Committee Chair, or one or more of its members, with a special assignment or project to carry out specific research or study future possibilities. The designated individual will report on this work to the Committee concerned such that the Committee may deliberate on this work and in turn report thereon to the Board.

For each Committee meeting, its members may decide to invite any other person of their choice to attend as needs be and on an advisory basis, when they consider it appropriate.

In its field of competence, each Committee makes proposals and recommendations and expresses opinions as the case may be. For this purpose, it may carry out or have carried out any studies that may assist the Board's deliberations. When they use the services of external consultants, the Committees must ensure that their service is objective.

5.1. Strategy and Sustainability Committee

5.1.1. Remits

The remit of the Strategy and Sustainability Committee is to throw light, through its analyses and debates, on the Group's strategic orientations as submitted to the Board of Directors and to monitor the implementation and advancement of significant operations in progress.

The Committee examines:

- the main strategic lines of development, options and projects presented by the General Management, and their economic, financial, societal and environmental consequences;
- opportunities for acquisitions or investments that involve significant amounts or represent a departure from the Group's usual business operations, and the conditions relating to their implementation;
- financial transactions that could significantly change the balance sheet structure;
- the Company's commitments with regard to Sustainable Development, in light of the issues specific to the Group's business activities and its objectives, and the means and resources put in place;
- the proposed strategic orientations to be defined by the Board with a view to consultation of the Central Works Council.

More generally, the Committee debates all questions considered essential for the future strategy of the Group and for preserving its main financial balances.

5.1.2. Work organisation

It meets when convened by the Chairman/Chairwoman of the Committee whenever he/she or the Board considers this appropriate.

The agenda of the meetings is set by the Chairman/ Chairwoman of the Committee, in conjunction with the Board of Directors if the Board initiates the meeting.

The Strategy and Sustainability Committee reports on its work to the Board whenever necessary at least once a year.

5.2. Audit Committee

5.2.1. Remits

The Audit Committee, acting under the responsibility of the members of the Board, is responsible for monitoring issues relating to the preparation and control of accounting and financial and non-financial information, the Internal Control and risk management systems, and questions relating to the Statutory Auditors.

The Audit Committee must ensure that the General Management has the means to enable it to identify and manage the economic, financial, non-financial, and legal risks facing the Group inside and outside France in carrying out its normal or exceptional operations.

Without prejudice to the areas of authority of the Board of Directors, this Committee is responsible in particular for:

- carrying out the process for preparation of financial and non-financial information and, where applicable, making recommendations to guarantee the integrity thereof.

  The Committee is informed of the accounting rules applicable within the Group. Any issues that may be encountered in the due and proper application of such rules are referred to it. It examines any proposal for a change in accounting principles or in accounting methods and stays informed, in particular with regard to accounting principles at the national and international level.

  The Audit Committee's review of the financial statements is accompanied by a presentation by the Chief Financial Officer describing the Company's significant off-balance sheet commitments;
- monitoring the efficiency of the Internal Control and risk management systems, as well as Internal Audit, in order to obtain reasonable assurance with regard to their effectiveness and their coherent application.

  It is also responsible for monitoring the Group's main risk exposures and sensitivities. The Committee reviews, in particular, the programme and objectives of the Internal Audit Department and reviews the main topics that it identifies as well as the Internal Control systems methods and procedures used.

  It conducts an annual review of the section of the Management Report on risk factors and Internal Control and risk management procedures.

  The Audit Committee's review of the financial statements is accompanied by a presentation by the Chief Financial Officer describing the Company's exposure to significant risks;
- monitoring the performance of the statutory audit in respect of the annual and, where applicable, the consolidated financial statements by the Statutory Auditors.

  It reviews the audit plan and the Statutory Auditors' work programme, the findings of their audits, their recommendations and the follow-up action taken further to such recommendations.

  It reviews the breakdown of fees billed by the Statutory Auditors between audit services as such, audit-related work and any other services provided by them.

  It takes into account the findings and conclusions of the Haut Conseil du Commissariat aux Comptes (the Superior Council of Statutory Auditors) following the audits carried out pursuant to Articles L. 821-9 et seq. of the French Commercial Code;
- ensuring that the Statutory Auditors comply with their independence requirements.

  It makes a recommendation with regard to the Statutory Auditors proposed for appointment by the Annual General Meeting, and makes further recommendations for the renewal of such appointments, in accordance with Article L. 823-3-1 of the French Commercial Code;
- approving the provision of the non-audit services provided by the Statutory Auditors, referred to in Article L. 822-11-2 of the French Commercial Code, in accordance with the "Code of Conduct for the provision of services that may be entrusted to the Statutory Auditors of the L'Oréal Group and to their networks" approved by the Audit Committee at its meeting on 6 December 2016 and approved by the Board of Directors at its meeting on 9 February 2017.

  It decides on this point after analysing the risks weighing down on the independence of the Statutory Auditors and the safeguard measures applied by them. The Committee may approve each service other than the certification of the financial statements on a case-by-case basis or approve a set of services;
- reporting regularly to the Board on the performance of its remit. It also reports on the repercussions of the audit engagement, the way in which this engagement contributed to the integrity of financial information and the role that it played in this process. The Committee informs the Board of Directors without delay of any difficulty encountered.

This monitoring enables the Committee to issue recommendations, where necessary, concerning the improvement of existing processes and the possible setting up of new procedures.

The Audit Committee can be consulted for all questions relating to procedures for controlling risks of an unusual nature, particularly when the Board or the General Management considers it appropriate to submit such questions to it.

5.2.2. Composition

All the Directors who are members of this Committee have the necessary qualifications due to their professional experience and their good knowledge of the Group's accounting and financial procedures.

As soon as they are appointed, the members of the Audit Committee must receive specific information on the Company's accounting, financial or operational particularities.

The appointment or renewal of the Chairman/Chairwoman of the Audit Committee, proposed by the Nominations and Governance Committee, must be subject to a specific review by the Board.

The Chairman/Chairwoman and Chief Executive Officer or the Chief Executive Officer is not a member of the Audit Committee.

5.2.3. Work organisation

The Chairman/Chairwoman of the Audit Committee issues guidelines for the Committee's work each year, based on his/her judgement concerning the importance of the specific types of risk faced, in agreement with the General Management and the Board.

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate.

The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting. The agenda is sent to the Committee members before the meeting, together with the information which is useful for their debates.

To carry out its remit successfully, the Audit Committee may also, in agreement with General Management, obtain information from people who are able to assist it in the performance of its tasks, and in particular senior managers in charge of economic and financial issues and those in charge of information processing.

5.2.3.1. Relations with Statutory Auditors

The Committee regularly interviews the Statutory Auditors, including outside the presence of management.

The Statutory Auditors inform the Audit Committee of:

- the general work programme implemented as well as the various sampling tests they have carried out;
- the changes which they consider should be made to the financial statements to be approved or other accounting documents, making any appropriate observations on the valuation methods used to prepare them;
- the irregularities and inaccuracies they may have discovered;
- the conclusions resulting from the above observations and rectifications with regard to the results for the period compared to those for the previous period.

The Statutory Auditors also assess, with the Audit Committee, the risks with regard to their independence and the protective measures taken to mitigate these risks. For this purpose, the Committee obtains a statement of independence from the Statutory Auditors.

They inform the Committee of significant Internal Control weaknesses, with regard to the procedures for preparation and processing of accounting and financial information, and provide it with the documents required by law every year.

5.2.3.2. Activity Report

The Audit Committee regularly reports to the Board on the performance of its remits and takes note of the Board's observations.

The Committee informs the Board without delay of any difficulty encountered.

In its report, the Audit Committee makes the recommendations it considers appropriate with regard to:

- the suitability of the various procedures and of the system as a whole in terms of achieving the objective of managing information and risk;
- the effective application of the procedures in place, and where appropriate, the means implemented to achieve this aim.

It also formulates in its report all recommendations and proposals aimed at improving the effectiveness of the various procedures or at adapting them to a new situation.

If during its work, the Committee detects a substantial risk which in its view is not adequately handled, it notifies the Chairman of the Board accordingly.

5.3. Nominations and Governance Committee

5.3.1. Remits

The main tasks of the Nominations and Governance Committee, within the context of the work of the Board, are to:

- review and propose to the Board candidates for appointment as new Directors. For this purpose, the Committee prepares a list, which is continually updated, of persons who could be appointed as Directors under the diversity policy applied to the Board of Directors and detailed in the Management Report. The Nominations and Governance Committee may commission one or more international firms that specialise in scouting for independent Directors and may collect possible suggestions from the Directors. The Committee evaluates the knowledge and expertise of the candidates in terms of the needs identified in line with the diversity policy. The Nominations and Governance Committee makes its recommendations to the Board in the context of the selection of future new Directors;
- provide the Board with clarifications on the conditions of performance of General Management and the status of the directors and corporate officers;
- issue an opinion on proposals made by the Chairman of the Board for the appointment of the Chief Executive Officer;
- ensure the implementation of a procedure for the preparation of succession plans for the directors and corporate officers in the event of an unforeseen vacancy;
- ensure that the AFEP-MEDEF Code to which the Company refers is applied;
- discuss governance issues related to the functioning and organisation of the Board;
- decide on the conditions in which the regular evaluation of the Board is carried out;
- discuss the classification of Directors as independent, which is reviewed by the Board every year prior to publication of the Annual Report;
- conduct a review of the Committees that are in charge of preparing the Board's work;
- review the implementation of the procedure for regular evaluation of current agreements concluded under normal terms;
- prepare the decisions by the Board with regard to updating its Internal Rules.

5.3.2. Work organisation

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate.

The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman/Chairwoman of the Board is associated with its work, except with regard to all the topics concerning him or her personally.

The Committee must regularly report on its work to the Board and makes proposals to the Board.

5.4. Human Resources and Remuneration Committee

5.4.1. Remits

The Board freely determines the remuneration of the Chairman/Chairwoman, the Chief Executive Officer and the Deputy Chief Executive Officers.

Within this framework, the main tasks of the Human Resources and Remuneration Committee are to make proposals with regard to the following in particular:

- the fixed and variable remuneration of the Chairman/Chairwoman of the Board and any other benefits he or she receives;
- the fixed and variable remuneration of the Chief Executive Officer and any other benefits he or she receives (pension, severance indemnities, etc.);
- the amount of the remuneration package for Directors to be submitted to the Annual General Meeting and the method of distribution;
- the implementation of long-term incentive plans such as, for example, those that could provide for the distribution of stock options or for free grants of shares.

The Committee considers questions relating to the remuneration of corporate officers outside their presence.

The Committee also examines:

- all of the other components of the Human Resources policy including employee relations, recruitment, diversity, talent management and fostering employee loyalty. As part of this review, the Committee is informed, in particular, of the remuneration policy for the main senior managers who are not holding a corporate office;
- the rules of ethical conduct, as set out in the Code of Business Ethics, and the Group's strong values, such as respect and integrity, which must be widely disseminated, known and put into practice.

5.4.2. Work organisation

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate. The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman/Chairwoman of the Board is associated with its work, except with regard to all the topics concerning him or her personally. The Committee is required to report regularly on its work to the Board and make proposals to the Board.

6. Remuneration of Directors

Directors receive a remuneration in this capacity, the amount of which is approved by the Ordinary General Meeting, and which is allocated as decided by the Board.

The method of allocation of this remuneration comprises a predominant variable portion determined on the basis of the regularity of attendance at Board and Committee meetings.

The Board of Directors may award exceptional remuneration for specific assignments or offices entrusted to the Directors and subject to related-party agreements.

The Directors have the possibility of asking for reimbursement of the expenses necessary for the performance of their corporate office upon presentation of supporting documents.

2.4. REMUNERATION OF DIRECTORS AND CORPORATE OFFICERS

2.4.1. Remuneration policy for directors and corporate officers

Pursuant to Article L. 22-10-8 of the French Commercial Code, the Annual General Meeting of 21 April 2022 is called to approve the remuneration policy for directors and corporate officers as established by the Board of Directors (Resolutions 13 to 15), *i.e.* the remuneration of:

- L'Oréal Directors;
- Chairman of the Board of Directors; and
- Chief Executive Officer.

This policy describes all the components of directors and corporate officers' remuneration, and explains the decision-making process followed to determine, review and implement this policy.

For the record, the Annual General Meeting of 20 April 2021 approved the remuneration policy for Directors at 99.72%, for the Chairman of the Board of Directors at 89.05% and for the Chief Executive Officer at 93.04%.

The Board of Directors' meeting of 9 February 2022, on the recommendation of the Human Resources and Remuneration Committee, decided to reiterate the remuneration policies to be submitted for the approval of the Annual General Meeting of 21 April 2022, subject to the following decisions:

- the remuneration policy for directors provides, where applicable, for remuneration of the members of an *ad hoc* Committee formed to work on a specific matter that does not fall within the missions of any other existing Committee;
- under the 19th resolution submitted for approval by the Annual General Meeting of 21 April 2022, the remuneration policy for the executive corporate officer provides for the inclusion of criteria for non-financial performance in addition to financial performance within the long-term remuneration plan, in order to correlate them with L'Oréal's strategy in which economic and social performance go hand-in-hand.

2.4.1.1. Remuneration policy for Directors

Directors receive a remuneration (formerly known as "attendance fees"), the maximum amount of which is approved by vote at the Ordinary General Meeting, and which is allocated by the Board in accordance with the remuneration policy.

As part of the €1,600,000 budget voted by the Annual General Meeting of 17 April 2018, the Board of Directors has proposed that the procedures for distributing the sums allocated for the remuneration of Directors applied for 2021 are renewed for 2022. It is specified that in the event of a meeting of an *ad-hoc* Committee formed to work on a specific matter that does not fall within the remit of any other existing Committee, the Human Resources and Remuneration Committee may propose to the Board the payment of additional remuneration to the Directors who are members of this Committee, in accordance with the overall budget approved in 2018.

It should be noted that the amount of this remuneration divided among the Directors includes a predominant variable portion depending on attendance at meetings, in accordance with the provisions of the AFEP-MEDEF Code, which was set by the Board at 60%, and a fixed portion of 40%.

The remuneration allocated to Committee Chairs is doubled and this also consists of a variable portion of 60% and a fixed portion of 40%.

Attendance at Board meetings for Directors located outside Europe is remunerated at €10,000 per meeting, except for participation by videoconference; in this case, the Board meeting is remunerated at €6,500.

The following table summarises the rules applicable for a full year:

Board of Directors	Fixed annual sum	Amount per Board meeting	**Total for the Board of Directors***
	€30,000	€6,500 €10,000 (Directors located outside Europe – presence at a meeting)	**€69,000** **€90,000**
Board Committees	Fixed annual amount (40%)	Variable annual amount (60%)**	**Total amount per Committee*****
Audit	€10,000	€15,000	**€25,000**
Strategy and Sustainability	€6,000	€9,000	**€15,000**
Nominations and Governance	€4,600	€6,900	**€11,500**
Human Resources and Remuneration	€4,600	€6,900	**€11,500**

* *Based on six meetings per year.*
** *Allocated on the basis of attendance at Committee meetings.*
*** *Based on a 100% attendance rate.*

2.4.1.2. Remuneration policy for corporate officers

The Board refers, in particular, to the recommendations of the AFEP-MEDEF Code for the determination of the remuneration and benefits granted to corporate officers.

According to this Code, corporate officers ("*dirigeants mandataires sociaux*") of a French "*société anonyme à conseil d'administration*" (public limited company with a Board of Directors) are: the Chairman and Chief Executive Officer (*Président-Directeur Général*), the CEO, and *Directeurs Généraux Délégués* (executive corporate officers), and the Chairman of the Board without assuming the office of Chief Executive Officer (non-executive corporate officers).

Following the dissociation of the functions of Chairman of the Board of Directors and Chief Executive Officer from 1 May 2021, the remuneration policies are intended to apply to:

- Mr Nicolas Hieronimus, in his position as Chief Executive Officer; and
- Mr Jean-Paul Agon, in his position as Chairman of the Board of Directors.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board ensures that the remuneration policy complies with the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality, and takes into account market practices.

2.4.1.2.1. Remuneration policy applicable to the executive corporate officer

A/ Fundamental principles for determination of the remuneration of executive corporate officer

Specific requirements for appointments as executive corporate officers for employees who have completely succeeded in the various stages of their careers in the Group

L'Oréal's constant practice has been to appoint senior managers who have completely succeeded in the various stages of their careers in the Group as executive corporate officers.

The remuneration policy applicable to the executive corporate officer is the logical result of this choice.

It must make it possible to attract the most talented employees of L'Oréal to the very top positions in General Management, without them being deprived for all that, after a long career in the Group, of the benefits to which they would have continued to be entitled if they had remained employees.

To achieve this objective, the Board of Directors decided to maintain the employment contract of the executive corporate officer with at least 15 years' service at the time of their appointment in the Group and ensured that the benefits under the suspended employment contract are not combined with those in respect of the corporate office.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF and intended to avoid the combination of benefits drawn from both an employment contract and a corporate office, could be fully achieved by maintaining the suspended employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

This is why the Board of Directors has decided to make a clear distinction between:

- on the one hand, the remuneration components related to the corporate office: fixed and variable remuneration and grant of performance shares; and
- on the other hand, the other benefits that may be due pursuant to the suspended employment contract: termination indemnities, retirement indemnities in the event of voluntary retirement or retirement at the Company's request, financial consideration for the non-compete clause and the defined benefit pension scheme.

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract described above.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the aforementioned pension scheme, will be based on the amount of remuneration at the date of suspension of the employment contract. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). The seniority applied will cover the entire career, including the years spent as a corporate officer.

Information on the benefits that could be owed under the suspended employment contract are discussed in section 2.4.3. "Termination indemnities and supplementary pension scheme applicable to executive corporate officers" of this document.

The executive corporate officer is also considered in the same way as a senior manager during the term of their corporate office, which allows them to continue to benefit from the additional social protection schemes and, in particular, from the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

Remuneration that is consistent with that of the Company's senior managers

The remuneration policy for the executive corporate officer is in line, where applicable, with the policy which was applied to them as senior managers.

Their level of remuneration as an executive corporate officer is set on the basis of the level of responsibilities they exercised in the company at the time of their appointment.

The remuneration policy is based on the same foundations and instruments as those applied to the Company's senior managers. The remuneration principles are therefore stable and durable.

The Board of Directors is informed every year of the Group's Human Resources policy. It is in a position to verify the consistency between the remuneration of the executive corporate officer and the procedures in place, particularly for the members of the Group's Executive Committee, on the basis of the work by the Human Resources and Remuneration Committee and the Nominations and Governance Committee.

Competitive remuneration in comparison to a coherent and stable reference panel

The remuneration of the executive corporate officer must be competitive in order to attract, motivate and retain the best talents in the Company's top positions.

This remuneration is assessed overall, namely by taking into account all the components that make it up.

To assess the competitiveness of this remuneration, a coherent and stable reference panel is defined with the assistance of an external consulting firm.

The panel consists of French and international companies that have leading global positions. These companies operate on similar markets and are, in the cosmetics sector, direct competitors of L'Oréal, or operate on the wider everyday consumer goods market, as regards all or part of their business activities.

This panel is composed of the remuneration of executives in the following companies:

Coty	Kimberly Clark	Reckitt Benckiser	Beiersdorf	Danone
GSK	Henkel	LVMH	Unilever	Colgate Palmolive
Estée Lauder	Johnson & Johnson	Procter & Gamble	Kering	

This panel is re-examined every year by the Human Resources and Remuneration Committee in order to check its relevance. It may evolve, particularly to take into account the changes in the structure or business activities of selected companies, on the basis of the proposals made by the external firm.

Remuneration that is aligned to the Company's interests and directly linked to the Company's strategy

The Board of Directors has aligned the remuneration policy for an executive corporate officer in the interests of the Company, in order to ensure the long-term sustainability and development of the Company, taking into consideration the social and environmental challenges of its business activity and the sense of purpose (*raison d'être*) of L'Oréal.

a) Close links with strategy

The remuneration policy applied to the executive corporate officer is directly linked to the Group's strategy.

It supports its development model. It promotes harmonious, regular, durable growth, both over the short and long term.

The Board of Directors' constant desire is indeed to incite the General Management both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year.

b) Performance targets that are directly correlated with those of the Company and create value

The Board of Directors chooses to correlate the executive corporate officer's performance directly with the Company's performance by using the same performance indicators, financial indicators in particular.

The choice of correlating the performance criteria for the executive corporate officer's remuneration with the Company's performance indicators, particularly those of a financial nature, is the guarantee of a clear and relevant remuneration policy.

These criteria make it possible to assess L'Oréal's intrinsic performance, namely its progress year-on-year via internal performance indicators and also its relative performance as compared to its market and its competitors via external growth indicators.

The objectives adopted generate long-term value creation. In particular, the choice of varied operational financial criteria aims at encouraging durable, balanced growth. Overall long-term performance results from the convergence of these criteria.

These objectives must also be an incentive for the executive corporate officer to adapt the Group's strategy to the profound transformations in the world of beauty, and the digital revolution in particular.

c) Preponderant portion of the remuneration subject to performance conditions

The executive corporate officer's remuneration must include a predominant portion subject to performance conditions, with annual and multi-annual assessment periods adapted to the time horizon of each of these objectives.

Remuneration that is directly in line with the Group's ambitious social, societal and environmental commitments

The remuneration must be designed to favour a regular and sustainable development, in line with the Group's commitments with regard to ethics, and respectful of the environment in which L'Oréal operates.

In 2020, L'Oréal announced its Corporate Social Responsibility vision by 2030 in the context of the L'Oréal for the Future programme, which has a set of objectives for climate, biodiversity, water and the use of natural resources.

The social and societal commitment is just as important since no environmental transition is possible without an inclusive society.

The annual variable portion of the executive corporate officer's remuneration includes non-financial criteria related to L'Oréal's sense of purpose and the commitments made by the Group, particularly in the context of its corporate social, societal and environmental responsibility programmes.

These criteria will be assessed year-on-year with a long-term perspective.

Remuneration that creates medium and long-term value for the shareholders

The executive corporate officer's remuneration must be linked to the changes over the medium-to long-term in the Company's intrinsic value and share performance.

A significant portion of the executive corporate officer's remuneration thus consists of performance shares, a significant percentage of which is retained until the end of his/her corporate office, with the undertaking not to carry out risk hedging transactions.

This leads to alignment with the shareholders' interests, understood as long-term value creation.

B/ Policy on fixed and variable remuneration and granting of performance shares to the executive corporate officer

The key for allocating annual remuneration

The annual remuneration of the executive corporate officer consists of a fixed remuneration, an annual variable remuneration and the granting of performance shares.

It does not include any exceptional components.

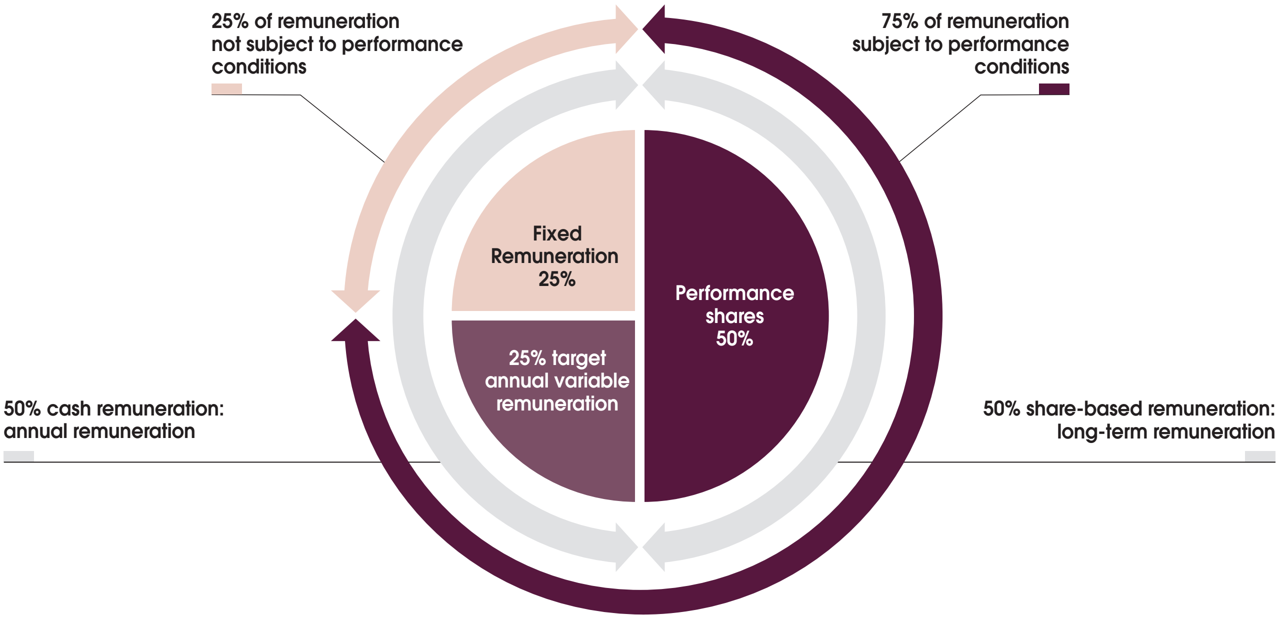
The Board of Directors adopts the various components of this remuneration, paying attention to the necessary balance between each of them.

Each component of annual remuneration corresponds to a well-defined and clearly substantiated objective.

The various components of annual remuneration form a balanced whole with a breakdown that is approximately:

- 50/50 between fixed remuneration and target annual variable remuneration;
- 50/50 between annual remuneration and long-term remuneration (performance shares);
- 50/50 between cash remuneration and share-based remuneration; and
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

DIAGRAM SHOWING THE BALANCE BETWEEN THE DIFFERENT COMPONENTS OF THE TARGET ANNUAL REMUNERATION



N.B.: the employer's contributions to the additional social protection plans are to be added to the above.

Fixed remuneration

The fixed remuneration must reflect the responsibilities of the executive corporate officer, his/her level of experience and skills.

It is stable for several years and may be re-examined at the time of renewal of the term of office. It serves as a basis to determine the maximum percentage of the target annual variable remuneration.

Annual variable remuneration

The target annual variable remuneration may amount to a maximum of 100% of the fixed remuneration.

The annual variable remuneration may exceed 100% of the fixed remuneration and up to a maximum of 120% of this remuneration in order to be able to remunerate outperformance. This outperformance is assessed on a criterion-by-criterion basis.

The aim is not to encourage inappropriate and excessive risk taking. For this purpose, the annual variable remuneration remains reasonable in comparison with the fixed portion.

The variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year.

The variable remuneration is based on precise performance appraisal criteria determined at the beginning of the year by the Board of Directors.

These criteria are financial, non-financial and qualitative.

The financial and non-financial criteria are simple and quantifiable. They represent a predominant portion of the annual variable remuneration.

A limit is set on the qualitative portion.

The weighting of each of the criteria and the objectives to be met are set at the beginning of the year in question and communicated to the executive corporate officer.

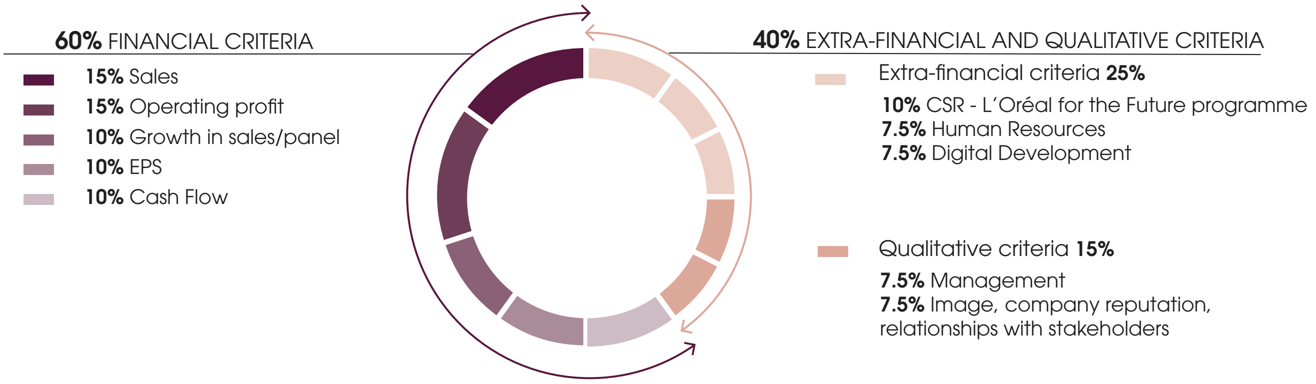
These criteria are the following:

- for 60% of the annual variable remuneration:
  - financial criteria directly correlated with the Company's performance indicators:
    - evolution in comparable sales as compared to the budget (15%),
    - evolution in market share compared to that of key competitors (15%),
    - evolution in operating profit as compared to the budget (10%),

  - evolution in net earnings per share as compared to the budget (10%), and
  - evolution in cash flow as compared to the budget (10%);
- for 40% of the annual variable remuneration:
  - non-financial criteria, linked in particular to:
    - the progress of the L'Oréal for the Future programme, which combines L'Oréal's commitments to sustainable development for 2030 (10%),
    - the implementation of the Human Resources policy with special attention to the development of gender balance in the management bodies (7.5%), and
    - the digital development policy (7.5%);
  - qualitative criteria (15%).

The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration.

DETAILS OF WEIGHTINGS OF ANNUAL VARIABLE REMUNERATION FOR 2022



DETAILS OF NON-FINANCIAL CRITERIA LINKED TO THE PROGRESS OF THE L'ORÉAL FOR THE FUTURE PROGRAMME USED TO ASSESS THE PERFORMANCE OF THE EXECUTIVE CORPORATE OFFICER IN 2022

Transforming our business

- By 2030, all Group products will be eco-designed.

Fighting climate change

- By 2025, reaching carbon neutrality for all Group sites by improving energy efficiency and using 100% renewable energy.
- By 2030, average reduction of 50% per finished product of greenhouse gas emissions related to the transport of Group products compared with 2016.

Managing water sustainably

- By 2030, 100% of the water used in the Group's manufacturing processes will be recycled and reused in a loop.

Respecting biodiversity

- By 2030, 100% of ingredients in the Group's formulas and bio-sourced packaging materials will be traceable and come from sustainable sources.

Preserving natural resources

- By 2030, 95% of ingredients in the Group's formulas will be bio-sourced, and come from abundant minerals or circular processes.
- By 2030, 100% of the Group's plastic packaging will be recycled or bio-sourced (target of 50% by 2025).

Empowering our ecosystem in our transformation

- By 2030, 100,000 people from underprivileged communities will be helped by the Group to access employment.

Insofar as the payment of variable and exceptional elements allocated to the executive corporate officer are subject to the approval of the Annual General Meeting of shareholders, no provision has been made for an extension period or the possibility for the Company to demand the return of the annual variable remuneration.

Granting of performance shares

Since 2009, the Board of Directors has granted performance shares to employees of the Group and, since 2012, also to its executive corporate officer, within the scope of Articles L. 225-197-1 et seq., L. 22-10-59, L 22-10-60 and L. 22-10-8 of the French Commercial Code and the authorisations approved by the Annual General Meeting.

These grants are linked to the performance and their aim is to encourage achievement of the Group's long-term objectives and the resulting value creation for the shareholders. Consequently, the final vesting of the shares is subject to performance conditions which are recorded at the end of a vesting period of four years from the grant date.

The value of these shares, estimated at the grant date according to the IFRS applied for the preparation of the consolidated financial statements, represents approximately 50% of the executive corporate officer's annual remuneration and may not exceed 60%.

The Board of Directors reserves the possibility to decide on an additional grant if a particular event justifies it. This potential grant to the executive corporate officer, duly documented by the Board of Directors, may not exceed a total annual ceiling (taking into account any grants already awarded in the year) of 5% of the total number of free shares granted during that same financial year.

The executive corporate officer is required to retain 50% of the free shares finally vested to him or her at the end of the vesting period, in registered form, until the termination of his or her duties, following a review of the performance conditions.

The executive corporate officer makes a formal undertaking not to enter into any risk hedging transactions with regard to the performance shares, until the end of the holding period set by the Board of Directors.

An executive corporate officer may not be granted performance shares at the time of his or her departure.

Performance conditions

The performance criteria cover all shares granted to the executive corporate officer.

They take into account:

- in part, **criteria for financial performance** based on:
  - growth in L'Oréal's comparable cosmetics sales versus those of a panel of major direct competitors; and
  - growth in L'Oréal's consolidated operating profit;
- in part, **criteria for non-financial performance** based on:
  - fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (hereinafter "L'Oréal for the Future Commitements"):
    - % of sites that are "carbon neutral";
    - % of formula ingredients that are bio-sourced, traceable and come from sustainable sources;
    - % of plastic packaging that comes from either recycled or biobased sources;
    - number of people benefitting from the Group's brands' social commitment programmes; and
  - gender balance within management bodies (strategic positions such as on the Executive Committee, hereinafter the "Management Bodies").

The Board of Directors considers that both these types of criteria, assessed over a long period of three full financial years and reapplied to several plans, are complementary, in line with the objectives and specificities of the Group and likely to promote continuous, balanced and sustainable long-term growth. They are exacting but remain a source of motivation for the beneficiaries.

The shares are only finally vested at the end of a 4-year period, allowing sufficient time to be able to assess the performance achieved over three full financial years.

Conditional vesting thresholds

Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the number of finally vested shares is in decline. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion.

Pursuant to the criterion related to operating profit, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all free shares granted to be finally vested by the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares is in decline. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

With regard to the criterion of fulfilling commitments made under the L'Oréal for the Future programme, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, a certain average level of achievement of the L'Oréal for the Future Committements, defined by the Board and made public, must be reached over the period. Below this level, the grant decreases. No shares will vest if the average of the results for the L'Oréal for the Future Committements falls below the minimum level defined by the Board and made public.

With regard to the criterion of gender balance within the Management Bodies, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, the average representation of one of the sexes must account for at least 40% of employees on the Management Bodies. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.

The results recorded each year to determine the levels of performance achieved are published in Chapter 7 "Stock Market Information Share Capital" of this document.

Consequences on performance shares in the event of departure

The right to performance shares is lost in the event of departure from the Group due to resignation (other than in the case of termination of corporate office in connection with the exercise of pension rights under applicable retirement regimes) or termination for gross misconduct or gross negligence. In the event of dismissal of an executive corporate officer, the Board will decide, pursuant to the AFEP-MEDEF Code, on the outcome of performance shares granted as from the appointment as executive corporate officer.

When the benefit of performance share grants to the executive corporate officer is maintained in the event of his or her departure prior to expiry of the vesting period, it is motivated by the following considerations:

- the performance shares represent a predominant component of the executive corporate officer's annual remuneration assessed during the year of the grant;
- they are the consideration for the execution of his or her corporate office subject to the achievement of long-term performance;
- the maintenance thereof encourages the executive corporate officer to take a long-term view; and
- the final vesting of the shares remains subject to achievement of the performance conditions.

ACHIEVEMENT OF THE PERFORMANCE CONDITIONS OF THE LAST THREE PERFORMANCE SHARE PLANS

Performance share plan dated:	20/04/2016	20/04/2017	17/04/2018
Arithmetic average of performances across the 3 financial years concerned	2017 – 2018 – 2019	2018 – 2019 – 2020	2019 – 2020 – 2021
For 50%: Growth in comparable sales as compared to a panel of competitors*	+1.47 points	+2.7 points	+4.6 points
For 50%: Growth in the Group's operating profit	+6.99%	+3.95%	+8.3%
Level of achievement of the performance conditions	**100%**	**82.95%**	**100%**

* *Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

Other benefits

a) Remuneration for term of office as Director

The executive corporate officer does not benefit from the payment of a remuneration for his/her position as Director.

b) Benefits in addition to remuneration

- **Benefits in kind**

There are no plans to supplement the executive corporate officer's fixed remuneration by granting benefits in kind.

The executive corporate officer benefits from the necessary material resources for performance of his or her office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, are not benefits in kind.

- **Additional social protection schemes**

The executive corporate officer continues to be treated in the same way as a senior manager during the term of his corporate office which allows him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

Components of remuneration attributable to Mr Nicolas Hieronimus, Chief Executive Officer, for the 2022 financial year

The structure of Mr Nicolas Hieronimus' remuneration is in line with the principles developed in section 2.4.1.2.1. of the remuneration policy applicable to the executive corporate officer, and forms a balanced whole with a breakdown that is approximately:

- 50/50 between fixed remuneration and target annual variable remuneration;
- 50/50 between annual remuneration and long-term remuneration (performance shares);
- 50/50 between cash remuneration and share-based remuneration; and
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

Mr Nicolas Hieronimus' annual variable remuneration may exceed 100% of his fixed remuneration and up to a maximum of 120% in order to be able to remunerate out performance. This outperformance will be assessed on a criterion-by-criterion basis.

The Board of Directors will be called upon to decide on a granting of performance shares in 2022 in accordance with the remuneration policy submitted for the approval of the Annual General Meeting of 21 April 2022.

	Amount	Description	
Fixed remuneration	€2,000,000	At its meeting of 9 February 2022, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 21 April 2022 to maintain the fixed remuneration of Mr Nicolas Hieronimus at the gross amount of €2,000,000 on an annual basis.	
2021-2022 changes	0%	This amount has not changed since 2021.	
Annual variable remuneration	€2,000,000 (target 100% of the fixed amount) Maximum 120% of the fixed amount, or €2,400,000	The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year.	
		The annual variable remuneration may reach 120% of the fixed remuneration if there is outperformance on the objectives; the target is set at 100% of the fixed remuneration.	
		Criteria for assessment of performance for 2022	**Weightings**
		● **Financial criteria**	**60%**
		• *Evolution in like-for-like net sales as compared to the budget*	*15%*
		• *Evolution in market share as compared to the main competitors*	*15%*
		• *Evolution in operating profit as compared to the budget*	*10%*
		• *Evolution in net earnings per share as compared to the budget*	*10%*
		• *Evolution in cash flow as compared to the budget*	*10%*
		● **Non-financial and qualitative criteria**	**40%**
		• *Quantifiable criteria: 25%*	
		- L'Oréal for the Future: sustainable development commitments for 2030	10%
		- Human Resources: gender parity, development of talented employees, access to training	7.5%
		- Digital development	7.5%
		• *Individual qualitative performance: 15%*	
		- Management	7.5%
		- Image, company reputation, dialogue with stakeholders	7.5%
		The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration. The weighting of each of these criteria, both financial, non-financial and qualitative, and the targets to be met were set at the start of the year and communicated to the executive corporate officer. The assessment is made without offsetting among criteria.	

	Amount	Description
Performance shares		Concerning the granting of performance shares in 2022, the Board of Directors will be called upon to decide on the implementation of a new Plan within the scope of the authorisation subject to the vote of the Annual General Meeting on 21 April 2022. The grant that would be decided for Mr Nicolas Hieronimus would comply with the recommendations of the AFEP-MEDEF Code. The value of the grant (estimated according to the IFRS standards), represents approximately 50% of the executive corporate officer's total remuneration without exceeding 60%. Mr Nicolas Hieronimus is also required to hold 50% of the free shares that are fully vested to him at the end of the vesting period in registered form until the termination of his term of corporate office. Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a 4-year vesting period as from the grant date. The number of vested shares would depend: ● on growth in comparable cosmetics sales versus those of a panel of competitors, which consists of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty (40%); ● on growth in the Group's consolidated operating profit (40%); ● on the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (% of sites that are "carbon neutral"; % of formula ingredients that are biobased, traceable and come from sustainable sources; % of plastic packaging that comes from either recycled or biobased sources; number of people benefitting from the Group's brands' social commitment programmes), hereinafter L'Oréal for the Future Committements" (15%); ● on gender balance within management bodies (strategic positions such as on the Executive Committee, hereinafter the "Management Bodies") (5%). The calculation will be based on the arithmetical average for the three full financial years of the vesting period. The first full year taken into account for assessment of the performance conditions relating to this grant would be 2023. **Concerning the sales criterion**, in order for all the performance shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the number of finally vested shares is in decline. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion. **Concerning the criterion related to operating profit**, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all the performance shares granted to finally vest for the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares is in decline. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion. **Concerning the criterion of fulfilling L'Oréal for the Future Commitments,** in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, a certain average level of achievement of the L'Oréal for the Future Committements, defined by the Board and made public, must be reached over the period. Below this level, the grant decreases. No shares will vest if the average of the results for the L'Oréal for the Future Committements falls below the minimum level defined by the Board and made public. **Concerning the criterion of gender balance within the Management Bodies**, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, the average representation of one of the sexes must account for at least 40% of employees on the Management Bodies. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.
Remuneration as Director	€0	Mr Nicolas Hieronimus will not receive remuneration for his position as Director.
Benefits in addition to remuneration		● **Benefits in kind** Mr Nicolas Hieronimus benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes: defined contribution pension, employee benefit and healthcare schemes** Mr Nicolas Hieronimus will continue to be treated in the same way as a senior manager during the term of his corporate office, which will allow him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme.

2.4.1.2.2. Remuneration policy applicable to the Chairman of the Board who does not assume the office of Chief Executive Officer

Fixed annual remuneration only

The Board of Directors, in accordance with the recommendation of the AFEP-MEDEF Code (Article 25-2), is proposing to the Annual General Meeting of 21 April 2022 that the exercise of the office of Chairman of the Board of Directors without assuming the office of Chief Executive Officer, would be remunerated only by fixed remuneration, excluding any variable remuneration, grant of performance shares and any indemnity related to departure or any consideration for a non-compete agreement.

The Board of Directors also decided that the tenure as Director held by the Chairman of the Board would not be remunerated.

The Chairman of the Board will benefit from the necessary material resources for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, are not benefits in kind.

The Chairman of the Board will benefit from the same employee benefit scheme as the senior managers of the Company.

Principles for determining the fixed annual remuneration

The remuneration of the Chairman of the Board of Directors is determined based on the following components:

- goals of L'Oréal's Board of Directors for the performance of the Chairman's legal duties without assuming the office of Chief Executive Officer;
- experience, expertise and reputation of the Chairman in Corporate Governance and Sustainable Governance;
- specific duties assigned to the Chairman by the Board of Directors;
- competitiveness and level of the remuneration compared to that of a relevant reference panel: 17 international companies, including 6 companies already selected in the remuneration panel for the Chairman and Chief Executive Officer, prepared by the Mercer firm; and
- appeal of the remuneration compared with the prior remuneration of the corporate officer and the pension amount they are likely to receive.

Application to Mr Jean-Paul Agon

The Board of Directors is fully aware of the challenges of sustainable Governance, notably in light of European legislative initiatives and the growing expectations of authorities and stakeholders.

It is essential for the Board to count on a committed, experienced and competent Chairman, like Mr Jean-Paul Agon, who is recognised for his involvement in governance issues and in relations with stakeholders.

Mr Jean-Paul Agon, who organises the work of the Board of Directors, which he has chaired since 2011, has already brought the Governance of L'Oréal to an exemplary level, while successfully assuming the General Management of the Company. His full-time commitment to the benefit of the Company's Governance is an importance source of added value for the Board, which wants to highlight the expertise of Mr Jean-Paul Agon whose in-depth knowledge of the company, its environment and its strategic challenges is a major asset.

The Chairman's remuneration matches the Board's goal of ensuring the continuity of its work and to allow development in light of the increasingly important duties expected from a Board of Directors.

The Board has also taken into consideration the extensive duties it has decided to entrust to Mr Jean-Paul Agon in his position as Chairman of the Board of Directors.

Finally, the Board took account of the expectations of the stakeholders, by placing this remuneration in perspective with the remuneration offered by an international reference panel that was defined with the assistance of an external independent consultancy firm.

The analysis of remunerations of Chairs of Boards of Directors of companies in the reference panel used, which includes 6 companies with a dissociated governance structure already used in the reference panel for the remuneration of executive corporate officers, reports an average remuneration of €1,521,200 and a median remuneration of €695,200 with large standard deviations.

As a result of this analysis and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors at its meeting of 9 February 2022 propose to the Annual General Meeting of 21 April 2022 to set the fixed annual remuneration of Mr Jean-Paul Agon, Chairman of the Board, at €1,600,000.

Mr Jean-Paul Agon notified the Company of the termination of his employment contract on 30 April 2021, in order to be able to benefit from his mandatory retirement rights as from 1 May 2021. Under his employment contract, he is able to benefit from a gross annual pension benefit of €1.59 million under L'Oréal's supplementary defined benefit pension scheme "*Garantie de Retraite des Membres du Comité de Conjoncture*" (Pension Cover of Members of the *Comité de Conjoncture*) which has been closed since 31 December 2000(1). The Board of Directors agreed to Mr Jean-Paul Agon's wish to waive the benefit of this supplementary pension so as not to combine it with a fair remuneration for the duties of Chairman as expressed by the Board in this policy.

---

(1) *The benefit of this pension was approved, in the context of the related-party agreements procedure, by the Annual General Meeting of 27 April 2010 and by the Annual General Meeting of 17 April 2018 at the time of the renewal of the current term of office.*

DUTIES OF THE CHAIRMAN:

The internal rules of the Board of Directors stipulate that:

"The Chairman of the Board of Directors organises and oversees the Board's work and reports thereon to the Annual General Meeting.

The Chairman sets the dates and the agenda for Board meetings and leads the discussions.

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, inter alia, links between the Company and the main market players.

The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for the communication of any document or information that is likely to assist the Board of Directors in preparing for its meetings.

The Chairman of the Board must use his best efforts to promote the values and image of the Company at all times. He expresses his views in that capacity.

He is provided with the material resources required to perform his duties.

The Chairman of the Board takes care to develop and maintain a trustful and regular relationship between the Board and the General Management, in order to guarantee continuous, ongoing implementation by the General Management of the strategies defined by the Board."

Taking into consideration the experience and expertise of Mr Agon as well as his in-depth knowledge of the Group and the beauty market, the Board of Directors decided to expand the duties entrusted to the Chairman. In all these specific missions, the Chairman acts in close collaboration with the Chief Executive Officer who solely directs and manages the Company's operations.

Mr Jean-Paul Agon, as Chairman of the Board of Directors, will provide his assistance and advice to the Chief Executive Officer, particularly in the implementation of the strategic orientations of the Company defined by the Board of Directors.

He will be informed and consulted by the Chief Executive Officer on all significant issues and events, such as: proposed acquisitions or disposals, major financial transactions, financial communication, the guidelines of the Human Resources policy and appointments of the Group's principal executives, Ethics and issues of Corporate Social Responsibility.

He will monitor, in collaboration with the Chief Executive Officer, certain equity interests, including L'Oréal's stake in Sanofi.

In collaboration with the Chief Executive Officer, he may represent the Group in its high-level relations, both nationally and internationally, including public authorities, and L'Oréal's strategic partners and stakeholders.

He will ensure respect for L'Oréal's values and culture.

He will be able to hear the Statutory Auditors for the preparations of the work of the Board of Directors and the Audit Committee.

He will chair and lead the Strategy and Sustainability Committee.

Mr Jean-Paul Agon will meet with the members of the Board of Directors outside the presence of the Directors belonging or reporting to General Management. These meetings are, in particular, an opportunity to discuss the performance and remuneration of executive corporate officers.

He will report to the Board of Directors on the performance of his mission.

The Board of Directors believes that this new organisation, proposed as from May 2021, will guarantee the sustainability of the performance, values and commitments of the Group, as well as the quality of its governance.

Breakdown of the components of remuneration attributable to Mr Jean-Paul Agon, Chairman of the Board of Directors for the 2022 financial year:

	Amount	Description
Fixed remuneration	€1,600,000	At its meeting of 9 February 2022, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 21 April 2022 that Mr Jean-Paul Agon's fixed remuneration be maintained at the gross annual amount of €1,600,000.
Benefits in addition to remuneration		● **Benefits in kind** Mr Jean-Paul Agon will benefit from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes** The Chairman of the Board will benefit from the same employee benefit scheme as the senior managers of the Company.

2.4.1.2.3. Decision-making, review and implementation process for the remuneration of corporate officers

Remuneration is established in such a way as to guarantee the due and proper application of the policy and rules set by the Board of Directors. The Board relies on the work and recommendations of the Human Resources and Remuneration Committee, composed of six Directors, 60% of whom are independent Directors, including its Chairwoman, and one member of whom is a Director representing the employees. The corporate officer is not a member of the Committee. The Committee's recommendations are made taking into account the studies carried out at its request by an independent consulting firm.

The Committee met 4 times in 2021 and its work is detailed in section 2.3.3. "Activities of the Board Committees" of this document.

The Committee has the necessary information to prepare its recommendations and more particularly to assess the performance of the corporate officer in light of the Group's short- and long-term objectives.

The purpose of this organisation and this process is to prevent any conflicts of interest.

The Human Resources and Remuneration Committee uses the studies conducted by an independent consulting firm

These studies are based on an international panel of world leaders, which serves as a reference for the comparative remuneration studies.

Executive corporate officer

This panel is made up of French and international companies that hold the position of global leader. These companies operate on similar markets and are, in the cosmetics sector, direct competitors of L'Oréal, or operate on the wider everyday consumer goods market, as regards all or part of their business activities.

The panel applicable for 2021 comprised Directors of the following 14 companies:

PANEL SELECTED FOR ANALYSIS OF THE POSITIONING OF THE REMUNERATION FOR THE CHIEF EXECUTIVE OFFICER

Beiersdorf	Colgate Palmolive	Coty	Danone
Estée Lauder	GSK	Henkel	Johnson & Johnson
Kimberly Clark	Kering	LVMH	Procter & Gamble
Reckitt Benckiser	Unilever		

It is used to assess the competitiveness of the executive corporate officer's total remuneration.

This panel reports an average remuneration of €12,384,400 and a median remuneration of €9,140,600.

In terms of market capitalisation, L'Oréal is above the third quartile of companies on this panel.

It should be noted that the Company's remuneration policy, specifically that in place for senior management executives, aims to position their remuneration between the median and the third quartile.

The studies conducted with the independent consulting firm also enable the Committee to measure:

- the competitiveness and comparability of the overall remuneration in relation to this reference panel, taking into account the experience and skills acquired by the Chief Executive Officer after a 34-year career in the Group;
- the relevance over time of the overall remuneration structure and the objectives assigned to him/her;
- the comparative results of L'Oréal in light of the criteria adopted by the Group to assess the executive corporate officer's performance; and
- the link between the executive corporate officer's remuneration and his or her performance.

Non-executive corporate officer

To determine the positioning of the Chairman's remuneration, a panel was defined with the help of an independent consultancy firm. It is composed of 17 international companies, selected on the basis of governance, industry, size and nationality.

They are the following dual governance companies:

PANEL SELECTED FOR ANALYSIS OF THE POSITIONING OF THE REMUNERATION FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS

AstraZeneca	AB In Bev	BASF	Bayer	Coty	Diageo
Estée Lauder	GSK	Henkel	Kraft Heinz	Linde	Nestlé
Novartis	Reckitt Benckiser	Roche	Starbucks	Unilever	

The analysis of remunerations of Chairs of Boards of Directors of companies in the reference panel used, which includes six companies with a dissociated governance structure already used in the reference panel for the remuneration of the executive corporate officer, reports an average remuneration of €1,521,200 and a median remuneration of €695,200 with large standard deviations.

The Human Resources and Remuneration Committee has all the useful internal information in its possession

This information enables it to assess the performance of the Company and that of its executive corporate officer both from a financial standpoint and in non-financial areas.

The Group's annual economic and financial results are presented every year completely and exhaustively to the members of the Human Resources and Remuneration Committee at its Committee meeting in February, and are used as a basis for the assessment of the financial performance criteria for the executive corporate officer's variable remuneration.

The principles of the Human Resources policy are regularly presented to the Committee members or at a Board of Directors meeting by the Chief Human Relations Officer. The Directors are therefore able to verify the consistency between the remuneration of the executive corporate officer and the remuneration and employment conditions of the Company's employees.

Similarly, the Chief Ethics, Risk and Compliance Officer also regularly explains the policy and the actions taken in this field.

2 members of the Human Resources and Remuneration Committee are members of the Strategy and Sustainability Committee at which the actions taken with regard to the programmes concerning the Group's social and environmental responsibility are discussed.

This information contributes to the assessment of the non-financial and qualitative portion of the annual variable remuneration.

The Chairwoman of the Human Resources and Remuneration Committee is a member of the Audit Committee and participates in the closing of the financial statements as well as the examination of the risk prevention policy. She is also Chairwoman of the Nominations and Governance Committee, which offers her a Company-wide vision of the various performance assessment criteria.

The Committee can also carry out a more in-depth evaluation of the Company's performance by contacting the Company's main senior managers, after having informed the General Management.

This information enriches their vision of the strategy and performances of the Company and its executive corporate officer.

Recommendations are made on these bases to the Board of Directors, which then makes its decisions on the executive corporate officer's remuneration collectively, in accordance with the remuneration policy approved by the Annual General Meeting.

The organisation of the work of the Committee on the remuneration of the executive corporate officer is shown in the chart below.

The Committee examines the expectations of investors and proxy advisors, and the rules and recommendations of the regulatory authorities

The Human Resources and Remuneration Committee carefully analyses the law and reports concerning executive remuneration, notably the French financial markets authority's (AMF) report on corporate governance and the remuneration of executives of listed companies, and the report of the High Committee on Corporate Governance.

It is mindful of the observations and requests of investors and strives to accommodate them while preserving consistency in the remuneration policy adopted by the Board and subject to constraints relating to the disclosure of confidential information.

Conditions for derogation from the remuneration policy in the event of exceptional circumstances

French Order no. 2019-1234 of 27 November 2019 encourages companies to provide for any exceptions in the event of extraordinary circumstances in their remuneration policy. Failing this, the Board of Directors would be unable to grant an element of remuneration not provided for in the remuneration policy previously approved by the Annual General Meeting, even though this decision would be necessary in view of these exceptional circumstances. It is stated that this derogation may only be temporary, pending the approval of the amended remuneration policy by the next Annual General Meeting, and should be duly substantiated.

If applicable, the adaptation of the remuneration policy to exceptional circumstances would be decided by the Board of Directors on the recommendation of the Human Resources and Remuneration Committee, after seeking the opinion, as necessary, of an independent consulting firm. Thus, for example, the recruitment of a new corporate officer under unforeseen conditions might require the temporary adaptation of some existing remuneration elements or the proposal of new remuneration elements. In this case, the Board of Directors would take into account the experience, expertise and remuneration of the executive concerned in order to propose exceptional remuneration that could not exceed the amount of the benefits he or she would have had to relinquish by leaving his or her previous role.

It might also be necessary to amend, subject to compliance with the caps determined in the remuneration policy, the performance conditions governing the acquisition of all or some of the existing remuneration elements in the event of exceptional circumstances resulting from a significant change in the Group's scope following a merger or sale, the acquisition or creation of a significant new business activity or the elimination of a significant business activity, a change in accounting policy or a major event affecting the markets and/or L'Oréal's major competitors.

WORK SCHEDULE OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE CONCERNING THE REMUNERATION OF THE CORPORATE OFFICER

February 2021

● Recommendations regarding the Chairman-CEO's 2020 compensation:

- evaluation of the 2020 annual variable compensation after review of the non-financial results (reminder: waiver by Mr Agon of the financial objectives of the annual variable financial remuneration in the spirit of solidarity in the context of the health crisis);
- draft *Say On Pay ex post* resolution.

● Defined benefit pension for Mr Agon:

- review of the level of achievement of the performance conditions for 2020.

● Review of the regulated agreement relating to the status of Mr Nicolas Hieronimus, Chief Executive Officer as of 1 May 2021

● Long-term incentive plans:

- recognition of the performance levels achieved for the expiring 2017 Plan for the Conditional Grants of Shares (ACAs).

● Presentation of the 2021 study on the remuneration of corporate officers:

- panel, balance and structure of remuneration, link between performance and remuneration.

● Recommendations concerning the 2021 remuneration policy:

- applicable to corporate officers (Chairman-CEO, Chief Executive Officer, Chairman of the Board);
- review of draft resolutions.

April 2021

● Report on investor meetings on the remuneration policies for corporate officers

October 2021

● Presentation of L'Oréal's remuneration policy:

- coherence between the systems in place in the company.

● Work on the 2021 ACAs Plan:

- proposed award for the Chief Executive Officer.

December 2021

● 2022 remuneration policy:

- review of issues raised following meetings with investors and proxy advisory agencies;
- consideration of the draft ACAs resolution to be submitted to the 2022 Annual General Meeting.

2.4.2. Remuneration of directors and corporate officers for 2021

The information in this section relating to the remuneration of L'Oréal's directors and corporate officers (the Directors, the Chief Executive Officer until 30 April 2021, the Chief Executive Officer and the Chairman of the Board of Directors from 1 May 2021), required by Articles L. 22-10-9 I and L. 22-10-34 I and II of the French Commercial Code, is subject to the approval of the Annual General Meeting of 21 April 2022 during the vote on resolutions nos. 9, 10, 11 and 12.

2.4.2.1. Remuneration paid during the 2021 financial year or allocated for that year to Directors

A total amount of €1,370,989, within the limits of the €1,600,000 budget approved by the Annual General Meeting of 17 April 2018, allocated for financial year 2021, will be paid to the Directors.

The Board of Directors met eight times in 2021 (including one non-remunerated meeting) and 17 meetings of its committees were organised.

The average attendance rates at meetings in 2021 were 95% for the Board of Directors, 100% for the Strategy and Sustainable Committee, 93% for the Audit Committee, 100% for the Nominations and Governance Committee and 96% for the Human Resources and Remuneration Committee.

It should be noted that neither Mr Jean-Paul Agon nor Mr Nicolas Hieronimus receive any remuneration as a Director.

Neither Mr Jean-Paul Agon nor Mr Nicolas Hieronimus receive any remuneration as a Director of the Group's companies.

Directors	Remuneration awarded for 2021 paid in 2022 *(in euros)* 8 Board meetings (of which 7 paid), 17 Committee meetings	Remuneration awarded for 2020 paid in 2021 *(in euros)* 8 Board meetings (of which 7 paid), 22 Committee meetings
Mr Jean-Paul Agon	-	-
Mr Nicolas Hieronimus(1)	-	-
Ms Ana Sofia Amaral	87,000	87,000
Ms Sophie Bellon	142,750	146,500
Ms Françoise Bettencourt Meyers	107,000	104,300
Mr Paul Bulcke	107,000	113,500
Mr Patrice Caine	102,000	92,250
Ms Fabienne Dulac	108,250	106,250
Ms Belén Garijo	78,775	87,000
Ms Béatrice Guillaume-Grabisch	94,000	94,000
Ms Ilham Kadri	75,500	43,143
Mr Georges Liarokapis	100,500	100,500
Mr Jean-Victor Meyers	90,250	108,000
Mr Nicolas Meyers	87,750	43,143
Ms Virginie Morgon	125,500	129,000(2)
Mr Alexandre Ricard(1)	64,714	-
TOTAL	**1,370,989**	**1,254,586**

(1) Directors whose term of office began or ended during the 2021 financial year.
(2) Amount per Board meeting in person, increased to account for intercontinental travel for Directors located outside Europe.

2.4.2.2. Remuneration paid during the 2021 financial year or allocated for that year to Mr Jean-Paul Agon, Chairman and Chief Executive Officer, over the period from 1 January to 30 April 2021

2.4.2.2.1. Fixed remuneration

At its meeting of 11 February 2021, and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to maintain Mr Jean-Paul Agon's fixed annual remuneration at the gross amount of €2,200,000, paid on a proportional basis for the period from 1 January to 30 April 2021.

This has remained unchanged since 2014.

2.4.2.2.2. Annual variable remuneration

Concerning Mr Jean-Paul Agon's annual variable remuneration for 2021, the objective had been set at a gross amount of €2,200,000 on an annual basis, representing 100% of the fixed remuneration. This sum represents the maximum amount of variable remuneration that may be paid to him.

At its meeting on 11 February 2021, the Board of Directors had set the variable remuneration criteria applicable for 2021 and the respective weighting of such criteria. The financial criteria represent 60% of the variable remuneration while the non-financial criteria represent 40%. These financial criteria are directly correlated with the Company's economic performance indicators: growth in sales and market share as compared to its main competitors, in operating profit, earnings per share (EPS) and cash-flow.

On 9 February 2022, the Board of Directors, on the basis of the recommendations of the Human Resources and Remuneration Committee, assessed the performance of Mr Jean-Paul Agon. The rate of achievement was 99.6% of objectives. It was thus decided that in respect of annual variable remuneration for 2021, Mr Jean-Paul Agon would be awarded an amount of €730,400 for the first four months of the year.

Fulfilment of the quantitative financial and non-financial criteria was assessed for the whole of 2021. On this basis, annual variable remuneration was calculated *pro rata temporis*.

For information, following the approval by the Annual General Meeting of 20 April 2021 (Resolution 10), an annual variable remuneration was paid for the 2020 financial year in the total amount of €859,831, since the Board of Directors decided on 11 February 2021, as recommended by the Human Resources and Remuneration Committee, that 97.71% of the maximum objective had been achieved, solely on the basis of non-financial and qualitative criteria.

FINANCIAL TARGETS 2021 (60% OF TOTAL ANNUAL VARIABLE REMUNERATION)

Financial criteria	Weighting	2021 Results	Target and maximum payment rate: 100% of the fixed amount	Board appraisal
Like-for-like sales as compared to the budget(1)	15%	€32,287.6 million	**100%**	*Performance well above the budget.*
Sales growth differential compared to main competitors(2)	15%	+6.9 points	**100%**	*Maximum objective reached.*
Operating profit as compared to the budget(1)	10%	€6,160.3 million	**100%**	*Maximum objective reached.*
Earnings per share(3) as compared to the budget(1)	10%	€8.82	**100%**	*Maximum objective reached.*
Cash flow(4) as compared to the budget(1)	10%	€5,653.3 million	**100%**	*Performance well above the budget.*
RATE OF ACHIEVEMENT OF FINANCIAL TARGETS			100%	

(1) Budget not provided for reasons of confidentiality.

(2) Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.

(3) Diluted share attributable to owners of the company per share excluding non-recurring items.

(4) Cumulative operating cash flow = Cash flow generated by operating activities – purchases of tangible and intangible assets.

2021 NON-FINANCIAL AND QUALITATIVE TARGETS (40% OF THE TOTAL ANNUAL VARIABLE REMUNERATION)

Non-financial and qualitative criteria	Weighting	2021 performance indicators	Target and maximum payment rate: 100% of the fixed amount	Board appraisal
CSR criteria: L'Oréal for the Future programme	10%	See indicators page 112	**96%**	*Performance in line with the programme's trajectory.*
Human Resources criterion	7.5%	See indicators page 112	**100%**	*Outperformance. Capped at 100%.*
Digital development criteria	7.5%	See indicators page 113	**100%**	*Outperformance. Capped at 100%.*
Qualitative criteria: Management	7.5%	See evaluation page 113	**100%**	*Outperformance. Capped at 100%.*
Qualitative criteria: Image – Company reputation – Relations with stakeholders	7.5%	See evaluation page 113	**100%**	*Outperformance. Capped at 100%.*
RATE OF ACHIEVEMENT OF NON-FINANCIAL AND QUALITATIVE TARGETS			99%	

TABLE OF NON-FINANCIAL AND QUALITATIVE ACHIEVEMENTS IN 2021

The Board of Directors, at its meeting of 9 February 2022, used the following indicators and achievements examined by the Human Resources and Remuneration Committee to determine the level of achievement of the non-financial and qualitative targets for 2021.

CSR criteria: The L'Oréal for the Future programme		Weighting: 10%
The L'Oréal for the Future programme sets out L'Oréal's commitments to sustainable development for 2030. This project consists of five pillars, for which the 2021 achievements are set out in detail in Chapter 4 of this document.		
Transforming our business	**2021 Results**	*2020 Results*
• By 2030, all Group products will be eco-designed.	**96%**	*96%*
Climate		
• By 2025, all our sites will have achieved **carbon neutrality** by improving energy efficiency and using 100% renewable energy.	**58%** (= 100 sites)	*50%* *(= 72 sites)*
• By 2030, on average we will have halved the greenhouse gas emissions per finished product **linked to the transport** of our products compared to 2016.	**+12%**	*+16%*
Water		
• By 2030, 100% of **the water used in our industrial processes** will be recycled and reused in a loop.	**15%** 6 Waterloop Factories	*Not disclosed*
Biodiversity		
• By 2030, 100% of ingredients in our formulas and biobased packaging materials will be **traceable and come from sustainable sources**.	**94%**	*91%*
Resources		
• By 2030, 95% of our **ingredients in formulas** will be biobased, derived from abundant minerals or from circular processes.	**60%**	*Not disclosed*
• By 2030, 100% of the plastic used in our packaging will be either from **recycled or biobased sources** (we will reach 50% by 2025).	**21%**	*15%*
• By 2030, 100% of our plastic packaging will be **refillable, reusable, recyclable or compostable**.	**39%**	*40%*
Empowering our ecosystem in our transformation		
• By 2030, we will have helped 100,000 people from disadvantaged communities gain access to employment.	**13,946**	

Human Resources criteria		Weighting: 7.5%
Gender Balance	**2021 results**	*2020 Results*
• Improving gender balance, in particular at the level of senior management positions.	• 32% of Executive Committee members are women.	*26%*
	• 47% of strategic positions are held by women (strategic positions include Executive Committee positions, *i.e.* approximately 300 positions).	*42%*
	• 2021 Equileap ranking: France: No. 1 International: No. 4	*No. 1 in France* *No. 4 in the world*
	• For the fourth consecutive year, L'Oréal is ranked in the Top 100 among the 414 companies of the Bloomberg Gender-Equality Index 2022.	*Top 100*
Talent Development		
• Results of the policy regarding the recruitment of both experienced and more junior talented employees, and talent development all over the world, in order to favour the emergence of local talent.	• Fifth place in the Universum global ranking (business schools). L'Oréal is the first multinational company in the European Union to make the TOP 5	*10th place*
• Attractive, targeted, digital employer communication.	• Strong presence on social networks: 3.9 million followers on LinkedIn. 17th place in the PotentialPark global ranking (recruiting/social media)	*3.2 million* *No. 3*
Access to training		
• 100% of employees will receive training once a year.	• 100% of employees received training in 2021. Over 530,000 hours of digital training (vs 202,000 in 2019).	*100%* *580,000 hours*

Digital development criteria	Weighting 7.5%
Increase in sales achieved in e-commerce	● €9.3 billion in net sales, *i.e.* 28.9% of Group sales (+ 2.3 points), up +26% compared to 2020. ● Strong acceleration in Europe and in SAPMENA.
Partnerships and innovation	● Ecosystem of partnerships developed in collaboration with the IT/R&I and Beauty Tech teams: advanced research and discoveries via Verily, Clue and BreezoMeter. ● L'Oréal and Facebook announced a technological integration allowing buyers on Instagram to virtually try on makeup products with ModiFace, L'Oréal's owned augmented reality and artificial intelligence company. ● Continued development of technologies coming from the ModiFace acquisition. Roll-out of 1,253 projects (+240 in 2021) at the sites of 24 brands in 110 countries, scaling of virtual try-outs of makeup, hair colour, skin diagnostics, and product recommendations. Integration of our Modiface technologies at 50 retailers, including Watsons, DM, Amazon, Sephora, and TMall. Integration of Modiface technologies on the most important digital platforms (Facebook, Instagram, YouTube, Google Search, Snapchat, WeChat, Pinterest). ● Gaming initiatives: sponsorship of the Dignitas female team by NYX PMU.
New consumer interaction models	● Harnessing new platforms such as TikTok. ● Development of the Livestreaming & Liveshopping programme: > 10,000 livestream sessions for L'Oréal brands.
Continuation of the Company's digital transformation	● Continuing to shift the Beauty experience from products to services. Deployed skin diagnostic tools in 2021 – 15,000 images from R&I were used to identify 16 different skin problems. ● Increased digital media investments (73% of media expenditure vs 61% in 2020). ● Recruitment and training: the digital community is made up of more than 3,500 experts (vs 2,800 at the end of 2020) and nearly 25,000 people were trained as part of the Digital Upskilling programme in 2021, i.e. 50% of the number of people trained over the period 2015–2020. Third season of the CM1 test: 4,940 employees passed this test in 2021 (priority was given to marketing, CMI and communication functions), as well as nearly 8,000 applicants in the recruitment phase.
Gartner L2 Digital ranking	● Six brands in the top 20 of the Gartner Digital transformation ranking in the key countries: USA, UK, France, Germany and China. ● Ranked no. 1 in Gartner's Digital IQ Index: Personal Care U.S.

Qualitative criteria: Management	Weighting: 7.5%
Governance	● Prepared the new governance structure and ensured that Nicolas Hieronimus' transition to CEO was an exemplary process. L'Oréal received the AGEFI Grand Prix Award for exemplary corporate governance in 2021.
Covid-19 crisis management	● When conditions made it possible, a new hybrid work model was implemented. ● 12,909 employees completed the Best of Both Worlds (BOB) training module to familiarise themselves with a hybrid working environment. ● Maintained a very high level of health safety for employees around the world.

Qualitative criteria: Image, Company reputation, Dialogue with stakeholders	Weighting: 7.5%
The Group's influence at international and national level	● Member of the International Business Leaders' Advisory Council (IBLAC), the Advisory Council for the Mayor of Shanghai. ● Member of the Steering Committee of the European Round Table. ● Member of the French Association of Private Enterprises (AFEP) Board of Directors.
Attendance at forums and conferences that promote the value of the Company in society	● Speech at the European Commission's launch event for the *EU Green Consumption Pledge,* for which L'Oréal is a pledging company. ● Speech as part of the *EU-China business dialogue platform,* in the presence of the Chinese prime minister. ● Participation in a discussion panel during EU Industry Days. ● Presentation at the launch of the first hackathon by Hi! PARIS, an interdisciplinary centre dedicated to AI and data science created by HEC Paris and IP Paris, of which L'Oréal is a partner. ● Presentation at the 2021 OECD Global Anti-Corruption and Integrity Forum.
Sustainable development	● L'Oréal is the only company in the world, among nearly 6,000, to have received three "A" ratings from the Carbon Disclosure Project for the sixth consecutive year, which is the highest score in three areas: climate, sustainable water management and the fight against deforestation. ● L'Oréal received the Terra Carta Seal by HRH The Prince of Wales in recognition of its commitment to creating a sustainable future. ● L'Oréal was ranked No. 1 across all categories in the Vigéo Eiris ranking.
Diversity and inclusion	● L'Oréal was one of the top 100 companies in the Refinitiv Diversity & Inclusion ranking. ● L'Oréal won the "Parité du Top 100" Special Award for the Feminisation of Governing Bodies. ● L'Oréal was one of the top five most advanced companies in the world in terms of gender equality (Equileap's 2021 Gender Equality Global Ranking, which assesses nearly 4,000 companies in 23 countries). ● Mr Jean-Paul Agon received the "Courage Against Hate" award from the Anti-Defamation League.
Ethics	● L'Oréal was recognised for the twelfth time as one of the "World's Most Ethical Companies" by the Ethisphere Institute. ● For the seventh consecutive year, L'Oréal was recognised as a Global Compact LEAD company by the United Nations.

2.4.2.2.3. Granting of performance shares

Mr Jean-Paul Agon did not receive any performance shares in 2021.

2.4.2.2.4. Remuneration as Director

Mr Jean-Paul Agon does not receive any remuneration as a Director.

Mr Jean-Paul Agon does not receive any remuneration as a Director of Group companies.

2.4.2.2.5. Additional social protection schemes

Mr Jean-Paul Agon continued to benefit, because of his classification as a senior manager during his term of corporate office and until the termination of his employment contract, from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

The amount of the employer's contributions to the employee benefit and healthcare schemes for the period from 1 January to 30 April 2021 amounted to €1,392, and the amount of the employer's contribution to the Defined Contribution Pension scheme amounted to €2,125.

As for all other senior managers of the Group, the pension amount resulting from the employer contributions of the L'Oréal RCD must be deducted from the amount of the Pension Cover for the calculation of the life annuity potentially due under this plan so that these benefits are not combined (see section 2.4.3.4. "Application of the related-party agreements scheme" of this document).

As a reminder, the lifetime risk related to the plans resulting from Article 83, 2° of the French General Tax Code is borne by the insurer.

2.4.2.3. Remuneration paid during the 2021 financial year or allocated for that year to Mr Nicolas Hieronimus, Chief Executive Officer, over the period from 1 May to 31 December 2021

2.4.2.3.1. Fixed remuneration

At its meeting of 11 February 2021, and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to set Mr Nicolas Hieronimus' fixed annual remuneration at the gross amount of €2,000,000, paid on a proportional basis for the period from 1 May to 31 December 2021.

2.4.2.3.2. Annual variable remuneration

With regard to Nicolas Hieronimus' annual variable remuneration for 2021, the target was set at €2,000,000 gross on an annual basis, or 100% of his fixed remuneration, with a maximum of 120% of fixed remuneration in the event of outperformance, or €2,400,000 gross. This sum represents the maximum amount of variable remuneration that may be paid to him.

At its meeting on 11 February 2021, the Board of Directors had set the variable remuneration criteria applicable for 2021 and the respective weighting of such criteria. The financial criteria represent 60% of the variable remuneration while the non-financial criteria represent 40%. These financial criteria are directly correlated with the Company's economic performance indicators: growth in sales and market share as compared to its main competitors, in operating profit, earnings per share (EPS) and cash-flow.

On 9 February 2022, the Board of Directors, on the basis of the recommendations of the Human Resources and Remuneration Committee, assessed the performance of Mr Nicolas Hieronimus. The rate of achievement was 116.45% of objectives. It was thus decided that, in respect of annual variable remuneration for 2021, Mr Nicolas Hieronimus would be awarded an amount of €1,552,667 for the period between 1 May and 31 December 2021.

FINANCIAL TARGETS 2021 (60% OF TOTAL ANNUAL VARIABLE REMUNERATION)

Financial criteria	Weighting	2021 Results	Payment rate Target 100% of the fixed amount Maximum 120%	Board appraisal
Like-for-like sales as compared to the budget[1]	15%	€32,287.6 million	**118%**	*Performance well above the budget.*
Sales growth differential compared to main competitors[2]	15%	+6.9 points	**120%**	*Maximum objective reached.*
Operating profit as compared to the budget[1]	10%	€6,160.3 million	**120%**	*Maximum objective reached.*
Earnings per share[3] as compared to the budget[1]	10%	€8.82	**120%**	*Maximum objective reached.*
Cash flow[4] as compared to the budget[1]	10%	€5,653.3 million	**119%**	*Performance well above the budget.*
RATE OF ACHIEVEMENT OF 2021 FINANCIAL TARGETS			119.3%	

(1) *Budget not provided for reasons of confidentiality.*
(2) *Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*
(3) *Diluted share attributable to owners of the company per share excluding non-recurring items.*
(4) *Cumulative operating cash flow = Cash flow generated by operating activities – purchases of tangible and intangible assets.*

2021 NON-FINANCIAL AND QUALITATIVE TARGETS (40% OF THE TOTAL ANNUAL VARIABLE REMUNERATION)

Non-financial and qualitative criteria	Weighting	2021 performance indicators	Payment rate Target 100% of the fixed amount Maximum 120%	Board appraisal
CSR criteria: L'Oréal for the Future programme	10%	See indicators page 115	**96%**	*Performance in line with the programme's trajectory.*
Human Resources criteria	7.5%	See indicators page 116	**110%**	*Outperformance.*
Digital development criteria	7.5%	See indicators page 116	**120%**	*Outperformance.* *Maximum reached.*
Qualitative criteria: Management	7.5%	See evaluation page 117	**120%**	*Outperformance.* *Maximum reached.*
Qualitative criteria: Image, Company reputation, Relations with stakeholders	7.5%	See evaluation page 117	**120%**	*Outperformance.* *Maximum reached.*
RATE OF ACHIEVEMENT OF 2021 NON-FINANCIAL AND QUALITATIVE TARGETS			112.1%	

TABLE OF NON-FINANCIAL AND QUALITATIVE ACHIEVEMENTS IN 2021

The Board of Directors, at its meeting of 9 February 2022, used the following indicators and achievements examined by the Human Resources and Remuneration Committee to determine the level of achievement of the non-financial and qualitative targets for 2021.

CSR criteria: L'Oréal for the Future programme **Weighting: 10%**

The L'Oréal for the Future programme sets out L'Oréal's commitments to sustainable development for 2030.

This project consists of five pillars, for which the 2021 achievements are set out in detail in Chapter 4 of this document.

Transforming our business	2021 Results	*2020 Results*
● By 2030, all Group products will be eco-designed.	**96%**	*96%*
Climate		
● By 2025, all our sites will have achieved **carbon neutrality** by improving energy efficiency and using 100% renewable energy.	**58%** (= 100 sites)	*50%* *(= 72 sites)*
● By 2030, on average we will have halved the greenhouse gas emissions per finished product **linked to the transport** of our products compared to 2016.	**+12%**	*+16%*
Water		
● By 2030, 100% of **the water used in our industrial processes** will be recycled and reused in a loop.	**15%** 6 Waterloop Factories	*Not disclosed*
Biodiversity		
● By 2030, 100% of ingredients in our formulas and biobased packaging materials will be **traceable and come from sustainable sources**.	**94%**	*91%*
Resources		
● By 2030, 95% of our **ingredients in formulas** will be biobased, derived from abundant minerals or from circular processes.	**60%**	*Not disclosed*
● By 2030, 100% of the plastic used in our packaging will be either from **recycled or biobased sources** (we will reach 50% by 2025).	**21%**	*15%*
● By 2030, 100% of our plastic packaging will be **refillable, reusable, recyclable or compostable**.	**39%**	*40%*
Empowering our ecosystem in our transformation		
● By 2030, we will have helped 100,000 people from disadvantaged communities gain access to employment.	**13,946**	

Human Resources criteria		**Weighting: 7.5%**
Gender Balance	**2021 Results**	*2020 Results*
• Improving gender balance, in particular at the level of senior management positions.	• 32% of Executive Committee members are women.	*26%*
	• 47% of strategic positions are held by women (strategic positions include Executive Committee positions, *i.e.* approximately 300 positions).	*42%*
	• 2021 Equileap ranking: France: No. 1 International: No. 4	*No. 1 in France* *No. 4 in the world*
	• For the fourth consecutive year, L'Oréal is ranked in the Top 100 among the 414 companies of the Bloomberg Gender-Equality Index 2022.	*Top 100*
Talent Development		
• Results of the policy regarding the recruitment of both experienced and more junior talented employees, and talent development all over the world, in order to favour the emergence of local talent.	• Fifth place in the Universum global ranking (business schools). L'Oréal is the first multinational company in the European Union to make the TOP 5	*10th place*
• Attractive, targeted, digital employer communication.	• Strong presence on social networks: 3.9 million followers on LinkedIn. 17th place in the PotentialPark global ranking (recruiting/social media)	*3.2 million* *No. 3*
Access to training		
• 100% of employees will receive training once a year.	• 100% of employees received training in 2020. Over 530,000 hours of digital training (vs 202,000 in 2019).	*100%* 580,000 hours

Digital development criteria	**Weighting 7.5%**
Increase in sales achieved in e-commerce	• €9.3 billion in net sales, *i.e.* 28.9% of Group sales (+ 2.3 points), up 26% compared to 2020. • Strong acceleration in Europe and in SAPMENA.
Partnerships and innovation	• Ecosystem of partnerships developed in collaboration with the IT/R&I and Beauty Tech teams: advanced research and discoveries via Verily, Clue and BreezoMeter. • L'Oréal and Facebook announced a technological integration allowing buyers on Instagram to virtually try on makeup products with ModiFace, L'Oréal's owned augmented reality and artificial intelligence company. • Continued development of technologies coming from the ModiFace acquisition. Roll-out of 1,253 projects (+240 in 2021) at the sites of 24 brands in 110 countries, scaling of virtual try-outs of makeup, hair colour, skin diagnostics, and product recommendations. Integration of our Modiface technologies at 50 retailers, including Watsons, DM, Amazon, Sephora, and TMall. Integration of Modiface technologies on the most important digital platforms (Facebook, Instagram, YouTube, Google Search, Snapchat, WeChat, Pinterest). • Gaming initiatives: sponsorship of the Dignitas female team by NYX PMU.
New consumer interaction models	• Harnessing new platforms such as TikTok. • Development of the Livestreaming & Liveshopping programme: > 10,000 livestream sessions for L'Oréal brands.
Continuation of the Company's digital transformation	• Continuing to shift the Beauty experience from products to services. Deployed skin diagnostic tools in 2021 – 15,000 images from R&I were used to identify 16 different skin problems. • Increased digital media investments (73% of media expenditure vs 61% in 2020). • Recruitment and training: the digital community is made up of more than 3,500 experts (vs 2,800 at the end of 2020) and nearly 25,000 people were trained as part of the Digital Upskilling programme in 2021, i.e. 50% of the number of people trained over the period 2015–2020. Third season of the CM1 test: 4,940 employees passed this test in 2021 (priority was given to marketing, CMI and communication functions), as well as nearly 8,000 applicants in the recruitment phase.
Gartner L2 Digital ranking	• Six brands in the top 20 of the Gartner Digital transformation ranking in the key countries: USA, UK, France, Germany and China. • Ranked no. 1 in Gartner's Digital IQ Index: Personal Care U.S.

Qualitative criteria: Management	**Weighting: 7.5%**

- Successful renewal of the Executive Committee, strengthening its diversity (one third are women and nearly half are of foreign nationality)
  High retention rate for the Top 300.
- **Governance**: the transition from Jean-Paul Agon to Nicolas Hieronimus as CEO was an exemplary process. L'Oréal received the AGEFI Grand Prix Award for exemplary corporate governance in 2021.
- **Covid-19 crisis management**
  - When conditions made it possible, a new hybrid work model was implemented.
  - 12,909 employees completed the Best of Both Worlds (BOB) training module to familiarise themselves with a hybrid working environment.
  - Maintained a very high level of health safety for employees around the world.
- **Pulse Survey** (internal employee opinion survey), the rating for the Simplicity managerial transformation programme rose by 3 points compared to 2020.
- **Sense of purpose (*raison d'être*) :** Launch of the L'Oréal Group's first communication campaign centred around its sense of purpose.

Qualitative criteria: Image, Company reputation, Dialogue with stakeholders	**Weighting: 7.5%**

- **The Group's international influence and that of its teams:**
  - Dubai World Expo: double partnership (France Pavilion via the Notre-Dame exhibition with Histovery and the official Beauty Partner)
  - L'Oréal was ranked in Fortune magazine's "Change the World" list.
  - Barbara Lavernos, Deputy CEO, featured in Fortune's list of most powerful women in the world.
  - Entered into a tech and innovation environment (Verily partnership, CES, L'Oréal Water Saver, which was named a top innovation of 2021 according to TIME magazine).
- **Group influence at national level**: meetings with national public officials (including with the French president and a visit from the French Minister of Labour in November 2021) and local public officials (Clichy Sponsorship project).
- **Attendance at forums and conferences that promote the value of the Company in society:**
  - Presentation at *"Mardis de l'ESSEC"* (ESSEC Tuesdays).
  - Presentation before the new cohort at Real Campus (School of Hairdressing & Entrepreneurship).
  - Climate Week NYC Opening Ceremony.
  - Presentation at Club 21^{e} siècle
  - Alexandra Palt participated in One Planet Summit's high-level virtual conference.
  - Presentations as part of B4IG (Business For Inclusive Growth).
- **Sustainable development:**
  - L'Oréal is the only company in the world, among nearly 6,000, to have received three "A" ratings from the Carbon Disclosure Project for the sixth consecutive year, which is the highest score in three areas: climate, sustainable water management and the fight against deforestation.
  - L'Oréal received the Terra Carta Seal by HRH The Prince of Wales in recognition of its commitment to creating a sustainable future.
  - L'Oréal was ranked No. 1 across all categories in the Vigéo Eiris ranking.
- **Diversity and inclusion:**
  - L'Oréal was one of the top 100 companies in the Refinitiv Diversity & Inclusion ranking.
  - L'Oréal won the "Parité du Top 100" Special Award for the Feminisation of Governing Bodies.
  - Organised the first meeting of the Global Diversity Equity and Inclusion Advisory Board.
- **Ethics:**
  - L'Oréal was recognised for the twelfth time as one of the "World's Most Ethical Companies" by the Ethisphere Institute.
  - For the seventh consecutive year, L'Oréal was recognised as a Global Compact LEAD company by the United Nations.
  - Ethics Day on 14 October 2021: two live webchats with Nicolas Hieronimus were open to all employees worldwide.
- **Heritage**:
  - L'Oréal supported an exhibition on beauty in Ancient Greece held at the Museum of Cycladic Art in Athens: "Kállos. The Ultimate Beauty".
  - L'Oréal paid homage to Notre-Dame de Paris at the Dubai World Expo.

2.4.2.3.3. Granting of performance shares

Pursuant in particular to Articles L. 225-197-1 and L. 22-10-8 of the French Commercial Code and the authorisation of the Ordinary and Extraordinary General Meeting of 30 June 2020, the Board of Directors meeting on 7 October 2021, taking into account the performance of Mr Nicolas Hieronimus and the share price valuation, decided to grant him 17,000 performance shares (ACAs – "Attributions Conditionnelles d'Actions", existing conditional grants of shares), in accordance with the remuneration policy.

The estimated fair value, according to the IFRS standards applied in preparing the Consolidated Financial Statements, of one performance share (ACAs) for the 7 October 2021 plan, of which Mr Nicolas Hieronimus is part, is €339.34.

The estimated fair value, according to the IFRS standards, of the 17,000 performance shares (ACAs) granted in 2021 to Mr Nicolas Hieronimus is therefore €5,768,780.

These shares will only vest, in whole or in part, once the performance conditions described below are met.

Performance conditions

Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a four-year vesting period as from the grant date.

Half of the number of fully vested shares will depend on growth in comparable cosmetics sales compared to the growth of a panel of competitors, which consists in 2021 of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, and Coty; and the other half will depend on the growth in the Group's consolidated operating profit.

The calculation will be based on the arithmetical average for the 3 full financial years of the vesting period. The first full year taken into account for assessment of the performance conditions relating to this grant is 2022.

As regards all the free shares granted pursuant to the criterion relating to sales, in order for these to finally vest at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to finally vest at the end of the vesting period, a level of growth defined by the Board but not made public for confidentiality reasons, must be achieved or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The figures recorded year on year to determine the levels of performance achieved are published in the Annual Financial Report.

Main features of the grant

This Plan enabled 588,750 performance shares (ACAs) to be granted to 2,408 beneficiaries, *i.e.* 0.1% of the share capital.

The conditional grant of performance shares benefiting Mr Nicolas Hieronimus in 2021 represents 2.89% of the total number of performance shares granted and 0.003% of the share capital as at 31 July 2021.

In addition, as a corporate officer, Mr Nicolas Hieronimus will retain 50% of the shares that will finally vest at the end of the vesting period in registered form until the end of his term of corporate office.

Furthermore, Mr Nicolas Hieronimus has undertaken not to use risk hedging instruments.

To recap, Mr Nicolas Hieronimus was not awarded any other long-term incentives in 2021.

2.4.2.3.4. Remuneration as Director

Mr Nicolas Hieronimus does not receive any remuneration as Director.

He does not receive any remuneration as a Director of the Group companies.

2.4.2.3.5. Additional social protection schemes

Mr Nicolas Hieronimus continues to benefit, because of his classification as a senior manager during his term of office, from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

The amount of the employer's contributions to the employee benefit and healthcare schemes for the period from 1 May to 31 December 2021 amounted to €2,796, and the amount of the employer's contribution to the Defined Contribution Pension scheme amounted to €4,251.

Under the Defined Contribution Pension Scheme ("L'Oréal RCD", as described in chapter 4 of this document), the rights of which are strictly proportional to the contributions paid, and which benefits all employees of L'Oréal in France, the estimated amount of Mr Nicolas Hieronimus's annual retirement pension at 31 December 2021 would be a gross amount of €4,584.

As for all other senior managers of the Group, the pension resulting from the employer contributions of the L'Oréal RCD will be deducted from the amount of the Pension Cover for the calculation of the life annuity potentially due under this plan so that these benefits are not combined (see section 2.4.3.4. "Application of the related-party agreements scheme" of this document).

As a reminder, the lifetime risk related to the plans resulting from Article 83, 2° of the French General Tax Code is borne by the insurer.

2.4.2.4. Remuneration paid or allocated to Mr Jean-Paul Agon, Chairman of the Board of Directors for the period from 1 May to 31 December 2021

2.4.2.4.1. Fixed remuneration

At its meeting of 11 February 2021, and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to set Mr Jean-Paul Agon's fixed annual remuneration at the gross amount of €1,600,000, paid on a proportional basis for the period from 1 May to 31 December 2021.

2.4.2.4.2. Additional social protection schemes

The Chairman of the Board benefits from the same employee benefit scheme as the senior managers of the Company.

The amount of the employer's contributions to the employee benefit schemes for the period from 1 May to 31 December 2021 amounted to €2,289.

2.4.2.5. Remuneration ratios and annual changes in L'Oréal's remuneration, ratios and performance over five years

	2017	2018	2019	2020	2021
Remuneration of the CEO, Mr Jean-Paul Agon (€)	9,532,900	9,523,832	9,675,998	4,368,831(1)	3,059,831(2)
Change/N-1	*+6.90%*	*-0.10%*	*+1.60%*	*-54.80%*	*-29.96%*
Average ratio	103	100	96	42	30
Change/N-1	*+5 points*	*-3 points*	*-4 points*	*-54 points*	*-12 points*
Median ratio	149	144	141	61	43
Change/N-1	*+7 points*	*-5 points*	*-3 points*	*-80 points*	*-18 points*
Remuneration of the CEO, Nicolas Hieronimus (€)	Not applicable				7,768,780(3)
Change/N-1					*Not disclosed*
Average ratio					77
Change/N-1					*Not disclosed*
Median ratio					110
Change/N-1					*Not disclosed*
Remuneration of the Chairman, Mr Jean-Paul Agon (€)	Not applicable				1,600,000(4)
Change/N-1					*Not disclosed*
Average ratio					16
Change/N-1					*Not disclosed*
Median ratio					23
Change/N-1					*Not disclosed*
L'Oréal company average remuneration (€)	92,745	95,207	100,959	104,896	100,694
Change/N-1	*+2.30%*	*+2.70%*	*+6.00%*	*+3.90%*	*-4.01%*
L'Oréal company median remuneration (€)	64,148	66,167	68,709	72,216	70,729
Change/N-1	*+1.80%*	*+3.10%*	*+3.80%*	*+5.10%*	*-2.06%*
Group net sales (€bn)	26,023	26,937	29,873.60	27,992.10	32,287.6
Change/N-1 (like-for-like)	*+4.80%*	*+7.10%*	*+8.00%*	*-4.10%*	*+16.1%*
Group operating profit (€bn)	4,676	4,922	5,547.50	5,209.00	6,160.3
Change/N-1	*+3.00%*	*+5.30%*	*+12.70%*	*-6.10%*	*+18.3%*

(1) *For information purposes, Mr Agon waived any grants of performance shares for which he was eligible in 2020 according to the remuneration policy approved by the Annual General Meeting.*

(2) *The remuneration of Mr Jean-Paul Agon, Chairman and Chief Executive Officer until 30 April 2021, consists of the fixed remuneration for 2021 expressed on an annual basis and the 2020 annual variable remuneration paid in April 2021. Mr Agon did not receive any performance shares in 2021.*

(3) *The remuneration of Nicolas Hieronimus, Chief Executive Officer from 1 May 2021, comprises a fixed remuneration component expressed on an annual basis and a performance share award.*

(4) *The remuneration of Mr Jean-Paul Agon, Chairman of the Board from 1 May 2021, comprises a fixed remuneration component expressed on an annual basis.*

Methodology used for calculating ratios

The ratios presented above take into account the separation of the functions of Chairman and Chief Executive Officer, which took place on 1 May 2021, as the Board of Directors decided to renew the position of Mr Jean-Paul Agon as Chairman of the Board and appoint Nicolas Hieronimus as Chief Executive Officer.

Pursuant to Article L. 22-10-9 of the French Commercial Code, for the calculation of average and median remuneration, the scope used is that of L'Oréal S.A., which comprises 9,183 employees as at 31 December 2021 (i.e. 64% of the workforce at L'Oréal France) of whom 6,641 are managers and sales representatives, 2,080 are technicians and supervisors and 462 employees and manual workers. This scope is representative of the various business lines of L'Oréal: Operations (plants and distribution centres), Sales, Marketing, Digital, Research, Support functions, etc.

For reasons of comparability, and in accordance with the recommendations of the AFEP, the number of employees selected for the calculation of average and median remuneration corresponds to a full-time equivalent workforce continuously present over 24 months, excluding corporate officers. Remuneration is calculated on the basis of all amounts paid and performance shares granted during the financial year in question.

The elements composing the executives' remuneration used in the calculation are:

- the annual fixed remuneration paid in 2021 (on an annual basis);
- the annual variable remuneration paid in 2021 (on an annual basis); and
- the performance shares valued on the grant date in 2021 in accordance with the IFRS applied for the preparation of the consolidated financial statements.

The elements composing employee remuneration used in the calculation are:

- annual fixed remuneration paid in 2021;
- annual variable remuneration paid in 2021;
- other elements of annual remuneration paid in 2021 (excluding exceptional factors);
- the performance shares granted in 2021 valued in accordance with the IFRS applied for the preparation of the consolidated financial statements; and
- the gross Profit-sharing and Incentives paid in 2021.

2.4.3. Termination indemnities and supplementary pension scheme applicable to executive corporate officers

The termination indemnities and supplementary pension scheme for which the corporate officers of L'Oréal may be eligible, as long as they are former senior managers of the company with more than 15 years of service, are not related to performance of the corporate office, but could be due under the suspended employment contract.

Therefore, they are not subject to the approval of the Annual General Meeting of 21 April 2022 under resolution no. 15 "Approval of the remuneration policy for the Chief Executive Officer".

Shareholders approved these schemes in the context of approving the agreement suspending the executive corporate officer's employment contract.

This was the case for Mr Jean-Paul Agon by the vote of the Annual General Meetings of 27 April 2010 and 17 April 2018, ruling on the Special Report prepared by the Statutory Auditors.

Shareholders approved these schemes for Nicolas Hieronimus by means of the vote of the Annual General Meeting of 20 April 2021.

2.4.3.1. Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The AFEP-MEDEF Code to which L'Oréal refers, recommends, but does not require, that companies should put an end to combining an employment contract with a corporate office.

L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing executive corporate officers *ad nutum*. The Board of Directors has formally provided for the methods of application of the objectives of the recommendation, as adapted to the context in the L'Oréal Group.

The Board's intention is to use the treatment set out below for any new corporate officer appointed who has over 15 years' length of service in the Group at the time of his or her appointment.

As L'Oréal's ongoing policy is to appoint employees who have completely succeeded in the various stages of their careers in the Group as executive corporate officers, the Board does not want these executives to be deprived of the benefits to which they would have continued to be entitled had they remained employees, after spending many years of their career at L'Oréal.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF recommendation could be fully achieved by maintaining the suspension of the employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the pension under the defined benefit scheme is based on the amount of remuneration at the date of suspension of the employment contract. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse Nationale d'Assurance Vieillesse). The seniority applied will cover the entire career within the Group, including the years spent as an executive corporate officer.

2.4.3.2. Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

In the event of termination of the suspended employment contract during the term of corporate office, and depending on the reasons for such termination, the executive corporate officer would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the Company's request pursuant to the suspended employment contract excluding any indemnity due in respect of the corporate office.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (Convention Collective Nationale des Industries Chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements.

In the event of termination of the employment contract, financial consideration for the non-compete clause would be paid under the terms of said contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, unless the executive corporate officer were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

2.4.3.3. Defined benefit pension scheme

The executive corporate officer, subject to ending his or her career in the Company, will benefit from one of the defined benefit schemes currently applicable to the Group's senior managers. This is the scheme to which he or she was subject as an employee.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the completion of the beneficiary's career in the Company. These schemes were established by L'Oréal primarily with the goal of attracting and retaining the Company's senior managers by guaranteeing them a certain level of resources in retirement.

These schemes falling under Article L. 137-11 of the French Social Security Code, are now closed to any new beneficiaries and no longer create rights as from 31 December 2019 pursuant to French Order no. 2019-697 of 3 July 2019 on professional supplementary pension schemes that transposes the European Directive of 16 April 2014.

The main features of these schemes are explained in detail in section 4.3.2.5. "Offering a motivating and competitive remuneration system" of this document.

They concern over 500 of L'Oréal's active or retired senior managers, in France, and are financed by contributions paid to an insurance institution. These contributions are deductible from the corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

In the light of the legal characteristics of defined benefit pension schemes (the rights only accrue if the beneficiary ends his career in the Company and the funding of this scheme cannot be broken down individually by employee) and on account of the characteristics specific to the L'Oréal schemes, known as "differential" schemes since they take into account, in order to supplement them, all the other pensions such as those resulting, inter alia, from the French basic and supplementary pension schemes, the precise amount of the pension annuity will in fact only be calculated on the date when the beneficiary applies for all his pensions.

2.4.3.4. Application of the related-party agreements scheme

The above provisions are subject to the procedure for related-party agreements.

The benefits that may be due under Mr Jean-Paul Agon's suspended employment contract were approved by the Annual General Meeting of 27 April 2010 pursuant to Article L. 225-38 of the French Commercial Code.

The Annual General Meeting of 17 April 2018 approved the implementation of the provisions of Mr Jean-Paul Agon's employment contract regarding defined benefit pension scheme commitments for the duration of his renewed corporate office.

For Mr Nicolas Hieronimus, an agreement suspending his employment contract was approved by the Annual General Meeting of 20 April 2021 (resolution no. 15). This mechanism is restated every year in the chapter on the remuneration of corporate officers and in the Statutory Auditors' special report on related-party agreements.

2.4.3.5. Situation of Mr Jean-Paul Agon for the period from 1 January 2021 to 30 April 2021

Mr Jean-Paul Agon was appointed as Chief Executive Officer in April 2006, following a brilliant career spanning 27 years with L'Oréal.

The Board of Directors did not wish for Mr Jean-Paul Agon, who accepted the office of Chief Executive Officer after 27 years within L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee, and adopted the following measures:

1) Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The remuneration under the suspended employment contract to be taken into account for all the rights attached thereto, and in particular for the calculation of the defined benefit pension referred to below, is based on the amount of remuneration at the date of suspension of the contract in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse nationale d'assurance vieillesse*). As of 1 January 2021, the fixed remuneration amounted to €1,731,000 and the variable remuneration to €1,442,500.

The seniority applied covers his entire career within the Group, including the years he was Chief Executive Officer and Chairman and Chief Executive Officer.

2) Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

Payment of the indemnities due under the suspended employment contract had been approved by the Annual General Meeting on 27 April 2010.

In the event of termination of his suspended employment contract during the term of corporate office, and depending on the reasons for such termination, it was foreseen that Mr Jean-Paul Agon would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or at the Company's request pursuant to the suspended employment contract.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (Convention Collective Nationale des Industries Chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the event of gross misconduct or gross negligence, the indemnity could be capped, in light of Mr Jean-Paul Agon's length of service, at 20 months' remuneration under the suspended employment contract.

In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, provided that the indemnity due in consideration of the non-compete clause would be payable every month for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr Jean-Paul Agon were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

3) Defined benefit pension scheme

Mr Jean-Paul Agon benefits, under his suspended employment contract, from the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of Members of the Comité de Conjoncture) scheme closed to new members effective from 31 December 2000.

The main features of this scheme, which falls under Article L. 137–11 of the French Social Security Code, are as follows:

- around 120 senior managers (active or retired) are concerned;
- the minimum length of service requirement was 10 years at the time of closure of the scheme on 31 December 2000; and

- the Pension Cover may not exceed 40% of the calculation basis, plus 0.5% per year for the first 20 years, then 1% per year for the following 20 years, nor may it exceed the average of the fixed portion of the remuneration for the three years used as the calculation basis out of the last seven years prior to the end of the beneficiary's career in the Company.

The financing of this pension scheme is outsourced to an insurance institution. The premiums paid are deductible from the corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

The above provisions are subject to the procedure for related-party agreements. The corresponding agreement was approved by the Annual General Meeting on 27 April 2010 making a decision with regard to the Special Report prepared by the Statutory Auditors.

The provisions of this agreement remained unchanged within the scope of the appointment of Mr Jean-Paul Agon as Chairman and Chief Executive Officer as from 18 March 2011 and the renewal of his term of office on 17 April 2014 and 17 April 2018. Pursuant to Article L. 225-40-1 of the French Commercial Code, this agreement was examined by the Board of Directors on 11 February 2021, which confirmed the relevance and terms thereof. The Annual General Meeting of 17 April 2018 approved, pursuant to the old Article L 225-42-1 of the French Commercial Code, the implementation of the provisions of Mr Jean-Paul Agon's employment contract for the duration of the renewed corporate office, as approved by the Annual General Meeting on 27 April 2010, corresponding to defined benefit pension scheme commitments. The Board of Directors subordinated the increase in conditional rights for the period to the achievement of the performance conditions, assessed in light of the Company's performance.

The increase for a financial year therefore depends on the achievement of at least 80% of the performance targets taken into account to determine the annual variable remuneration of Mr Jean-Paul Agon. If the 80% threshold is not met, no increase will be granted for the financial year in question.

Pursuant to the provisions of the agreement to suspend the employment contract on defined benefit pension commitments for the tenure of his new term of office, the Chairman and Chief Executive Officer benefits from:

- the calculation basis of the Chairman and Chief Executive Officer's pension will be revalued according to the salaries and contributions revaluation coefficient for pensions published by the French state pension fund (Caisse Nationale d'Assurance Vieillesse), as set out above; and
- secondly, the Chairman and Chief Executive Officer will continue to accrue seniority during the renewed term of his corporate office, up to the date on which he reaches the upper limit of 40 years of service required under the scheme, namely, on 1 September 2018. As a result, no other supplementary annuity could subsequently be granted to him.

At its meeting of 11 February 2021, the Board of Directors noted that the performance conditions were fully met. Therefore, the Board decided that the Chairman and Chief Executive Officer benefits from the principle of the revaluation of his pension on the basis of the salaries and contributions revaluation coefficient published by the French State pension system (*Caisse Nationale d'Assurance Vieillesse*) (coefficient equal to 1.004 for 2020).

2.4.3.6. Situation of Mr Jean-Paul Agon as from 1 May 2021

Mr Jean-Paul Agon notified the company of the termination of his employment contract on 30 April 2021, in order to benefit from his retirement rights as from 1 May 2021, at the end of a 42-year career in the Company.

All provisions relating to the retirement of Mr Jean-Paul Agon were approved by the Annual General Meeting on 27 April 2010.

- **Payment of a retirement indemnity stipulated by the National Collective Bargaining Agreement for the Chemical Industries**

A retirement indemnity, attached solely to the termination of the employment contract, was paid to Mr Agon over the month of May 2021 in strict application of the public order rules of French Labour law, the National Collective Bargaining Agreement for the Chemical Industries (*Convention Collective Nationale des Industries Chimiques*) and the collective agreements applicable to all L'Oréal's senior managers.

This indemnity was based on the amount of remuneration at the date of suspension of the employment contract in 2006, after applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). As of 1 January 2021, this revalued remuneration amounted to €1,731,000 for fixed remuneration and €1,442,500 for variable remuneration.

The retirement indemnity was a gross amount of €2.12 million, representing eight months of the aforementioned revalued remuneration.

The implementation of the non-compete clause is not applicable in the event of retirement: no non-compete indemnity will be paid to Mr Jean-Paul Agon.

- **Liquidation without payment of pension under the *"Garantie de Retraite des Membres du Comité de Conjoncture"* (Pension Cover of Members of the Comité de Conjoncture) scheme**

The gross amount of the pension that would be paid to Mr Jean-Paul Agon, under L'Oréal's "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of Members of the Comité de Conjoncture) scheme, represents €1.59 million, *i.e.* around 36% of the fixed and variable remuneration he received as corporate officer.

The Board of Directors agreed to Mr Jean-Paul Agon's wish to waive this supplementary pension during his term of office as Chairman of the Board of Directors so as not to combine it with the remuneration of €1,600,000 proposed by the Board of Directors on 11 February 2021, approved by the Annual General Meeting of 20 April 2021 in the context of the vote on the 14th resolution.

The pensions that could have been paid for the period of his office as Chairman will be definitively lost for Mr Jean-Paul Agon without any increase in pension or any other subsequent compensation.

2.4.3.7. Situation of Mr Nicolas Hieronimus

The Board of Directors at its meeting of 20 April 2021 appointed Mr Nicolas Hieronimus, the then Deputy Chief Executive Officer in charge of Divisions, and an employee of L'Oréal, as Chief Executive Officer following a brilliant career spanning 34 years within L'Oréal.

The Board of Directors did not wish for Mr Nicolas Hieronimus, by accepting the role of Chief Executive Officer, to be deprived (at the age of 57 and after 34 years with L'Oréal) of the benefits to which he would have continued to be entitled had he remained an employee. Therefore, the Board adopted the following measures, which were approved by the Annual General Meeting of 20 April 2021 as part of the procedure for related-party agreements:

1) Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The reference remuneration of Mr Nicolas Hieronimus to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the pension under the defined-benefit scheme described below, is based on his remuneration at the date of suspension of his employment contract. This reference remuneration is €1,750,000 of fixed remuneration and €1,850,000 of variable remuneration. This remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse Nationale d'Assurance Vieillesse). As at 1 January 2022, it was €1,769,250 for fixed remuneration and €1,870,350 for variable remuneration.

The seniority applied covers his entire career within the Group, including the years spent as an executive corporate officer.

2) Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

In the event of termination of his suspended employment contract during the term of corporate office, and depending on the reasons for such termination, Mr Nicolas Hieronimus would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or at the Company's request pursuant to the suspended employment contract.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (Convention Collective Nationale des Industries Chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the event of gross misconduct or gross negligence, the indemnity would be capped, in light of Mr Nicolas Hieronimus' length of service, at 20 months' remuneration under the suspended employment contract.

In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-compete clause would be payable monthly for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr Hieronimus were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

3) Defined benefit pension scheme

Mr Nicolas Hieronimus will continue to benefit, under his suspended employment contract, from the "Garantie de Ressources des Retraites Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme closed to new members effective from 31 December 2015. The income guarantee is calculated on the basis of the number of years of professional service in the Company up to 31 December 2019, up to a limit of 25 years. Generally, after 31 December 2019, no new rights will be granted under this scheme pursuant to French Order no. 2019-697 of 3 July 2019 concerning supplementary professional retirement schemes, which stipulated the closure of all defined benefit schemes governed by Article L. 137-11 of the French Social Security Code.

The main features of this scheme are as follows:

- around 340 senior managers (active or retired) are concerned;
- the minimum length of service requirement was 10 years at the time of closure of the scheme on 31 December 2015;
- the income guarantee is calculated on the basis of the number of years of professional service in the Company until 31 December 2019, capped at 25 years, each year leading to a progressive and regular increase of 1.8% in the level of the guarantee. The income guarantee may not exceed 50% of the calculation base or exceed the average of the fixed portion of salaries; and
- the guarantee is financed by contributions paid to an insurance institution. These contributions are deductible from corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

The pension rights of Mr Nicolas Hieronimus are no longer likely to change insofar as he has more than 25 years of service, the ceiling above which no additional annuity is granted under this scheme.

For information purposes, the gross estimated amount of the pension that would be paid to Mr Nicolas Hieronimus, under L'Oréal's "Garantie de Ressources des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme, had he been able liquidate on 31 December 2021 his full-rate pension rights under French Social Security, after 34 years of service within L'Oréal, would represent €1.56 million.

This information is given as an indication after estimating the main pension rights accrued by Mr Nicolas Hieronimus as a result of his professional activities, according to the rules for payment of such pensions in force at 31 December 2021, which may be subject to change.

The amount of the pension paid to Mr Nicolas Hieronimus under L'Oréal's "Garantie de Ressources Dirigeants" (income guarantee for senior managers) will only be calculated on the date when he applies for all his pensions.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the completion of the beneficiary's career in the Company. The funding of this scheme by L'Oréal cannot be broken down individually by employee.

4) AMF summary table

The table set out below, presented in the form recommended by the French Financial Markets Authority (AMF), clearly shows that there are no concurrent benefits under the suspended employment contract and the corporate office.

It is also stated that the AMF considers that a company complies with the AFEP-MEDEF Code when it explains the maintenance of the employment contract of a senior manager as an employee in the Company and his personal situation and provides detailed substantiation in this respect(1).

	Employment contract		Supplementary pension scheme(3)		Indemnities or benefits due or which may become due as a result of termination or change of duties (4)		Indemnities relating to a non-compete clause(5)	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Jean-Paul Agon(1)								
Chairman and Chief Executive Officer (until 30 April 2021)	X		X			X	X	
Chairman of the Board (from 1 May 2021)		X		X		X		X
Mr Nicolas Hieronimus(2)								
Chief Executive Officer (from 1 May 2021)	X		X			X	X	

(1) Mr Jean-Paul Agon's employment contract was suspended throughout the entire length of his executive corporate office. Mr Jean-Paul Agon has been a Director since 25 April 2006, the date on which he was appointed Chief Executive Officer. His term of office was renewed at the Annual General Meeting on 27 April 2010. Mr Jean-Paul Agon was appointed Chairman and Chief Executive Officer on 18 March 2011. His term of office was renewed on 17 April 2014, and on 17 April 2018 for a four-year period. Mr Jean-Paul Agon asserted his retirement rights on 1 May 2021; his employment contract was terminated on that date.

(2) Mr Nicolas Hieronimus has been a Director since 20 April 2021, and has served as Chief Executive Officer since 1 May 2021. Mr Nicolas Hieronimus' employment contract is suspended for the entire length of his executive corporate office. This suspension was approved by the Annual General Meeting on 20 April 2021.

(3) Pursuant to his employment contract, Mr Jean-Paul Agon is entitled to benefit from the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of the Members of the Comité de Conjoncture) scheme as described in chapter 4 of this document. Mr Nicolas Hieronimus is part of the "Retirement Income Guarantee for former senior managers" scheme, also described in chapter 4. These defined benefit pension schemes make the granting of entitlement to benefits conditional on the completion of the beneficiary's career in the company; their financing by L'Oréal cannot be conducted on an individual basis per employee.

(4) No indemnity is due for termination of the corporate office. Under the employment contract, pursuant to the schedule of indemnities of the National Collective Bargaining Agreement for the Chemicals Industry, in the event of dismissal, except in the event of gross misconduct or gross negligence, the dismissal indemnity could not be greater than 20 months' of the remuneration under the employment contract (see section 2.4.3.4. "Application of the related-party agreements scheme" of this document on the accumulated amount of the contractual indemnity and the indemnity due in consideration of the non-compete clause).

(5) In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract (excluding voluntary or compulsory retirement), the indemnity due in consideration of the non-compete clause would be payable every month for two years on the basis of two thirds of the monthly fixed remuneration related to the employment contract unless the executive corporate officer were to be released from application of the clause (see section 2.4.3.4. on the accumulated amount of the convention indemnity and the indemnity due in consideration of the non-compete clause).

2.4.4. Summary table of Mr Jean-Paul Agon's remuneration, Chairman and Chief Executive Officer until 30 April 2021

	2021		2020	
In €	Amounts allocated	Amounts paid	Amounts allocated	Amounts paid
Fixed remuneration	733,333	733,333	2,200,000	2,200,000
Annual variable remuneration(1)	730,400	859,831(2)	859,831 (2)	2 168 831
Exceptional remuneration	-	-	-	-
Remuneration for term of office as Director	-	-	-	-
Benefits in kind	-	-	-	-
TOTAL	**1,463,733**	**1,593,164**	**3,059,831**	**4 368 831**

(1) The variable remuneration due for year N is paid in N+1. The variable remuneration for 2021 was calculated on a proportional basis and will be paid subject to the approval of Resolution 10 by the Annual General Meeting on 21 April 2022.

(2) It should be noted that the Board, meeting on 12 May 2020, agreed to Mr Jean-Paul Agon's wish, given the exceptional context of the Covid-19 crisis and in a spirit of solidarity, to waive for 2020 any remuneration on the financial targets of his annual variable remuneration and any grant of performance shares. The maximum target amount for the annual variable remuneration of Mr Jean-Paul Agon was, therefore, reduced from €2,200,000 to a gross amount of €880,000.

SUMMARY TABLE OF REMUNERATION AND PERFORMANCE SHARES AWARDED TO MR JEAN-PAUL AGON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In €	2021	2020
Remuneration due in respect of the financial year	1,463,733	3,059,831
Value of performance shares granted during the financial year	0	0 (1)
TOTAL	**1,463,733**	**3,059,831**

(1) It should be noted that the Board, meeting on 12 May 2020, agreed to Mr Jean-Paul Agon's wish, given the exceptional context of the Covid-19 crisis and in a spirit of solidarity, to waive for 2020 any remuneration on the financial targets of his annual variable remuneration and any grant of performance shares. The maximum target amount for the annual variable remuneration of Mr Jean-Paul Agon was, therefore, reduced from €2,200,000 to a gross amount of €880,000.

---

(1) AMF, Recommendation no. 2012-02, last updated on 5 January 2022.

HISTORY OF THE STOCK OPTIONS GRANTED TO MR JEAN-PAUL AGON SINCE HIS APPOINTMENT AS A CORPORATE OFFICER THAT CAN STILL BE EXERCISED AT 31 DECEMBER 2021

N/A.

TABLE OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED BY MR JEAN-PAUL AGON DURING THE 2021 FINANCIAL YEAR

N/A.

HISTORY OF CONDITIONAL GRANTS OF SHARES (ACAS) TO MR JEAN-PAUL AGON SINCE HIS APPOINTMENT AS A CORPORATE OFFICER

Grant date	Number of ACAs granted	Performance conditions(3)	Grant value (IFRS fair value)	Date of final vesting of all or part of the ACAs	Number of finally vested shares	First possible date of sale of a portion of these (4)
17 April 2012 (1)	50,000	Yes	3,853,500	18 April 2016	50,000	18 April 2018
26 April 2013 (1)	40,000	Yes	4,494,800	27 April 2017	40,000	27 April 2019
17 April 2014 (1)	40,000	Yes	4,183,200	18 April 2018	40,000	18 April 2020
22 April 2015 (1)	32,000	Yes	5,167,680	23 April 2019	26,432	23 April 2021
20 April 2016 (2)	32,000	Yes	4,938,240	21 April 2020	32,000	21 April 2020
20 April 2017 (2)	32,000	Yes	5,340,800	21 April 2021	26,544	21 April 2021
17 April 2018 (2)	30,000	Yes	5,285,100	18 April 2022	30,000	18 April 2022
18 April 2019 (2)	24,000	Yes	5,430,000	19 April 2023	N/A	19 April 2023

(1) At the end of the vesting period, Mr Jean-Paul Agon, as a French resident on the date of granting the shares, is required to hold the fully vested shares for an additional two-year period during which the shares may not be transferred.
(2) The 20 April 2016, 20 April 2017, 17 April 2018 and 18 April 2019 Plans set a four-year vesting period, without any holding period.
(3) See the performance conditions described in chapter 7 of this document.
(4) Mr Jean-Paul Agon, as corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his duties. Mr Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.

TABLE OF PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE 2021 FINANCIAL YEAR FOR MR JEAN-PAUL AGON

Grant date	Number of fully vested shares	Grant value (IFRS fair value)	Date of final vesting of all or part of the ACAs	First possible date of sale of a portion of these
17 April 2014 (1)	40,000	4,183,200	18 April 2018	18 April 2020
20 April 2016 (1)	32,000	4,938,240	21 April 2020	21 April 2020
20 April 2017 (1)	26,544	4,430,194	21 April 2021	21 April 2021

(1) Mr Jean-Paul Agon, as corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his duties. Mr Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.

2.4.5. Summary table of the remuneration of Mr Jean-Paul Agon, Chairman of the Board of Directors from 1 May 2021

	2021	
In €	**Amounts allocated**	**Amounts paid**
Fixed remuneration	1,066,666	1,066,666
Annual variable remuneration	-	-
Exceptional remuneration	-	-
Remuneration for term of office as Director	-	-
Benefits in kind	-	-
TOTAL	**1,066,666**	**1,066,666**

2.4.6. Summary table of the remuneration of Mr Nicolas Hieronimus, Chief Executive Officer from 1 May 2021

	2021	
In €	**Amounts allocated**	**Amounts paid**
Fixed remuneration	1,333,333	1,333,333
Annual variable remuneration⁽¹⁾	1,552,667	N/A
Exceptional remuneration	-	-
Remuneration for term of office as Director	-	-
Benefits in kind	-	-
TOTAL	**2,886,000**	**1,333,333**

(1) The variable remuneration due for year N is paid in N+1. The variable remuneration for 2021 will be calculated on a proportional basis and paid subject to the approval of Resolution 12 by the Annual General Meeting on 21 April 2022.

SUMMARY TABLE OF REMUNERATION AND PERFORMANCE SHARES AWARDED TO MR NICOLAS HIERONIMUS, CHIEF EXECUTIVE OFFICER

In €	**2021**
Remuneration due in respect of the financial year	2,886,000
Value of performance shares granted during the financial year	5,768,780
TOTAL	**8,654,780**

HISTORY OF THE STOCK OPTIONS GRANTED TO MR NICOLAS HIERONIMUS SINCE HIS APPOINTMENT AS A CORPORATE OFFICER THAT CAN STILL BE EXERCISED AT 31 DECEMBER 2021

N/A.

TABLE OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED BY MR NICOLAS HIERONIMUS DURING THE 2021 FINANCIAL YEAR

N/A.

HISTORY OF CONDITIONAL GRANTS OF SHARES (ACAS) TO MR NICOLAS HIERONIMUS SINCE HIS APPOINTMENT AS A CORPORATE OFFICER

Grant date	**Number of ACAs granted**	**Performance conditions⁽¹⁾**	**Grant value (IFRS fair value)**	**Date of final vesting of all or part of the ACAs**	**Number of finally vested shares**	**First possible date of sale of a portion of these ⁽²⁾**
7 October 2021	17,000	Yes	5,768,780	7 October 2025	N/A	7 October 2025

(1) See the performance conditions described in chapter 7 of this document.

(2) Mr Nicolas Hieronimus, as corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his term of corporate office. Mr Nicolas Hieronimus has undertaken not to enter into any risk hedging transactions.

TABLE OF PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE 2021 FINANCIAL YEAR FOR MR NICOLAS HIERONIMUS

N/A.

2.5. SUMMARY TABLE OF THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE WHICH HAVE NOT BEEN APPLIED

AFEP-MEDEF Code recommendations	L'Oréal's practices and justifications
Composition of the Committees: proportion of independent members of the Committees (points 16.1 and 17.1 of the AFEP-MEDEF Code)	
The proportion of independent Directors on the Audit Committee must be at least two-thirds.	The Audit Committee consists of 60% of independent Directors (i.e., three out of five, excluding Directors representing the employees). The Committee is chaired by Ms Virginie Morgon, an independent Director. The Board of Directors considers this composition satisfactory in light of the necessary presence of two Directors from L'Oréal's majority shareholders and its choice of maintaining a limited number of members in order to ensure the efficiency of the work of this Committee which requires a certain level of expertise in finance or accounting.
The Selection or Appointments Committee and the Remuneration Committee must be composed of a majority of independent Directors.	The Nominations and Governance Committee currently consists of 50% independent Directors. The Committee is chaired by Ms Sophie Bellon, an independent Director. Furthermore, in 2021, the Haut Comité de Gouvernement d'Entreprise (High Committee on Corporate Governance) restated that "*an Audit Committee in which three of the five members are independent, or a Remuneration Committee in which two of the four members are independent, complies with the spirit of the code as long as it is chaired by an independent Director*" and acknowledged that a committee in which 50% (rather than a majority) of the members are independent Directors complies with the recommendation of the Code as long as the chairman of the committee is independent (November 2021 report).
Employment contract of the corporate officer (point 22 of the AFEP-MEDEF Code)	
It is recommended, though not required, that when a senior manager becomes a director and corporate officer of the Company, his/her employment contract with the Company or another company of the Group should be terminated by agreed termination or by resignation.	The Board of Directors considered that the objective pursued by this recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating the benefits related to the employment contract from those tied to his corporate office. This position of the Board applies to the current office of Mr Jean-Paul Agon as Chairman and Chief Executive Officer (which ended on 30 April 2021) and to the ongoing office of Mr Nicolas Hieronimus as Chief Executive Officer and, in the future, to any new executive officer appointed who has over 15 years of service in the Group at the time of appointment. L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their career in the Group as executive corporate officers. This is how Mr Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed Chief Executive Officer in April 2006, followed by Chairman and Chief Executive Officer in 2011, following a brilliant career spanning 27 years within L'Oréal. The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, Mr Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr Jean-Paul Agon would lose the status he acquired as a result of the twenty-seven years he spent working for the Group as an employee. The situation of Mr Nicolas Hieronimus is similar: he became Chief Executive Officer from 1 May 2021, after a highly successful 34-year career in the Group. The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, his employment contract with L'Oréal were to be terminated, Mr Nicolas Hieronimus would lose the status he acquired as a result of the 34 years he spent working for the Group as an employee. The AMF, in its Recommendation 2012-02 last updated on 5 January 2022, considers that a senior manager's length of service as a company employee and their personal situation may justify maintaining their employment contract if the company provides explanations adapted to the individual situation of each executive (length of service and description of the benefits granted under the employment contract).

2.6. SUMMARY STATEMENT OF TRADING BY DIRECTORS AND CORPORATE OFFICERS IN L'ORÉAL SHARES IN 2021

(Article 223-26 of the General Regulation of the Autorité des Marchés Financiers)

Person concerned	Description of the financial instrument	Nature of transaction	Number of transactions	Total amount
Jean-Paul Agon Chairman and Chief Executive Officer until 30 April 2021 Chairman of the Board of Directors since 1 May 2021	Equity securities	Final vesting of free shares granted subject to performance conditions (ACAs)*	1	€0.00
	Equity securities	Other **	3	€0.00
	Equity securities	Sale	7	€20,943,314.02
Mr Nicolas Hieronimus Director since 20 April 2021 Chief Executive Officer since 1 May 2021	Equity securities	Final vesting of free shares granted subject to performance conditions (ACAs)***	1	€0.00
Ms Virginie Morgon Director	Equity securities	Acquisition	1	€99,877.7
Mr Georges Liarokapis Director	Employees Mutual Fund (FCPE)	Acquisition	1	€22,309.55
Company (Nestlé) linked to Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch (Directors)	Equity securities	Sale****	1	€8,904,000,000.00

* *Delivery on 21 April 2021 of the ACAs Plan of 20 April 2017 (see section 2.4.4. "Summary table of Mr Jean-Paul Agon's remuneration, Chairman and Chief Executive Officer until 30 April 2021" of this document).*

** *Donations made by Mr Jean-Paul Agon.*

*** *Delivery on 21 April 2021 of the ACAs Plan of 20 April 2017 (see section 2.4.6. "Summary table of the remuneration of Mr Nicolas Hieronimus, Chief Executive Officer from 1 May 2021" of this document).*

**** *Transfer by Nestlé to L'Oréal of 22,260,000 L'Oréal shares as part of its redemption programme authorised by the Annual General Meeting of 20 April 2021 (see section 7.3. "Shareholder structure" and section 7.3.6. "Buyback by he Company of its own shares" of this document).*

2.7. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

(Annual General Meeting held to approve the financial statements for the year ended 31 December 2021)

This is a translation into English of the statutory auditors' report on regulated agreements issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

L'Oréal
14, rue Royale
75008 Paris

To the L'Oréal Annual General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements, if any. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (Code de commerce), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Annual General Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements submitted to the approval of the Annual General Meeting

Agreements authorized and entered into during the year

Pursuant to Article L.225-40 of the French Commercial Code, the following agreement entered into during the year and previously authorized by the Board of Directors, has been brought to our attention.

Agreement relating to the buyback by L’Oréal of its own shares from Nestlé

Persons concerned:

- Nestlé S.A., a shareholder of your company with over 10% voting rights;
- Paul Bulcke, director of your Company and Chairman of the Nestlé S.A. Board of Directors

Furthermore, Béatrice Guillaume-Grabisch, director of your Company and employee of Nestlé, did not take part in the deliberations and the vote due to a potential conflict of interest within the meaning of the AFEP/MEDEF code and the Board of Directors’ internal regulations.

Nature and purpose

On 5 November 2021, your Board of Directors decided, at the recommendation of a special committee mostly comprising independent directors, to voluntarily appoint Cabinet Ledouble as independent expert in connection with the planned buyback of its own shares held by Nestlé.

The independent expert concluded that, from a financial perspective, the buyback price was fair for your Company and its shareholders, the transaction would not affect L’Oréal’s financial balances and investment capacity and the transaction conducted in your Company’s interest would be accretive for its shareholders and accounted for as a regulated agreement. The special committee reported on the expert’s work and submitted its recommendations to the Board.

On 7 December 2021, your Board of Directors, having familiarized itself with the conclusions of the independent expert’s report and the special committee’s recommendations, unanimously authorized the conclusion, between your Company and Nestlé, of a L’Oréal share buyback agreement. The directors concerned did not take part in either the deliberations or the vote(1).

Terms and conditions

This agreement, concluded at the close of the Board of Directors’ meeting of 7 December 2021, involved the buyback from Nestlé of 22,260,000 L’Oréal shares representing 4% of its share capital and voting rights as of 30 November 2021. The unit price of each repurchased L’Oréal share was €400, representing a total price paid of €8,904,000,000.

The share buyback transaction was performed under the 16th resolution voted by the Combined Annual General Meeting of 20 April 2021, via an off-market block purchase, financed by L’Oréal’s available cash in the amount of €4.5 billion and bank loans for the remainder.

On 15 December 2021, the repurchased shares were earmarked for cancellation. On 9 February 2022, your Board of Directors canceled, with effect as of 10 February 2022, the 22,260,000 L’Oréal shares pursuant to the Board of Directors’ decisions of 7 December 2021.

Reasons justifying the agreement is in the Company’s interest:

Your Board of Directors considered that this transaction with Nestlé represented a new strategic phase in boosting the stability of L’Oréal’s shareholding structure, in the interest of your Company and all its shareholders, since it will help optimize your Company’s balance sheet by benefiting from excellent financing conditions and maintaining substantial financial leeway to secure the Group’s future development. Furthermore, your Board of Directors deemed that the transaction will also have a full-year accretive impact of over 4% on L’Oréal net earnings per share.

Agreements previously approved by the Annual General Meeting

Previously approved agreements that remained in force during the year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreement, previously approved by Annual General Meetings of prior years, has remained in force during the year.

---

(1) *Furthermore, Françoise Bettencourt Meyers, Jean-Victor Meyers and Nicolas Meyers did not attend the Board of Directors’ meetings and therefore did not take part in the discussions and voting of any deliberations on this buyback of shares and their subsequent cancellation.*

Agreement concerning Jean-Paul Agon, Chairman and Chief Executive Officer until 30 April 2021 and Chairman of the Board of Directors as of 1 May 2021

Nature and purpose

- Suspension of Jean-Paul Agon's employment contract during the term of his corporate office (i.e. until 30 April 2021)
- In the event of termination of his employment contract during the term of office, and depending on the reasons for such termination, Jean-Paul Agon will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request payable under the employment contract that has been suspended.

  These indemnities, which are attached solely to termination of the employment contract and in strict application of the French collective bargaining agreement for the chemicals industry (Convention collective nationale des industries chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

  Jean-Paul Agon should also continue benefiting from the defined-benefit pension scheme currently applicable to the Group's senior managers, as described in chapter 2 of the management report.
- Jean-Paul Agon will continue to be treated in the same way as a senior manager throughout the term of his corporate office, which allows him to benefit from the additional social protection schemes, including the defined-contribution pension scheme and employee benefit and healthcare scheme applicable to the Company's employees, as set out in chapter 2 of the management report.

Terms and conditions

On 30 April 2021, Jean-Paul Agon informed the Company of the termination of his employment contract as of such date in order to collect his pension as of 1 May 2021 following his 42 year career in the Company.

Pursuant to the agreement approved by the Annual General Meeting of 27 April 2010, the provisions relating to the retirement of Jean-Paul Agon were applied:

Payment of a retirement benefit as provided by the French collective bargaining agreement for the chemicals industry

A retirement benefit, attached solely to termination of the employment contract, was paid to Jean-Paul Agon in May 2021 in strict accordance with the public policy rules of French labor law, the French collective bargaining agreement for the chemicals industry and the company-level agreements applicable to all L'Oréal managers. This benefit was determined based on the remuneration at the contract suspension date in 2006 after applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse nationale d'assurance vieillesse).

As of 1 January 2021, this revalued remuneration comprised a fixed portion of €1,731,000 and a variable portion of €1,442,500. The gross retirement benefit totaled €2.12 million, i.e. 8 months of the aforementioned revalued remuneration.

No non-compete compensation was paid to Jean-Paul Agon as the non-compete clause was not applicable in the event of retirement.

- Liquidation without payment of pension under the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover for Members of the Comité de Conjoncture) scheme

  The gross amount of the pension paid to Jean-Paul Agon, under L'Oréal's "Garantie de Retraite des Membres du Comité de Conjoncture" scheme, represents €1.59 million, i.e. around 36% of the target fixed and variable remuneration he received as corporate officer.

The Board of Directors agreed to Jean-Paul Agon's wish to waive this supplementary pension so as not to combine it with the remuneration of €1,600,000 proposed by the Board of Directors on 11 February 2021 and approved by the Combined Annual General Meeting of 20 April 2021.

Agreements approved during the year

We have been informed that the following agreement, previously approved by the Combined Annual General Meeting of 20 April 2021, based on the Statutory Auditors' special report of 17 February 2021, remained in force during the year.

Agreement concerning the position of Nicolas Hieronimus whose employment contract was suspended upon his appointment as Chief Executive Officer on 1 May 2021

Nature and purpose

On 11 February 2021, your Board of Directors authorized an agreement to suspend the employment contract between your company and Nicolas Hieronimus, former Deputy Chief Executive Officer and employee of your company, who became the Company's Chief Executive Officer as of 1 May 2021, following the decision of the Board of Directors' meeting held at the close of the Annual General Meeting of 20 April 2021.

This agreement was entered into following the Board of Directors' meeting and became effective as of 1 May 2021.

Terms and conditions

- Suspension of Nicolas Hieronimus' employment contract during the term of his corporate office.

  In the event of termination of his suspended employment contract during the term of office, and depending on the reasons for such termination, Nicolas Hieronimus will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request payable under the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the French collective bargaining agreement for the chemicals industry (Convention collective nationale des industries chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

  Nicolas Hieronimus will continue to benefit, under his employment contract suspended for the term of his corporate office, from the "Garantie de Ressources des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee for former senior managers) scheme, closed to new entrants as from 31 December 2015. Indemnities are calculated according to the number of years of professional activity within the company as of 31 December 2019, up to a maximum of 25 years. In general, subsequent to 31 December 2019, no new entitlement is granted under this scheme pursuant to Order 2019-697 of 3 July 2019 on supplementary pension schemes, which provides for the closure of all defined-benefit schemes governed by Article L.137-11 of the French Social Security Code (Code la sécurité sociale). The main features of this scheme are described in Note 4.3.2.5 to the 2020 L'Oréal Universal Registration Document. In this specific case, Nicolas Hieronimus reached the limit of 25 years' professional activity in the Group provided under the scheme in 2012 and therefore has not benefited from any new entitlement to supplementary annuities since such date.

  Under his employment contract and in accordance with the French collective bargaining agreement for the chemicals industry, in the event of termination of the employment contract, the compensation under the non-compete clause would be payable monthly over two years based on two-thirds of the monthly fixed remuneration provided for in the suspended employment contract, unless Nicolas Hieronimus was released from the application of this clause. This clause is not applicable in the event of voluntary retirement or retirement at the Company's request and no non-compete compensation would be paid in this situation.

  Under no circumstances shall the remuneration received for the corporate office be taken into consideration in calculating benefits likely to be payable under the above-mentioned employment contract.
- Terms and conditions relating to the suspension of Nicolas Hieronimus' employment contract
  - The reference remuneration to be taken into account for all entitlements attached to the employment contract will be based on the amount of remuneration at the date of suspension of the employment contract, namely, fixed remuneration of €1,750,000 and variable remuneration of €1,850,000. This reference remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse nationale d'assurance vieillesse). As of 1 January 2022 it comprised a fixed portion of €1,769,250 and a variable portion of €1,870,350.
  - The length of service applied will cover his entire career within the Group, including his years as corporate officer.
- Nicolas Hieronimus will continue to be treated in the same way as a senior manager throughout the term of his corporate office, which allows him to benefit from the additional social protection schemes, including the defined-contribution pension scheme and employee benefit and healthcare schemes applicable to the Company's employees. This information is contained in the remuneration policy submitted for approval to the Annual General Meeting of 21 April 2022.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2022
The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire FERRIE	David DUPONT-NOEL

3

RISK FACTORS AND CONTROL ENVIRONMENT*

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

This Chapter presents the internal control environment of L'Oréal, including the system relating to the preparation and processing of accounting and financial information, based on the various work carried out by the Group's Internal Control and Risk Management departments. It includes the description of risk factors pursuant to Regulation (EU) 2017/1129 of 14 June 2017 ("Prospectus Directive III"), as well as the associated risk management policy. These risks are presented in four categories: (i) business risks, (ii) industrial and environmental risks, (iii) legal and regulatory risks, (iv) financial and market risks. The main non-financial risks within the meaning of the Non-Financial Performance Statement, as defined by Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code, are described in Chapter 4 of this document (see section 4.2.). This Chapter also includes the Vigilance Plan drawn up pursuant to Article L. 225-102-4 of the French Commercial Code.

3.1. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

3.1.1. Reference work

For the preparation and drafting of this Document and the definition of Internal Control, L'Oréal used the Reference Framework and its application guide initially published in January 2007, and updated on 22 July 2010 by the Autorité des Marchés Financiers (AMF).

3.1.2. Internal Control objectives

At L'Oréal, Internal Control is a system that applies to the Company and its consolidated subsidiaries (the "Group") and aims at ensuring that:

- economic and financial targets are achieved in compliance with the laws and regulations in force and the Group's Ethical Principles and standards;
- the orientations set by General Management are followed;
- the Group's assets and reputation are valued and protected; and
- the Group's financial and accounting information is reliable and provides true and fair statements.

By contributing to preventing and managing the risks to which the Group is exposed, the purpose of the Internal Control system is to enable the Group's manufacturing and economic development to take place in a steady and sustainable manner in a control environment appropriate for the Group's businesses. There are however limits inherent in any system and process. These limits result from a number of factors, in particular the uncertainties of the outside world or malfunctions that may occur due to technical or human failures.

The handling of a risk relies in particular on a reasonable informed choice between the challenges to be controlled, the opportunities to be seized and the cost of the risk management measures, taking into account the effects of these measures on the occurrence and impact of the risk.

3.1.3. Continuous improvement of the Internal Control system

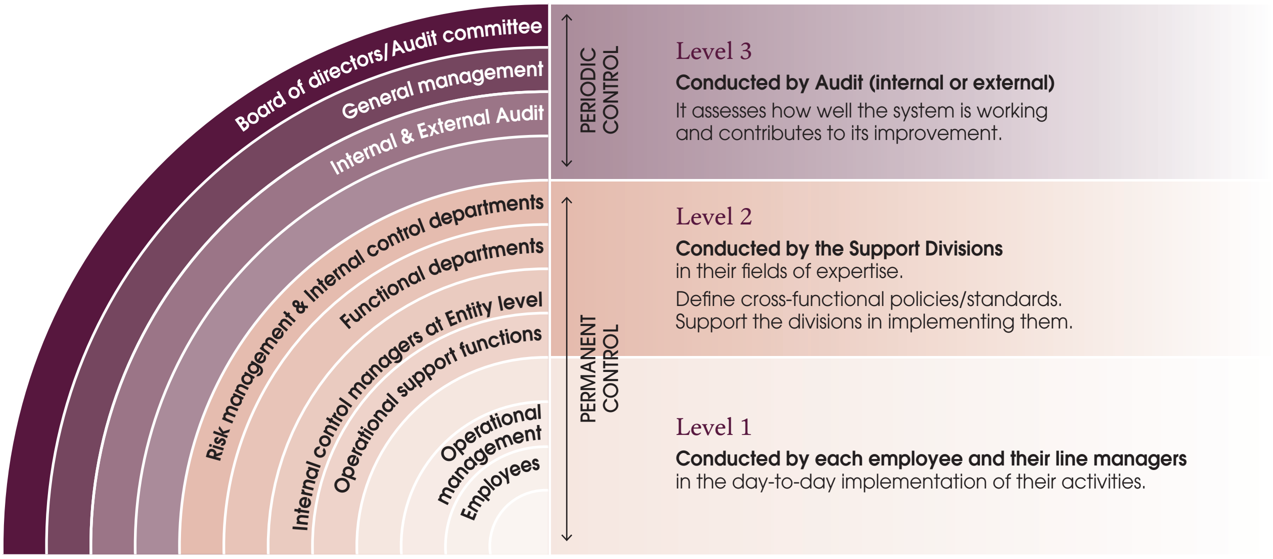
Within a continuous improvement process, the Group continued its efforts to improve the system of Internal Control in 2021 by taking the following actions:

- review of the Group matrix for segregation of duties and the associated control environment;
- new operational guides made available to remind the Group's principles and enable the sharing of best practices (e.g. philanthropy policy);
- establishment of the "Fundamentals of Internal Control" digital library, with new areas covered (prevention of corruption, vigilance points on competition);
- regular update of existing reference frameworks to be adapted to new challenges;
- updated version of the Group's digital referential (see section "Communication of information inside the Group" in section 3.2.1. "Organisation and environment" of this document); and
- revamping of the programme to raise awareness of the risks of fraud.

The deployment of online training (prevention of corruption, data security, competition, cyber security, personal data protection) is ongoing.

The network of Internal Control managers continued to be built up worldwide through:

- specific training courses;
- informative webchats for sharing updates on Group projects and business standards; and
- a special-purpose communication platform that encourages and facilitates the sharing of best practices.



Level 3

Conducted by Audit (internal or external)

It assesses how well the system is working and contributes to its improvement.

Level 2

Conducted by the Support Divisions in their fields of expertise.

Define cross-functional policies/standards. Support the divisions in implementing them.

Level 1

Conducted by each employee and their line managers in the day-to-day implementation of their activities.

3.2. COMPONENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

3.2.1. Organisation and environment

The control environment, which is critical to the Internal Control system, good risk management and the application of procedures, is based on behaviour, the organisational structure and employees. At L'Oréal, it forms part of a culture of rigour and commitment communicated by senior management and is also in line with the Group's strategic choices.

The Group's Ethical Principles

Ethical Principles

L'Oréal has built up its business on the basis of strong ethical principles that guide its development and contribute to establishing its reputation: Integrity, Respect, Courage and Transparency. The Group's policies on sustainable development, social and societal responsibility, compliance and philanthropy are based on the Ethical Principles.

L'Oréal's Code of Ethics is available in 45 languages and in Braille in English and French. It is distributed to all employees around the world. It enables employees to understand how these Ethical Principles need to be reflected in their behaviour and actions by providing simple rules and a description of concrete situations they may encounter. The Code of Ethics applies to all employees, directors and corporate officers and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. Since 2010, 16 supplements to the Code of Ethics have covered certain aspects of the Code in more detail.

The Chief Ethics, Risk and Compliance Officer

The Chief Ethics, Risk and Compliance Officer reports directly to the Chief Executive Officer and keeps him informed on a regular basis.

His mission on Ethics is to:

- ensure the promotion and integration of best practices within the Group, providing guidance in ethical decision-making;
- oversee employee training;
- oversee the management of complaints and directly manage those related to senior management positions; and
- measure and assess the Company's ethical performance.

The Chief Ethics, Risk and Compliance Officer regularly informs the Board of Directors and the Executive Committee.

He has a dedicated budget and team, unrestricted and on first demand access to all information and documents concerning the Group's business activities and can call upon all the Group's teams and resources to carry out his/her mission.

Implementation of L'Oréal's Ethics and Human Rights approach

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 the Code of Ethics. The Chief Ethics, Risk and Compliance Officer systematically meets each new Country Manager and the Group's senior managers to provide guidance about their role. Senior managers also benefit from a tool to help develop their ethics leadership as well as specific training.

The role of the 77 Ethics Correspondents throughout the world is to assist members of the Executive Committee and Country Managers in implementing the Ethics programme and to provide all employees with a local point of contact, whilst promoting the normal routes for handling concerns by management and Human Resources. The Ethics Correspondents benefit every year from a specific support and training programme.

The Chief Ethics, Risk and Compliance Officer regularly visits the Group's entities all over the world (head offices, factories, distribution centres and research centres) to meet employees at all levels of the Company and visit the various sites.

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.

The ethical and Human Rights risks are mapped and regularly updated, which also includes suppliers and subcontractors (see section 3.4.3. "General framework of risk analysis" of this document). A practical tool has been created to enable Country Managers to assess and analyse possible local ethical risks and to take the necessary prevention measures. An annual reporting system is used to monitor the implementation of the Ethics and Human Rights programme. The subsidiaries are informed of their potential areas for improvement by the Department of Ethics, Risk and Compliance. Ethics risks are systematically reviewed during audit assignments, through individual interviews. These interviews are conducted separately with the Country Manager and the Administrative and Financial Director.

For prospective acquisitions, the responses to the Ethics and Human Rights questionnaire submitted to target companies serve to identify whether such companies take account of the risks related to business ethics, among others.

A specific and compulsory e-learning course on ethics is available in all subsidiaries. As of 31 December 2021, 76% of employees with access to the online module had completed this course. The Ethics, Risk and Compliance Department also provides face-to-face training as part of the ongoing training of managers and certain business functions (Country Managers, Buyers, Human Resources).

Compliance with the Ethical Principles is integrated in the annual appraisal system for all employees through three ethical competences: "Takes initiatives with courage and transparency", "Achieves results with integrity" and "Acts with integrity and respects others".

Regular communication with stakeholders and establishment of internal working groups facilitate the inclusion of Ethics in the Group's new policies and strategic decisions (for example, the Ethical and Responsible Sponsorship Policy in 2021).

Regular audits of the Group's sites and those of its suppliers and subcontractors, the Group's secure whistleblowing line (www.lorealspeakup.com) accessible to all Group stakeholders, as well as a procedure to collect and process reports to manage any violations.

In 2021, 379 possible ethical violations were identified either via the secure website, the Ethics Correspondents, or local or international management. The cases reported are thoroughly examined and appropriate measures are taken, where applicable. Employees are regularly informed of the number of reports discrimination, sexual and other types of harassment at Group level worldwide, the number of fully or partially substantiated cases and the corrective measures taken.

Ethics Day: an annual day on ethics

Ethics Day has been held since 2009: a live stream with the Chief Executive Officer enables all of the Group's employees to ask questions and discuss the day-to-day application of L'Oréal's Ethical Principles. Each member of the Executive Committee and each Country Manager also organises local ethics discussions. In 2021, close to 40,000 connections were made across all sessions. Employees were heavily involved in this dialogue on Ethics, asking more than 8,000 questions.

In addition to the Ethics Day, employees receive regular information about the Group's Ethical policy and have access to a dedicated Intranet site.

L'Oréal's Corporate Social Responsibility

For many years, L'Oréal has begun a profound transformation of its model, in all areas, in order to adapt to the great changes in the world. In the firm belief that sustainable development is an essential factor for success and durability, L'Oréal is deploying an ambitious corporate social responsibility policy, which is shared by its management and teams (see section 4.3. "Policies, performance indicators and results" of this document).

In June 2020, L'Oréal initiated the second generation of its commitments to sustainable development, under the umbrella of a programme called L'Oréal for the Future, with a new set of particularly ambitious targets for 2030, in order to cover all the impacts associated with the Group's value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers. L'Oréal for the Future thus marks a new ambition for the sustainable development of L'Oréal with the intention to capitalise on previous achievements: the commitment from 2009 to reduce the environmental footprint of factories and distribution centres by 50% compared to 2005, then the Sharing Beauty With All programme launched in 2013 with sustainable production, sustainable innovation, sustainable consumption and shared growth targets for 2020, which has made sustainable development one of the Group's key strategic pillars.

In 2015, L'Oréal also undertook to define Science-Based Targets (SBT) to reduce its greenhouse gas emissions across its entire value chain over the long term, in accordance with the Paris Climate Change Agreements. In December 2017, the SBT initiative validated the Group's proposal: L'Oréal is committed to reducing greenhouse gas emissions on its Scopes 1, 2 and 3 by 25% in absolute value by 2030, compared with the 2016 baseline.

The sustainable development Coordinators worldwide are tasked with helping the Country Managers/Area Managers/Division Managers/Brand Managers in the implementation of the programme within their entity. The progress in local implementation of the Group's commitments is monitored by means of an annual reporting system.

The Corporate Social Responsibility risks, and the progress of the policies put in place to deal with these risks, are reviewed regularly as part of the Internal Audit process and reported to the Audit Committee.

Since 2019, in collaboration with the Ethics, Risk and Compliance Department, L'Oréal's Corporate Social Responsibility Department has conducted a deeper assessment of the risks related to climate change on the Group's operations, using in particular the scenario analysis method, in order to improve its ability to anticipate and mitigate the impact of these risks.

It should be noted that the financial risks related to the effects of climate change and the measures taken by the Group to reduce them are described in Chapter 4 "L'Oréal's Social, Environmental and Societal Responsibility".

The Chief Corporate Responsibility Officer is L'Oréal's representative for the United Nations Global Compact and the NGOs linked to its activity.

Human Resources policy

The quality and skills of male and female employees are key components of the Internal Control system.

L'Oréal's Human Resources (HR) Department has always had the mission of supporting the Group's growth and supporting its transformation initiatives. In order to be sustainable, L'Oréal's growth relies first and foremost on the men and women in the Company, who are the key drivers of the Group's success. Built on this conviction, the Group's human and social project is based on highly individualised management of employees and on collective strength.

L'Oréal's HR policy focuses on the identification, recruitment and development of employees throughout their career, and on the rewarding and commitment of all, as well as on an active policy on diversity and inclusion. Dedicated policies are developed within the Group in each of these areas (see section 4.3.2. "Human Resources policy" of this document).

Information systems

The information systems, chosen in accordance with the strategic orientations given by the Group's Global IT Department, integrate, in particular, implementation of a single "ERP" (Enterprise Resource Planning) management software application used by the vast majority of commercial subsidiaries, and which issues instructions regarding systems security. The worldwide roll-out of this integrated software package also contributes to strengthening the reliability and security of the process of producing information, notably accounting and financial information. In pursuit of the same objective, the deployment of an integrated production and management solution in the Group's manufacturing entities is continuing.

The procedures and standards governing the activities

Each Support Department is responsible, in its own specific field, for defining the principles and standards applicable to all the entities. In order to make it easier for employees to make these principles and standards their own, the key principles are summarised in the "Fundamentals of Internal Control", which are regularly updated under the responsibility of the Ethics, Risk and Compliance Department.

This guide is a reference framework for the Group's operational activities, and is presented in the form of an information sheet for each area. Each information sheet refers to the detailed charters, codes and standards of the Group. The sheets are regularly updated, expanded and validated by the Support Departments.

A management segregation of duties standard is regularly updated and distributed to all entities. It defines the main rules to be observed in the fields of sales, purchasing, logistics, finance, human resources and information systems management. The application of these rules is aimed at better preventing of the risks of fraud and reducing the probability that errors (whether intentional or not) may remain undetected.

Communication of information inside the Group

The "Fundamentals of Internal Control" guide is circulated to the Managing Directors, Finance Directors, and Internal Control managers of all the consolidated subsidiaries, including manufacturing entities. Furthermore, the Fundamentals, codes, charters and standards, together with the information related to the organisation, changes and instructions from the Support Departments are made permanently available to the subsidiaries on the Group's Intranet sites.

A Group digital standard provides all employees with guides, charters and expert contacts organised by function and by subject.

Meetings are regularly organised aimed at passing on information about orientations of the General Management to managers of the subsidiaries. The Support Departments also coordinate their networks of experts through seminars and training sessions. News published on the Intranet gives employees news updates and meaningful messages on Internal Control.

Lastly, communication within the Group on the main priorities of Internal Control is promoted by the "Internal Control Awards", which every two years reward the best global initiatives, and through the Internal Control Department's intranet, which makes it possible to communicate all over the world on Internal Control initiatives, tools and events.

3.2.2. Control and supervision activities: those involved and their roles

Risk management and Internal Control is the business of everyone, from governance bodies to all employees.

This system is the subject of ongoing supervision in order to verify its relevance and meets the Group's objectives and addresses its issues.

The main players involved in monitoring Internal Control and risk management are:

- the General Management and its Management Committee (Executive Committee);
- the Board of Directors and the Audit Committee in particular;
- the Ethics, Risk and Compliance Department, the Internal Control Department and the Internal Audit Department;
- the Support Departments; and
- the Operational Divisions and Geographic Zones.

The General Management and its Management Committee (Executive Committee)

The role of the General Management is to define the general principles regarding Internal Control and to ensure that they are correctly put in place. In the context of their global Internal Control responsibilities, the members of the Executive Committee rely on operational and functional managers, according to their respective areas of expertise. These managers must ensure implementation of these general principles and the correct functioning of the procedures enabling the level of Internal Control required by General Management to be attained.

The Board of Directors and Audit Committee

The Board of Directors has always asserted the importance that it attributes, together with General Management, to Internal Control and to its main areas of application. The activities of the Board of Directors are reported in section 2.3.2 "Activities of the Board of Directors" of this document, and the duties entrusted to its Chairman in section 2.1.3.2. "Relationships between the Board and General Management" of this document.

Since its creation, the Audit Committee has been responsible for monitoring actions undertaken in the area of Internal Control and it reports thereon to the Board of Directors. Its remits are defined in the Internal Rules of the Board of Directors.

Each year, the Committee performs a review of the Internal Audit plan, its objectives and the general conclusions of Internal Audit assignments. Major Internal Control projects and initiatives are also presented to it. The Committee then prepares a report with its own remarks for the Board of Directors.

The Operational Divisions and Geographic Zones

The Group is organised into worldwide Divisions and geographical zones which are fully responsible, with the management of each country, business or manufacturing entity, for the achievement of the objectives for Internal Control defined by General Management.

Worldwide responsibilities for Internal Control of the activities within the scope of their responsibilities are entrusted to each of the members of the Executive Committee. A system of delegating authorities is in place and continues to be reinforced. The powers of the legal representatives of Group companies and of those to whom they delegate are limited and controlled in accordance with the provisions of the Legal Charter.

Specialists in management, information systems, Human Resources, digital, retail, purchasing, logistics and production provide support to operational employees at all levels of the organisation and contribute in this way to the achievement of the Internal Control objectives.

The Support Departments

Worldwide responsibilities for Internal Control of the activities within the scope of their responsibilities are entrusted to each of the members of the Executive Committee.

The Support Departments define, in their own areas, the strategies, policies and procedures which they communicate to the countries and entities. Through their network of specialists or by regular audits, they bring their expertise to the operational divisions and review the correct operation of their respective areas of responsibility.

The main Departments concerned are:

- the Research, Innovation and Technology Department, which is particularly responsible for cosmeto-vigilance and the quality of the formulas used in the composition of the products (see "Product quality and safety: a priority" in section 4.3.1.3.2. of this document);
- the Purchasing Department with suppliers and their working conditions;
- the Environment, Health & Safety Department, for checks related to site safety, employee health and environmental compliance;
- the Quality Department to measure performance and the progress made by manufacturing entities with regard to the quality of production;
- the Global IT Department, primarily to assess compliance with the Cyber Security Policy;
- the Administration and Finance Department;
- the Human Resources Department, which monitors and supervises all obligations related to personnel management, specifies the documents to be provided to employees, the remuneration of the workforce and personnel expenses, the recruitment, training and evaluation procedures, the rules to be followed in payroll management and the implementation of the Share & Care programme;
- the Engagement and Public Affairs Department, which coordinates communications operations, establishes crisis management principles and ensures that they are applied (see section 3.5.3.1. "Crisis Management" of this document);
- the Digital and Marketing Department, the mission of which is to secure the digital transformation of the Group (e-commerce, consumer relations, influencers, digital media, etc.) by defining the policies, tools, and processes and ensuring that they are deployed; and
- the Security Department, which has defined a security and safety policy for people, travel, property, information and data confidentiality (see section 3.5.3.1. "Safety of people and property" of this document).

Indicators and reporting procedures enable regular monitoring of the local activities of most of these Support Departments.

The Administration and Finance Department

This Department's main role is to assist and control the operational employees in their administrative, financial and legal activities and in the processing of information. In order to do so, it sets the operating rules that apply to all entities, defines and deploys tools, procedures and best practices, particularly in the following areas: management, accounting and consolidation, investments (via the BOLD corporate venture fund) and holdings, financing and cash, taxes, legal issues and data governance (including the protection of personal data), financial communication, strategic planning, and insurance.

An Internal Control Committee has the task of taking all measures to promote the proper understanding and the proper application of the Group's Internal Control rules and also to monitor progress on important Internal Control projects. It is composed of the Chief Financial Officer, and the Directors of Ethics, Risk and Compliance, Internal Control, Operational Finance, Internal Audit and Information Systems (Global IT).

Ethics, Risk and Compliance Department

The objective of this department is primarily to coordinate the processes designed to identify, assess and prioritise risks with all those concerned, and keep the Group's risk mapping analysis up-to-date. Its aim is to promote optimal use of resources to minimise and control the impact of negative events and maximise the performance of opportunities.

The Chief Ethics, Risk & Compliance Officer reports directly to the Chief Executive Officer.

The Internal Control Department

This Department, which is separate from Internal Audit, is under the responsibility of the Ethics, Risk and Compliance Department.

It works with the experts in each of the Group's business lines to define and regularly update the internal control framework relating to their area of activity. This internal control framework is summarised in the "Fundamentals of Internal Control" reference document and detailed in standards and procedures that are listed in the Group's "digital referential".

It also manages and develops a network of around 150 regional and local internal control managers covering all Group entities, whose mission is to apply the internal control framework and support employees in ensuring compliance with this framework.

Frequent participation in seminars, training cycles, webinars with business lines and the publication of notes of engagement help to strengthen knowledge of the internal control framework within the organisation.

Within a continuous improvement process, the Internal Control Department develops, disseminates and coordinates self-evaluation campaigns focusing on the main risks and issues identified, gradually being rolled out in each of the business lines. The self-evaluation of Internal Control makes it possible for the Group's entities to ensure the due and proper functioning of the system and to reinforce it with operational actions.

The Internal Control Committee is driven by the Internal Control Department, which validates directions and priorities with regard to improving the internal control framework, developing the network of internal control managers and the tools used to perform internal control tasks.

In addition, this Department monitors changes related to Internal Control relating to expectations and market practices.

The Internal Audit Department

In addition to its role of monitoring the application of the Internal Control system, the Internal Audit Department carries out cross-functional analyses with regard to possible Internal Control weaknesses based on findings noted during its assignments. These analyses make it possible to direct the work of the Internal Control Committee and to identify the priority areas for improvement and strengthening of procedures.

Internal Audit is carried out by a central team that reports directly to the Chief Executive Officer. This department carries out regular assignments to audit major processes and check on the application of Group principles and standards.

Internal Audit assignments are submitted to the General Management and the Audit Committee for their approval and give rise, with their agreement, to the preparation of an annual audit plan. The Group's risk mapping, the entities' contribution to the Group's key economic indicators, their historical precedence and the results of previous audits are factors that are taken into account when defining remits. The risk level assessment carried out by the area departments and experts in the different business lines is also a determining factor in the elaboration of the annual audit plan. Finally, the remarks made by the external auditors as part of their annual audit are also taken into consideration by the Internal Audit Department when defining its assignments.

In 2021, the Internal Audit Department carried out 50 assignments, 19 of which involved commercial entities, 9 of which were factory reviews, 3 of which were carried out on International Marketing Departments and 12 of which were on targeted processes at Group, Zone or Country level. Of these, 6 were specifically dedicated to digital and e-commerce activities. On the other hand, 2 specific assignments were devoted to certain objectives of the L'Oréal for the Future programme, 2 were dedicated to project management and three were carried out on topics relating to information systems and cyber security.

Audits systematically result in a report that describes the findings and corresponding risks, and provides an action plan covering all recommendations to be implemented by the audited entity. These action plans are followed up regularly by the Internal Audit Department which measures, and communicates to the relevant departments, the rate of progress made in acting on the recommendations.

The Internal Audit Department uses the Group's integrated Enterprise Resource Planning (ERP) software and has developed a number of specific transactions that help it better identify potential weaknesses in the most sensitive processes. The latter were enhanced with Data analytics capacities that are strengthened every year with new standard analyses developed by Internal Audit and by the use of dashboards and analysis tools that the businesses are continually developing for their own management needs. Finally, the Internal Audit Department has a Governance, Risk, Compliance (GRC) tool, which enables it to carry out its tasks using an integrated tool and to consolidate in real-time the progress made in the action plans of the audited entities. This tool is shared with the Internal Control function and thus represents an integrated collaborative platform for the implementation of action plans.

The achievement of the audit plan, the results of assignments and the progress of the action plans are presented to General Management on a regular basis and shared with the Audit Committee and the Group's Statutory Auditors each year.

Global IT Department

The strategic choices in terms of systems are determined by the Group's Global IT Department, whose main mission is to implement ERP management software which is used by the vast majority of the Group's commercial subsidiaries, factories and logistics services. It also supports the digital transformation of the Group by developing the use of Cloud services (SaaS, Iaas, PaaS) and connected objects.

Within the Department, the Information Systems Security Department is responsible for the Information Systems Security Policy. Based on the international ISO 27001 standard, this policy covers the main topics of Information Systems security, including the protection of personal data, and describes the general principles to be applied for each of them. It enables all the Group's Information Systems teams, and by extension, all employees, to share clear objectives, best practices and levels of control adapted to the risks incurred, notably, the risk of cyber attack. This policy is accompanied by an information systems security audit programme conducted by an outside firm. It is also supplemented by an Information and Communication Technologies Code of Practice, and a Code of Good Practice for the use of Social Media.

The Operations Department

This division comprises the Innovation, Product Packaging and Development, Quality, EHS (Environment, Health, Safety), Production management and operational excellence, Purchasing, Supply Chain, Information Systems (production) and industrial strategy departments. It defines the overall Operations strategy worldwide and defines the standards and methods applicable in the areas of quality, safety and the environment for deployment in all the countries in which the Group operates. It manages the Group's comprehensive strategy to enable the teams in the Operational Divisions and regions to implement innovation, manufacturing and logistics policies suited to the markets.

In line with the Group's Code of Ethics, since 2011, buyers have access to a practical and ethical "The Way We Buy" guide which aims at helping all employees in their relationships with the Group's suppliers. Buyers also have the Group's The Way We Compete and The Way We Prevent Corruption guides for which e-learning is provided.

The standard for managing suppliers and tender procedures specify the conditions for competitive tendering and for the registration of the main suppliers. The general terms of purchase form the framework for transactions with the suppliers. The "Purchase Commitments and Order Management" standard is aimed at facilitating and strengthening control of the spending and investments of Group entities.

In the area of the supply chain, the main assignments consist of defining and applying the sales planning, customer demand management, development and control of customer service processes, including through the management of physical order fulfilment, application of the general terms of sale, follow-up of orders, management of customer returns and customer disputes as well as accounts receivable collection procedures. Measures are also recommended for the management of distribution centres and inventories, subcontracting, product traceability, business continuity plans and transportation.

3.3. SYSTEMS RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

For the preparation of this section, L'Oréal based its work on the "Application Guide for Internal Control of accounting and financial information published by issuers", from the Reference Framework published by the French Financial Markets Authority - AMF on 22 July 2010. This approach is part of an overall process aimed at making continual progress and improving the Internal Control system that is already in place.

3.3.1. Definition, scope and objectives

Internal Control for accounting and finance covers the processes that provide accounting data: the process of producing financial information, the accounts closing process and financial communication actions.

The accounting and financial Internal Control process is designed to ensure:

- compliance with accounting regulations and the correct application of the principles on which the financial statements are based;
- application of the guidelines set by the General Management for financial information;
- protection of assets;
- quality of the reporting that contributes to the preparation of published financial statements and the reliability of their centralised processes for the Group for their distribution and use for monitoring purposes; and
- control of the production of financial, accounting and management information including fraud prevention.

The scope of application of the Internal Control procedures relating to the preparation and processing of financial and accounting information encompasses the parent company and all subsidiaries included in the consolidated financial statements.

3.3.2. Monitoring process for the organisation of accounting and finance functions

Organisation of the Finance Departments

Dedicated teams of specialists ensure the implementation of accounting and financial monitoring, under the supervision of General Management, in the following areas: accounting, consolidation, tax matters, management, financial services and treasury.

In the Administration and Finance Department, the Operational Finance Department prepares the Group's consolidated financial results: the latter coordinates the Business Service Centre and a global network of management controllers who are responsible for ensuring compliance with the Group's accounting and management standards to ensure appropriate management of the result. Worldwide accounting management is executed by a team of specialists that ensure the application of IFRS and the implementation and harmonisation of the Group's accounting processes in the accounting Business Service Centre and in the countries. Finally, the Operational Finance Department runs the Group's Tax Department which comprises a network of tax lawyers at corporate level, in the regions and in the Group's most vulnerable countries, monitors changes in regulations, ensures compliance with local rules, and oversees the implementation of the Group's tax policy, and in particular the strict application of the transfer pricing policy and customs rules.

In the Administration and Finance Department, the Corporate Finance Department ensures the protection of the Group's financial assets. The Treasury and Financing Department centralises cash flows and the hedging of currency and interest rate risks. The department leads a network of treasurers in the Zones and countries, and implements the Group's financing policy. The Financial Structure Department undertakes external growth transactions and monitors the financial structures of L'Oréal (S.A.) and its subsidiaries. The Business Opportunities for L'Oréal Development (BOLD) corporate venture fund, which makes minority investments in innovative products and companies, is also managed by the Corporate Finance Department.

Group standards

The Group has put in place a set of accounting policies and standards consistent with IFRS, the consolidated accounting standards.

The application of these standards is compulsory for all consolidated subsidiaries in order to provide uniform and reliable financial information.

The Operational Finance Department oversees the regular update of these Group standards, taking into account the changes in regulations and accounting principles:

- they define the principles required for harmonised accounting treatment of transactions. They specify in particular the methods of recording balance sheet items and of identification and valuation of off-balance sheet commitments. The Group's Accounting Department monitors, on an ongoing basis, new accounting standards currently under preparation, in order to alert the General Management and anticipate their effects on the Group's financial statements; and
- the chart of accounts, common to all subsidiaries, and the key accounting processes provide the definitions and methodology for preparing the reporting necessary to establish the financial statements.

The management standards describe how the rules should be applied operationally. They give the valuation rules for some of the key balance sheet and income statement accounts and also stipulate the controls and checks applicable to the key processes.

The management standards are regularly supplemented and are thus part of the continuous improvement process. The purpose of this work is both to take action in response to the findings of the Internal Audit Department and to cover the areas corresponding to the accounting and financial risks of subsidiaries. This work has made it possible to bring our approach more closely in line with the recommendations set out in the "Application Guide for Internal Control of accounting and financial information" of the French Financial Markets Authority - AMF Reference Framework.

Organisation and security of information systems

Decisions with regard to the selection of software that is adapted to the Group's financial and accounting requirements are made jointly by the Operational Finance Department and the Global IT Department.

At the level of information systems, the teams work on strengthening the procedures for the separation of tasks and improved control of access rights. Tools have been made available to enable them to ensure that access rights comply with the Group's rules.

Management tools

The system for monthly reporting of the various economic indicators enables continuous, homogenous monitoring of changes in the performance of each subsidiary and ensures they are in line with the objectives set.

The reporting and consolidation system, used by all entities, ensures the consistency and reliability of figures at the level of each subsidiary through blocking controls that operate before the financial data is uploaded to Group level. In this regard, the operating profit and loss account by destination, which is common to both management and general accounting, contributes to strengthening the control of accounts in the financial statements through the use of a single reference framework.

In addition, the Group's organisation, which is based on reporting from each subsidiary that is provided directly by the countries to the parent company, without any intermediate aggregates for the vast majority of the subsidiaries, optimises data transfer and the completeness of information and, in particular, verification of data accuracy.

The Chief Executive Officer and Chief Financial Officer of each subsidiary make a joint commitment with regard to the quality, reliability and completeness of the accounting and financial information they have prepared and sent to the Group's Operational Finance Department, through a representation letter that they jointly sign.

Audit Committee

The role and tasks of the Audit Committee are described above. These tasks are in compliance with European regulations and, in particular, Directive 2014/56/EU and EU regulation 537/2014 on statutory audits, and are based on the report by the working group on the Audit Committee published by the AMF on 22 July 2010.

3.3.3. Processes used to prepare accounting and financial information

Operational processes contributing to accounting figures

All of the processes that contribute to accounting figures, particularly sales and purchases, and inventory, fixed asset, payroll and treasury management are covered by specific procedures, follow-up checks and rules for validation, authorisation and booking operations.

Closing of accounts, consolidation and management reporting information

The accounts closing process is governed by precise instructions and is based on a detailed time schedule circulated to all subsidiaries to make sure that deadlines are met and financial statements are prepared in a consistent manner. In this regard, the Group has introduced two hard closings (anticipating the work involved in the closure of financial statements) in May and November which make it possible to better anticipate and speed up closing times. For the preparation of consolidated financial statements, validation procedures apply at each stage of the process of reporting and processing information. Their purpose is to verify in particular that:

- inter-company transactions are correctly adjusted and eliminated (these are reported on a monthly basis);
- consolidation transactions are checked;
- accounting standards are correctly applied; and
- the consolidated published accounting and financial data are harmonised and properly determined and general accounting data and management data used in the preparation of the financial information are consistent.

Financial communication

Managers in charge of Financial Communication prepare a precise timetable for publication of up-to-date information on the Group to the financial markets. This timetable complies with the requirements of market authorities. These managers ensure, with the assistance of the Legal Department, that communications are made within the required deadlines and in accordance with laws and regulations, which they constantly monitor.

Their role is also to publish, precisely and accurately, the information provided by the Operational Finance Department. All material information provided to the financial community reflects with truth and transparency the situation and activities of the Group and the process is carried out in accordance with the principle of equal provision of information to all shareholders.

Statutory Auditors

All accounting and financial information prepared by consolidated subsidiaries is subject to a limited review at the time of the half-year closing process and to a full audit at year-end by the external auditors. Twice a year, the Chief Executive Officer and the Chief Financial Officer of the consolidated subsidiary make a joint commitment as to the fair presentation, reliability and completeness of the financial information by jointly signing a representation letter.

Audit assignments in the countries are almost all entrusted to members of the networks of the two Statutory Auditors who, after having jointly performed the review of all the Group's accounts and the manner in which they were prepared, are responsible for issuing an opinion on the Group's consolidated financial statements. The Statutory Auditors issue an opinion as to whether the consolidated financial statements and the parent company financial statements give a true and fair view. They are kept informed from the early stages of preparation of the financial statements and present an overview of their work to the Group's accounting and finance managers and to the Audit Committee at the time of the half-year and annual closings.

3.3.4. Insurance policy

The Group's general insurance policy

The objective of the Group's insurance policy is to provide the best protection of Group assets and people from the occurrence of major and insurable risks that could adversely affect it.

For that purpose, the Group has implemented global insurance programmes (in particular for Property Damages & Operating Losses, Third-Party Liability, Cyber, Transport, Credit Insurance and Construction) that harmonise coverage and optimise insurance cover for all its subsidiaries throughout the world, except in countries where regulations do not allow this type of arrangement (see "Restrictions" below). National programmes have been set up in the countries in which global programmes cannot be deployed.

This policy is applied as follows:

- at a central level, according to the offering available on the insurance market, the Group negotiates the structure and warranties of the global insurance programmes to cover its main exposures;
- at a local level, local policies not re-insured by a Group programme are deployed in coordination with the Group; and
- in all cases, the subsidiaries must obtain mandatory insurance cover in order to meet their local regulatory obligations.

The financial solvency of insurers chosen is an important criterion in the Group's insurer selection process. Most of the insurance programmes subscribed by the Group involve co-insurance between the various major players in the international insurance market.

Integrated global programmes

General civil liability

This global programme subscribed for the benefit of all Group subsidiaries (except where local Restrictions apply) includes, in particular, civil operational liability, product liability and damage to the environment that is sudden and accidental.

It covers the financial consequences of the civil liability of Group entities, to the extent that they are liable.

Property damages and operating losses

Fire, lightning, explosion, theft and natural disasters are insured within the limits of the products available on the insurance market.

The Group has set up a global programme to cover all its property, chiefly fixed assets and inventories (except where Restrictions apply). This cover also includes a portion on operating losses directly resulting from covered property loss or damage.

As the capacity of the insurance market is limited for certain risks, this programme includes sublimits, particularly as regards natural disasters.

Through its reinsurance subsidiary, the Group carries risk retention levels that are not material at consolidated level, and these are applicable over and above local deductible amounts.

Finally, the insurance offering includes prevention inspections for the Group's sites conducted by specialist departments of the leading insurer.

Cyber

A Cyber insurance policy provides financial cover for the consequences of IT-related risks, subject to exclusions and warranties available on the market.

As it is a "multi-risk" policy, cyber risk insurance comprises several components.

Transport

The Group has set up an insurance programme to cover the transportation of all its products. All subsidiaries benefit from the protection offered by this global programme, which ensures that appropriate and uniform cover for risks related to the Group's logistical operations is provided (except where Restrictions apply).

Customer credit risk

Group subsidiaries must set up credit insurance, assisted by the Group and under the terms and conditions negotiated, in addition to their own credit management policy, provided that insurance cover compatible with their level of sales activity is available under financially acceptable conditions.

Buildings

The primary aim of the global Buildings insurance programme is to standardise the conditions for covering projects of all sizes in all countries, as well as to disseminate a general Buildings insurance policy, centralised Corporate management and, lastly, warranty optimisation.

3.4. VIGILANCE PLAN

3.4.1. 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"). 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 compliance with the Vigilance Plan"). It includes a whistleblowing mechanism and reporting system (see section 3.4.6. "Whistleblowing mechanism and reporting system") and presents a report on the plan's implementation (see section 3.4.7. "Reporting on the effective implementation of the Vigilance Plan").

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 this document, particularly Chapter 4 "L'Oréal's Social, Environmental and Societal Responsibility". Suppliers voluntarily conduct additional actions on these issues and L'Oréal encourages them to do so.

3.4.2. A continuous improvement process

As part of a continuous improvement process, this Plan is regularly reviewed by a committee composed of representatives of the Ethics, Risk and Compliance Department, the Operations Division (EHS, Purchasing), the Human Resources Department, the Corporate Social Responsibility Department and the Legal Department. It meets three times a year. Each of these representatives leads a local network (Ethics Correspondents, Environmental, Health and Safety, Purchasing, and Human Resource teams, managers from Internal Control, Sustainability Leaders) around the world, which also means that feedback from the field can be considered in improving the Plan.

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

3.4.3. General framework of risk analysis

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

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

A/ Manufacturing of finished products

L'Oréal manufactures the vast majority of the finished products that it sells in its own factories, with a presence in the major growth markets through its network of 39 factories 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 subcontracting, to meet temporary demand peaks in the case of specific technologies (make-up pencils, soaps, etc.). L'Oréal's contracts prohibit cascade subcontracting. 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. 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, 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 factories purchase different raw materials, filling and packing components and equipment from third-party suppliers. These suppliers have specific expertise, develop their products and have the infrastructures necessary for their production. They act with complete independence from L'Oréal, without depending on L'Oréal's instructions or expertise.

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

B/ Product distribution

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

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

3.4.4. 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.

3.4.4.1. 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

Following an initial analysis conducted in 2017, the Group wanted to expand its mapping 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, remediability and likelihood of its impact on people. The identification process at global level and in 27 markets was finalised in 2021. This study was conducted with an NGO specialising in the area, providing independent analysis.

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

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

Another risk identified concerns the Human Rights of communities potentially impacted by the Group's activities (respect for the environment, right of access to water, consideration of Human Rights in the choice of raw materials and, in particular, the right of access of local populations to their land and respect for their traditional knowledge under the Nagoya Protocol).

Applicable rules on Human Rights

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

Non-discrimination

Acts of discrimination are serious violations of Human Rights that remain anchored in all regions of the world in which L'Oréal is present. Discrimination related to gender, sexual orientation and gender identity, disabilities, family situation, age, political and philosophical opinions, religious beliefs, union activities, or related to ethnic, social, cultural or national origins 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.

---

[1] *With the exception of one production unit in the Turkey factory*

Forced or compulsory labour

L'Oréal refers to the definition of forced labour sets for in the 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 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 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 operates, 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, 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. 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 French law on Duty of Vigilance, which are described in Chapter 4 "L'Oréal's Social, Environmental and Societal Responsibility" of this 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), joined by 74 other organisations that use mica. 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 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 2021, 99% of Indian mica used in the Group's formulas came from suppliers committed to obtaining their supply from verified sources.

3.4.4.2. 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 analysis risks to Safety and Health in the workplace and the Environment 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 (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 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. Similarly, environmental risks are analysed to characterise the aspects and impacts of site activities on its environment and to control those 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 occurs. If significant risks are identified or if L'Oréal's standards or regulations impose specific requirements, a more detailed evaluation is carried out for the activities concerned. Appropriate action plans – with immediate action where necessary – are implemented to reduce significant risks to an acceptable level.

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

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 of controlling industrial and specific risks are summarised in the GHAP (Global Hazard 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 4.3.1.2.1. "Due diligence: selection and assessment of strategic suppliers" of this document) in order to implement suitable preventive measures in 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:

- the use of certain raw materials;
- wastewater treatment;
- the use of machines or electrical equipment in processing or storage areas; and
- handling 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 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 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 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 French law on Duty of Vigilance, which are described in Chapter 4 "L'Oréal's Social, Environmental and Societal Responsibility" of this document.

L'Oréal's commitment to Environment, Health and Safety in the workplace is supported at the highest level of the Company by its Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year.

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

- in 2015, L'Oréal was one of 100 leading companies to join the *Science-Based Targets* programme, 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. The Group extends the ambition of moving towards "zero accidents" by ensuring the sustainability of actions and defining post-incident emergency preparedness requirements.

Furthermore, the Sharing Beauty with All programme has helped to reduce the environmental footprint of the Group's sites, in particular by defining and disseminating best practices regarding energy efficiency, reducing CO_2 emissions, contributing to the preservation of water, biodiversity and resources, and improving waste treatment.

The new 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 (the commitments and achievements of the programme are detailed in Chapter 4 "L'Oréal's Social, Environmental and Societal Responsibility" of this document, specifically in section 4.4. "L'Oréal for the Future: 2021 Results"). The main environmental objectives of the programme concerning Subsidiaries are as follows:

- Climate: reaching carbon neutrality for all Group sites by 2025, by improving energy efficiency and using 100% renewable energy. L'Oréal is also committed to halving the transport footprint of its products by 2030.
- Water: in 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop.
- Biodiversity: by 2030, all of our operated buildings and all industrial sites will have a positive impact on biodiversity compared to 2019.
- 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 evolutions in results in each of these areas and to identify potential anomalies and incidents.

Furthermore, the Group is engaged in a process of continuous improvement of EHS performance through its operated sites in order to sustainably anchor the EHS policy: 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.

Moreover, "culture" audits are conducted by internal EHS specialists in order to assess the deployment level of the EHS culture with all employees at Subsidiaries: 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 structural levels.

Detailed information on these additional actions is available in Chapter 4 "L'Oréal's Social, Environmental and Societal Responsibility" of this document.

(ii) Additional actions intended for Suppliers

The Purchasing teams select the most competitive suppliers in accordance with the 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.

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

- Climate: by 2030, strategic suppliers will reduce their direct greenhouse gas emissions (scopes 1 and 2) by 50% in absolute terms compared to 2016.
- Water: by 2030, all strategic suppliers will use water responsibly in the areas where they operate.
- Biodiversity:
  - By 2030, 100% of the biobased ingredients for the Group's formulas and packaging materials will be traceable and will come from sustainable sources, with none linked to deforestation.
  - By 2030, the footprint on the ecosystems vital to the sourcing of its ingredients will be maintained at 2019 levels.
- Sustainable sourcing of raw materials:

For the palm oil and its by-products segment, which are the subject of a specific "Zero deforestation" approach at year-end 2020, 100% of the supplies were covered by action plans with the suppliers concerned. L'Oréal developed the Sustainable Palm Index (SPI), a tool to evaluate and select suppliers of palm oil and palm kernel derivatives to assess the level of commitment, progress and achievements of its direct suppliers in favour of sustainable palm oil. This tool is used annually to evaluate suppliers' progress towards the Zero Deforestation objective and their level of compliance with the Group's requirements.

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

In 2019, L'Oréal co-founded the collective Action for Sustainable Derivatives initiative in order to share knowledge and methods with other operators to encourage the production and responsible supply of palm oil derivatives.

For other streams of renewable raw materials, which represent 17% of the portfolio of renewable raw materials in volumes and 74% in number, L'Oréal, on the basis of environmental, social and economic indicators from external databases (IHDI of the UNDP, EPI from Yale University, Verisk Maplecroft Country Index), has defined indicators of "sustainable sourcing challenges" to assess renewable raw material streams with regard to their sustainability.

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. 79% of the volume of raw materials that the SCAN index has identified as representing sustainable sourcing challenges (i.e. 36% of the number of raw materials) are already the subject of plans or improvement initiatives with the relevant suppliers to ensure sustainable supply. The goal is for 100% of the Group's renewable raw materials to come from sustainable sources.

To achieve this, L'Oréal launched a support and training programme for more than 200 suppliers on the issues of sustainable sourcing of raw materials in order to guarantee the traceability of the raw materials delivered to L'Oréal and ensure the associated streams are secure. Depending on the level of environmental and/or social risk identified on these streams, suppliers are notably asked to deploy the field audit procedure for producers (88 indicators), developed by L'Oréal with the support of the Rainforest Alliance NGO and reviewed in 2019 by EcoCert, The Biodiversity Consultancy and The Danish Institute for Human Rights. They are also invited to rely on sustainable sourcing certifications adapted to the challenges of their streams (Fair Trade, Sustainable Agricultural Network, Organic, etc.).

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

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

In 2007, L'Oréal joined the CDP Supply Chain programme for greater transparency in the actions of its suppliers and to monitor the progress made in relation to L'Oréal's objectives. In 2014, participation in the CDP was made compulsory by L'Oréal for all strategic suppliers, in order to measure and report their emissions, set targets for reducing these emissions and communicate their action plans to achieve this objective successfully. In 2021, 77% of these strategic suppliers completed the CDP questionnaires on climate, water and/or forest, thereby providing valuable information and data on the actions of these suppliers and their impacts.

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

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

3.4.5. 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.

3.4.5.1. 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.

Governance

L'Oréal's commitment to Human Rights and Fundamental Freedoms, the health and safety of people in the workplace and the environment is supported at the highest level of the Company by its Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year. These commitments are also set out in the Group's Code of Ethics and the Human Rights and Employee Human Rights Policy.

(i) Human Rights and Fundamental Freedoms governance

The Chief Corporate Responsibility Officer, a member of the Executive Committee, is responsible for overseeing the respect of Human Rights and fundamental freedoms in the Group. This mission has been entrusted to her by L'Oréal's Chief Executive Officer, to whom she reports.

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

A dedicated network of Human Rights Correspondents covering all of the Group's markets allows the Group's commitments in terms of Human Rights to be rolled out.

The Human Rights Committee, chaired by the Chief Corporate Responsibility Officer and composed of representatives of the various activities, functions and geographic areas (including Purchasing, HR, CSR, Safety, Security, etc.), allows coordination and exchange on the implementation of the Group's Human Rights policy. Its primary objective is to enable the emergence of a Human Rights culture within the Group.

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

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

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

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

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

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

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

- factory and distribution centre Directors who, 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 the 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 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 2021, more than 60% of employees logged on to the Ethics Day sessions and more than 8,000 questions were asked worldwide.

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 paragraph "Risk hierarchy of non-compliance with the Applicable Rules" in section 3.4.5.2. 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

A specific, compulsory e-learning course on ethics covers 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 called "Ethics e-learning for business partners".

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

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

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

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.

(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 filling and packing staff of a factory).

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

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

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.

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

3.4.5.2. Monitoring compliance with the Plan

Risk hierarchy of non-compliance with the Applicable Rules

The risk hierarchy is used to enhance controls on compliance with the Applicable Rules by defining procedures for monitoring compliance with the Rules that are 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, processing, warehousing, etc.) and, thereafter, the type of Site (administrative offices, factories, distribution centres, research centres, etc.).

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;

  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); and

  3. The internal experts or partners of L'Oréal (e.g. EcoVadis) recommend considering it as a country to be audited.
- 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

MATRIX THAT TRIGGERS SUPPLIER AUDITS ACCORDING TO RISK MAPPING

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

Audit and self-assessment system

(i) Audits

Audits of Applicable Rules

Audits of Applicable Rules are used to check that the 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 paragraph "Risk hierarchy of non-compliance with the Applicable Rules" in section 3.4.5.2. 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.

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-conformity, complaints and/or fines.

Audits specific to Suppliers

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** (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 because they 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; 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. 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.

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, 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 the continuous improvement of L'Oréal's programme, but 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 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.
- A Greenhouse Gas Assessment is prepared annually (pursuant to the GHG Protocol).

3.4.6. 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, Risk and Compliance Officer.

3.4.7. Update on the effective implementation of the Vigilance Plan

This section provides the 2021 results of the application of the Vigilance Plan for Subsidiaries and Suppliers.

3.4.7.1. General results of whistleblowing mechanisms and reporting

The Group's ethics whistle-blowing line (www.lorealspeakup.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 2021, there were 379 reports on potential non-compliance with the Applicable Rules, including:

- 16 on sexual harassment, 11 of which were proven, in whole or in part, and which resulted in 7 departures from the Group;
- 71 on bullying, 17 of which were proven, in whole or in part, and which resulted in 5 departures from the Group;
- 22 on discrimination, 2 of which were proven, in whole or in part, which did not result in a departure from the Group;
- 24 on health and safety, 4 of which were proven, in whole or in part, which resulted in 2 departures from the Group; and
- none on environmental issues.

3.4.7.2. 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.

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 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

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

(i) **Child labour**: none of the audits revealed any non-conformity of employment of a child under the age of 16. One audit revealed an intern working nights, a point that had been corrected at the time of the follow-up audit.

As part of the annual ethics reporting in 2021, it was reported that:

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

(ii) **Forced labour**: One audit revealed a case of employees of a subcontractor who should have been on permanent contracts instead of fixed-term contracts, following successive fixed-term contracts. Another audit revealed that outsourced workers were on fixed-term employment contracts that had expired, which had been corrected at the time of the follow-up audit.

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-conformity. One audit revealed a case of a collective bargaining document that had not been sent to the competent public authorities due to the health crisis linked to Covid-19.

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

(v) **Working hours**: one audit revealed insufficient rest time at one site and two audits revealed working hours in excess of 60 hours per week.

(vi) **Salaries and costs**: one audit revealed an error in the calculation of mandatory social security contributions and a delay of more than one month in salaries being paid. Another audit revealed a case in which outsourced workers had not been paid enough for overtime they had worked, which had been corrected at the time of the follow-up audit.

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

(viii) **Health and safety**: one audit revealed irregular evacuation and fire safety exercises as well as missing health and safety registration documents.

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

In 2021, 83 "Top managers" (managers of factories or distribution centres, Management Committee members, etc.) attended the Leadership & Safety Culture seminar, held at the CEDEP, The European Centre for Executive Development, at the INSEAD campus in France. Since the start of this programme, 669 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 factories are certified ISO 45001, representing 87% of the Group's factories.

34 plants are certified ISO 14001, representing 87% of the Group's plants.

In 2021, in the context of the Covid-19 health crisis:

- 2 risk audits were performed on site;
- 2 combined risk and EHS culture audits were performed on site; and
- 2 combined Quality, Environment, Health, Safety and Performance 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 wastewater management. The cases of non-conformity and formal notice were systematically subject to corrective actions.

There were two neighbourhood complaints in 2021: one factory was the subject of a complaint about the release of an unpleasant odour related to wastewater being discharged from the site, and an administrative site was the subject of a complaint about the municipal storm water system overflowing during periods of heavy rain. This system passes through the site and, after a study conducted by the Syndicat Intercommunal d'Aménagement Hydraulique (the French inter-district planning authority), the under-sizing of the municipal system was identified as the most likely cause.

There were 4 cases of non-conformity with environmental regulations notified by an administrative authority in 2021. They cover three sites and relate to the quality of wastewater (one site) and to the need to adapt some of the technical facilities (two sites).

One fine was imposed in 2021 (China) amounting to RMB 190,000 (approximately €27,000): this is linked to non-compliance regarding the quality of effluent discharged from the site.

3.4.7.3. 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 78% 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 2021, 145 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.

1,236 on-site audits were conducted in 2021, as part of regular audits, but also ad hoc audits following a risk analysis (40 ad hoc audits in 2021)(2). Thus, 98% of Supplier production sites requiring audits were audited at least once.

---

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

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

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

In 2021, 767 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 2021. 331 of them represented 89% of the Group's strategic suppliers, all areas combined.

In terms of Human Rights

Results of audits by topic

(i) **Child labour**: 1.8% non-compliance.

2 audits identified employment of a child under the age of 16. The necessary measures have been taken to discontinue any commercial relationship with the companies concerned. Demands have been made for the children to be sent to school. Other cases of non-conformity 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**: 6.7% of non-compliances☑.

One audit found employees who are bonded or under contract either with the company itself or with a broker. The necessary measures have been taken to discontinue any commercial relationship with the companies concerned. Other cases of non-conformity concern the demand for a monetary deposit at the time of hiring, withholding of identity documents without a legal requirement, 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**(1): 2.1% non-compliance ☑.

Most of the cases of non-conformity concern the failure to freely elect employee representatives without management interference. Elections must be carried out, or in countries where such elections are not legal, employee meetings must be organised to report items to be improved.

(iv) **Non-discrimination**: 1.1% of non-compliances☑.

These cases of non-conformity mainly concern the absence of a clear and uniform policy to ensure the absence of discrimination at recruitment or discrimination in the payment of wages and other costs.

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

(v) **Working hours**: 24% of non-compliances☑.

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

(vi) **Wages and charges**: 19% of non-compliances☑.

The audits did not find undue salary withholding or charges.

Most of the cases of non-conformity 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**: 2.4% non-compliance.

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

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

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

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.

Sustainable sourcing of raw materials

In 2021, 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 313 plant species that are the source of the renewable raw materials used by the Group, around 6%(2) present significant biodiversity challenges (endangered species, impact of production on natural environments) depending on their geographic origin and the method of extraction or production used. They are the subject of specific action plans initiated with suppliers and, if necessary, benefit from the systematic support of independent external third parties, in order to manage the real impacts on the territories of origin of the ingredients.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

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

(2) *Calculated on the basis of projected purchases between January and November 2021.*

3.5. RISK FACTORS AND RISK MANAGEMENT

3.5.1. Definitions and general framework

Risk management (events or situations, the occurrence of which is uncertain, could have a financial, non-financial, or reputational impact) is a process that applies to the Company and its consolidated subsidiaries (the "Group").

Risk management consists of identifying, assessing and controlling risks that may affect the smooth running of the Company. It also participates in the Group's development by promoting the good use of resources to minimise the impact of negative events and maximise the realisation of opportunities.

In order to ensure the sustainability of its development and the achievement of its objectives, the Group strives to anticipate and manage the risks to which it is exposed in its different areas of activity. In addition, the Internal Rules of the Board of Directors specify the role played by the Audit Committee which "must ensure that General Management has the means to enable it to identify and manage the economic, financial, non-financial, and legal risks facing the Group inside and outside France in carrying out its normal or exceptional operations".

On the basis of the work by the Internal Audit Department, the analysis of major risks, in conjunction with the processes used by subsidiaries, makes it possible to identify Internal Control improvements and update the Group's standards.

3.5.2. Risk mapping

The Group's risk mapping process is led by the Ethics, Risks and Compliance Department with the support of all Support Divisions and Business lines. This mapping is reviewed by the Group's Executive Committee, which validates it.

The risk mapping for all of L'Oréal's activities is updated annually. This process to identify, analyse and assess significant risks strengthens Group actions and allows them to be prioritised. The results of this work are presented to the Audit Committee. The main risks to which the Group is exposed are described below.

3.5.3. Risk factors

The Group operates in a changing environment. Like any company, it is necessarily exposed to risks which, if they were to materialise, could have a negative impact on its business activities, its financial position and its assets, particularly in terms of reputation and image.

For taking an informed investment decision, as required by the regulations in force, this section presents the major risks in a limited number of categories (given the probability of their occurrence and the expected magnitude of their negative impact) taking risk management policies into account. In each category, the most material risks are mentioned first. This section specifies the way in which each risk factor could affect L'Oréal as well as the management policy implemented.

Risk management work classifies the residual risks by category of importance (low, moderate or significant).

However, a wholly risk-free environment cannot be guaranteed. Moreover, the Group could be adversely impacted by other risks of which it is not currently aware or which it does not consider material at the date of this Document.

Major risks to which the Group believes it is exposed

		Residual importance
Business risks	Sanitary crisis*	Significant
	Information and cybersecurity systems*	Significant
	Geographic presence and economic and political environment *	Significant
	Crisis management	Moderate
	Data	Moderate
	Market and Innovation	Moderate
	Business ethics	Moderate
	Sales distribution networks	Moderate
	Human Resources risk	Limited
	Product quality and safety	Limited
	Safety of people and property	Limited
Industrial and environmental risks	Product availability*	Significant
	Climate change	Significant
	Environment and safety	Limited
Legal and regulatory risks	Risk of non-conformity*	Moderate
	Intellectual property: trademarks, designs & models, domain names, patents	Limited
	Product claims	Limited
Financial and market risks	Currency risk*	Limited
	Risk on financial equity interests	Limited
	Risk relating to the impairment of intangible assets	Limited

* *Most material risks in each category.*

3.5.3.1. Business risks

Business risks/Sanitary crisis

Risk identification	Risk management
Because of its global presence, L'Oréal is exposed to epidemics or other public sanitary crises in the 80 countries in which it operates. The primary risks identified cover different segments of the Group's operations: ● impairment of the health, safety and security of employees in the context of their duties and their business travel, and confinement of the population that prevents employees from entering their work site, particularly at the manufacturing and distribution sites; ● difficulties for the Company to operate normally because of the restrictive measures established by the authorities, which restrict employee access to the Group's sites, or as a result of the unavailability of individual protective equipment necessary to protect them; ● supply difficulties, unavailability or increased prices of raw materials and components, and limited capacities to produce and distribute products related to the restrictive health measures established by the authorities of the country in which the Group operates; ● reductions in product demand related to the impact of the measures to restrict movement on access to physical points of sale, particularly in the Travel Retail network that is particularly sensitive to sanitary crises; ● financial difficulties for suppliers and clients as a result of a drastic reduction in their levels of business. Thus 2021 was marked by the impacts of the Covid-19 health crisis that has spread around the world and has affected a number of geographic zones in which the Group operates. Depending on its duration, geographic expansion and the resulting economic and social consequences, a sanitary crisis may have a material impact on the Group's activities, its performance and its reputation.	L'Oréal has set up a crisis management process led by a unit at Group level that can prevent and limit the impacts of undesirable events on all its entities. Facing a sanitary crisis, the Group's priority is to protect the health, safety and security of its employees. The Group responds through compliance with the directives of the authorities in the countries in which it operates, the application and adaptation of its worldwide, high management standards for health and safety at its operational sites and in business travel situations. The Group's information systems allow large-scale development of flexible and remote work methods and are the subject of adequate safety protection processes (see section 4.3.2.4. "Creating conditions for a stimulating and attractive work environment" of this document). The policies to manage supply chain and inventories, and the business continuity plans of the industrial and logistics sites, allow the Group to anticipate the actions necessary to manage disturbances. The long-term relations with the Group's strategic suppliers, the policies to diversify sources, and operational continuity plans limit the impacts of these crises. The Group's presence in all distribution channels, particularly online sales capacities developed with diversified partners (owned sites, e-retailers, pure players), as well as its expertise in digitised consumer relations, help to maximise development opportunities in disturbed contexts. Finally, the Group's worldwide and balanced presence in terms of geographic areas, product categories and distribution channels, the very high responsiveness and capacity for adaptation of its teams through its strategically concentrated and operationally decentralised organisational model, as well as its robust financial position, contribute to its ability to face the economic consequences of these crises.

Business risks/Information and cybersecurity systems

Risk identification	Risk management
In a context of digital transformation and constant development of the information technologies and their uses, the Group's business activities, expertise and, more generally, its relations with all stakeholders in its social and economic environment, depend on an increasingly virtual and digital operation. As a result, the malfunction or breakdown of these systems or the leakage or destruction of data for exogenous or endogenous reasons (including cyberattacks, malicious acts, hacks, etc.) internally or at a third-party service provider of the Group could have a material impact on the Group's business activities.	The Global IT Department has introduced strict security rules for infrastructures, equipment and applications. Furthermore, in order to adapt to the development of new methods of communication and collaboration, L'Oréal has introduced an Information and Communication Technologies Code of Practice. To address the growing threat of cybercrime, L'Oréal takes continuous steps to strengthen the resources dedicated to information system security. This plan relies in particular on anti-intrusion equipment, regular intrusion tests, an information system security audit programme, the protection of sensitive equipment and global supervision to identify irregularities. L'Oréal's security focus is constantly adjusted to deal with new threats of cyberattacks. For example, the Group is increasingly investing in incidents detection and reactions systems and proceeds to regular reviews of the effectiveness of these solutions. In addition, in order to mobilise all teams, the Group conducts a global awareness campaign every year. Online training in best cybersecurity practices is available for all employees. As at 31 December 2021, 82% of employees had validated this e-learning programme. Management of risks related to data is described in the "Data" risk section.

Business risks/Geographic presence and economic and political environment

Risk identification	Risk management
L'Oréal is a global corporation that has subsidiaries in 73 countries. More specifically, the global development of the cosmetics market has led L'Oréal to develop its Travel Retail business as well as its business in countries of North Asia, which represented 30.5% of sales in 2021, SAPMENA-SSA (South Asia Pacific, Middle East, North Africa, Sub-Saharan Africa) 7.2% of sales, and Latin America 5.5% of sales. Because of this globalisation, political or economic disturbances (strong economic slowdown due to e.g. geopolitical tensions or a health crisis, international trade tensions, sovereign debt crises) in countries in which the Group generates a significant portion of its sales could have an impact on its business activities. The impact and management of the risk related to Covid-19 are described in the "Sanitary crisis" risk factor.	L'Oréal's global presence and its portfolio of 35 major international brands helps to maintain a balance in sales and offsetting between the geographic zones, product categories and distribution channels (details on sales from the zones are presented in section 1.3. "2021 Financial results and corporate social responsibility commitments" of this document).

Business risks/Crisis management

Risk identification	Risk management
Prejudicial events or information mainly related to the use or misuse of a product, or an inappropriate individual behaviour, whether proven or not, could affect the reputation of L'Oréal, its 35 major international brands and its products and, as a result, affect sales and, more generally, its financial position. The impact of the risk could be amplified, notably, by: ● the explosion of digital and social media all around the world; ● the emergence of social beauty, which is connected and shared; ● the role of influencers as opinion leaders with a significant community of subscribers; and ● societal movements and enquiries by thecivil society, consumers, etc. to the Group or the brands.	L'Oréal has set up a system of: ● training sessions in crisis communication and support for the communication teams on key issues for the Group; ● crisis risk management at corporate and local levels; ● permanent online monitoring system in English, French and Chinese. The subsidiaries deploy their own social media and web monitoring systems under the responsibility of their Director of Communication and immediately report a media risk in their country to the Corporate Communications Department; and ● L'Oréal has also set up a crisis management procedure which is tasked with preventing, managing and mitigating the consequences of undesirable events on the Company across the globe. The Group crisis management officer reports directly to General Management. The deployment of the Code of Ethics throughout the Group aims at reinforcing the dissemination of the rules of conduct which form the basis of L'Oréal's integrity and ethics. These rules of conduct seek to guide actions and behaviour, inspire choices and make sure that the Group's values are reflected in the everyday acts of each employee. L'Oréal has also implemented a "Code of Good Practice for the Use of Social Media" for its employees. On its website, the Group has published the "Influencer Value Charter" which each influencer with whom L'Oréal collaborates agrees to respect. The Group's principles and operational processes to be applied for partnerships with influencers, have been disseminated worldwide to the collaborators concerned.

Business risks/Data

Risk identification	Risk management
The data collected and processed by L'Oréal or its partners, the volume of which is increasing with the growth in digital activities, particularly personalised services for consumers, could be altered, lost, illegitimately copied or transferred or even fraudulently used. Furthermore, personal data protection regulations are being reinforced throughout the world. In particular, the European General Data Protection Regulation (EU) 2016/679 of 27 April 2016, which entered into force on 25 May 2018, (GDPR) provides for major sanctions in Europe, as does the CCPA in California, the LGPD in Brazil or the PIPL in China and the POPI Act in South Africa. Any breach of data integrity or confidentiality, notably personal data processed by L'Oréal or its partners, for exogenous or endogenous reasons (including intrusions, malicious acts, etc.) could have a significant impact on its reputation and consumer confidence and thus on the Group's business activities.	The Group constantly and progressively deploys policies, training and data management tools as well as the associated organisational and technical measures. The Global IT Department has introduced strict rules with about data security (back-up, protection of, and access to confidential data). The Group's principles governing the processing of personal data have been rolled-out all over the world to raise the awareness of all employees about respect for ethical principles, and legal and regulatory requirements in the matter. An organisation has been set up based on a Global Data Privacy Department at Group level, comprising a legal unit and a programme unit. A Group Data Protection Officer was appointed in 2018 and a network of 46 Country DPOs has been created, for all countries in the European zone and gradually in other regions of the world. The governance set up is based on a Global Governance Committee, a Steering Committee by region, as well as a network of Heads of Data Privacy within the *Métiers* and Zones, responsible for the protection of personal data, which provide support to all operational stakeholders involved. This governance notably aims to monitor the Group's compliance with different laws, by ensuring the mobilisation of all stakeholders and by adapting customer, supplier and business line processes to the Group's rules and to applicable laws.

Business risks/Market and innovation

Risk identification	Risk management
L'Oréal is subject to constant pressure from many competitors in all countries due to: ● its size and the positioning of its brands in various markets in which major international groups operate; ● local brands and new players coming from the digital economy; ● rapid technological changes in emerging fields of research by new operators. If the Group fails to anticipate or respond to changes in consumer expectations, especially in the areas of natural beauty, health, personalised services, connected things and environmental commitments, with innovative and adapted product offerings, its sales and growth could be affected.	The Group continually adapts its innovation model and is constantly increasing its investments in research and digital services. L'Oréal's research teams innovate to respond to the infinite diversity of beauty aspirations all over the world. The Consumer & Market Insights Department within the Innovation Department is constantly monitoring changes in consumer expectations by product category and major regions of the world. All of these research programmes, which are part of a long-term vision, allow L'Oréal to meet the challenges of innovation (see section 1.2.6. "The bet on Research, Safety and Innovation" of this document). The Digital General Management is responsible for accelerating the Group's digital transformation by helping the brands create enriched spaces for expression and helping teams to establish more interactive, close-knit and bespoke relationships with consumers. Consumer expectations with regard to sustainability are also at the heart of the L'Oréal for the Future programme (see Chapter 4 of this document) and are taken into account in developing the Group's brand and product portfolio. Finally, the Group's acquisition strategy always takes into account changes in the competitive environment.

Business risks/Business ethics

Risk identification	Risk management
As L'Oréal is an international group of over 85,000 employees, which operates in 80 countries at more than 400 sites (excluding stores and point-of-sales outlets of distributor customers), it cannot exclude potential violations of its ethical commitments (Code of Ethics based on the four Ethical Principles – Integrity, Respect, Courage and Transparency –, its Human Rights policy, support of the United Nations Global Compact and the United Nations Sustainable Development Goals, etc.), whether directly by its employees, or indirectly because of the activities of its partners, particularly its suppliers and subcontractors. In addition, civil society is expressing higher expectations with regard companies' integrity and transparency and the way in which they manage scientific and technological innovations. Such non-compliance with its commitments or the lack of a response to new ethical questions could have an adverse impact on the Group's reputation and expose it to criminal or administrative sanctions.	The Group's policies on sustainable development, social and societal responsibility, compliance and philanthropy are based on the Ethical Principles. The role and the resources granted to the Chief Ethics Officer allow him to succeed in his mission by relying on all the teams and resources of the Group (see section 3.2.1. "Organisation and environment" of this document). Specific training of management teams, regular dialogue with stakeholders and the establishment of internal working groups facilitate the inclusion of Ethics in the Group's new policies and strategic decisions. The ethical risks are mapped and regularly updated, including for suppliers and subcontractors (see section 3.4.5.2. "Monitoring compliance with the Plan" of this document). The deployment of the Code of Ethics throughout the Group, mandatory e-learning training and ongoing communication campaigns via an Ethics Day, ensure that employees are aware of the ethical standards. A network of 77 Ethics Correspondents around the world and regular meetings of the Chief Ethics Officer with the Countries ensures close contact with these employees. Regular audits of the Group's sites and those of its suppliers and subcontractors (see section 3.4. "Vigilance Plan" of this document), the Group's whistleblowing line (www.lorealspeakup.com)opened in 2018 accessible to all Group stakeholders, as well as a procedure to collect and process reports to manage any violations.

Business risks/Sales distribution networks

Risk identification	Risk management
To sell its products, L'Oréal uses independent distribution channels, and may develop direct distribution to the consumer for certain brands (branded retail and e-commerce). The concentration of the Group's large customers, the restructuring, disappearance or temporary closure of physical supply chains, and changes in selective distribution could impact the development of the Group's brands in the country or countries involved.	The presence of the Group's brands in all types of distribution channels allows the Group to offer its products and services, whatever the consumer practices. The departments concerned anticipate trends to adapt to these changes and, in particular, have steadily developed online sales with diversified partners (e-distributors, pure players, and market places).

Business risks/Risks related to Human Resources

Risk identification	Risk management
One of the keys to L'Oréal's success lies in the talent of its employees to ensure its growth. This is all the more true as L'Oréal is changing within a complex, highly competitive and rapidly changing environment (globalisation, diversity and inclusion challenges, sustainable development issues, acceleration of the digital transformation, etc.) that requires specific expertise. The labour market is marked by major changes related to the COVID-19 pandemic, particularly the hybrid organisation mode with both in-person and remote. If L'Oréal fails to identify, attract, retain and train competent and engaged employees who behave responsibly, the development of its activities and its results could be affected. Moreover, given L'Oréal's activities, particularly its industrial operations, the risk of occupational injuries or illnesses could become a reality.	The Group is developing a motivating, professional environment with respect for its ethical values, particularly diversity. The recruitment and development of employees occurs within a long-term perspective, also to ensure the continuity of key functions within the Group, in which training plays a core role throughout an employee's career. The remuneration policy combines external competitiveness and internal fairness. It recognises both individual and collective performance. The global Share & Care programme meets the essential needs of each of the Group's employees in terms of benefits, healthcare, parenthood, flexibility and quality of life at work. Actions for stress prevention and workstation ergonomics are organised. In order to meet employees' expectations in this new hybrid working environment, L'Oréal has developed a balanced Group policy to ensure that opportunities for cooperation, discussion and creativity are always prioritised. The Group has set ambitious goals for the health and safety of its employees, defining high standards that often exceed legal obligations and involve personnel at all levels. Prevention is based on the GHAP (Global Hazard Assessment Procedure) and SHAP (Safety Hazard Assessment Procedure) programmes, which identify the dangers, generally and for each workstation, assess the risks and allow the implementation of the necessary means of control (see section 4.3.2.1 "Preserving employee health and safety" of this document).

Business risks/Product quality and safety

Risk identification	Risk management
Placing a product on the market that does not meet the safety requirements, or consumer or stakeholder questions about the quality and safety of L'Oréal products, whether based on proven facts or not, whether or not they are related to the use or misuse of a product, could affect consumer confidence, the Group's sales and, more generally, its financial position, particularly if claims are made or products recalled.	Consumer safety is an absolute priority for L'Oréal: assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market. The principles governing the Group's quality and safety policy are: ● satisfaction of customer needs; ● compliance with safety requirements and laws; ● the maintenance of standards and regular updates of safety assessment approaches; and ● product quality and conformity across the supply chain. The Worldwide Safety Evaluation Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients used and the tolerance of the formulas before they are launched on the market. The same safety standards are applied worldwide to ensure identical quality across the globe. L'Oréal goes one step further in safety assessments by monitoring the potential adverse effects that may arise once the product is on the market through its international cosmeto-vigilance network in order to take the appropriate corrective measures if necessary (see "Product quality and safety: a priority" in section 4.3.1.3.2.). In terms of questions that civil society may ask regarding certain substances and their effects on health and the environment, L'Oréal's position can be summarised in three points: ● vigilance with regard to any relevant new scientific data; ● cooperation with the relevant authorities; and ● precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk. L'Oréal relies on its scientific teams to answer consumers' questions about the safety of its products, primarily through its Inside our Products platform that has been online since 2019. Finally, production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all factories are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard. In the case of production subcontracting, the rules governing the choice of the subcontractor and its production follow the same principles. The subcontracting quality charter picks up these requirements, compliance with which is assessed during audits and the plan regularly strengthened to ensure appropriate control of our partners.

Business risks/Safety of people and property

Risk identification	Risk management
As a global group operating in 80 countries and across more than 400 sites (excluding stores and point-of-sales outlets of distributor customers), the Group is exposed to a variety of risks inherent to the environment in which it performs its activities (war, geopolitical, climate, health/pandemic, economic and social risks, malicious acts, climate and natural disasters). The direct and indirect consequences of these risks may adversely affect people and the assets of the Group (tangible and intangible).	In order to permanently protect these resources (or Group assets) against malicious acts, the Security Department helps in the preventive implementation of technical, HR and operational procedures to limit the residual risk of malicious damage and support the Group's international development in all countries concerned. For this purpose, the Security Department: ● has implemented a watch and evaluation of the state of security in the countries in which the Group is active; ● conducts evaluation updates in the countries in which it is present; ● creates country security sheets for international travellers; ● defines the security standards and minimum protection to be implemented to protect the Group's activities; and ● coordinates, with related key players, the security crisis management procedure which is tasked with preventing, managing and limiting the consequences of undesirable events on the Group. The security measures are regularly adjusted and reassessed based on the local situation and the level of exposure of employees and sites.

3.5.3.2. Industrial and environmental risks

Industrial and environmental risks/Product availability	
Risk identification	**Risk management**
In the context of a globalised supply chain and the increased geographic concentration of certain supply sources, the failure of an external supplier to deliver raw materials, filling and packing components or finished products, whether resulting from operational difficulties or significant non-compliance with ethical commitments, along with a major interruption of operations in a L'Oréal industrial unit or shipping hub, could impact the Group's sales because of the unavailability of products that could result from this. In 2021, Group purchases related to production totalled €5.01 billion.	L'Oréal regularly revises its inventory policies, reserves capacities with its suppliers and negotiates long-term contracts. Likewise, there are business continuity plans for each operational site. The Group is currently deploying a single methodology of business continuity plans at all its factories and distribution centres. These plans aim to anticipate supply chain disruption and ensure a timely business continuity. L'Oréal also looks for alternative sourcing of its raw materials, duplicates packaging moulds for its strategic products, implements operational continuity plans with its suppliers and reviews, if required, the design of its formulas and finished products. The main suppliers and subcontractors are asked to comply with the Letter of Mutual Ethical Commitment, which covers, in particular, Human Rights, working conditions, environmental protection and integrity.

Industrial and environmental risks/Climate change	
Risk identification	**Risk management**
As for any company, the Group's activities are exposed to the physical and transition risks related to climate change. The increase in risks of natural origin, both extreme and chronic, the loss of biodiversity, and the increased pressure on water resources could impact the availability of finished products by disturbing the Group's operations and supply chain. The scarcity of resources and the implementation of the transition towards a low-carbon economy could also increase production costs. In addition, insufficient consideration of these impacts related to the usage phase during product design could represent a risk for sales in certain areas of the world affected by water stress or the lack of adapted infrastructures to collect and treat waste and wastewater. Lastly, consumer choices could be increasingly influenced by the impact associated with the use of a product (its carbon footprint, its water footprint, its impact on biodiversity) and by the Group's overall environmental performance. As a result, if the Group did not sufficiently anticipate all these impacts and did not initiate a voluntary process to adapt to climate change, its financial performance and reputation could be impacted.	Taking into environmental challenges into account, particularly efforts to combat climate change, is an integral part of L'Oréal's business model. Capitalising on its previous achievements, the Group has announced a second generation of particularly ambitious and specific objectives for 2030 as part of its new sustainable development programme, "L'Oréal for the Future", announced in June 2020. These objectives cover all impacts associated with L'Oréal's value chain in order to reduce the impact not only of its production and distribution sites, but also of its supply chains, as well as the impacts associated with the use of products by consumers (see Chapter 4 of this document, including in particular the information published in the Non-Financial Performance Statement, which includes recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)). The Group has defined its climate objectives in accordance with the Science-Based Targets (SBT) approach, which encourages companies to commit voluntarily to a transition towards a low carbon economy and to set objectives that correspond to what the latest scientific climate data considers necessary to track the +1.5°C trajectory for 2050. These commitments were validated from 2017 by the SBT initiative: ● from 2025, all its industrial, administrative and research sites will be carbon neutral; ● by 2030, the Group will have reduced all its greenhouse gas emissions by 25% in absolute value compared to 2016 (Scopes 1, 2 and 3); and ● as a signatory of the Business Ambition for 1.5°C call to action, L'Oréal has made a commitment to reach net zero emissions by 2050. L'Oréal also announced that by 2030 all water used in the Group's industrial processes would be recycled and reused in a loop on its sites. Deployment of the necessary equipment will be prioritised according to the water situation of the drainage basins in which L'Oréal operates. Management of potential consequences of extreme events is described in the section on "product availability" risk. In addition, by relying on recent scientific developments, particularly in the area of biotechnology, the Group also initiated a Green Sciences programme to drive change in its portfolio of raw materials through the development of ingredients with a favourable environmental profile, by minimising the environmental impacts linked to the cultivation of plants that are the source of these ingredients (deforestation, soil depletion, and consequences for biodiversity, for example), and by relying on eco-friendly transformation procedures that prevent upstream pollution. To inform its consumers and enable them to make more sustainable consumer choices, the Group is developing an environmental and social display system for its products, with a rating ranging from A to E, which takes into account 14 factors of impact for the planet, including greenhouse gas emissions. This display is communicated for hair and skin care by the Garnier brand in several European countries. It is now extended to skin care for the La Roche Posay, Vichy and Biotherm brands in France and will be gradually rolled out in new markets and in new categories.

Industrial and environmental risks/Environment and safety	
Risk identification	**Risk management**
The L'Oréal Group, with its 88 industrial sites (owned factories and distribution centres), including 4 classified as "Seveso high threshold", is exposed to various industrial risks related to the environment and safety (fires, explosions, failure of installations or safety systems, or even human failure in the operation of the existing facilities or management of the work, etc.), which can result in human injuries, accidental pollution at Group sites, or outside those sites, particularly when they are located in a populated area, and/or the temporary unavailability of an industrial site. If such events should occur, their impact could be of a financial, operational and/or reputational nature.	The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of employees, customers and the communities in which L'Oréal carries out its activities. As a result of this policy, the risks inherent in our business activities are systematically identified and brought under control. The Operations Department issues Internal Rules that set out the principles of L'Oréal's EHS policy. Each site is covered by an EHS officer. EHS risk management programmes, methods and tools are implemented and the corresponding training is being rolled out systematically. EHS performance indicators are collected monthly from all factories, distribution centres, and administrative and research sites with over 50 people. Specific audits are conducted by internal EHS teams, and external independent experts. Fire risk is dealt with in the framework of very strict fire prevention standards (National Fire Protection Association standards or equivalent). Industrial sites classified as "Seveso" are subject to specific procedures adapted to the nature of the risks related to storage of chemicals or flammable materials and are in compliance with the regulations. Since 2020, the Group has extended compliance with the main requirements of the European Seveso Directive beyond the European Union to all sites it operates worldwide. Across all its sites, the Group strives to reduce its greenhouse gas emissions, its water consumption and its waste generation and to limit the impact of its activity on biodiversity. It also pledges to reduce the footprint from transportation of its products and to no longer send waste to landfill. Details of how the risk relating to the temporary unavailability of an industrial site is managed are given in the section relating to "Product availability".

3.5.3.3. Legal and regulatory risks

Legal and regulatory risks/Non-conformity	
Risk identification	**Risk management**
Many general and specific laws and regulations apply to the L'Oréal Group, such as the European REACH and CLP (Classification, Labelling, Packaging) regulations intended to strengthen the human and environmental safety of chemical products, the European Cosmetics Directive governing animal testing of ingredients, legislation on competition law, the control of international flows and corruption. The diversity and constant reinforcement of the regulatory environment expose the Group to a risk of non-conformity or increased compliance costs. L'Oréal could be exposed to a failure or an act of fraud (particularly payment methods), which could have an impact on the reputation, operations and results of the Group. Finally, in the ordinary course of its business, the Group will potentially be involved in all types of legal actions and may be subject to tax, customs and administrative audits.	The Group's Legal Charter reaffirms the obligation to comply with local legislation and, in particular, sets out the internal principles for signatures, the general and specific rules relating to contracts, trademark law, intellectual property law, company law, competition law, embargoes and economic sanctions and the protection of personal data. The Group has put in place rules on the terms of delivery and transport of its goods, with the aim of ensuring the control and compliance of formalities in terms of customs imports and exports. In addition, training on customs fundamentals is provided to all employees concerned. Furthermore, the Group's Legal Department has set up a training programme on competition law for the employees concerned. L'Oréal is involved in an ongoing dialogue with national or regional authorities in charge of specifically regulating products in its sector through the professional associations to which it belongs. With regard to the REACH and CLP regulations, L'Oréal communicates proactively with its European suppliers in order to ensure a continuing supply of compliant raw materials. An action plan has been drawn up at L'Oréal in order to improve the design and methods used to assess the safety of raw materials. It led to the end of testing finished products on animals in 1989 (14 years before it became a legal obligation in Europe) and the development of predictive evaluation strategies to meet European regulations. The components of the Internal Control and Risk Management system implemented are detailed in this Chapter. In the areas of fraud and corruption, the deployment to all Group subsidiaries of programmes to prevent corruption and raise awareness of the fraud risk (see section 4.3.4. "Policy to prevent corruption" of this document) contribute to the management of these risks. The Company has no knowledge of any governmental procedures, legal or arbitration proceedings, which are pending or threatened, that may have, or have had over the last 12 months, material effects on the financial position or profitability of the Company and/or the Group, other than those described in note 12.2. to the Consolidated Financial Statements appendix. The main legal risks are reported to the General Management and presented to the Audit Committee.

Legal and regulatory risks/Intellectual property: trademarks, designs & models, domain names, patents	
Risk identification	**Risk management**
The brands, particularly the 35 major international brands, designs, models, domain names and patents filed are strategic intangible assets for the Group. Given the image and reputation of the Group around the world and given the large number of patents (517 in 2021) and trademarks filed by L'Oréal, third parties could: ● dispute the validity of L'Oréal's intellectual property rights, or attempt to enforce their intellectual property rights against the products marketed by L'Oréal; ● infringe on L'Oréal's intellectual property rights (patents, trademarks, designs and models, copyrights), reproduce or imitate the Group's packaging and products in order to benefit illegitimately from this name or technology and thus illegally draw a profit from the efforts and investments made by the Group. Given the competitive context in which a growing number of patents and trademarks are filed, and in which some intellectual property rights result from acquisitions or are developed by third parties ("open development"), the free use of a technology or full availability of a brand before any launch cannot, therefore, be completely secured by L'Oréal.	Special care is given to the protection of trademarks, designs, models and domain names belonging to the Group. This responsibility is entrusted to a special unit of the Legal Department. The department ensures the worldwide protection, management and defence of intellectual property rights via searches for prior rights, monitoring of registration and renewal procedures, the implementation of monitoring services and the initiation of appropriate legal action against counterfeiters. In order to protect the Group against the risk of appropriation of a molecule, a formula, packaging, an application system or an application by another company, L'Oréal has set up the International Industrial Property Department, a specific structure which is part of the Research and Innovation Department. It is responsible for filing the Group's patents, their use and defence on a worldwide basis. It also conducts studies on the free use of Group products with regard to third-party patents and monitors the legality of competitors' products with regard to the Group's patents. The L'Oréal Group is also an active member of organisations which have set themselves the goal of combating counterfeiting and promoting best commercial practices. This is the case of the UNIFAB (*Union des Fabricants*), the APRAM (*Association des Praticiens du Droit des Marques et des Modèles*) and te AIM (*Association des Industries de Marque*).

Legal and regulatory risks/Product claims	
Risk identification	**Risk management**
In its communications, L'Oréal highlights the innovative nature, quality and performance of its products. These communications may be challenged by authorities, organisations or consumers, despite every care used to guarantee their accuracy and fairness. Such actions could affect sales or, more generally, the Group's financial position, particularly if claims are made or products recalled.	The Worldwide Regulatory & Claims Department controls the conformity of product communications before they are introduced on the market. The Group's Code of Ethics sets out the fundamental principles of responsible communication and L'Oréal has made a commitment to implement the International Chamber of Commerce Consolidated Code of Advertising and Marketing Communication Practice and the Cosmetics Europe Charter and Guiding Principles on responsible advertising and marketing communication to which the key global cosmetics industry players in Europe adhere. The Group's principles for "responsible product advertising" are described in a summary brochure disseminated worldwide in order to raise employee awareness about compliance with ethical principles, specific legal and regulatory requirements, and operational processes for the prior control of product communications.

3.5.3.4. Financial and market risks

Financial and market risks/Currency risk	
Risk identification	**Risk management**
Due to its international presence, L'Oréal is naturally exposed to currency fluctuations. In addition, commercial flows resulting from purchases and sales of items, products, royalties and services arise between subsidiaries in different countries. Procurement by subsidiaries is mainly in the currency of the supplier's country. Fluctuations between the main currencies may therefore have an impact on the results of the subsidiaries, but also on the Group's results during the conversion of non-euro subsidiaries' accounts into euros and, as a result, make it difficult to compare performances between two financial years. The impact of hedging on equity and the analysis of sensitivity to currency fluctuations are detailed in note 11.3. "Other comprehensive income" in the Consolidated Financial Statements. Finally, the impact of foreign exchange gains and losses on the income statement is described in note 10.2. "Foreign exchange gains and losses" of the Consolidated Financial Statements.	The Financial Charter and the currency risk management standard specify, in particular, the principles to be applied by Group entities to ensure that management of currency risk is both prudent and centralised. To limit currency risk, the Group adopts a conservative approach whereby it hedges a significant portion of its annual requirements for the following year through currency forward contracts (purchases or sales) or through options. Hedging requirements are established for the following year on the basis of operating budgets of each subsidiary. These requirements are then reviewed regularly throughout the year in progress. In order to obtain better visibility over the flows generated, currency risk management is centralised through the Treasury Department at head office (Group Corporate Finance Department), which uses a specific tool for centralising the subsidiaries' requirements by currency (FX report). The system of foreign exchange risk hedging is presented to the Audit Committee. The hedging methodology and the equities involved are described in note 10.1. "Hedging of currency risk" of the Consolidated Financial Statements.

Financial and market risks/Financial equity risk

Risk identification	Risk management
The main equity risk for L'Oréal is the 9.36% stake it held in Sanofi at 31 December 2021 (see note 9.3. "Non-current financial assets" of the Consolidated Financial Statements), the value of which fluctuates primarily as a function of global market trends, Sanofi's results and, more generally, economic and financial data from Sanofi and its sector. A significant decrease in the amount of the dividend paid by Sanofi or a significant or extended decline in its market price could have an impact on L'Oréal's share price.	This interest and changes in the market in which Sanofi operates are monitored on a regular basis. As at 31 December 2021, the market value of the Sanofi share was significantly higher than the value recorded on the L'Oréal balance sheet (see note 9.3. "Non-current financial assets" to the Consolidated Financial Statements).

Financial and market risks/Risk relating to the impairment of intangible assets

Risk identification	Risk management
L'Oréal's intangible assets, which are primarily its 35 major international brands, and the goodwill recognised at the time of external growth transactions, are susceptible to impairment.	As detailed in note 7. "Intangible assets" of the Consolidated Financial Statements, brands with an indefinite useful life and goodwill are not amortised but are tested for periodic impairment at least once a year. Where the recoverable amount of a brand is lower than its net book value, an impairment loss is recognised. Similarly, any difference between the recoverable amount of each cash-generating unit and the net book value of the assets including goodwill would lead to an impairment loss in respect of the asset, recorded in the income statement. The amounts for the last three financial years are provided in note 4. "Other operational income and expenses" of the Consolidated Financial Statements. The data and assumptions used in impairment tests carried out on Cash-Generating Units for which the goodwill and non-amortisable brands are significant, are presented in note 7.3. "Impairment tests on intangible assets" of the Consolidated Financial Statements.

4

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY*

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

This chapter reports on the social, environmental and societal policies and progress achieved by the Group, and presents the assessment of the second generation of L'Oréal's sustainable development commitments at the end of 2021: L'Oréal for the Future programme. This chapter forms the Group's Non-Financial Performance Statement.

L'Oréal's commitments and policies contribute to 16 of the United Nations' 17 Sustainable Development Goals(1).

4.1. INTRODUCTION

L'Oréal's strategy is based on Glocalization that is the globalisation of brands with profound understanding and respect for local differences to meet the beauty expectations and needs of women and men around the world, while at the same time being an environmental and societal leader.

L'Oréal's Ethical Principles – Integrity, Respect, Courage and Transparency – guide the Group's development and help establish its reputation. These principles are the basis of its sustainable development, social and societal responsibility, compliance and philanthropy policies.

Sustainable development approach

For many years, L'Oréal has begun a profound transformation of its model, in all areas, to adapt to the great changes in the world. Sustainable development is a fundamental pillar of this transformation and a strategic priority for all of the teams. In the firm belief that sustainable development is an essential factor for success and durability, L'Oréal is deploying an ambitious social, societal and environmental policy, which is shared by its management and teams.

In June 2020, L'Oréal initiated the second generation of its commitments to sustainable development, under the umbrella of a programme called L'Oréal for the Future, with a new set of particularly ambitious and concrete targets for 2030, in order to cover all the impacts associated with its value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers.

In 2015, the Group also undertook to define Science-Based Targets to reduce its greenhouse gas emissions across its entire value chain and over the long term, in accordance with the Paris Agreement on climate change. In December 2017, the SBT initiative validated the Group's proposal and L'Oréal committed to reduce the greenhouse gas emissions on its Scopes 1, 2, and 3 by 25% in absolute value by 2030, compared to the 2016 baseline.

The L'Oréal for the Future programme, which is subject to public reporting every year, is based on three pillars:

- Transforming L'Oréal's business to ensure that it is included within the "planetary boundaries", *i.e.* in the context of what the planet can withstand, according to environmental science;
- Involving L'Oréal's business ecosystem in the Group's transformation and helping the Group's transition to a more sustainable model; and
- Contributing to solving the challenges of the world by supporting the most urgent social and environmental needs.

CSR governance

To support this process, the Group has developed a strong governance structure.

Every year, the **Board of Directors** determines L'Oréal's strategic directions, which integrate the challenges of climate change and, more generally, the issues of sustainable development, as well as the Group's sense of purpose (*raison d'être*) to "Create the Beauty that moves the world". In order to monitor the determination and successful implementation of these strategic directions, the Board of Directors can rely on its four Board Committees that are responsible for investigating the issues within their area of expertise in the determination and monitoring of the non-financial strategy (see section 2.3.2.1. "Main Remits and Internal Rules" of this document). The Chief Corporate Responsibility Officer reports on the Group's activities to the Board of Directors every year and to each meeting of the Strategy and Sustainability Committee. Before each meeting, all members of the Board of Directors receive **a status update** on the L'Oréal for the Future programme that details the programme's specific advances.

In order to implement this comprehensive plan for the transformation of the Group, which affects all Divisions, Zones and support functions, the Chief Executive Officer can rely on the commitment of every **member of the Executive Committee** within their respective scope. The Executive Committee works with the CEO to implement strategic directions regarding non-financial matters. Status updates on sustainable development issues are conducted regularly to define and implement the necessary action plans. A network of sustainability leaders, members of the Management Committees is responsible for the operational deployment of the L'Oréal for the Future programme in each Division, each geographic Zone and each entity.

More specifically, within the Executive Committee, **the Chief Corporate Responsibility Officer** ensures strategic consistency between the measures, the Group takes to integrate sustainable development across its entire value chain and its charitable contributions. She is responsible for the formulation and implementation of the sustainable development strategy, assesses and manages risks and opportunities related to environmental and societal challenges at Group level through the action plans of the sustainability programmes (Sharing Beauty with All and, now, L'Oréal for the Future).

---

(1) *L'Oréal's contribution to the United Nations Sustainable Development Goals is detailed in section 4.1 of this document.*

Under her direction, different **internal Committees related to sustainable development**, composed of the experts responsible for the deployment of the programme, define the roadmaps for each of the entities represented (Operations, Research, Divisions, Zones). Each of the internal Committees defines annual objectives and directs their deployment throughout the L'Oréal value chain.

The mission of the **Sustainable Finance Department** created in 2020, is to integrate the environmental challenges from a financial standpoint. This Department, which reports to the Chief Administrative and Financial Officer and to the Chief Corporate Responsibility Officer, aims at developing and directing Sustainable Finance actions by coordinating the actions within the finance teams and by continuing to integrate sustainability in decisions on investments and acquisitions.

All **L'Oréal employees** are encouraged to receive training on sustainable development issues through a full range of online courses that are delivered as part of the L'Oréal for the Future programme, which are available in 15 languages. In 2021, over 41,400 employees completed the Green Steps or Green tests training modules.

Because sustainable development is a strategic transformation that must be driven by all teams, remuneration structures have been revised. At the highest level, the **variable portion of the Chief Executive Officer's annual remuneration** incorporates quantitative and qualitative non-financial objectives, including objectives associated with the L'Oréal for the Future programme (and previously, the Sharing Beauty with All programme). The long-term remuneration of the Chief Executive Officer will introduce criteria for non-financial performance in addition to financial performance in order to correlate them with L'Oréal's strategy for which economic and social performance go hand-in-hand (see section 2.4. "Remuneration of directors and corporate officers" of this document). Moreover, from 2016, non-financial objectives in line with the Group's goals for sustainability have been included in the **variable remuneration** of the top management, including international brand managers and country managers.

Finally, within the framework of ongoing dialogue and as part of a process which aims at making continual progress, L'Oréal takes into account **its stakeholders' expectations** in its strategy. For this purpose, the Group has defined and developed a method of *ad hoc* interaction, which it considers to be the most efficient and appropriate, with a representative panel of outside experts around the world. It has also set up bodies dedicated to important issues, for example in the form of a women advisory board, to ensure that these issues sufficiently meet the expectations of civil society. Section 4.1.2. "Constant dialogue with stakeholders" of this document sets out the primary stakeholder interactions.

Convinced that acting ethically is the only way for a company to succeed over time, the Chief Executive Officer can also rely on the the **Chief Ethics, Risk & Compliance Officer** who reports directly to the CEO so that strong ethical principles continue to guide L'Oréal's development and contribute to establishing its reputation.

In 2021, for the seventh consecutive year, L'Oréal was recognised as a Global Compact LEAD company for its continued commitment to the Ten Principles of the UN Global Compact and for placing the UN Sustainable Development Goals at the centre of its growth strategy.

L'ORÉAL'S CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Through its sustainability programme, its strong ethical commitment, its policy to promote diversity and its charitable actions with the support of the L'Oréal Foundation and by its brands, L'Oréal contributes to 16 of the 17 Sustainable Development Goals defined by the United Nations in 2015.

L'ORÉAL FOR THE FUTURE

Transforming our activities

Empowering our business ecosystem

Contributing to solving the challenges of the world

PROMOTING EQUITY, DIVERSITY AND INCLUSION

Promoting gender equity & LGBTQIA+

Inclusion of people with disabilities

Socio-economic & multicultural origins

Age & intergeneration

ETHIC COMMITMENTS

To our suppliers

To our employees

To the society

To our consumers

PHILANTHROPY

For Women In Sciences

Beauty For a Better Life

Women & Climate

4.1.1. A Group with a longstanding commitment

1968

- Signing of the **profit sharing** agreement for French employees

1979

- First production of reconstructed skin

1988

- Signing of **the incentive agreement** for French employees

1989

- **End of animal testing** for finished products

1995

- Creation of the environmental research laboratory

1996

- Creation of **the Instance Européenne de Dialogue Social (European Works Council)**

1998

- Launch of the international programme **"L'Oréal - UNESCO For Women in Science"**

2000

- Publication of the Group's **1st Ethics Charter**

2001

- Implementation of the **Worldwide Profit Sharing Program (WPS)**

2002

- Completion of the first **social audits** of suppliers

2003

- Launch of the **ISO 14001 certification programme**
- First participation in the CDP
- L'Oréal joins the **United Nations Global Compact**

2004

- L'Oréal receives 1st **Diversity Leadership Award** from the Diversity Best Practices organisation
- Publication of the **first Diversity Charter** and the first **sustainable development report** of the Group

2005

- The Group's commitment to use plant-based raw materials in accordance with the principles of the Convention on Biological Diversity

2006

- **Global Business Coalition against HIV** award given to L'Oréal

2007

- Creation of the **L'Oréal Foundation**
- First recognition as **"One of the most ethical companies in the world"** by the Ethisphère Institute

2008

- First edition of **Ethics Day**

2009

- L'Oreal commits to a **50% reduction in CO_2 emissions,** waste generation and water consumption at its production sites and plants by 2015
- First participation in the **CDP supply chain** for the year 2008

2010

- Creation of a global **"Solidarity Sourcing"** programme
- **1st European label,** the Gender Equality European International Standard (GEEIS), awarded to **8 Group entities**

2013

- Launch of the **Sharing Beauty With All** programme
- Launch of the **L'Oréal Share & Care** programme
- Inclusion in the **United Nations GlobalCompact 100** stock index
- **"The Way We Prevent Corruption"** guide

2014

- Presentation of the **Best Performer in Climate Change Leadership**
- Signing of the **Women's Empowerment Principles,** a United Nations initiative to promote gender equality
- L'Oréal becomes a member of **Transparency International** France

2015

- Launch of the **Carbon Balanced** programme
- **Signing of the Global Disability Charter**

2016

- **1st Palm Oil Progress Report**

2017

- Founding partner of **Women4Climate** with C40
- Launch of the 2nd stage of the **Share & Care** program
- Validation of the **Science Based Targets**
- Human Rights Policy

2018

- Dissemination of the **Speak Up policy**
- **1st employee shareholding plan**
- **Act4Nature** Biodiversity Commitment

2019

- UN Global Compact: **"Business Ambition for 1.5°C"**, signing of the *pledge* (Net Zero Emissions 2050)
- **UN GEEIS Trophy** for L'Oréal's **Solidarity Sourcing Programme**
- Joining the **"One Planet Business for Biodiversity"** coalition

2020

- Launch of the **L'Oréal for the Future** programme
- Signing of the **TCFD**
- Signing of the UN **Business Leaders' Declaration for Renewed Global Cooperation**

2021

- The only company in the world to be awarded **"AAA"** by CDP for the sixth consecutive year
- L'Oréal recognised for the 7th consecutive year as a **Global Compact LEAD** company by the United Nations
- Signing of the **Better Business Through Better Wages call to action launched by IDH - The Sustainable Trade Initiative** to promote the living wage
- Renewal of the **Share & Care** programme

4.1.2. Constant dialogue with stakeholders

L'Oréal is perfectly aware that, to grow sustainably, a company must take into consideration its ecosystem composed of its stakeholders. The Group attaches great importance to dialogue with all stakeholders.

Within the framework of ongoing dialogue and as part of a process aimed at making continual progress, L'Oréal endeavours to take into account its stakeholders' expectations in its strategy. For this purpose, the Group has defined and developed a method of *ad hoc* interaction, that it considers the most efficient and appropriate, with all the stakeholders involved.

The dialogue conducted by L'Oréal with its stakeholders has grown in importance over time. Stakeholders were consulted in the context of the construction of the Group's first sustainability programme, Sharing Beauty with All, both before the definition of its commitments and during follow-up.

In defining the L'Oréal for the Future programme for 2030, since April 2019, seven internal expert panels have coordinated independent studies and worked with outside partners and civil society to define L'Oréal's next steps in sustainability. The outcome of these dialogues and consultations is an ambitious strategy, built on quantified impact reduction targets and make a positive contribution to its ecosystem.

The Group conducts ongoing dialogues with NGOs, associations and experts on a large number of environmental and societal issues around the world to review its policies and action plans, and ensure their relevance.

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2021
Employees	L'Oréal sets up a large number of dialogue arrangements with its employees to ensure their health, safety and well-being at work while listening to their concerns.	More than 60% of employees logged on to the Ethics Day sessions and more than 8,000 questions were asked worldwide. In 2021, 91% of the employees invited took part in the "Pulse" engagement survey, which showed significant progress on all components of the Simplicity management programme.
Suppliers	L'Oréal maintains an extensive dialogue with its suppliers and shares its ambitions and best practices in the area of sustainable development with them.	During annual Business Reviews(1), L'Oréal discusses five primary issues with its suppliers: quality, CSR, innovation, delivery/supply chain and competitiveness. In 2021, 627 Business Reviews took place. L'Oréal shares the information and best practices with its suppliers around the world: since 2018, more than 700 suppliers of "Retail & Promo" Sourcing Domain have been trained on the eco-design of point-of-sales materials.
Consumers	L'Oréal is heedful of both current and future needs and concerns of its consumers, in particular with regard to sustainable development.	In 2021, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its active policy of listening to consumers on sustainable development issues through consumer panels in the United States, India, China and Europe in order to understand their expectations and fine-tune its policies.
Shareholders	L'Oréal is committed to developing a relationship of trust with all its shareholders, particularly in the context of the Covid-19 health crisis. Thus, the Financial Communication Department offers a range of multimedia and digital tools, organises regular meetings with shareholders and their associations, and takes part in the discussions of professional associations.	● The Group published an interactive digital Annual Report along with an Integrated Report; ● "Letters to Shareholders" and newsletters were distributed; ● The 2021 Annual General Meeting was broadcast live and the recording can be accessed on the loreal-finance.com website, with the possibility for shareholders to ask questions using a dedicated email address and telephone conference number; ● In June, the Group took part in the inaugural BoursoLive, a completely online trade fair organised by Boursorama; ● In September, in partnership with École de La Bourse (the Euronext training arm) and several issuers, the Group launched the MOOC "Invest in Stocks". This fully online course helps future shareholders to develop an interest in and make sense of investing in companies and in the real economy and to understand what investing in the stock market is all about; ● In November, the Group participated in the third edition of the Investir Day shareholders fair, which took place in both remote and physical formats at the Palais Brongniart; and ● All multi-annual meetings of the Individual Shareholder Consultation Committee held during the first half of the year took place remotely, after which they were held in person.
Customers (distributors)	As it does with its suppliers, L'Oréal builds close relationships with its distributors by involving them in the preparation of joint sustainable development projects.	L'Oréal develops Green Joint Business plans with its main customers. This year, for example, Germany was the pilot country for the roll-out of collaborative projects with seven of its distributors, with a focus on the development of sustainable beauty commitment campaigns for consumers and on reducing the impact of the Group's business activities in its value chain.
Employee commitment	Once a year, all L'Oréal's employees are invited to spend a day on volunteering actions for associations, on public utility projects and supporting the surrounding communities, while continuing to receive their salary.	In 2021, 16,411 employees across 52 countries participated in Citizen Day to help over 400 organisations *via* 650 solidarity missions. In most cases, it was possible to host the event in person; however, hybrid and remote formats were also organised to comply with health measures implemented in some countries.

---

(1) Annual review of the supplier's business activity, its performance over the past year and its objectives for the following year.

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2021
International organisations, coalitions, NGOs and associations	The Human Rights Department is engaged in a dialogue and partnerships with outside stakeholders, including NGOs, institutions, and associations specialised in this area. Thus, L'Oréal maintains a partnership with: ● the Danish Institute for Human Rights, the independent national Human Rights institution of Denmark; ● Fair Wage Network, an NGO based in Geneva which provides the Group with a database on living wages in 200 countries and assists it in defining its strategy for deployment in operations and with strategic suppliers; ● The SciencesPo Law School clinic; and ● the United Nations Global Compact. In addition, L'Oréal joined: ● the Shift Business and Human Rights Learning Programme at Harvard; ● the Human Rights Coalition of the Consumer Goods Forum; and ● Open for Business, a coalition of companies committed to LGBTQIA+ inclusion.	In 2021, L'Oréal: ● joined Unstereotype Alliance, an initiative led by companies convened by UN Women to eradicate harmful stereotypes in advertising; ● joined the Better Business Through Better Wages call to action launched by IDH - The Sustainable Trade Initiative to promote a living wage; and ● supported the Business for Inclusive Growth (B4IG) coalition's campaign to incorporate the living wage into the debate on sustainable development.
Non-financial rating agencies and investors	Every year, L'Oréal makes every effort to improve the information made available to its stakeholders and regularly discusses CSR topics with non-financial rating agencies and investors.	L'Oréal is in regular contact with numerous non-financial rating agencies, including CDP, Vigeo-Eiris, ISS-OEKOM, MSCI, FTSE, Sustainalytics, etc. These interactions enable discussions on the Group's non-financial performance and the identification of potential areas for improvement.
The scientific community including researchers and academics	Research and Innovation is an integral part of L'Oréal's identity and maintains close links with a large number of public or private research centres all over the world, in the form of partnerships or collaborations, in areas as varied as green chemistry, synthetic biology, genomics, skin stem cells, microfluidics, bioprinting, and microbiomes. The Group's researchers also participate in the implementation of sustainable agricultural practices, optimising tools and measurement methods with agronomic research institutes to monitor the environmental benefits of more resilient practices on-site. These agile tools are designed to be effective, regardless of the level of development of the country in which they are used. This is the case of Biofunctool(1) which aggregates land indicators to monitor soil health and assess practices, including in the plantations.	Through the L'Oréal Foundation's For Women in Science programme, the Foundation recognises women scientists and awards scholarships to young female researchers. L'Oréal's teams continue their collaboration with the Stockholm Resilience Centre(2) to define its sustainable development goals by integrating the concept of planetary boundaries which, if crossed, will compromise the survival of humans on Earth. The environmental research teams continue to work with the University of Nantes to develop innovative methods for being able to easily assess the biodegradability of mixtures of chemical substances. Moreover, these teams are collaborating with the Fraunhofer Institute in the development of one method to evaluate the bioaccumulation of substances in aquatic environments. The Group's researchers participate in various programmes to identify and test substances likely to be subject to endocrine disruption, both in France (FEATS ANR), Europe (ERGO – EndocRine Guideline Optimization) and the United States (HESI – Health and Environmental Sciences Institute).
The public authorities	At the local, national, or international level, L'Oréal maintains close relationships with the public authorities, in particular *via* professional associations and its own associations.	L'Oréal is a member of many associations all over the world, including: the FEBEA (French federation for beauty companies), Cosmetics Europe, AIM (*Association des Industries de Marque*), WFA (World Federation of Advertisers), PCPC (US cosmetics industry association), CAFFCI (China Association of Fragrance Flavour and Cosmetic Industries), ISTMA (Indian Soap and Toiletries Mfrs Association), CTPA (Cosmetic, Toiletry & Perfumery Association), etc. In 2021, L'Oréal also partnered with a number of major institutional events, such as the Paris Peace Forum, the UN Global Compact Leaders Summit and the IUCN World Conservation Congress, which facilitated discussions with governments about the role companies can play on major environmental and societal issues.
Students and young graduates	L'Oréal is recognised as one of the most attractive companies for students. The Group has unique know-how in working on university campus, mking it possible to play a central role in meeting the expectations and needs of students around the world.	● Brandstorm, an international student competition, brings together more than 61,000 students from 65 different countries. ● In 2021, the Group also launched "L'Oréal for Youth", a programme aimed at supporting youth employment and improving employment prospects for young people. Through this comprehensive and long-term programme, the Group is committed to increasing the number of job opportunities aimed at those under the age of 30, offering training packages and rolling out coaching and mentoring initiatives. As part of this programme, L'Oréal also grants scholarships to support students coming from disadvantaged areas. ● The Group financially supports several academic chairs: the Multi-Capital Global Performance chair and the "Chief Value Officer" Executive MBA with Audencia, the Consumer-driven Innovation and Entrepreneurship chair with HEC, the Leadership and Diversity and the Circular Economy chairs with ESSEC, the Creativity in Marketing professorship with ESCP, the Marketing, Innovation & Creativity Chair with INSEAD and the Marketing chair with Saïd Business School at Oxford University. ● L'Oréal is also a long-standing partner of CEMS, an alliance of more than 30 business schools worldwide, including Bocconi University, LSE, Stockholm School of Economics, ESADE, Tsinghua University School of Economics, etc.

---

(1) *A low tech and low cost toolbox created by the research institute for development* (Institut de Recherche pour le Développement, *IRD) and the French agricultural research and international cooperation organisation* (Centre International de Recherche Agronomique pour le Développement, *CIRAD).*

(2) *The result of cooperation between Stockholm University and the Beijer Institute of Ecological Economics at the Royal Swedish Academy of Sciences.*

L'ORÉAL RECOGNISED FOR ITS NON-FINANCIAL PERFORMANCE

CDP: AAA for the 6th consecutive year

Global leader in sustainable development for our actions to fight climate change, protect forests and manage water sustainably.

The CDP is a non-profit organisation that encourages companies to publish their environmental data and assesses their sustainable development performance as well as their transparency efforts.

S&P Global Ratings: 85/100

The ESG assessment reflects the Group's ability to deliver strong performance through the commitment of the senior managers of L'Oréal to an ambitious sustainability strategy.

The ESG rating conducted by S&P Global Ratings assesses a company's ability to prepare for future risks and opportunities in terms of sustainable development.

UN Global Compact Lead for the 7th consecutive year

L'Oréal was recognised as a Global Compact LEAD company by the United Nations for its continued commitment to the Ten Principles of the UN Global Compact and for placing the UN Sustainable Development Goals at the centre of its growth strategy.

Launched in 2000, the United Nations Global Compact is a call for companies to align their activities and strategies with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of the UN goals and challenges expressed in the Sustainable Development Goals.

Sustainalytics: score of 16.9 – Low risk

L'Oréal has been assessed as a "Low-Risk" company, ranked #2 in the Household Products sector in November 2021.

Sustainalytics is a company that assesses the sustainability of listed companies based on their environmental, social and governance performance.

Score of 76/100, 1st in all sectors combined, from this international non-financial rating agency. Vigeo evaluates the environmental, social and governance performance of companies. This recognition allows L'Oréal to be included in the CAC40 ESG index.

Vigeo is an international non-financial rating agency that assesses the environmental, social and governance performance of companies. Since 2021, Vigeo has been part of Moody's ESG Solutions, which responds to the growing global demand for knowledge on ESG factors and climate.

MSCI

In 2021, L'Oréal was rated AAA (on a scale of AAA-CCC) by MSCI.

MSCI, a non-financial rating agency, provides in-depth research, ratings and analysis on environmental, social and governance issues on thousands of companies.

ISS

For the 10th consecutive year, ISS ESG Corporate Rating has awarded L'Oréal "Prime" status, recognising companies that are global leaders in sustainability in their industry.

ISS is a leading non-financial rating agency for sustainable investment, enabling investors to develop policies, integrate practices and engage with responsible investment issues.

FTSE

FTSE Russell has confirmed that the group has been independently assessed against the FTSE4Good criteria and has met the requirements to become a constituent of the FTSE4Good Index Series.

Created by global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies that demonstrate strong environmental, social and governance practices. The FTSE4Good indices are used by a wide range of market participants to create and evaluate responsible investment funds and other products.

Ethisphere: 12th year

In 2021, L'Oréal was recognised for the twelfth time as one of the world's most ethical companies.

Ethisphere Institute, the world leader in defining and promoting ethical business standards.

Bloomberg Gender-Equality Index

L'Oréal was again recognised by the Bloomberg Gender-Equality Index, acknowledging the most advanced companies in the area of gender parity among 380 companies evaluated in 44 countries.

The Bloomberg Gender-Equality Index acknowledges the most advanced companies in the area of gender parity.

Refinitiv

In September 2021, L'Oréal was once again included in Refinitiv's Diversity & Inclusion Index, which ranks the world's top 10 companies out of the 11,000 global companies it assesses.

The Refinitiv Diversity & Inclusion Index scores and ranks companies on 24 indicators across four categories: diversity, inclusion, employee development and controversy.

Universum: 5th place

In 2021, L'Oréal was ranked #5 in the world (business schools), making it the first EU multinational company in the Top 5.

The Universum "World's Most Attractive Employers" ranking compiles the results of surveys conducted in 10 countries: United States, China, Germany, United Kingdom, France, India, Italy, Brazil, Russia and Canada.

4.2. MAIN NON-FINANCIAL RISKS

L'Oréal presents its Corporate Social Responsibility strategy[1] in order to meet the requirements of the Non-Financial Information Statement[2] in particular. This Declaration sets out the Group's main non-financial risks and then describes the policies implemented to address them, which are monitored and measured by performance indicators and their results. This presentation refers to the Group's business model, set out in section 1.2. "Business model: economic and societal excellence to create lasting value for all" of this document.

As L'Oréal has had a long-standing commitment to corporate social responsibility, section 4.3. "Policies, performance indicators and results" of this document also includes the policies and actions voluntarily implemented beyond a response to the main risks.

4.2.1. Risk identification process

In application of the European Directive of 22 October 2014 on the disclosure of non-financial information, as transposed into French law, the main environmental and social risks, the main risks related to Human Rights and the main corruption risks[3] are detailed in this section 4.2. to the extent necessary to gain an understanding of the Company's position, business development, economic and financial results, and impacts of its activity.

The Group's significant risks, *i.e.* the risks that could have a material impact on its business, financial position, or outlook, are described in chapter 3 of this document (see section 3.5. "Risk factors and risk management" of this document) and have been established in conjunction with the Group risk mapping (see section 3.5.2. "Risk mapping" of this document).

These risks cover all areas of the Group's activities. Some of these risks are specific to non-financial issues; others are broader and may stem from environmental or societal causes.

These so-called "CSR" risks were the subject of detailed analysis to select the main risks within the meaning of the Non-Financial Information Statement. This analysis was carried out based on the work of Group experts, in conjunction with the Ethics, Risk and Compliance Department and in compliance with the Group's business model. This work also draws on the sustainable development materiality analysis, the Group's Human Rights and corruption mapping and corruption mapping conducted for each country, as well as on the risk analysis carried out within the framework of the Vigilance Plan (see section 3.4. "Vigilance plan" of this document).

The risks associated with climate change have been the subject of a long-term approach – more than 10 years – given their specific nature.

The main risks have been validated at the highest level of responsibility of the organisation by the relevant General Managements.

4.2.2. Main risks for corporate social responsibility, Human Rights and corruption

The main risks in respect of corporate social responsibility, Human Rights and corruption identified by the Group, as described in section 4.2.1. "Risk identification process" of this document, are set out below. Other risks, of which the Group is not currently aware or which it does not consider material at the date of this Document, could have a negative impact.

For the main environmental risks, the concept of risk covers both risks related to the impact of the Group's business activities on its ecosystem and the risks of the impact of climate change in the short and medium terms on its business model, activity and financial performance[4].

---

(1) *The acronym "CSR" refers to Corporate Social Responsibility.*

(2) *NFIS, Non-Financial Information Statement – Prepared pursuant in particular to Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code, resulting from French Order no. 2017-1180 which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial information.*

(3) *In accordance with the regulations, information on the fight against tax evasion is given in section 4.3.5. "Tax policy" of this document.*

(4) *Pursuant to French Financial Markets Authority - AMF recommendation no. 2018-12 of 29 October 2018, the 2019 AMF report on the "Corporate social responsibility of listed companies", and the Guidelines of the European Commission on Climate of 20 June 2019.*

Main environmental risks

Industrial risks

As with any production, distribution, research and general administration activity, L'Oréal is exposed to a variety of industrial risks that may impact the environment and safety: fires, explosions, technical failure of facilities, safety system installations, or even human failure in the operation of existing facilities (such as those dedicated to the treatment of wastewater and/or their discharge), or when managing exceptional works. These events can generate accidental pollution (surface and underground water, air, soils, etc.) that may have consequences inside or outside the sites, which are sometimes located near an inhabited area.

Physical and transition risks associated with climate change

The Group is exposed to risks of natural origin in many countries. Risks of natural origin are those related to the occurrence of extreme weather events such as cyclones or floods, or those resulting from long-term climate change such as the rise in average temperatures, noticeable change in precipitation levels and the reduction of available water. The increase in these risks could impact the availability of finished products by disturbing the Group's operations and/or supply chain. To be sold, the products manufactured by the Group must be available on the market on the dates scheduled to respect consumer demands and launch plans, in a cosmetics market where the need for responsiveness is growing constantly. A major stoppage of activity at a factory or distribution centre could therefore have an adverse effect on the achievement of commercial objectives.

These risks may impact the Group directly on its sites, or indirectly *via* the sites of suppliers and subcontractors, thereby reducing the availability of raw materials or filling and packing components necessary to manufacture products. For instance, an exceptionally steep rise in the price of basic raw materials because of their scarcity, or in the energy costs necessary for their production due to carbon taxation, or even their total unavailability or the resulting failure of suppliers, could affect the Group's performance.

Risks related to the use and end of life of products

The use of cosmetics and their disposal after use by consumers and professional customers (mainly hairdressers and beauticians) generate environmental impacts. So-called "rinsed" formulas (shampoos in particular) require water for their use, and the ingredients used in their composition can be found after use in domestic wastewater, the treatment of which is dependent on existing sanitation systems in place in the relevant geographic areas. Insufficient consideration of these impacts related to the usage phase during the design of L'Oréal products could represent a risk in certain areas of the world affected by water stress or the lack of adapted infrastructures for the collection and treatment of wastewater. Similarly, the use of predominantly plastic containers may represent an environmental risk with regard to the disposal of plastic waste, depending largely on the collection and treatment channels available.

Risk related to changing stakeholder and consumer expectations in terms of environmental and social performance

The Group anticipates that the choices made by certain categories of consumers could increasingly be influenced by the impact associated with using a product (its carbon footprint, water footprint and impact on biodiversity) and the global environmental performance of industrial producers. If the Group is unable to anticipate changes in such behaviours, meet stakeholders' expectations, overcome major environmental and social challenges and respond in particular with appropriate product innovation, a significant contribution in the transition towards a low carbon economy and the preservation of water, natural resources and biodiversity within its value chain, the Group's performance and reputation could be affected.

Risk of regulatory non-conformity

L'Oréal operates through subsidiaries located in many countries. Like any international business, L'Oréal is subject to a wide range of constantly changing local laws and regulations in the areas of safety and environment, including fight against climate change, and the preservation of water resources, biodiversity and natural resources. This exposes it to the risk of regulatory non-compliance of higher compliance costs for its activities in a global context of increasingly diverse norms.

Main social risks

Employee health and safety risk

Given L'Oréal's activities, particularly its industrial operations, the risk of occupational injuries or illnesses could become a reality.

Human resources management risk

One of the keys to L'Oréal's success lies in the talent of its employees to ensure its growth. This is all the more true as L'Oréal is changing within a complex, highly competitive, and rapidly changing environment (globalisation, diversity and inclusion challenges, sustainable development issues, acceleration of the digital transformation, etc.) that requires specific expertise. The labour market is characterised by major changes related to the Covid-19 pandemic, particularly to the hybrid organisation mode, both in-person and remote. If L'Oréal fails to identify, attract, retain and train competent and involved employees who behave responsibly, the development of its activities and its results could be affected.

Main Human Rights risks

Following an initial analysis conducted in 2017, the Group wanted to expand its mapping in 2020, by identifying the potential 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, as well as the likelyhood of its impacts for people throughout its value chain. The identification process at the global level and in 27 markets was finalised in 2021. This study was conducted with an NGO specialised in the area, providing independent analysis.

The following list of the main risks results from the 2017 risk analysis, complemented by the work to identify the detected salient risks in 2021:

- the Human Rights of L'Oréal's employees (discrimination because of gender, age, disability, gender identity, and sexual orientation);
- the Human Rights of L'Oréal's suppliers' employees (child labour, forced labour, discrimination because of gender, age, disability, gender identity and sexual orientation, and lack of a living wage);
- the Human Rights of consumers (failure in the quality and safety of products, and lack of protection of personal data); and
- the Human Rights of communities (stereotypes in advertising).

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).

Main corruption risks

L'Oréal operates in many countries where the risk of corruption can be significant and could lead L'Oréal's employees, as well as third parties acting in its name or on its behalf, directly or indirectly, voluntarily or involuntarily, to adopt practices contrary to the Group's ethical principles and the prevailing regulations. Corruption takes a variety of forms that are not necessarily easy for employees to identify. For instance, the exchange of gifts or invitations of excessive value could be perceived as corruption.

The assessment of corruption risk is materialised by specific mapping, carried out at the Group level and by each country in its local context.

The Group's activities involve in particular relations with:

- public authorities and their representatives, either directly or *via* intermediaries or professional bodies, to obtain the authorisations necessary for the Group's activities, for instance. The countries in which the Group operates must be given support in the fight against public corruption;
- the Group's customers and suppliers; and
- journalists, doctors, etc., to whom products can be given so that they can recommend them. Relationships are also maintained with third parties that, beyond the Group's products themselves, issue various or general opinions on L'Oréal. Any action potentially deemed as being intended to cause the persons in question to breach their obligation of loyalty must be avoided.

Any breach of the Group's corruption prevention principles may be detrimental to L'Oréal and its partners. Equally, any failure of a partner may be detrimental to L'Oréal.

4.3. POLICIES, PERFORMANCE INDICATORS AND RESULTS

The Group's policies, described in this section, address the need to prevent the main CSR risks and mitigate their impact. By contributing to preventing and controlling the risks to which the Group is exposed, these policies are intended to contribute to the Group's sustainable growth in a controlled environment suited to its business lines. There are however limits inherent in any system and process. These limits result from several factors, in particular the uncertainties of the outside world or malfunctions that may occur due to technical or human failures.

These policies also reflect a proactive approach by the Group that considers stakeholder expectations (see section 4.1.2. "Constant dialogue with stakeholders" of this document).

4.3.1. Environmental policy

L'Oréal, whose strategy is Glocalization, sees its economic performance and its environmental and social performance as being inextricably bound. Long committed to reducing its environmental footprint, the Group has the ambition to appear among the exemplary companies in the field by proving that it is possible to decorrelate growth and impact, and to contribute positively to its ecosystem, throughout the world.

In 2013, L'Oréal intensified its environmental ambitions by launching the Sharing Beauty With All programme based on four pillars: "Innovating sustainably", "Producing sustainably", "Living sustainably" and "Developing sustainably". In 2015, the Group announced its aim of becoming a Carbon Balanced company by the end of 2020. In 2016, a programme was rolled out within Sharing Beauty With All: Working sustainably. It brought administrative sites and research centres into the process of improving L'Oréal's environmental and social impacts. In 2017, through its membership of the Science-Based Targets programme, an initiative of the CDP, the United Nations Global Compact, the World Resources Institute and WWF, L'Oréal signalled its goal of reducing its global greenhouse gas emissions by 25% compared to their 2016 levels by the end of 2030 and of going one step further by putting its environmental policy at the service of a major collective challenge, namely efforts to fight climate change. To progress further, in 2018, in the context of the individual Act4nature commitments, L'Oréal set a goal of 100% renewable raw materials coming from sustainable sources by 2030. Also in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation, with the aim of adopting refillable, reusable, recyclable, or compostable plastic for 100% of packaging by 2025. Finally, 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 paths of the IPCC(1).

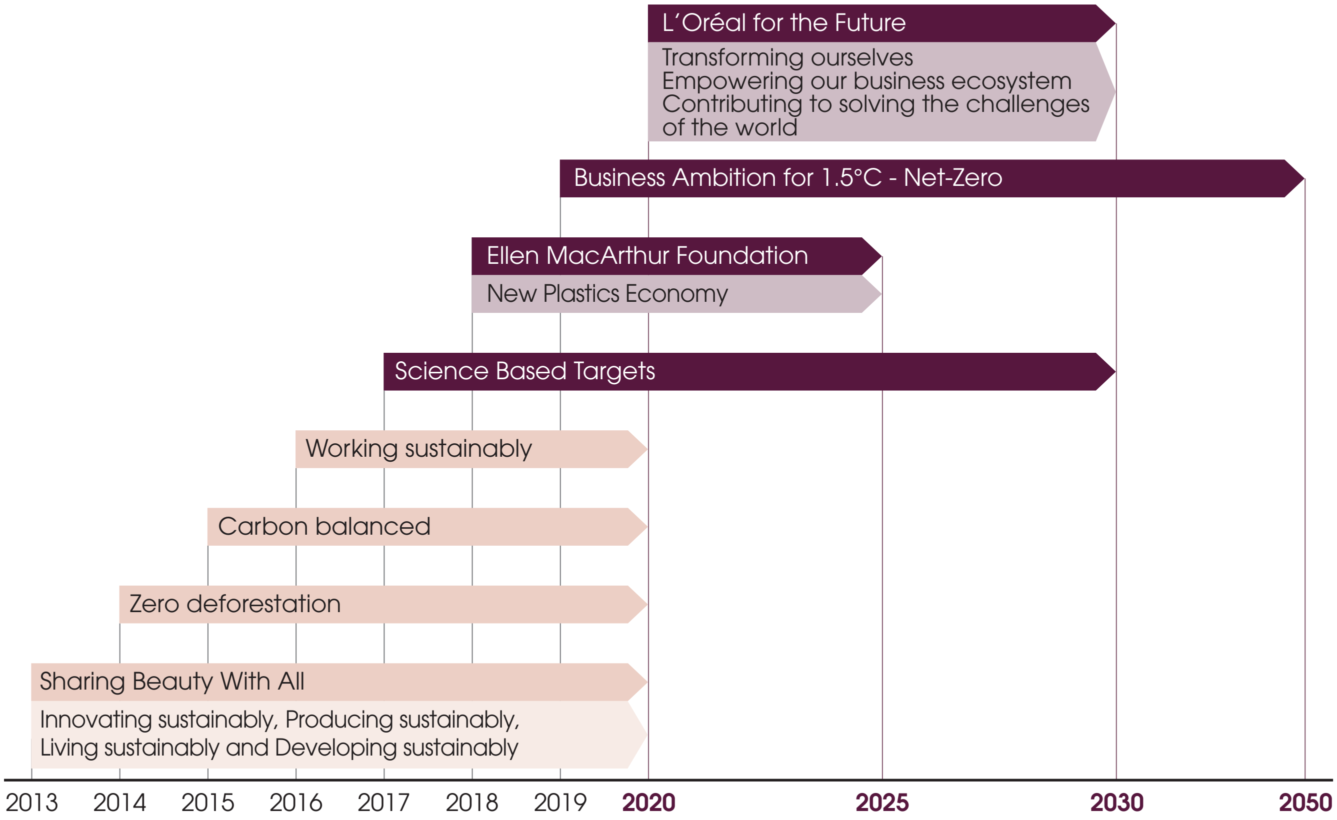
All these programmes have allowed L'Oréal to broaden the scope of its actions. Beyond its commitment to preserving the health and safety of its employees and reducing the impact of its sites on their environment, the Group has implemented an ambitious policy to reduce its environmental footprint by preserving natural resources (energy, water, materials, biodiversity) on all sites operated and throughout the product life cycle, from the supply of raw materials to the end of life of products. L'Oréal is increasingly involving its suppliers in this process, sharing its ambitions and best practices, with the vision of a comprehensive and inclusive environmental policy.

In June 2020, L'Oréal announced its new L'Oréal for the Future sustainability programme built on three pillars: "Transforming ourselves", "Empowering our business ecosystem", and "Contributing to solving the challenges of the world". In order to reconcile the Group's needs to preserve a planet with limited resources, L'Oréal has raised its goals and defined targets for improvement by 2030 that cover all its direct and indirect impacts, related for example to the activity of its suppliers or the use of its products by consumers.

L'Oréal's commitment is to ensure that its activities respect the "planetary boundaries", meaning what the planet can withstand, as defined by environmental science.

---

(1) *Intergovernmental Panel on Climate Change.*


L'Oréal for the Future
Transforming ourselves
Empowering our business ecosystem
Contributing to solving the challenges of the world
Business Ambition for 1.5°C - Net-Zero
Ellen MacArthur Foundation
New Plastics Economy
Science Based Targets
Working sustainably
Carbon balanced
Zero deforestation
Sharing Beauty With All
Innovating sustainably, Producing sustainably,
Living sustainably and Developing sustainably
2013
2014
2015
2016
2017
2018
2019
2020
2025
2030
2050

POLICY	INDICATORS AND PRINCIPAL RESULTS
An ambitious EHS policy shared by all	● a worldwide organisation and a unique reference manual ● trainings in EHS policy and practices: 13,459 training actions worldwide ● a worldwide audit programme: 39 EHS audits ● a continuous improvement process: 34 ISO 14001 certifications, 23 ISO 50001 certifications, 34 ISO 45001 certifications (factory scope) ● a process of systematic integration of new sites
Managing risks and controlling the impact of sites on their environment	● an environmental analysis conducted on a regular basis and whenever a significant change occurs ● consideration of biodiversity and soil use in the design or operation of sites ● monitoring of surface water: no accidental spill ● monitoring of industrial wastewater: quality index for wastewater after treatment (0.33g of COD/FP)☑ ● monitoring of air emissions, excluding greenhouse gases: SO_2 0.3t; VOC 156t; ozone-depleting substances 1.1t ☑ ● monitoring of noise pollution
Fighting climate change on operated sites	● reducing greenhouse gas emissions (Scopes 1 and 2, according to the GHG Protocol): -35% for industrial sites (vs 2019); -77% for administrative sites and research centres (vs. 2019) ● Scopes 1 and 2 CO_2 emitted by sites; 100 "carbon neutral" sites at the end of 2021☑ ● reducing energy consumption: total energy consumption of sites: 783,211 MWh ☑ for industrial sites and 170,582 MWh for administrative sites and research centres ● increasing renewable energy use: part of renewable energy consumed by sites: 80% for industrial sites; 82% for administrative sites and research centres ● reducing Group emissions from product transport (Scope 3 as per the GHG Protocol): CO_2 emitted by transport: +12% (tCO_2eq./unit sold vs 2016) ● preserving water resources: total water withdrawal of sites: -5% for industrial sites (in litres per finished product vs 2019); +36% for administrative sites and research centres (in litres per 100 hours worked vs 2019); 6 "Waterloop Factories" at the end of 2021☑ ● preserving biodiversity: 80 biodiversity inventories carried out ● reducing waste and preserving material resources: total generation of transportable waste of sites; -1% for industrial sites (in grams per finished product vs. 2019); +55% for administrative sites and research centres (in kg per 100 hours worked vs. 2019); recovery index: 97% for industrial sites☑; 92% for administrative sites and research centres; material recovery index: 59% for industrial sites☑; 48% for administrative sites and research centres
Involving suppliers in the Group's transformation	● 82% of the direct and indirect strategic suppliers have completed a self-assessment of their sustainable development policy with the support of L'Oréal Group. ● encouraging strategic suppliers to reduce their greenhouse gas emissions: 565 suppliers participated in the CDP *supply chain*, representing 87% of the expenditures made for direct suppliers ● engaging strategic suppliers: 1,236 social audits were conducted in 2021 ☑ ● 767 suppliers completed an assessment by Ecovadis of their social, environmental and ethical policies. ● 89,093 people gained access to work through the Solidarity Sourcing programme
Sustainability: from product design to end consumer	● 96% of the Group's products are eco-designed ● 60% of our ingredients in formulas are from biobased sources, derived from abundant minerals or from circular processes ● "Zero Deforestation" commitment: 100% of purchases of palm oil and of palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria (1) ● 39% of the Group's plastic packaging is refillable, reusable, recyclable or compostable. ● 91% of the advertising displays at points of sale are eco-designed ● number of people who have benefitted from the commitment of our brands: 985,089
Meeting the most demanding standards	● GHG assessment, an annual exercise: Scopes 1, 2 and 3: *12,526 thousand tonnes of* CO_2 equivalent ● Science-Based Targets commitment ● *UN Global Compact Pledge: "Business Ambition for 1.5°C"* ● adapting the model to the climate emergency: alignment of the Group with the TCFD principles ● alignment with the European Taxonomy, the priority target of which is the sectors with the largest environmental footprint, in which L'Oréal is not included

---

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *Roundtable on Sustainable Palm Oil.*

4.3.1.1. Sustainable development at the heart of the Group's strategy and ambitions

4.3.1.1.1. An ambitious EHS policy shared by all

A pioneering, socially responsible company, L'Oréal applies an ambitious policy with regard to the Environment (E), Health (H) and Safety (S) to minimise its environmental impact and guarantee the health and safety of employees[1], customers and the communities in which the Group carries out its business activities.

This has been reflected, for many years, in the desire to systematically control the risks related to the safety of people and the environment that are inherent in the Group's business activities. Any establishment or renovation of a site, any launch of new equipment or production processes, and any changes in industrial processes give rise to a risk assessment and action plans that make it possible to reduce their potential impact.

This commitment has led to the deployment of the Group's EHS policy over the entire spectrum of its business activities, but also beyond it. Indeed, the Group strives to ensure the regulatory compliance of its activities, compliance with its own standards on its sites (industrial or administrative sites, research centres, stores), and makes sure that its subcontractors and suppliers ensure the safety of people and the environment through a specifically dedicated audit programme.

---

(1) The Health and Safety policy addressing the health and safety risk of employees (see section 4.2.2. "Main risks for corporate social responsibility, Human Rights and corruption" of this document) is presented and described in the Human Resources policy (section 4.3.2. "Human Resources policy" of this document).

A SYSTEM BUILT UP OVER MANY YEARS

1991

- Creation of the "Industrial Risks" Department of Operations and the ETNEHS* function at the sites.
- Creation of the first EHS procedures and EHS reporting.

1992

- 1st EHS seminar.
- Launch of fire prevention inspections on sites.

1993

- Creation of Internal EHS Awards.

1996

- First EHS audits.

2000

- Organisation of a worldwide EHS governance: a Corporate team and an EHS Director by zone.
- Launch of SHAP* tools and Root Cause analysis.

2001

- Strengthening of EHS Audits with the presence of external local experts.

2003

- 14001 certifications of plants.
- Creation of EHS functions at the R&I sites and administrative sites.
- Creation of the first procedures for R&I.

2004

- First environmental objective for the Group (reduction in energy consumption).

2007

- Measurement and reporting of CO_2 emissions (Scope 1 & Scope 2).
- OHSAS certification of plants.

2008

- Evaluation of the Group's Carbon balance.

2009

- First response to the CDP Supply Chain for the Group's suppliers.
- First environmental commitments of the Group:
  - - 50% in CO_2 emissions, water consumption,
  - and waste production between 2005 and 2015.
- Launch of MESUR* and SIO* tools for Safety.

2010

- Creation of EHS culture audits.

2011

- Launch of the Ergonomic Attitude programme.

2012

- Creation of the EHS position in L'Oréal stores.

2013

- Launch of the SBWA programme and new commitments to reduce the environmental footprint of Operations.
- Launch of Waterscan*.
- Deployment of the EHS Manual.

2014

- Achievement of the -50% target for CO_2 emissions vs 2005 for plants and distribution centres.
- Launch of ISO 50001 certification of plants.

2015

- Achievement of the "zero landfill waste" objective for the plants.

2017

- Validation of the Science Based Targets*.
- First Waterloop Factory of the Group and 1st administrative site certified ISO 50001.
- Launch of Energyscan*.
- Safe@Work Safe@Home programme.
- Launch of the LIFE* programme.

2018

- Achievement of the "0" landfill waste objective for the industrial sites.
- Triple RoSPA* recognitions.
- Launch of GHAP* (new general SHAP*).
- Act4nature: individual commitments of L'Oréal.

2019

- UN Global Compact: "Business Ambition for 1.5°C", signing of the pledge.
- 1st worldwide biodiversity days.
- Safe@Work / Safe@Home prize in partnership with RoSPA.
- Five RoSPA recognitions.

2020

- Signing of the TCFD.
- Launch of the *L'Oréal for the Future* programme.
- 17 RoSPA recognitions

2021

- Three "A"s obtained in the context of the CDP* for the sixth year
- Launch of the *Green Steps*
- 53 RoSPA recognitions

CDP: Carbon Disclosure Project.

Energyscan: A tool that makes it possible to quantify possible savings of energy used in a plant.

ETNEHS: EHS and Facilities.

GHAP: Global Hazard Assessment Procedure.

LIFE: Life-threatening Incidents or Fatality Events.

MESUR: Managing Effective Safety Using Recognition and Realignment.

RoSPA: Royal Society for the Prevention of Accidents.

Science Based Targets: Commitment to reduce greenhouse gas emissions over the long term and across the entire value chain, in accordance with the Paris Agreement.

SHAP: Safety Hazards Assessment Procedure.

SIO: Safety Improvement Opportunity.

TCFD: Task Force on Climate-related Financial Disclosures.

Waterscan: A tool that allows to quantify possible savings of water used in a plant.

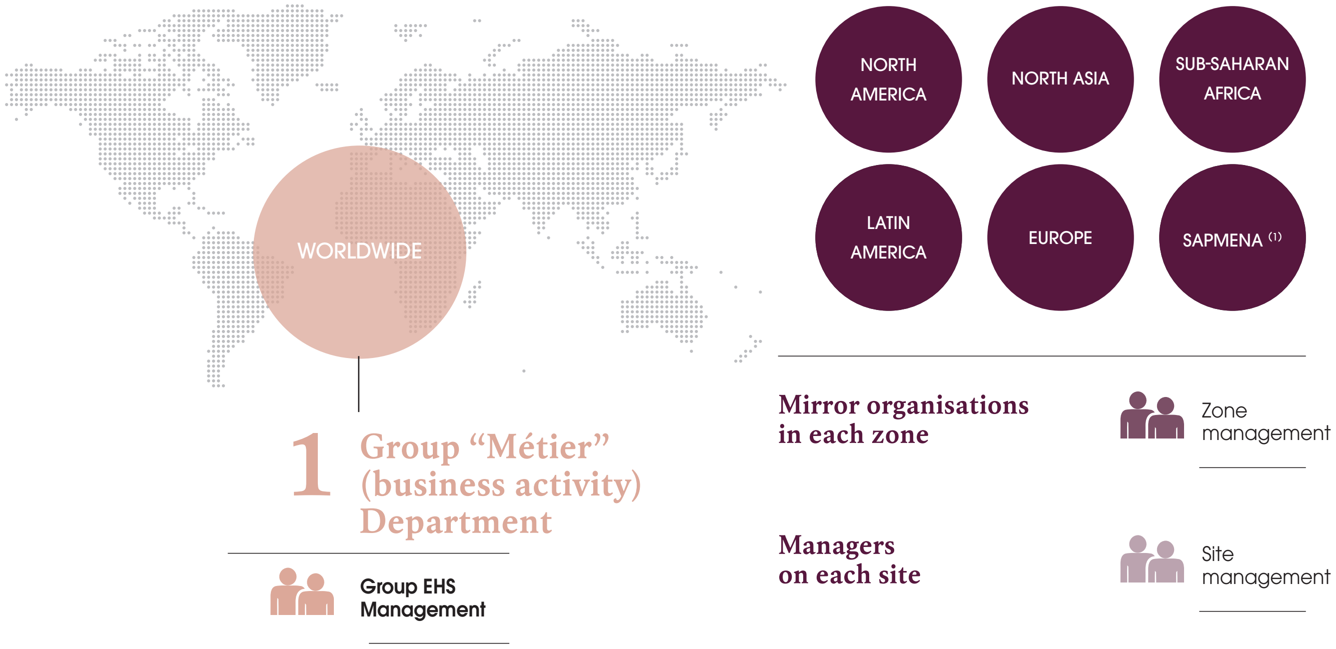
A unique reference manual

The Group's EHS policy is based on a set of stringent standards, compiled in an EHS manual that is a reference manual for all the sites all over the world. While knowledge of and compliance with these procedures are fundamental, the lasting improvement of the safety results and environmental performance essentially requires the dissemination of a sustainable EHS culture to each and every employee and large programmes of actions aimed at improving the safety and environmental impact of its activities. A dedicated training programme has been established for this purpose with the aim of passing on this EHS culture at every level of the organisation. Lastly, in a manner consistent with this entire approach, an audit system combining both a "risk" and a "culture" evaluation serves to assess the compliance of activities with the key regulatory requirements, the proper application of the Group's standards and the degree to which the EHS culture is spread.

A worldwide organisation

The EHS organisation, under the responsibility of Operations, is built in line with the Group's worldwide organisation. It includes a Group "Métier" (business activity) Department, mirror organisations in each geographic zone and managers at each site.

WORLDWIDE EHS ORGANISATION



(1) *South Asia, Pacific, Middle East, North Africa.*

In support of this organisation, the EHS manual is the reference tool for the Group sites. It is essential to the improvement of their performance and respect for the key EHS commitments: moving towards "zero accidents" for the Group and to reduce the sites' environmental footprint (see "A continuous improvement process" section below). It defines the EHS management system and the responsibilities shared at all levels of the organisation, up to the operational responsibilities:

General Management	The Chief Operations Officer, a member of the Executive Committee who reports to the Chief Executive Officer, is responsible for the Environment, Health and Safety for the Group.
Site managers (factories, distribution centres, administrative sites, research centres)	Site managers are responsible for the deployment and effective implementation of the policies defined. Their remuneration is partially tied to their performance in the areas of the environment, health and safety.
EHS managers	Managers dedicated to compliance with the EHS policy ensure compliance with local regulations and the implementation of the rules, Group procedures and associated performance objectives in all the Group's entities.

The EHS manual also defines the measures to be applied to control the facilities and activities, in particular, to reduce to the greatest extent possible the risks of injury to people and damage to the environment and property(1). It covers the following areas in particular:

- the safety of people and property;
- fire protection;
- maintenance and work;
- pollution risks;
- efficiency of the use of resources, water and energy consumption;
- preservation of biodiversity;
- greenhouse gas emissions, wastewater discharges, waste generation and treatment.

---

(1) *In collaboration with the Security and Real Estate Departments for property.*

This EHS policy is accompanied by monthly reporting of detailed indicators used to monitor evolutions in results in each of these areas and to identify anomalies and incidents.

The EHS manual is rolled out at all industrial sites, research centres and administrative sites, free-standing stores, and point of sales.

Training in EHS policy and practices

Training sessions dedicated to L'Oréal's EHS policy and practices have been provided at all levels of the Company. They constitute one of the cornerstones of implementing risks identification and management systems, and deploying the EHS culture in all Group entities, with the following main objectives:

- defining and sharing the EHS vision, challenges and values across the Group;
- enabling managers to implement the EHS policy effectively within their entities;
- identifying the EHS risks inherent in a role, task, behaviour or the use of equipment and adopting appropriate preventive and corrective measures; and
- enabling managers to identify, in their activities, the actions that could help to improve the EHS performance of their site.

TRAINING	OBJECTIVE	PROFILES CONCERNED	2021 RESULTS
EHS Excellence	Guaranteeing a high level of expertise for EHS managers in the Group	EHS teams	73 people trained worldwide
Leadership & Safety culture	Training managers in the EHS culture of their unit	Top managers	83 people trained worldwide
Mastering DOP role		Operations Directors (DOP)	13 people trained worldwide
EHS Operations & Labs		Managers and operational supervisors	46 people trained worldwide
EHS for stores		Managers of free standing stores	38 people trained worldwide
Ergonomic Attitude programme	Training in health and safety issues specific to Operations sites	Experts, managers and employees	18 experts and 848 employees trained (managers, technicians, etc.) 11 EHS people trained as trainers

Since 2020, in the context of the Covid-19 health crisis, work was done to restructure the different EHS training courses to make them compatible with remote learning. In addition, webinars were rolled out to animate the different EHS programmes, and, in particular, *Green steps for all* increased awareness of the challenges related to climate, water, biodiversity and resources for 12,419 Operations employees in 2021.

In addition to these specialised training sessions, every new L'Oréal employees receive general and specific training at their workstation including the Group's EHS rules before taking up their position.

A worldwide audit programme

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 local contexts and regulations. These audits take place regularly at all L'Oréal sites: every three years for production sites and every four years for distribution centres, administrative sites and research centres. A follow-up visit is scheduled for the following year for the sites where it is necessary.

Two types of audits known as "risks" or "culture" are performed depending on the maturity and type of activity at the sites. The risks audits primarily assess:

- compliance of practices and facilities with the significant requirements of local regulations and Group procedures and rules;
- controls of risks to health, safety and the environment generated by technical equipment, processes and operating modes implemented and used by employees; and
- progress in environmental, health and safety performances.

These audits are carried out by external independent experts.

The results of these audits give the Group's General Management objective knowledge of the risks in the areas of EHS on L'Oréal sites and provide the assurance that they are under control.

In the same way, within the framework of the culture audits, the leadership of site management, all operational managers, and the deployment level of the EHS culture with all employees are evaluated.

These audits are carried out by internal EHS specialists through interviews with at least 20% to 30% of the site's workforce.

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 structural levels.

Depending on the case, EHS audits are exclusively risks or culture audits, audits that combine risks and culture, or even audits that combine risks, culture, quality and performance.

Because of the Covid-19 health crisis, specific new audits were rolled out since 2020 to evaluate the level of prevention necessary to avoid the spread of Covid-19. After an initial audit, a follow-up audit is conducted after one month, and then audits are performed every four to five months based on the results. Most of these audits are conducted remotely.

L'Oréal also shares with its subcontractors the objective of improving Environmental, Health and Safety performances. Audits are carried out in addition to social audits by independent third party specialists on manufacturing or logistics subcontracting sites, in accordance with the criteria defined by L'Oréal and similar to those used for the Group's entities.

In 2021, in the context of the Covid-19 health crisis:

- 2 risk audits were conducted on-site;
- 2 combined risks and EHS culture audits were conducted on site;
- 2 combined Quality, Environment, Health, Safety and Performance audits were conducted on-site;
- More than 270 Covid audits were carried out, most of them remotely; and
- 29 additional EHS audits of subcontracting sites were carried out in factories and 4 in distribution centres. All of these audits were conducted on-site.

In addition to these audit programmes, prevention inspections are regularly conducted by experts from the Group's insurance companies as part of external Fire and Environment insurance policies. In 2021, given the Covid-19 health crisis, site inspections were reduced: 9 sites (6 factories, 2 distribution centres and 1 administrative site) were inspected for environmental risks in four countries (France, Germany, Spain and China). 5 remote reviews were also completed to ensure progress in the effective implementation of recommendations made during previous inspections. With regard to fire prevention inspections, only 4 sites were inspected in 2021 (3 factories and 1 administrative site) in France. 18 sites around the world were reviewed remotely.

100% of all preventive audits and inspections described above involved a risk component which is always carried out by external independent auditors specialised in the area being audited.

A continuous improvement process

The implementation of the standards, the spread of the L'Oréal EHS culture and the governance system in place contributes to the continuous improvement of the Group's EHS performance. Major developments occurring within the framework of the Group's Operations are also included with this same goal, whether it involves the construction of a new factory, the purchase of new equipment or the definition of new processes, each industrial development is an opportunity to reduce the environmental footprint and safety risks.

Lastly, some major programmes within EHS, or more generally within the Group, are vectors for progress in the areas of safety or the environment for all entities, and are the subject of detailed improvement plans, the effectiveness of which is evaluated during the audits.

LIFE programme (Life-threatening Incidents or Fatality Events)

For all L'Oréal sites, this programme covers activities posing risks that, if not controlled, could result in serious injury or 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. It is backed up by a three-year communication campaign relayed by managers to cover the 10 identified families of LIFE risks.

The L'Oréal for the Future programme

Building on the Sharing Beauty With All programme, L'Oréal for the Future, the Group's new sustainability programme announced in June 2020, has set a second generation of particularly ambitious and concrete targets for 2030, covering all the impacts of the Group's value chain (supply chains, consumer product use, etc.) and its operated sites (production and distribution sites, administrative sites, and research centres).

The main environmental objectives of the programme concerning operated sites are as follows:

- Climate: reaching carbon neutrality for all operated sites by 2025, by improving energy efficiency and using 100% renewable energy. L'Oréal is also committed to halving the transport footprint of its products by 2030.
- Water: in 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop.
- Biodiversity: by 2030, all of our operated buildings and all industrial sites will have a positive impact on biodiversity compared to 2019.
- Natural resources: by 2030, 100% of the waste generated in our operated sites will be recycled or reused. L'Oréal is also committed to no longer send waste to landfill.

The Group is committed to an ISO certification process to permanently anchoring EHS performance on its industrial sites:

- Since 2003, L'Oréal has committed to ISO 14001 certification "Environmental Management" in all of its factories;
- In 2015, the Group launched an ISO 50001 "Energy Management" certification programme with the goal of certifying all its factories in accordance with a clearly defined roadmap. Some administrative sites and research centres have also initiated this process; and
- Since 2007, L'Oréal has committed to OHSAS 18001 certification, and then ISO 45001 "Occupational Health and Safety Management" certification to all its plants.

2021 Certifications	ISO 14001		ISO 50001		ISO 45001	
	Number of sites	%	Number of sites	%	Number of sites	%
Factories	34	87	23	59	34	87

An internal Group communication system exists so that each site is informed when accidents, near misses, or significant incidents occur. Specific communication is circulated worldwide so that the facts and lessons to be learnt, the existing rules and the new requirements to be applied are taken into account. Finally, a historical record is accessible by each site covering the nature and root causes of EHS incidents/accidents that have occurred in all sites.

A process of integrating new sites

The Group regularly acquires new sites. A formal integration process then makes it possible to provide these sites[1] with extra support and assistance in order for them become compliant with all EHS requirements defined, and to bring potential risks under control.

The purpose of this process is to enable these sites to rapidly achieve the performance level expected by the Group. It comprises:

1. a regulatory compliance audit carried out by an independent third party within six months of the acquisition;
2. deployment of the EHS processes described above (EHS manual, EHS reporting, training, audit programme); and
3. monitoring of the integration within the Group.

4.3.1.1.2. Managing risks and controlling the impact of sites on their environment

The Group systematically anticipates industrial risks of its activities, specifically the environmental impacts in the places where it operates, whether they concern soil, water or air.

Controlling and limiting risks to the environment

Each site has a general environmental analysis that must be updated on a regular basis and whenever a significant change occurs.

All activities performed by employees (permanent or temporary) are covered by an environmental aspects analysis, including routine and maintenance activities. The preventive measures described in the internal procedures must be complied with in order to avoid all forms of pollution (soil, surface water, groundwater, air, etc.). Contingency plans in the event of accidents are planned and are the subject of training for the people concerned. Proper implementation of these measures is verified during prevention inspections by insurers and periodic EHS audits.

Depending on the site, 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.

Any establishment or site renovation, any introduction of new equipment or manufacturing processes, and any change in industrial processes is also the subject of a risk assessment and action plans to reduce the potential impacts. In the same way, at the time of purchasing land or buildings, L'Oréal conducts due diligence, which includes, in particular, a review of the environmental aspects.

Biodiversity and soil use

L'Oréal's biodiversity and soil use commitments are based on the following principles:

- establish an ecological inventory of the site: the purpose of this inventory, through the resulting action plan, is to preserve, restore and develop the biodiversity of the site in its ecosystem. This inventory is performed by a local expert and may be based on the SITES v2 standards (Reference guide for Sustainable Land Design and Development), which is aligned with the LEED environmental certification (Leadership in Energy and Environmental Design);
- reduce the impact of construction on the environment, for instance by choosing a zone that is already industrially developed, even an existing industrial site or brownfield site or, for administrative sites, an urban area with a high population density close to a residential neighbourhood, ideally located in the city centre or in a neighbourhood well served by public transport; a sustainable building site charter includes these recommendations and requires selective sorting of building site waste and minimised impact on residents during the project phase;
- if possible, place the site on land located more than 30 metres from any wetland (sea, ponds, lakes, rivers, etc.), outside natural areas, public green spaces, land with endangered or threatened species, or any other unbuilt areas (farmland, etc.);
- prevent soil erosion that may result from rainwater runoff or wind erosion during construction, inter alia by protecting the stored arable soil layer to enable it to be reused;
- maintain or restore native natural habitats and biodiversity on the built site;
- maximise green space areas or natural spaces on the site (even in excess of local regulations) and minimise impermeable surfaces;
- focus on cleaning up polluted sites (brownfield site) where development is more difficult due to environmental contamination (real contamination or contamination perceived as such), thus avoiding construction on natural or undeveloped land; and
- for future administrative sites, lease buildings that are certified LEED Gold or Platinum or equivalent in mature real estate markets.

Surface water

The Group has adopted standards for rainwater management in order to monitor its quality and avoid polluting it. For instance, sites are equipped with oil separators for parking areas. Similarly, any retention and operating area where accidental spills are liable to occur must have adequate retention capacities. Sites must also have retention capacity to contain fire extinguishing water.

In 2021, no accidental spill was recorded.

Industrial wastewater

31 L'Oréal factories have their own wastewater treatment plant. They use a range of technologies, including physical, chemical and biological processes adapted to the characteristics of the wastewater and local discharge conditions. L'Oréal continues to install wastewater treatment plants for its wastewater, as for example in india in 2021.

Equipment operation and wastewater management are the sites' responsibility, and are subject to specific procedures and instructions. An internal audit or self-assessment of the corresponding facility is organised and documented at least once each year.

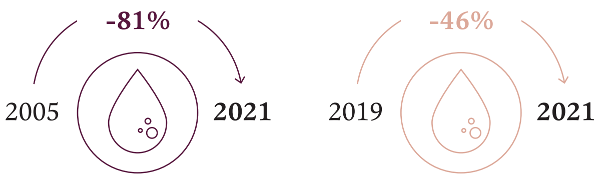
---

(1) *Excluding stores.*

A self-monitoring system representative of wastewater discharges has been established in each factory, and serves to monitor regulated and contractual parameters such as chemical oxygen demand (COD), biochemical oxygen demand (BOD), pH, the temperature of wastewater and substances that could disturb the operation of an internal or external wastewater management facility. This self-monitoring is a tool for detecting the risk of overshooting, which helps anticipate any non-conformities and initiate corrective actions.

In 2021, the total chemical oxygen demand of the Group's wastewater at the exit of the site was 0.33 grams per finished product.☑ This was down 46% in tonnes compared to 2019 (a 73% decrease compared to 2005) and by 46% in grams per finished product compared to 2019 (a decrease of 81% compared to 2005). These reductions are related to the operational start-ups of new wastewater treatment plants and the optimisation of existing treatment plants at several Group factories.

WASTEWATER QUALITY INDEX



(grams of COD per finished product)

Furthermore, as part of the L'Oréal for the Future programme, the Group has established a L'Oréal internal standard for the quality of industrial wastewater at the exit of the sites: by 2030, 100% of the wastewater at the exit of factories must not exceed a chemical oxygen demand of 1,000 mg COD/l (if local regulations impose a lower threshold, the site must comply with the lower value).

At year-end 2021, 24 factories were in compliance with this internal standard ☑, representing 62% of the Group's factories.

Scope of industrial sites	2020	2021
Accidental spills *(m³)*	2	0
Wastewater at the exit of the site *(m³)*	1,039,630	885,423
COD at the exit the site (in tonnes)	3,392	2,022 ☑

The Group's air emissions, excluding greenhouse gases

Industrial sites have an inventory and mapping of air emissions, which is updated once a year. The operation and maintenance of air emission collection and treatment facilities are subject to specific procedures and instructions.

Scope of industrial sites (in tonnes)	2020	2021
SO_2	0.4	0.3
VOC	143	156
Ozone depleting substances	0.8	1.1 ☑

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

Noise pollution

L'Oréal's industrial activities are not particularly noisy. The sites comply with the noise standards to which they are subject. Internal environmental reporting is one way in which to ensure monthly readings of any non-conformity on this issue.

Provisions for environmental risks

The amount of the provisions for environmental risks is not material (see Note 13.1 of the Consolidated Financial Statements).

4.3.1.1.3. Fighting climate change on operated sites

L'Oréal has set itself a major objective of fighting climate change and preserving natural resources in the overall exercise of its activity. All efforts are being made to achieve this objective in the sites where its activities are performed and across its entire value chain, from the search for renewable ingredients and the sustainable sourcing of raw materials to the transport of products, their consumption and their end of life. L'Oréal is committed to continuously improving the impact of its products throughout their life cycle.

As part of the L'Oréal for the Future programme, L'Oréal is committed to improving the environmental footprint of all operated sites.

The Group strives to reduce greenhouse gas emissions(1), water consumption, waste generation, and to protect biodiversity. It is also committed to reducing the footprint of product transport, and no longer sending waste to landfill (without regulatory constraints).

The specific context of the Covid-19 health crisis impacted the amount of hours worked at the administrative sites and research centres, which decreased by 54% in 2021 from 2019, because of the different lockdown periods that resulted in the periodic or partial closure of some of these sites as well as an increase in telecommuting for eligible positions. The nature of the activities maintained on-sites – laboratories, pilots, etc. – which generally consume more resources than the administrative activities, increased the effects of this activity decline on certain environmental ratios (energy, water, and waste per 100 hours worked).

On the other hand, the production of the industrial sites remained stable in comparison with 2019 (decrease of 0.4%).

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

(1) In this Document, the Group's performance in terms of CO_2 emissions is expressed in CO_2 equivalent, i.e. CO_2 eq. As per the Greenhouse Gas Protocol (GHG Protocol): Scope 1: "direct emissions from sources owned or controlled by the reporting entity"; Scope 2: "indirect emissions related to the consumption of electricity, heat or steam necessary for product processing or operating the reporting entity"; Scope 3: "other indirect emissions related to product supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".

A/ Fighting climate change

As the cosmetics industry has low energy consumption and low CO_2 emissions compared with other industries, L'Oréal is not subject to the CO_2 emission quotas provided for by European regulations, whether for the industrial sites, administrative sites or research centres. However, L'Oréal, which has been committed to the efforts to fight climate change for many years, applies a particularly proactive policy for the reduction of its CO_2 emissions.

Group greenhouse gas emissions

(Scopes 1 and 2, according to the *GHG Protocol*)

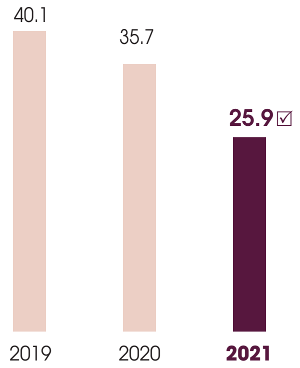
Under the L'Oréal for the Future programme, the Group has set itself a target to reduce the CO_2 emissions of all sites operated by the Group by 100% by the year 2025 (Scopes 1 and 2).

To limit its impact on climate change and achieve this target, L'Oréal has implemented a strategy based on three pillars:

1. Reducing its energy needs by improving energy efficiency across all its facilities (buildings, equipment, etc.);
2. Increasing the use of local renewable energy wherever possible;
3. Achieving the targets defined for the sites without recourse to carbon offsetting.

CO_2 EMISSIONS – SCOPE 1 OF INDUSTRIAL SITES

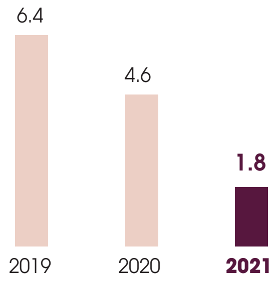
(thousands of tonnes of CO_2 equivalent)(1)



☑ *LThe Statutory Auditors have expressed reasonable assurance about this indicator.*

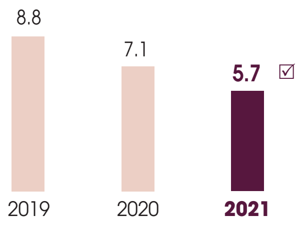
CO_2 EMISSIONS – SCOPE 1 OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

(thousands of tonnes of CO_2 equivalent)(1)



CO_2 EMISSIONS – SCOPE 2 OF MARKET BASED INDUSTRIAL SITES

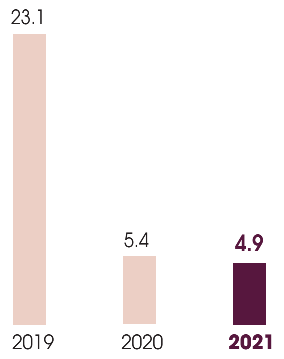
(thousands of tonnes of CO_2 equivalent)(1)



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

CO_2 EMISSIONS – SCOPE 2 OF MARKET BASED ADMINISTRATIVE SITES AND RESEARCH CENTRES

(thousands of tonnes of CO_2 equivalent)(1)

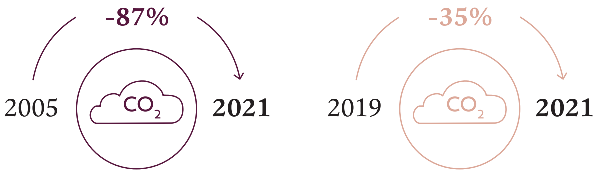


---

(1) In this Document, the Group's performance in terms of CO_2 emissions is expressed in CO_2 equivalent, i.e. CO_2 eq. As per the Greenhouse Gas Protocol (GHG Protocol): Scope 1: "direct emissions from sources owned or controlled by the reporting entity"; Scope 2: "indirect emissions related to the consumption of electricity, heat or steam necessary for product processing or operating the reporting entity"; Scope 3: "other indirect emissions related to product supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".

CO_2 EMISSIONS – SCOPES 1 AND 2 OF INDUSTRIAL SITES

In 2021, CO_2 emissions decreased by 35% compared to 2019 (a decrease of 87% compared to 2005), while production decreased by 0.4% compared to 2019 (an increase of 37% compared to 2005).



(in absolute terms: tonnes of CO_2 equivalent at constant scope, as per the *GHG Protocol*)

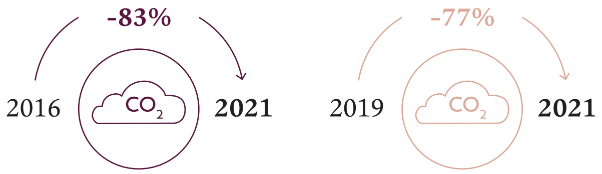
L'ORÉAL POUR LE FUTUR

Target 2025 -100%

CO_2 EMISSIONS – SCOPES 1 AND 2 OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

In 2021, CO_2 emissions decreased by 77% compared to 2019 (a decrease of 83% compared to 2016).

This reduction was achieved thanks to the decrease in energy consumption from 2019 and the increased use of renewable energy for a large number of administrative sites and research centres. Indeed, energy consumption was down 9% from 2019, and the share of renewable energy rose to 82% (compared with 51% in 2019). In addition to the improvement projects in place, which continued in 2021, the Covid-19 health crisis also had a favourable impact on this result due to the lower number of hours spent on-site by teams.



(in absolute terms: tonnes of CO_2 equivalent at constant scope, as per the *GHG Protocol*)

L'ORÉAL POUR LE FUTUR

Target 2025 -100%

B/ Reducing energy consumption and making increased use of renewable energy

Reducing energy consumption

For over 20 years, the Group has been endeavouring to reduce its energy consumption. These efforts essentially concern two areas:

- continuous improvement of industrial processes and the performance of associated equipment; and
- optimisation of energy consumption in the buildings. In this respect, any new Group building has to comply with the strictest environmental standards.

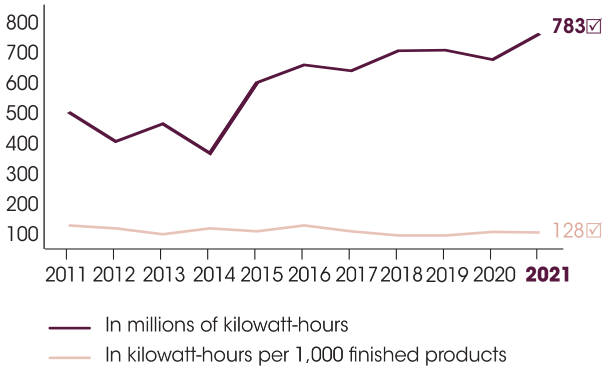
AT INDUSTRIAL SITES

As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the energy consumption of its factories and distribution centres by 40% per thousand units of finished product, compared to 2019.

In 2021, the total energy consumption of the industrial sites was 783,211 megawatt-hours for 2021, a 5% increase in absolute value compared to 2019. This increase is driven by the change in the activity mix among the industrial sites, and the energy efficiency projects will continue in 2022.

Consumption in kilowatt-hours per finished product remained stable in 2021 compared to 2020 (decrease of 1%) and was up 5% compared to 2019.

TOTAL ENERGY CONSUMPTION OF INDUSTRIAL SITES IN KILOWATT-HOURS



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

AT ADMINISTRATIVE SITES AND RESEARCH CENTRES

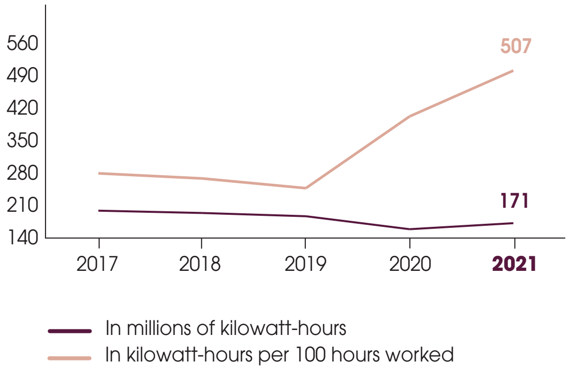
As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the energy consumption of administrative sites and research centres by 40% per 100 hours worked, compared to 2019.

Total water consumption in the administrative sites and research centres was 170,582 megawatt-hours for 2021, a decrease of 9% in absolute value compared to 2019.

In 2021, the total energy consumption of the administrative sites and research centres was 507 kilowatt-hours per 100 hours worked, a 98% increase compared to 2019 (increase of 21% compared to 2020).

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on-site of 54% compared to 2019 (a 13% decrease compared to 2020). This difference between the decrease in hours worked on-site and the consumption of energy is primarily linked to the nature of activities that continued on the sites (laboratories, pilots, etc.), which are energy consuming.

TOTAL ENERGY CONSUMPTION OF ADMINISTRATIVE SITES AND RESEARCH CENTRES IN KILOWATT-HOURS



DATA ON CONSUMPTION WITH AN IMPACT ON CLIMATE CHANGE

	Administrative sites and research centres		Industrial sites	
	2020	**2021**	**2020**	**2021**
Renewable electricity (MWh)	103,834	108,888	372,693	390,736 ☑
Biogas (MWh)	5,180	20,220	96,352	166,389 ☑
Other renewable energies (MWh)[1]	9,455	10,831	59,064	68,325
Total renewable energy consumption (MWh)	**118,469**	**139,939**	**528,109**	**625,450** ☑
Non-renewable electricity (MWh)	10,756	8,396	15,266	15,046 ☑
Gas (MWh)	18,977	4,838	175,912	122,797 ☑
Fuel (MWh)	141	151	6,634	5,889 ☑
Other non-renewable energies (MWh)[2]	13,962	17,258	12,667	14,029
Total non-renewable energy (MWh)	**43,836**	**30,643**	**210,479**	**157,761** ☑
TOTAL ENERGY CONSUMPTION (MWH)	**162,305**	**170,582**	**738,588**	**783,211** ☑

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

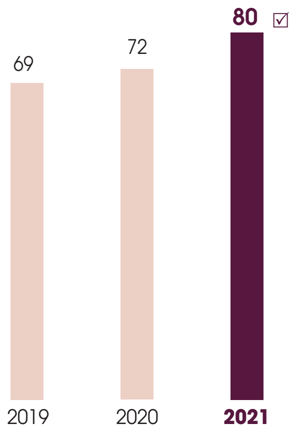
(1) Biomass including wood and wood waste; biofuels; solar thermal energy; renewable heat cooling and steam networks

(2) Non-renewable heat cooling and steam networks.

Making increased use of renewable energy

SHARE OF RENEWABLE ENERGY CONSUMED BY INDUSTRIAL SITES

(as a percentage)



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

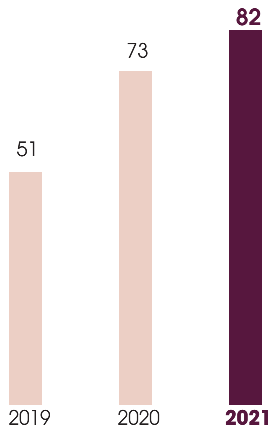
L'Oréal has drafted a strategy involving the use of renewable energy, based on the possibilities offered by each local context.

In recent years, many projects have been rolled out that allow some sites to directly produce their own renewable energy, establish PPAs (Power Purchase Agreements) or use locally produced renewable energy.

In 2021, 80%☑ of the energy consumed by the factories and distribution centres and 82% of the energy consumed by the administrative sites and research centres was renewable.

SHARE OF RENEWABLE ENERGY CONSUMED BY THE ADMINISTRATIVE SITES AND RESEARCH CENTRES

(as a percentage)



Certain sites are now able to claim the status of "carbon neutral" if they meet the following two requirements:

- Direct CO_2 (Scope 1) = 0 with the exception of the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
- Indirect CO_2 Market Based (Scope 2) = 0.

The renewable energy sources must be located on-site or less than 500 kilometres from the site and be connected to the same distribution network.

100 of the Group's sites were "carbon neutral" at the end of 2021☑:

"CARBON NEUTRAL" SITES

Type of site	**Industrial sites**	factories	distribution centres	**Administrative sites and research centres**	administrative sites	research centres	**Group total**
Number of neutral sites	60	25	35	40	35	5	100
Total number of sites	**84**	39	45	**87**	79	8	171
% of total number of sites	**71%**	64%	78%	**46%**	44%	63%	**58%☑**

At the end of 2021, **58%** of the Group's sites were carbon neutral.

L'ORÉAL
POUR LE FUTUR

Target
2025
100%

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

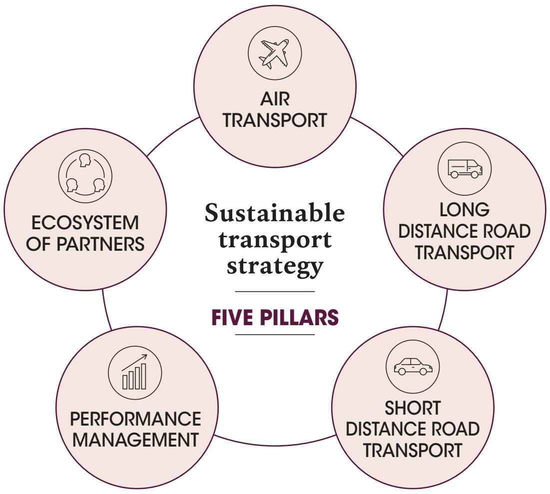
C/ Reducing emissions from product transport (Scope 3 as per the GHG Protocol)

L'Oréal has a long-standing commitment to reducing the greenhouse gas emissions generated by the transportation of its products. The Sharing Beauty With All programme initiated the reduction of greenhouse gas (GHG) emissions by 24% per unit sold per kilometre between 2011 and 2020.

As part of its new commitments, L'Oréal is going further and has set itself a target to reduce greenhouse gas emissions by 50% per finished product by 2030. The scope of consolidation covers the transportation flows of finished products from the production sites up to the first customer delivery point.

The commitments have been shared with the entire internal and external transport ecosystem: sustainable transportation was ranked as a priority and one of the major strategic components of the Group's sustainability transformation. L'Oréal's sustainable transport strategy is based on five pillars with particular emphasis on the heaviest contributors to the greenhouse gas emissions related to product transport-the use of air and road transport.

The sustainable transport strategy was built on five pillars:



1. **The sustained and ongoing reduction in the use of air transport and the specific monitoring measures put in place**

The reduction of air transport is a pillar of the distribution strategy. It is included in the budget targets of each Division and is integrated into our sourcing strategies; for example, by favouring local production.

In 2021, the Group transported 0.4% of its products by weight by air, representing 44.5% of its transportation-related carbon footprint. As a result, the total carbon footprint of air transport in 2021 was reduced by 7% compared to 2020.

The Group continues to capitalise on its earlier results, and continues to reduce the carbon footprint of air transport with a 7% reduction in 2021 compared to 2020 (-43% in 2020 compared to 2019).

For example:

- the commitment and collaboration of its supply chain, operations and sales teams made it possible for the L'Oréal Luxe Division to reduce its CO_2 emissions by 25% from 2020; and
- the programme deployed in China reduced the tonnage of the CO_2 emissions tied to the importation of finished products into the country by 10% compared to 2020.

The implementation and use of the online platform Global Freight Cockpit also provided precise monthly oversight of air transport activity, with visibility by site, by brand, and by goods flow line, leading to more informed and proactive decision-making. Related information is shared with all of the Group's Management Committees and stakeholders at performance review meetings or specific meetings focused on this subject.

2. **The Greener Lanes programme dedicated to long-distance road transport**

This programme implements solutions that will reduce CO_2 emissions on long-distance road flows with the highest emissions. In 2021, transportation of finished products by road represented 46.6% of the Group's greenhouse gas emissions.

To cut these emissions, new solutions are being rolled out gradually for all flows between the Group's factories, distribution centres and customers:

- the use of multimodal transport with, for example, the use of river or rail freight as an alternative to roads; and
- using energy with a lower environmental impact, such as biogas or biofuel vehicles, as an alternative to diesel.

Thus, the Group has identified priority transport lines, which requires a change to an alternative method of transport, one of the main ways to reduce greenhouse gas emissions.

These priority lines have been identified according to several factors, including: the distance traveled, the weight of the finished products transported, and their contribution to the CO_2 emissions related to road transport.

As a result, new solutions were deployed in 2021. For example:

- 29 multimodal, rail or maritime, transport lines or transport using alternative energy such as HVO (Hydrotreated Vegetable Oil) or LNG (Liquefied Natural Gas) have been put in place in Europe;
- in Brazil, a biomethane solution has been implemented between the Sao Paulo factory and the Rio De Janeiro distribution centre; and
- in Mexico, a rail flow has been set up between the subsidiary's distribution centre and customers located in the North-West of the country.

3. **The GLAM (Green Last Mile) programme targets the implementation of solutions that will reduce CO_2 emissions from urban transport.**

The Group is also specifically addressing the environmental impact of urban transport with the goal of deploying lower-impact solutions such as electric vehicles, cargo-bikes or vehicles running on natural gas.

Launched in 2019 as one of the Group's ongoing actions, more sustainable transport initiatives have now been deployed in 34 cities in 13 countries. In 2021, a number of initiatives were implemented combining deliveries on bicycles, in biogas and electric vehicles, which also contributes to a reduction of emissions of fine particles in urban areas.

For example, in 2021, as part of the overall decarbonisation strategy in the North Asia Zone, the Group introduced cargo bikes in Tokyo in Japan, a key country in the region.

In China, 70% of urban deliveries in Shanghai use more sustainable vehicles (electric, biofuel, and gas).

The Group's goal is to expand this programme to 50 cities by 2025.

4. **Performance management, an important aspect of the Group's strategy**

For several years, the Group committed to a sustainable decarbonisation policy and has implement robust action plans that are specific to each country.

Digitalisation that facilitates access to data is a strategic vector: by analysing the precise data associated with the upstream and downstream transport from the distribution centres of the Group's commercial subsidiaries, the supply chain and transport teams are thus able to prioritize their actions according to their impact.

This regular monitoring of action plans and performance across all modes of transport used is key to provide internal and external stakeholders with the visibility they need to implement the Group's carbon footprint reduction strategy.

Thus, the Global Freight Cockpit was developed and deployed in 2020. These tools monitor all the Group's air and sea flows. In addition, the Transport Management Systems (TMS), which are operational in a number of countries, give access to operational data for a pertinent and precise analysis of performance.

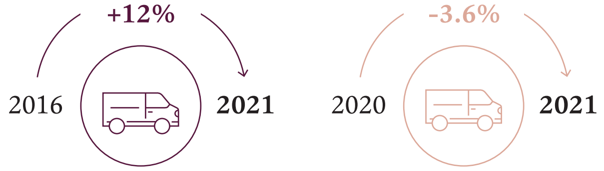
5. **Working in partnership with the stakeholders in its ecosystem: a key driver of the Group's carbon footprint reduction roadmap**

The Group selects and assesses its suppliers and transportation partners considering their environmental and social policy and the actions they take to support the Group in its efforts to reduce its carbon footprint.

Their ability to create innovative sustainable solutions, such as green energies (biogas, biofuel, or hydrogen) or alternative modes of transport (cargo bikes, train), is an essential selection criterion.

The Group also carries out regular monitoring to identify new opportunities and organises workshops on the decarbonisation of transportation with its partners.

During strategic meetings with its partners, decarbonisation of transport and monitoring of the implementation of the previously defined action plans are routinely discussed. Specific in-depth discussions are organised if necessary.



(tonnes of CO_2 equivalent per unit sold)

The transport of products led to 450,460 tonnes of CO_2 equivalent being emitted in 2021, which represents 69 g/CO_2 per unit sold.

L'ORÉAL POUR LE FUTUR

Target 2030 -50%

The Group's carbon footprint linked to the transport of finished products rose by 12% between 2016 and 2021. This change is primarily due to the increase in the use of air transport over the same period because of the growth of the Asian markets and the increase in the Luxury Division flows to this zone.

Between 2020 and 2021, global consolidation of the CO_2 emissions related to the transport of finished products shows stable CO_2 emissions (-0.4%), a 3.6% decrease in intensity of the Group's carbon footprint (gCO_2/unit sold) over the same period. In 2021, CO_2 emissions linked to air transport fell by 7% compared to 2020, with a beneficial carry-over to maritime and rail transport modes, the use and carbon footprint of which increased by 19% and 16%, respectively.

Thanks to the actions put in place by the Supply Chain teams across the five pillars of the Group's transport decarbonisation strategy, as described above, CO_2 emissions per tonne of goods transported and per kilometre traveled decreased by 14% from 2020.

4.3.1.1.4. Preserving water resources on operated sites

L'Oréal Group is committed to preserving water resources throughout its value chain, especially on each of the sites operated. The action plans implemented around the world are based notably on the following key principles:

- mapping the volumes of water used, particularly by the Group's factories, using a L'Oréal internal tool that carries out a comprehensive analysis of the various uses of water on a site: the Waterscan tool. Each type of use is quantified and compared with a benchmark value in order to identify potential reductions;
- the installation of reduction equipment and processes, particularly during the cleaning phase of production equipment and factory filling and packing lines, following the OPTICIP (OPTImisation Cleaning In Place) approach developed by L'Oréal; and
- the reuse of untreated industrial water for a new purpose and recycling of the water used, after a specific additional treatment step.

By the end of 2021, 17 Group factories had such recycling facilities allowing them to reuse process water.

As part of the L'Oréal for the Future programme, the Group set a new target for 2030: 100% of the water used in our industrial processes will be recycled and reused in a loop, *i.e.* 100% of factories will be *Waterloop factories.*

At the end of 2021, 6 factories☑ were awarded the status of Waterloop Factory, *i.e.* 15% of the Group's factories.

In 2021, **15%** of the Group's factories were Waterloop.

L'ORÉAL POUR LE FUTUR

The "Waterloop Factory" concept

The "Waterloop Factory" concept consists of using city mains water only for human consumption and for the production of the high-quality water used as raw material for product processing; all the water required by the utilities (cleaning equipment, steam production, etc.) is derived from water that is reused or recycled in a loop on the site.

It involves the implementation of a two-step system:

- the optimisation of industrial processes in order to minimise water consumption, which leads to a reduction of water withdrawals; and
- the installation of a water recycling system: industrial wastewater, after pre-treatment in the on-site treatment plant, are reprocessed using various technologies (ultrafiltration, reverse osmosis, nanofiltration, etc.) in order to extract very high-quality water. This is then used in a loop to clean production tools and services as a replacement for municipal mains water. As such, water requirements for utilities are fully covered.

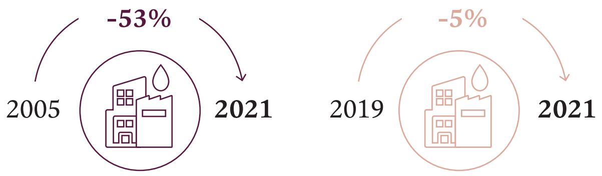
The Waterloop Factory concept was adopted for the first time in 2017 by the Burgos factory in Spain. In 2021, this concept was also extended to the factories in Settimo in Italy, Vorsino in Russia, Libramont in Belgium, Mexico City in Mexico and Yichang in China. It will gradually be deployed to all Group factories.

WATER WITHDRAWAL AT INDUSTRIAL SITES

As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the water withdrawal of factories and distribution centres by 30% per 100 hours worked by 30%, compared to 2019.

The total volume of water withdrawal of the industrial sites at the industrial sites was 2,057 thousands m^3 for 2021 ☑, decreased by 5% compared to 2019, while the production of finished products decreased by 0.4% over the same period.

Water withdrawal was 0.34 litres per finished product in 2021☑, representing a decrease of 5% from 2019 (and a decrease of 8% from 2020).



(in litres per finished product)

L'ORÉAL POUR LE FUTUR

Target 2030 -30%

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

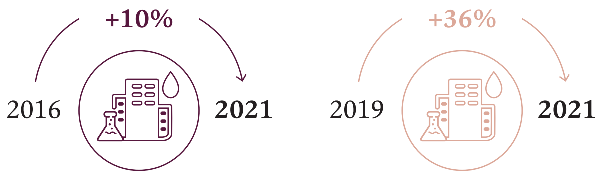
WATER WITHDRAWAL AT ADMINISTRATIVE SITES AND RESEARCH CENTRES

As part of the L'Oréal for the Future programme, the Group has set itself a new target for 2030: to reduce the water withdrawal of administrative sites and research centres per 100 hours worked by 30%, compared to 2019.

Total water withdrawal of the administrative sites and research centres was 253 thousand m^3 in 2021, a decrease of 38% compared to 2019.

Water withdrawal is currently 753 litres per 100 hours worked for 2021, representing an increase of 36% from 2019 (an increase of 13% from 2020).

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on-site of 54% compared to 2019 (a 13% decrease from 2020). This difference between the decrease in hours worked on-site and the withdrawal of water is primarily linked to the nature of activities that continued on the sites (laboratories, pilots, etc.), which are water consuming.



(in litres per 100 hours worked)

L'ORÉAL POUR LE FUTUR

Target 2030 -30%

WATER CONSUMPTION AND QUANTITATIVE WATER FOOTPRINT OF PRODUCTION SITES

Water is a resource that requires local management tailored to the watershed in which a site is located. A watershed is the land irrigated by water sources and waterways that converge towards the same point. Availability, access, and water needs may vary greatly from one watershed to another: they differ depending on the nature and intensity of human activities, and according to the natural needs of ecosystems.

In order to take into account this local aspect of water-related issues, the Group created a new indicator in 2021: the quantitative water footprint. It is calculated based on the water consumption of a site (the difference between the water withdrawal and the wastewater at the exit of the site) and the level of water stress in the watershed in which it is located.

Water stress describes the gap between the need for and the availability of water resources for a given watershed.

The quantitative water footprint is calculated only for the factories, which are the sites that account for the majority of the Group's water withdrawal (they represent 85% of the withdrawals of all the sites operated by the Group in 2021).

In 2021, 10 of the Group's 39 factories were located in watersheds subject to water stress, representing 26% of the Group's factories.

Water consumption and quantitative water footprint of the Group's factories	2021
Municipal water withdrawn (or other supplier) (m^3)	1,718,988
Rain water (m^3)	92
Water withdrawn from groundwater (m3)	256,003
Total withdrawal (m^3)	1,975,083 ☑
Wastewater at the exit of the site (m^3)	885,423
Water consumption (m^3)	1,089,660
Quantitative water footprint (m3eq)	8,511,553 ☑

The Water Disclosure Project: a CDP initiative for transparency in information on water and water risk management across the value chain

Since 2010, L'Oréal has taken part in the Water Disclosure Project, of which it is one of the Founding Responders. This programme is aimed at encouraging companies to publish every year their water management strategy, their results and the projects they have launched to improve their performances and to reduce the risks with regard to their activities related to water consumption. It was launched by the CDP, an important, independent not-for-profit organisation that promotes transparency and environmental information reporting on several issues: climate change, water, deforestation, etc.

In 2021, L'Oréal was recognised for the sixth consecutive year as one of the world leaders for its strategy and actions in sustainable water management throughout its entire value chain, from the production of raw materials to the use of products by consumers and the end of life of products, receiving a score of "A", which is the highest possible level of performance in the CDP ranking.

L'Oréal is also working with its Supply Chain on sustainable water management (see section 4.3.1.2.2. "Involving strategic suppliers in the Group's ambitions" of this document).

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

4.3.1.1.5. Protecting biodiversity on operated sites

L'Oréal is committed to limiting the impact of its activity on biodiversity throughout its value chain, especially on each of the sites it operates. Projects that promote the protection or development of biodiversity were initiated on most of the sites, along with actions to raise awareness among employees. All these actions must be harmonised with the environment in which these sites are located.

In 2018, in addition to the rules laid down by L'Oréal on the use of soils (see section 4.3.1.1.2. "Managing risks and controlling the impact of sites on their environment" of this document), it was proposed that each of the sites should implement a suitable system to roll out a specific biodiversity roadmap. Partnerships with external organisations such as the French League for the Protection of Birds (Ligue pour la Protection des Oiseaux - LPO) may be established to carry out on-site biodiversity inventories and propose suitable action plans. These inventories take into account local, regional and national challenges, and cover soil permeability, the proportion and connection of green spaces, the diversity of habitats and plant populations, the number of species (flora and fauna), including protected, endangered, and invasive species. In this way, the inventories contribute towards a basis of scientific knowledge in order to define targeted biodiversity action plans, conducted with associations or local experts, in line with the ecosystem in which the sites operate. These projects may result in the transformation of available spaces on-site to promote biodiversity. They may also contribute to actions aimed at educating L'Oréal employees and local stakeholders by encouraging them to better connect with nature and thus enabling them to become key players in protecting biodiversity.

At year-end 2021, 80 biodiversity inventories were conducted in the Group, 73% of which by industrial sites.

At year-end 2021, **80** sites conducted a biodiversity inventory.

As part of the L'Oréal for the Future programme, the Group has set itself a new target: by 2030, all buildings and all industrial sites operated by the Group will have a positive impact on biodiversity compared to 2019.

A methodology for monitoring this commitment was developed in 2021 and will be rolled out to all of the Group's sites in 2022. Becoming "net biodiversity positive" is achieved through:

- Meeting a target for the improvement of habitat and biodiversity quality: at site level, this improvement is measured using an indicator called the Site Biodiversity Score (SBS). The information required to calculate the SBS is taken from biodiversity inventories. This enables the improvement in the quality of biodiversity on a given site to be assessed and monitored; and
- Reaching a biodiversity culture threshold:: developing a biodiversity culture involves raising awareness among and training all teams at a site, incorporating biodiversity considerations into the roll-out of new projects (extending a building, etc.) and into the everyday life of the site (responsible purchasing, awareness of food waste, etc.).

In addition, L'Oréal wishes to eliminate the use of phytosanitary products (insecticides, fungicides, and herbicides) in the maintenance of green spaces, as they can have an impact on the environment and human health. Sites operated by the Group must report on whether or not these products are being used.

The Group commits to ensuring that phytosanitary products are not used on any of the sites it operates by 2030.

At the end of 2021, 143 sites, *i.e.* 84% of L'Oréal sites, do not or no longer use phytosanitary products to maintain green spaces.

4.3.1.1.6. Preserving resources and reducing waste on operated sites

For several years, an ambitious approach to waste optimisation that goes well beyond regulatory compliance has been implemented in the Group within the framework of the Sharing Beauty With All programme, and the L'Oréal for the Future programme is continuing this work. An ambitious challenge, in light of L'Oréal's exacting definition of waste. Indeed, any solid discharge that is not a finished product intended for consumers is considered as waste, whatever its treatment and future recovery.

As part of the L'Oréal for the Future programme, the Group set a new target for 2030 to preserve natural resources: 100% of the waste generated on the operated sites will be recovered (reused, or recycled).

Furthermore, building on the Sharing Beauty With All programme, the Group has set itself new targets for reducing the waste it generates:

- reducing the waste production of factories and distribution centres by 30% per finished product, compared to 2019; and
- reducing the waste production of administrative sites and research centres by 30% per 100 hours worked, compared to 2019.

Finally, L'Oréal remains committed to ensuring that none of its waste is sent to landfill (without regulatory constraints).

Reducing waste generation at source

Waste reduction requires the involvement of a large number of players. It is an environmental performance indicator, first for its industrial sites, administrative sites, and research centres, but also across the entire value chain of the Group:

- for the packaging teams, who are mobilised through an eco-design approach to filling and packing components and transportation packaging (reduction of weight, optimisation, reuse, etc.) aimed at reducing waste and improving their recyclability;
- for the purchasing teams, privileged contacts with suppliers, with the aim of optimising filling and packing used for the transportation of raw materials and packaging components received in the Group's factories, a major source of waste. The development of the wall-to-wall approach (production of filling and packing components close to the Group's production facilities) is a particularly effective means of reducing waste related to the supply of components at the source;
- for the industrial teams involved in a process of continuous improvement of manufacturing and filling and packing processes in order to reduce losses during production;
- for the Supply Chain teams who are working to reduce obsolete inventories, which is essential for the reduction of waste related to the Group's business activities. In each zone, programmes combine industrial agility and improved sales forecasts with the aim of reducing obsolete products, and ensuring better flows via the establishment of outlets, family sales, sales to staff and donations to not-for-profit organisations.

Furthermore, the Group has initiated a campaign against wasting food. In 2021, an average of 3,297 meals were served daily in the Paris region. Company restaurants, both those directly managed and those operating under agreements, donated the surplus food from these meals to associations such as Restos du cœur or Le Chainon Manquant, bringing the number of meals donated in 2021 to 3,973.

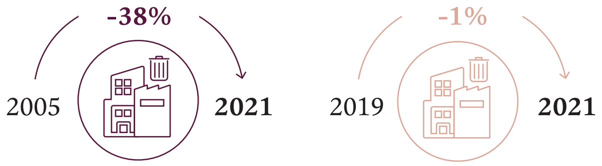
L'Oréal adopts best practices in its directly managed restaurants. An awareness programme for employees, the recovery of 100% of food waste via the Bio-Waste system, very strict monitoring of use-by dates and inventories, real-time and on-demand cooking methods, and attention to the quantities served have been implemented in the restaurants.

A number of initiatives are also taken to develop responsible, fair and sustainable food in the Group's restaurants and cafeterias. For example, the development of a fair trade coffee supply, the proportion of local products from organic farming, or the priority given to seasonal fruits and vegetables in menu preparation are applied.

The campuses in the Paris region also initiated actions to reduce plastic use (elimination of plastic bottles and glasses for services in rooms and the elimination of plastic glasses in cafeterias) and to recycle cooking oil into biofuel.

For example, the Aulnay-sous-Bois campus developed a special partnership with the French Restaurants du Cœur charity based on a food donation agreement for more than 3,455 meals in 2021 and solidarity sales. It also made the choice for supplies exclusively based on free-range eggs. Finally, for all its efforts, it earned the "Mon restau responsable" label established by the Fondation Nicolas Hulot for a quality food service that respects the environment. This label is granted for four areas: the well-being of guests, sustainable meals, eco-friendly practices, and a social and local commitment.

GENERATION OF TRANSPORTABLE WASTE FROM INDUSTRIAL SITES



(in grams per finished product, excluding sludge and returnable packaging in rotation, including returnable packaging at source)

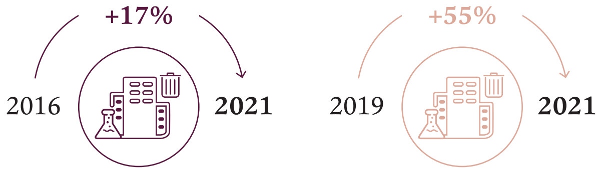
L'ORÉAL POUR LE FUTUR

Target 2030 -30%

Waste generation at the industrial sites was 80,363 tonnes for 2021 ☑, which is a decrease in absolute value of 1% from 2019 (this waste does not include the sludge generated by the plants treating the wastewater from Group sites), while the production of finished products was down 0.4% over the same period.

In 2021, waste generation for the industrial sites was 13.1 grams per finished product☑, representing a 1% decrease from 2019 (an increase of 3% from 2020).

GENERATION OF TRANSPORTABLE WASTE FROM ADMINISTRATIVE SITES AND RESEARCH CENTRES



(kilograms per 100 hours worked, excluding sludge and returnable packaging in rotation, including returnable packaging at source)

L'ORÉAL POUR LE FUTUR

Target 2030 -30%

Waste generation at the administrative sites and research centres was 4,466 tonnes in 2021, a decrease in absolute value of 29% compared to 2019 (this waste does not include the sludge generated by the wastewater treatment plants at the Group's sites).

In 2021, waste generation from these sites was 13.3 kilograms per 100 hours worked, an increase of 55% from 2019 (22% increase from 2020).

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on-site of 54% compared to 2019 (a 13% decrease from 2020). This difference between the decrease in hours worked on-site and waste generation is primarily due to the nature of activities that continued on the sites (laboratories, pilots, etc.), which are waste-generating.

	Administrative sites and research centres		Industrial sites	
	2020	**2021**	**2020**	**2021**
Transportable waste excluding returnable packaging in rotation with returnable packaging at the source (in tonnes)	**4,251**	**4,501**	**85,389**	**94,175** ☑
Returnable packaging in rotation (in tonnes) [(1)]	0.104	0.164	18,340	19,718 ☑
Total recovered (in tonnes)	3,838	4,022	98,905	109,695 ☑
Recovery index (%)	**94**	**92**	**96**	**97** ☑
Total recovered material (tonnes)	2,001	2,097	59,665	66,195 ☑
Material recovery index (%)	**49**	**48**	**58**	**59** ☑

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

In addition to tracking of waste by type, a new approach to account for waste by cause has been used since 2019 at all the Group's factories and distribution centres. This method identifies and quantifies the sources and causes of waste generation in the different flows of a site. This approach enhances the action plans to reduce waste and is an additional vector of progress for the sites.

At each Group site, specific tracking (volumetry, collection streams, treatments, etc.) of waste that is subject to special regulations (flammable, toxic, etc.) is implemented, taking into consideration the specific characteristics of each country in which the site operates. Regulated waste benefits, as does all waste, from a continuous improvement approach.

Regulated waste (tonnes)	**2019**	**2020**	**2021**	**Variation vs. 2020**
L'Oréal Group	19,230	17,812	19,551	10%
Industrial sites	18,667	17,359	18,922☑	9%
Administrative sites and research centres	563	453	629	39%

In 2021, the portion of regulated waste produced in the Group changes in proportion to the increase in waste production compared to 2020.

Recovering the waste generated

The Group has adopted a systematic approach to the preservation of materials. As such, beyond the reduction at source, the Group is also committed to finding the best solutions to energy recovery the waste it produces.

Work in collaboration with the L'Oréal Research laboratories and a waste treatment company began in 2020 to find solutions for recycling finished products that cannot be sold or donated.

A study also began in 2020 with the L'Oréal Research Laboratories to find material recovery alternatives for the sludge coming from the Group's purification stations.

In 2021, 97% of the waste generated by industrial sites was recovered through re-use, recycling or energy recovery, and 59% was recovered through re-use, or recycling, thereby preserving the material ☑.

L'Oréal has set itself the goal of achieving "zero waste to landfill" by the end of 2030 for all sites (without regulatory constraints). Work has been done with specialised companies and local authorities to implement appropriate treatment solutions. The mobilisation of all the factories and distribution centres ensured the achievement of the "zero waste to landfill" objective for the fourth consecutive year (without regulatory constraints).

0 tonne ☑

In 2021, all the Group's factories and distribution centres reached the goal of achieving "zero waste to landfill" (without regulatory constraints).

L'ORÉAL
POUR LE FUTUR

Target
2030
0 tonne

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

At the administrative sites and research centres, the process is more recent, but has accelerated: the waste sent to landfill (without regulatory constraints) was reduced in 2021 by 15% from 2020, representing a quantity of 51 tonnes.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *Returnable packaging is a packaging element that is reused in a closed loop between a L'Oréal site and a supplier. Thus, its reuse is scheduled in advance in a short cycle and implies predetermined operators once and for all.*

Achievement of the "zero waste to landfill" target is part of the more global circular economy approach the Group is engaged in. As far as possible, L'Oréal seeks to promote the local treatment of waste, in order to reduce the environmental impact and to create potential synergies with other local stakeholders.

In 2021, waste sent to landfill due to regulatory requirements totalled 13 tonnes for the factories and distribution centres☑ and 145 tonnes for the administrative sites and research centres.

There was a 59% material recovery of the waste generated on industrial sites in 2021. ☑

L'ORÉAL POUR LE FUTUR

Target 2030 100%

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

97% of the waste was recovered in 2021 for the industrial sites☑ *i.e.* 1 point more than in 2019 (10 points more than in 2005). 23 factories and 24 distribution centres had a recovery rate of 100% in 2021☑.

In 2021, 59% of the waste generated by industrial sites was reused or recycled (material recovery)☑.

3% of waste was destroyed without recovery (incineration without energy recovery) in 2021, representing 3,238 tonnes☑.

There was a 48% material recovery of the waste generated at administrative sites and research centres in 2021.

L'ORÉAL POUR LE FUTUR

Target 2030 100%

92% of the waste was recovered in 2021 for the administrative sites and research centres, 4 points more than in 2019 (8 points more than in 2016). 40 administrative sites and 6 research centres had a recovery rate of 100% in 2021.

48% of the waste generated was reused or recycled (material recovery) in 2021.

6% of waste was destroyed without recovery (incineration without energy recovery) in 2021, representing 282 tonnes.

4.3.1.2. Involving suppliers in the Group's transformation

The Group's commitment to and actions with its suppliers during the Covid-19 health crisis

L'Oréal mobilised heavily at the beginning of the Covid-19 health crisis by launching solidarity actions, believing that it must take action with its stakeholders.

The Group also supported its partners by sharing best practices for health measures with them and set up a solidarity fund to assist the local communities of its Solidarity Sourcing programme (farmers, collectors) within the framework of the needs identified by NGOs in the field.

The collaboration with its suppliers, which was in line with the values and raison d'être of L'Oréal, enabled the Group to continue its activities in this extraordinary situation and to strengthen its relationships with suppliers.

Above and beyond its strict requirements with regard to its own sites, L'Oréal has for a number of years applied an environmental policy throughout its value chain.

Indeed, L'Oréal works in partnership with its suppliers to improve the environmental and social profile of its products via the eco-design and sustainable sourcing of packaging, ingredients and formulas and their method of transportation. This worldwide ecosystem covers all the Group's needs for packaging, raw materials, subcontracting, production equipment, promotional and advertising articles, etc. The commitment and performance of this ecosystem is crucial to the Group's fulfilment of its commitments.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

In 2021, as in 2020, despite the context that prevented the organisation of in-person events, L'Oréal maintained its leadership through a number of Webinars (entitled "*Spread the green vibes*") around the world in order to share its commitment to decarbonisation (Science-Based Targets), to introduce its L'Oréal for the Future programme more widely and with different objectives, but also to launch new actions and initiatives. More than 900 suppliers participated in these interactive exchanges in 2021.

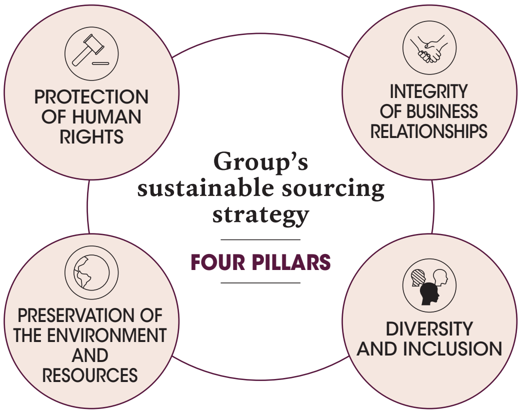
4.3.1.2.1. Due diligence: selection and assessment of strategic suppliers

A/ Incorporating suppliers' environmental and social performance into their selection and assessment

The Group has decided to use the environmental and social performance of its partners and suppliers as a key selection criterion. On this basis, the commitments under the Sharing Beauty With All programme, and now the L'Oréal for the Future programme, fit in with and follow on from those in the Group's responsible purchasing policy initiated in 2002 with the L'Oréal Buy & Care programme.

L'Oréal has published a new sustainable Sourcing strategy, which builds on the previous strategy and focuses on four pillars: protection of Human Rights, preservation of the environment and resources, the integrity of business relationships and diversity and inclusion.

For each pillar, the commitments, targets, values and standards that L'Oréal shares with its suppliers are set out. These targets have been designed with external experts on the basis of recognised benchmarks. The tools for monitoring progress are also specified. This strategy provides a common framework for integrating these issues into the heart of the business model and taking action to achieve sustainable performance.



The CSR commitments and performance of suppliers play a significant role in the choice of the Group's business partners. In this respect, L'Oréal's purchasing teams have defined five performance pillars that make it possible to assess and choose suppliers:

- quality;
- corporate social responsibility;
- innovation;
- the Supply Chain & Service; and
- competitiveness.

These pillars form the basis for daily performance and long-term strategies. A global scorecard has been deployed for all purchasing fields and makes it possible to accurately measure supplier results, in particular their compliance with their corporate social responsibility commitments which represent 20% of the final assessment.

The CSR strategy and action plans of the suppliers are fully integrated into their relationship with L'Oréal and are therefore discussed at strategic meetings (Business Reviews). As such, 627 business reviews were conducted in 2021. The evaluation of suppliers on the CSR pillar is based, in particular, on their compliance with their social audits, the implementation of Solidarity Sourcing projects and their results in the "CDP Supply Chain" programme for the reduction of CO_2 emissions.

All the suppliers evaluated represent more than 85% of total direct purchases (raw materials, filling and packing components, subcontracting and electronic devices) and 10% of indirect purchases.

To give suppliers access to Group training tools designed to optimise their sustainable development policies, an online site dedicated to suppliers has been operational since 2016. It offers e-learning modules, videos, presentations on various topics such as, ethics, climate change, social audits, etc. Today, it is open to all the Group's strategic suppliers and is being progressively expanded to all suppliers.

B/ Social audits: a rigorous and continuous improvement process

Since 2002, all of the Group's suppliers have had to sign the Letter of Ethical Commitment. This letter sets out the suppliers' requirements and commitments in accordance with the Group's programmes and policies concerning ethics, corporate responsibility, Human Rights, and compliance.

In 2021, the Group released an updated version of this document, now entitled the "Mutual Ethical Commitment Letter", which highlights the mutual commitment between L'Oréal and its suppliers. This document covers, in particular, the issues of Human Rights and working conditions. The letter is being rolled out gradually to all suppliers worldwide (see section 3.4. "Vigilance Plan" of this document).

The Group's subcontractors and its suppliers of raw materials, packaging, production equipment and POS/promotional advertising items located in countries identified as being at risk according to Verisk Maplecroft are subject to a mandatory social audit (and prior to any inclusion on the supplier panel) aimed notably at ensuring compliance with applicable laws, Human Rights and labour law. This audit also covers employee safety and working conditions, and the way in which the impact of activities on the environment is taken into account.

The social audits are carried out on behalf of L'Oréal by independent external service providers.

The initial audits and re-audits three years later are financed by the Group. Follow-up audits that make it possible to verify the effectiveness of the action plans are paid for by the suppliers.

Ten areas are audited:

- child labour;
- forced labour;
- the environment, health and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- harassment or a hostile working environment;
- due payment of remuneration and benefits;
- working time; and
- relations with subcontractors.

L'Oréal's social audit is largely based on the internationally recognised SA 8000 standard. The Group has also imposed more stringent criteria, particularly with regard to the minimum age for child labour. It is set at 16 years of age for all employees working for suppliers, a higher age limit than the minimum age required by the Fundamental Conventions of the International Labour Organisation (ILO).

Social audits: a rigorous and continuous improvement process

A tool to manage social audits organises the planning of all audits with the external service provider's system and manages all results and action plans for all the suppliers concerned.

An e-learning module is available to all purchasers in addition of the Sourcing Discovery training module, which explains to every new purchaser the importance of the social audit programme, and how purchasers must make it part of their daily process.

The Group's purchasers accordingly promote the continuous improvement of their suppliers in line with the Group's standards.

Key figures

Over 9,300 supplier sites have been audited since the reporting tool was implemented in 2006 (see section 3.4.7.3. "Results of the application of the plan to suppliers" of this document):

- 1,236 audits[1]☑ were carried out in 2021, *i.e.* more than 14,900 since 2006;
- in the context of the Covid-19 health crisis, technical resources were deployed by the Group to organise remote audits of sites and thus guarantee health protection and social compliance. This method of auditing is valid under certain circumstances and remains exceptional. Since 2020, 79 social audits of supplier sites have been organised remotely;
- Follow-up audits, which verify the correction of non-conformities, represent 37% of the total number of audits conducted in 2021 and allowed 72% of the suppliers audited to improve their results; and
- 98% of supplier production sites requiring audits have been audited at least once.

C/ Encourage strategic suppliers to conduct a self-assessment of their sustainable development policy

In 2014, L'Oréal initiated a programme for assessing strategic suppliers[2] and their Sustainable Development policy. In addition to its own assessment, L'Oréal has mandated Ecovadis to evaluate its suppliers' sustainable development policies with the aim of fine-tuning the analysis of supplier performance and assisting suppliers in improving their performance by identifying areas for improvement. The Ecovadis assessment allows L'Oréal not only to involve its suppliers in Sustainable Development, but also to encourage them to develop their ethics policies with a focus on combating corruption, monitoring the health and safety of their employees and the application of their sustainable purchasing policies (see section 4.3.3. "Human rights policy" of this document).

2021 results

In 2021, 767 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 2021. 331 of them represented 82% of the Group's strategic suppliers, all areas combined.

4.3.1.2.2. Involving strategic suppliers in the Group's ambitions

A/ Encouraging suppliers to reduce their greenhouse gas emissions

Since 2009, L'Oréal has associated its suppliers in the process for measuring and reducing its greenhouse gas emissions by encouraging them to work with the CDP, within the framework of the CDP Supply Chain programme. This international not-for-profit organisation, of which L'Oréal has been a member since 2003, invites companies to publish their environmental impact and provides them with measurement, evaluation and communication tools.

In 2021, 565 suppliers participated in the CDP Supply Chain, representing 86% of the 658 suppliers invited. They were selected in all purchasing areas, everywhere in the world, both large industrial groups and small and medium businesses. The average of the 2021 Supplier results was "C".

In the direct purchases category, the suppliers participating in the CDP Supply Chain programme account for 87% of expenditures made in 2021. Among them, 227 suppliers have assigned their emissions to L'Oréal. The average score of the direct suppliers is "C".

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

[1] *Audits where the auditor was unable to access the site or sufficient data are included in the number of social audits carried out. They represent 2% of the total number of audits. Note that these cases are excluded from the analysis of non-conformity by chapter as described in the Vigilance Plan.*

[2] *Strategic suppliers are those whose added value is significant for the Group, contributing through their weight, their innovations, their strategic alignment and their geographical deployment, to the long-term support of L'Oréal's strategy. strategic alignment and geographical deployment, to support L'Oréal's strategy in the long term.*

In December 2015 at the time of the COP21, L'Oréal strengthened its objectives to accelerate the implementation of efforts to combat climate change. Since then, suppliers have been encouraged to:

- participate in the CDP Supply Chain;
- set targets for reducing greenhouse gas emissions; and
- communicate about their action plans in order to succeed in those plans.

At the end of 2021, the suppliers meeting this commitment represented 77% of expenditures on direct purchases. The average score of these suppliers is "B-", the best score since the start of the programme.

L'Oréal continues to be recognised by the CDP as one of the companies most committed to reducing greenhouse gas emissions. The majority of the Group's suppliers who are partners of the CDP testifies to this fact. This growing commitment results in particular from the strong commitment of L'Oréal's Purchasing and Environmental teams who transmit results with comments and opportunities for improvement to the suppliers who participated. In 2021 these teams:

- organised, together with the CDP, meetings to explain and train on climate change for suppliers;
- led online conferences for suppliers entering the programme; and
- continued to develop online toolboxes to help suppliers understand these issues.

The CDP Supply Chain assessment is at the heart of the discussions during annual business reviews, but also throughout the year, in the context of our interactions with suppliers.

Associating the Group's suppliers in the CDP Forest Disclosure Project

L'Oréal is committed to a target of Zero Deforestation to ensure the traceability of products linked to deforestation (palm oil and derivatives, paper, soya, replanting projects, etc.) and has also participated in CDP Forest since 2012.

With the new CDP Forest programme devoted to the Supply Chain which was launched in 2018, L'Oréal has encouraged its 201 main suppliers of paper, palm oil and soya to participate in the CDP Supply Chain. At the end of 2021, 124 of the selected suppliers had participated in this third year. Suppliers that reported and implemented a zero deforestation policy and related initiatives represented 25% of expenditure in respect of all selected suppliers (raw materials, packaging components, subcontracting and electronic devices).

Their average score was B.

As part of its L'Oréal for the Future programme, the Group is committed to supporting its strategic suppliers to put in place plans to reduce their greenhouse gas emissions by 50% between 2016 and 2030 (Scopes 1 and 2, in tonnes).

In 2021, the Group set out the methodology and the fundamental requirements needed to engage suppliers based on their emissions contributions and to manage their emissions performance with each of them. This emissions management is based on the volume of emissions reported in the responses to the CDP questionnaires for those taking part in the programme, or based on available and verified data.

For each of these suppliers, an emissions reduction plan will be shared depending on the commitments they have already made (for example, suppliers seriously committed to the Science-Based Targets initiative).

In co-operation with the suppliers in question, an action plan will be drawn up and monitored, highlighting the decarbonisation drivers that are suited to their business and their specific circumstances.

B/ Encouraging suppliers to use water responsibly

As part of the new sustainability programme, L'Oréal is committed to supporting its strategic suppliers to manage their water sustainably.

The Group wants to ensure that each of its strategic suppliers implements a sustainable water management plan and takes into account, in terms of its industrial water consumption and wastewater treatment, the condition of the drainage basin in which it operates.

Associating the Group's suppliers in the CDP Water Disclosure Project

As part of the Sharing Beauty With All programme, L'Oréal has undertaken to reduce its water footprint, joining the Water Disclosure Project, an initiative aimed at measuring and reducing suppliers' water footprints, as soon as it was launched in 2013.

In 2021, for the seventh edition of the Water Disclosure Project Supply Chain programme, L'Oréal selected 333 of its suppliers, mainly of raw materials, filling and packing components and subcontracting on the following three criteria: technology consuming particularly large amounts of water, location of at least one production site in a hydric-stress area and the size of L'Oréal's purchase volumes. 221 of them agreed to take part in the programme and will be given an individual results sheet showing the comments of the Group's environmental experts, which will enable them to identify the key points for progress. L'Oréal also encourages these suppliers to measure, report and set water consumption reduction targets for each of their production sites and to deploy a water-related risk assessment and management system.

At the end of 2021, suppliers fulfilling this commitment represented 61% of the expenses incurred on all suppliers, raw materials, filling and packing components, subcontracting and *electronic devices selected.* Their average score was B.

C/ Using the Group's purchasing power to serve social inclusion

The objectives of the Sharing Beauty With All programme and now the L'Oréal for the Future programme express L'Oréal's conviction that the reduction of the environmental footprint of its products has to be accompanied by an improvement in their social and societal benefit.

Due to its many industrial and administrative sites all over the world, L'Oréal is strongly involved in the life of the local communities. While being a company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects. As a general rule, the Group's establishments and subsidiaries build good relations with the communities in the areas in which they operate, and make every effort to share their growth with them.

Within the Sharing Beauty With All programme, this goal became a reality in 2020, with more than 100,000 people from underprivileged or poor communities accessing work. L'Oréal for the Future aims to double the number of beneficiaries, with an additional 100,000 beneficiaries by 2030.

Created in 2010, Solidarity Sourcing is L'Oréal's global inclusive purchasing programme. In 2021, 89,093 economically or socially vulnerable people benefited from decent, lasting employment under this programme (see section 4.3.3.6. "Measures taken in favour of communities" of this document). This represents an additional 7,955 people compared to 2020, an increase of nearly 10%.

L'ORÉAL
SOLIDARITY
SOURCING

In 2021, **89,093** people accessed work through the Solidarity Sourcing programme, **7,955** more people than in 2020.

L'ORÉAL
POUR LE FUTUR

This programme aims to use the Group's purchasing power to serve social inclusion. It consists of teaming up with suppliers to give people who are generally excluded from the labour market access to work and a sustainable income.

The Group is therefore continuing to open up its procurement process to companies who employ people from economically vulnerable communities, including small companies and those who have more difficulty in having access to multinational companies. Fair practices in the business and equal opportunities have gradually become major pillars of the Group's Solidarity Sourcing programme, sustainable purchasing strategy, and growth model.

Solidarity Sourcing and female entrepreneurship

In 2021, L'Oréal continued to accelerate its Solidarity Sourcing strategy to support female entrepreneurs in 16 countries: 2,427 full-time jobs supported by suppliers owned, controlled and led by women, nearly four times more than in 2020. This commitment is one component of a comprehensive Supplier Diversity programme that totals 2,834 beneficiaries at suppliers "owned, controlled and led by a majority of" women, minorities, people from the LGBTQIA+ community or veterans.

Convinced of the need to act collectively to transform the corporate business model and increase the impact, the Group joined the Business For Inclusive Growth (B4IG) coalition from the beginning. This initiative, which was officially launched at the G7 summit in Biarritz in August 2019 and is housed within the OECD, covers 40 international companies that decided to join forces around the central issue of fighting inequalities.

In this framework, L'Oréal:

- also made a commitment as the leader of the working group on inclusive purchasing and the issue of living wages in supply chains;
- provided the complete method and 10-year experience of its inclusive purchasing Solidarity Sourcing programme to the coalition; and
- is also a driver in several business projects with a positive social impact within the B4IG incubator.

In the particular case of raw material purchases, a prerequisite for Solidarity Sourcing projects is that they combine responsible agricultural practices, environmental protection and biodiversity, and that they generate a positive societal impact, notably through the implementation of fair trade principles.

Examples include the following sourcing:

- **The sourcing of shea butter**:
  - since 2014, 100% of our shea butter volumes have been sourced from Burkina Faso; the Group's purchasing contracts ensure prefinancing of crops, respect for a fair price, access to training and the establishment of community projects for women working together within groupings of women producers;
  - in Burkina Faso, less than 3% of families have access to electricity and 87% of households use wood for cooking. Energy expenses represent nearly one third of household budgets and 105,000 hectares of forest disappear every year. Since its introduction in 2016, the sustainable and fair sourcing system has striven to combat energy poverty and deforestation by facilitating the distribution of so-called improved stoves to women. The project is multiplying its impacts:
    - household wood consumption has been reduced by half and significant savings are being achieved,
    - thousands of hours of unpaid work are avoided (collecting wood, cooking),
    - working conditions have improved (60% less smoke in rooms), and
    - CO_2 emissions have reduced.

In the ongoing progress approach, 2020 saw significant advances in the shea butter project:

- the shea nuts purchased by the Group obtained the Fair for Life fair trade certification standard, and
- an inclusive pilot insurance project was created in collaboration with several partners, including the Group's shea butter suppliers and an insurance specialist. This unique, innovative health and crop loss micro-insurance project is designed to improve the economic resiliency of producers by offering them security in the event of hospitalisations or life-threatening injuries;

- **Inclusion with suppliers of marketing services:**

The purchasing teams at L'Oréal USA are working with the country's Diversity, Equity, and Inclusion team to boost efforts and raise awareness of the diversity of suppliers within the zone.

An exemplary partnership is the one with Creator Deck, an agency certified by the WBENC (Women's Business Enterprise National Council), in accordance with the national independent standard that recognises businesses owned, controlled and led by women in the United States. Creator Deck specialises in influence marketing and incorporates diversity, equity, and inclusion into all aspects of its business:

- the criteria of equal opportunity and promotion of diversity, particularly ethnic and gender diversity, are at the centre of its business model; and
- the business also chooses customers that share and demonstrate these same values.

Its diversified database of influencers and their social media content enable brands such as Maybelline and NYX to promote a daring and inclusive vision of beauty.

L'Oréal USA's partnership with Creator Deck illustrates the unique value that diversity-focused companies bring to the Group's brands and business activities and how they are forstering innovation.

In 2021, L'Oréal USA recorded 22% of the Group's total performance within the global "Supplier Diversity" programme, with 618 jobs at American suppliers that are owned by women, representing one-third of these beneficiaries, but also with those holding the equivalent certification for minorities, LGBTQIA+, veterans, or disabled people.

L'Oréal and its commitment to the living wage

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

To support us in the development of our living wage strategy and rollout plan, L'Oréal has partnered with the Fair Wage Network, a meticulous, internationally recognised NGO.

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

4.3.1.3. Sustainability: from product design to end consumer

As part of L'Oréal for the Future, the new sustainability programme announced in June 2020, the Group is continuing its long-standing commitments to keep its activities within the planet's limits. The new targets have been designed to ensure the sustainability of its activities and to reconcile the Group's needs with the preservation of a planet with limited resources.

For the Group, the preservation of resources is a long-standing commitment that applies to the entire life cycle of our products, from their creation to their use by consumers. Whenever a product is designed, created or updated, its environmental and/or social profile is improved. Eco-design and reduction of the environmental footprint of its product formulas, biodiversity through a raw materials sustainable and responsible sourcing policy, packaging eco-design and a commitment to "zero deforestation" are all drivers activated by L'Oréal to promote sustainable innovation.

The Packaging & Development teams, the CSR team and the laboratories conduct, together with the Management Committees of the international brands, analyses of their portfolios of formulas and their packaging. Sustainable innovation plans are therefore systematically defined and identified through the use of possible improvement drivers for each range and product. In addition, thanks to recent developments in life and environmental sciences, the Group also established a Green Sciences programme to drive change in its portfolio of raw materials and formulas through the development of ingredients with a favourable environmental profile founded on five pillars: innovative agricultural production, biotechnology and fermentation, "green" extraction, "green" chemistry and "green" formulation.

Finally, through its brands and thanks to a scheme that displays the environmental and social impact of its products (Product Impact Labelling), the Group aims to engage its consumers and allow them to make informed choices about sustainable consumption.

4.3.1.3.1. Eco-designed products

A/ Reducing the environmental footprint of products

96%
of products were eco-designed in 2021.

L'ORÉAL
POUR LE FUTUR

Target
2030
100%

Most of the ingredients used in the formulas (over 90% by weight) have an end of life in domestic wastewater, and are treated by more or less advanced sanitation systems depending on the geographic area.

All formulas marketed by the Group pose no foreseeable risk to the environment. However, as some of the ingredients used in the formulas may have a more or less significant environmental impact, L'Oréal opened its first environmental research laboratory in 1995 to evaluate and reduce the environmental footprint of its formulas. Through this initiative, the Group has developed expertise with regard to the potential impacts of its cosmetic products on aquatic environments. Raw materials used in the formulation of products from the design stage are evaluated in such a way as to allow a strict selection of ingredients. L'Oréal has abstained from registering new raw materials with an adverse environmental profile since 2005.

Measuring the environmental impact of products

In 2013, an index was developed to quantify the environmental performance of a cosmetic formula in respect of the aquatic environment. To do this, a calculation method for the Water Footprint specific to cosmetic products was also applied to the entire portfolio of formulas (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and aquatic eco-toxicity).

For several years, L'Oréal has carried out analyses of the life cycles of its products in order to identify, evaluate and improve their environmental impact.

Since 2017, the SPOT (*Sustainable Product Optimisation Tool*), based on a rigorous scientific methodology for assessing environmental impacts, has been rolled out to all Group brands (except recent acquisitions). This tool calculates the complete environmental and social footprint of a product in accordance with the European Commission recommendation (Product Environmental Footprint) on the use of common methods to measure and communicate the environmental performance of products and organisations. SPOT is an integral part of L'Oréal's product launch processes, making it possible to incorporate sustainable innovation into the very heart of the product development.

The SPOT tool provides exhaustive measurements of all environmental factors by integrating 14 impact factors used by the European product environmental footprint framework. A standardised version of these different impacts is applied on the basis of the average impacts of a European consumer. Then, to obtain a single value for the product environmental footprint (formula and packaging), impacts are aggregated using a method based on the planetary boundaries developed by an international team led by Professor Johan Rockström of the Stockholm Resilience Centre. In a final stage, the footprint is compared to a benchmark in order to obtain a dimensionless score between 0 and 10 which allows the product design teams to measure their progress.

The SPOT tools also includes a methodology for measuring the social impact of products that was jointly developed with internal expertise (formula, packaging, factory, stakeholders) and nine international experts in social life cycle analyses (see paragraph "Using the Group's purchasing power to serve social inclusion" in section 4.3.1.2.2.).

The SPOT tool has replaced the previously used environmental and social improvement assessment systems for formulas and packaging. SPOT takes account of more criteria and allows for a more complete and demanding analysis where the different impacts are weighted according to their contribution to the product's overall impact. This tool has allowed assessment the environmental and social footprint of all products developed in 2021.

To classify the products according to the benefits offered to the consumer, all 19 product types manufactured by the Group (shampoos, hair care products, shower gels, skincare products, cleansers, hair colours, styling products, deodorants, sun care products, make-up, perfumes, etc.) were analysed. After defining around 150 product categories that bring consumer benefits and screening more than 40,000 formulas between 2014 and 2015, the performance of each consumer benefit category was established to allow eco-design of products using the SPOT tool to ensure that all new formulas are developed with the goal of an improved environmental profile with identical benefits for the consumer.

In 2021, **46%** of created or renovated products had an improved environmental profile due to a new formula with a smaller environmental footprint.

Improving biodegradability through eco-design

The Group is working to measure and increase the biodegradability of its formulas and reduce their water footprint at the end of life. These two parameters have been integrated in the SPOT product eco-design tool.

It is used by all teams of product formulators to assess the biodegradability and water footprint whenever new formulas are created.

100% of the formulas put into production for the first time in 2021 have been evaluated. 76% of them have an improved environmental profile.

Among the new products launched in 2021, the products below have formulas with biodegradability levels of over 98% across L'Oréal's Divisions:

Honey hand pomade	La Provençale Bio
Regard des Reines	Sanoflore
Nu Dewy Mist	Yves Saint Laurent
Matrix Total Results Weightless Serum	Matrix

The Sharing Beauty With All programme led to a very significant increase in the percentage of raw materials of renewable origin and produced in accordance with the criteria of green chemistry. In 2021, via the L'Oréal for the Future programme, L'Oréal continued to work to achieve its commitments regarding the biodegradability of its raw materials portfolio. A total of 82% of the volume of raw materials was biodegradable in 2021 and was stable compare to 2020. A recalculation for the year 2020 was done based on the new methodology used in 2021.

Using eco-design to reduce the impact of the product use phase

Innovation is also used to reduce the impact of the phase during which consumers use our products. In the rinse-off cosmetics sector, the main impacts are the carbon and water footprints of the product use phase. As part of its new L'Oréal for the Future sustainability commitments, the Group aims to develop innovative solutions that enable consumers to reduce both the greenhouse gas emissions and the water consumption associated with using its products.

In the context of the Covid-19 crisis, the Group's consumers have focused on skincare products, the number one category for growth in the beauty market, and have demonstrated a desire for hair care and colouring, as well as hygiene products. These categories are the ones that contain most of the Group's rinse-off products and therefore contribute heavily to the water consumption by the Group's consumers.

At the same time as hair salons reopened and particularly dynamic growth in haircare and colouring was observed, the Group significantly reduced the water consumption associated with the use of its products in comparison to 2020.

The Group's strategy to meet this challenge is based on three pillars:

- A reduction in the quantity of water used for rinse-off products. This means the development of formulation bases that offer better rinsability. For example, the Garnier brand made available to its consumers solid shampoos that offer a 20% saving in the rinse volume used.
- Innovation in routines: the Group continually adapts its innovation model to meet all beauty aspirations around the world. L'Oréal wants to allow its consumers to reduce the use phase by offering new innovations in the areas of product use and routines, with the goal of reducing the impact of the usage phase by eliminating the rinse phase, for example. In 2021, the Garnier brand, through its Ultra Soft universe, marketed leave-in conditioners contained in a cardboard tube. This eco-designed technology (91% biodegradable and 94% renewable ingredients) eliminates the usual need to rinse off with water as required by traditional conditioners.
- The deployment of technologies: the Group is developing equipment that will reduce water consumption in salons by collaborating with its ecosystem to develop new solutions. The Group has also partnered with the Swiss start-up Gjosa to optimise the rinse-off technology of shampoos and thereby limit the quantity of water used. In 2018, L'Oréal and Gjosa announced that they were designing a shower head that can rinse off shampoo using just 1.5 litres of water (instead of the 8 litres normally used). Called *L'Oréal Water Saver*, this sustainable hair-care technology for use in salons and at home was presented at the Consumer Electric Show in January 2021.

The emission factors[1] of the energy used in the countries in which L'Oréal sells its products vary according to their energy mix. Given the changes in the distribution of the sales and emission factors of the countries since 2016, greenhouse gas emissions have been favourably decorrelated from the water consumption associated with the use of the products.

In addition, this positive change in greenhouse gas emissions is also due to the reduction in the use of certain types of aerosols, thus reducing CO_2 emissions from the use phase of products that do not require water.

---

(1) *The emission factors represent the carbon intensity of the energy required to heat the water associated with the use of the products. The energy emission factors vary from one country to another according to the rate of use of renewable energy in the country's energy mix.*

WATER CONSUMPTION LINKED TO THE USE OF THE PRODUCTS

+5%

2017 → 2021

(water consumption per litres/kg of formulas sold)

L'ORÉAL POUR LE FUTUR

Target 2030
-25%

GREENHOUSE GAS EMISSIONS LINKED TO USE OF THE PRODUCTS

-12%

2016 → 2021

(TCO_2eq./kg of formulas sold)

L'ORÉAL POUR LE FUTUR

Target 2030
-25%

B/ Respect for biodiversity

Giving preference to the use of sustainably sourced renewable raw materials

The Group's constant concern regarding the sourcing of its raw materials is, over and above quality considerations, to guarantee the sustainability of resources.

In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya Protocol, aimed at regulating access to the genetic resources of a given region and the fair sharing of benefits arising from the use of those resources.

Conscious of these issues well before the Nagoya Protocol came into force, L'Oréal's Research Department has continuously strived, since 2005, to adopt an approach aimed at securing its sourcing channels for the future to respond to the issues of sustainable use of biodiversity. To do so, the Group gives preference, in particular, to the use of renewable raw materials[1] and ensures that they are responsibly sourced. L'Oréal has adopted green chemistry principles to promote the use of renewable raw materials, to design products serving to reduce waste and preserve the water cycle. For more than ten years, green chemistry has been a catalyst for L'Oréal's sustainable innovation policy. In the broadest sense, green chemistry aims to prevent upstream pollution and to combat the use and contamination of the environment at source. The increasing use of plant-based ingredients presents risks in terms of supply related to the consequences of climate change (availability and price), and can also result in environmental consequences through the cultivation of the crops that produce these ingredients (deforestation, soil depletion, consequences on biodiversity, for instance).

In 2021, among the raw materials newly referenced by the Group **63%** in number were renewable and **40%** in number respected green chemistry

Products marketed in 2021 with a proportion of renewable raw materials above 98%	
Blowout solid serum	Softsheen-Carson
Hair spa hair tonic	L'Oréal Professionnel
Hydra floral bright essence	Decleor
Garnier Fructis Curl Nourish Wonder Oil	Garnier

In 2021, Biotherm updated the formula for its Aquasource Hyalu Plump Gel hydrating face gel, increasing the percentage of renewable materials from 53% to 91% with a pot made of 40% recycled glass in recycled and recyclable paper packaging without cellophane.

The Group has also set up a Green Sciences programme to drive change in its portfolio of raw materials and formulas. This is achieved through the development of ingredients with a favourable environmental profile, by minimising environmental impacts and using eco-friendly processing methods.

---

(1) *This means that the carbon content is primarily of plant origin.*

Therefore, with regards to raw materials, the Group promotes green chemistry principles which encourage the development of ingredients with a favourable environmental profile made from plant raw materials, which minimise the number of synthesis stages, the consumption of non-toxic solvents and energy, and the production of by-products.

In 2021, the percentage in volume of the raw materials used by L'Oréal coming from green chemistry(1) was 28%. This represents more than 717(2) raw materials. In 2020 (recalculated using the new methodology), this percentage was 28%.

In 2021, 63% of the newly referenced raw materials are renewable. Furthermore, 33 new raw materials based on green chemistry principles were registered, representing 40% of the total.

The Group considers biodiversity to be a key source of innovation. Accordingly, plans to increase the use of raw materials from plant sources must ensure that there is no impact on these ecosystems or on the availability of these resources for other uses. The Group is thus making a commitment to a sustainable and responsible supply chain (see paragraph "Using the Group's purchasing power to serve social inclusion" in section 4.3.1.2.2. of this document).

In 2021, **60%** of our ingredients in formulas were from biobased sources, derived from abundant minerals or from circular processes.

L'ORÉAL
POUR LE FUTUR

Target 2030
95%

By 2030, L'Oréal is committed to ensuring that 95% of the ingredients in its formulas will be from biobased sources, derived from abundant minerals or from circular processes.

As part of this commitment, the Group is working with specialised external partners to define a robust, scientific methodology to classify the minerals used and to ensure that they are from abundant sources.

Respect for biodiversity and societal contribution

In 2018, as part of the Act4nature initiative, L'Oréal set a goal of having 100% renewable raw materials coming from sustainable sources by 2030. To be included in this category, they must be traceable, with an identified botanic and geographic origin. The respect for Human Rights in accordance with ILO principles is now expected throughout the production chain. At the level of plant growing and harvesting, attention is also placed on the economic development of the producers and respect for the traditional knowledge coming from biodiversity in accordance with the principles of the Nagoya Protocol (preservation of biodiversity, and fair and equitable sharing of the benefits with local communities).

In 2021, 100% of the renewable raw materials used by the Group were reassessed based on criteria such as respect for biodiversity and forced labour (see SCAN Index below).

Furthermore, the traceability campaigns launched with all the Group's suppliers have made it possible to trace 100% of plant-based ingredients to their country of production, or even as far as the biomass production site. In 2021, the portfolio of raw materials from renewable sources therefore comprised 1,717(3) raw materials from nearly 313 botanical species from more than 100 countries.

Out of the 313 botanical species that are the source of the renewable raw materials used by the Group, around 6%(4) present significant biodiversity challenges (endangered species, and 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.

- For the palm oil and its by-products segment, which are the subject of a specific "Zero deforestation" approach (see below), at year-end 2021, 100% of the supplies were covered by action plans with the suppliers concerned.
- For other streams of renewable raw materials, which represent 17% of the portfolio of renewable raw materials in volumes and 74% in number, L'Oréal, on the basis of environmental, social and economic indicators from external databases (IHDI of the UNDP, EPI from Yale University, Verisk Maplecroft Country Index), has defined indicators of "sustainable sourcing challenges" to assess renewable raw material streams with regard to their sustainability. 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. 79% of the volumes of raw materials that have sustainable sourcing challenges according to the SCAN Index (i.e. 36% in number of raw materials) are already the subject of improvement action plans with the suppliers in question in order to ensure a sustainable supply. The goal is for 100% of the Group's renewable raw materials to come from sustainable sources. To achieve this, L'Oréal launched a support and training programme for more than 200 suppliers on the issues of sustainable sourcing of raw materials in order to guarantee the traceability of the raw materials delivered to L'Oréal and ensure the associated streams are secure. Depending on the level of environmental and/or social risk identified on these streams, suppliers are notably asked to deploy the field audit

---

(1) This means derived from renewable resources, transformed by an eco-friendly process and offering a favourable environmental profile.
(2) Determined according to production.
(3) Calculated on the basis of projected purchases between January and November 2021
(4) Calculated on the basis of projected purchases between January and November 2021.

procedure for producers (88 indicators), 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.).

By relying on sustainable sourcing for the supply of renewable raw materials, L'Oréal contributes to the social inclusion of vulnerable population groups while ensuring environmentally friendly sourcing.

In 2021, **94%** of the biobased ingredients in our formulas were traced and sourced from sustainable sources.

Target 2030 100%

Insurance Net for Smallholders (INES)

Today, four out of five small farmers worldwide have no access to insurance schemes. These small operators and their families are therefore vulnerable to weather events but are excluded from "conventional" healthcare coverage, making them even more vulnerable. In order to reduce this exposure to agricultural and health risks, L'Oréal and AXA, along with the Business for Inclusive Growth (B4IG) incubator, decided in 2020 to develop a micro-insurance project offering tailored health and crop insurance solutions to farmers connected to L'Oréal's strategic raw materials supply chains.

In 2021, this scheme was rolled out in two L'Oréal supply sectors: the shea butter sector in Burkina Faso and the guar sector in India. The first pilot project aims to provide health and crop insurance to nearly 20,000 shea gatherers who may face health and climate risks. The second pilot project focuses on providing a health micro-insurance solution for all the 2,000 small-scale guar producers who are members of the Sustainable Guar Initiative (SGI), and their families.

The resilience of Guar

Accounting for 80% of global production, India is the world's leading guar-producing country. Guar grows primarily in Rajasthan, a region characterised by hostile weather conditions and infertile land. Guar is a legume that is used as a powerful thickening agent, mainly in hair care products (shampoos, conditioners, and masks).

Nearly 80% of the population of Rajasthan depends on agriculture, and on guar in particular, as it is one of the few crops that can be grown in this arid region. For these isolated communities, access to a basic social infrastructure such as water and healthcare remains limited: their agricultural production is significantly affected by the monsoon and weather conditions and their income depends on conditions set by the market.

To address these environmental, agronomic and socio-economic issues, in 2015 L'Oréal partnered with its supplier Solvay and the NGO Technoserve to launch the Sustainable Guar Initiative (SGI). This was aimed at nearly 1,500 farmers, across 13 communities, that are dependent on rain-fed agriculture.

Initially, the project helped structure the sector by establishing a traceable guar supply chain while helping farmers to organise themselves into cooperatives. The farmers were trained in best agricultural practices. In order to guarantee the food security of these communities, the women in the villages were taught the importance of diversity in nutrition and helped in establishing vegetable gardens.

Given the recurring droughts in the region, water is a key issue. A pilot project was therefore launched to develop systems for collecting water so that fields can be irrigated during periods of severe drought, thereby preventing the loss of crops.

In 2020, in order to capitalise on the experience it has gained, strengthen its regional impact and cover 100% of its guar supply, L'Oréal launched a second project in partnership with its supplier Lucid Colloids and the NGO SOL. This project supports 1,200 new farmers in the same region. This project focuses on the following goals: training in ecological farming practices, promoting sustainable water management, strengthening the capacity of women to develop income-generating activities supported by micro-credit, and, finally, supporting the education of farmers' children.

In 2021, to reinforce the socio-economic resilience of all farmers connected to its supply chain and to combat the high volatility of market prices, L'Oréal set up a minimum price to ensure a fair income for guar producers. Finally, to address health issues, a health micro-insurance solution has been developed with AXA and rolled out to 2,000 guar producers (see the box above on INES).

Respecting biodiversity and measuring our footprint

The loss of biodiversity undermines food security, health, quality of life and many services provided to our economies (pollination, the purity of air and water, soil fertility), as well as our resilience to climate change. The conversion of natural ecosystems due to the expansion of agriculture and urban development is recognised by science as the primary factor for the loss of biodiversity, followed by pollution, climate change and the introduction of invasive species.

Although the Group has, for many years, been committed to the preservation and sustainable use of biodiversity, the L'Oréal for the Future programme reaffirms this commitment by positioning biodiversity right at the heart of the Group's goals.

To this end, with the support of The Biodiversity Consultancy, the Group has developed an innovative way of measuring the impact that its industrial activities and sourcing have on natural ecosystems.

This new indicator is based on three parameters (the ground surface required, the loss of biodiversity related to Group practices and the importance of biodiversity in the ecosystem concerned) and it enabled us to estimate that the sourcing of ingredients of plant origin accounted for more than 80% of our biodiversity footprint.

L'Oréal is therefore committed to ensuring that, between now and 2030, its footprint on the ecosystems required to produce ingredients of plant origin remains unchanged from 2019 levels.

The following drivers have been identified as key to achieving this goal:

- The adoption of regenerative agricultural practices by suppliers, in order to improve yields, preserve biodiversity and help farmers transition towards more sustainable agriculture;
- The implementation of an ambitious plan to develop alternatives to the raw materials with the highest impact, particularly through biotechnology and circular processes, as part of the Green Sciences programme; and
- Finally, support for rehabilitation projects for ecosystems adjacent to our strategic supply chains.

At the same time, L'Oréal is still working on different approaches and methodologies for assessing the impact of its activities on developing biodiversity in France and internationally, by taking part in the work of the Science-Based Targets on Nature network's Corporate Engagement Programme, CDC Biodiversité's B4B+ club (*Business for Positive Biodiversity*), and the *One Planet Business for Biodiversity* (OP2B) collective.

"Zero Deforestation" commitment

As part of its "Zero Deforestation" policy published in 2014, the Group pledged that by 2020 none of the ingredients and raw materials used in its products would be linked to deforestation. Since 2007, L'Oréal has been deploying action plans in order to guarantee a sustainable supply of agricultural raw materials that could be the cause of deforestation, including palm oil, soybean extract, and fibrewood-based products.

In 2021, aware of the increasingly critical threat that continues to threaten forests worldwide and the social and environmental consequences associated with deforestation, following a consultation process with its stakeholders, L'Oréal renewed its goals as part of its new Forestry Policy 2030.

Capitalising on its previous achievements with palm, soy and wood fibre, the new Forestry Policy 2030 covers a wider range of raw materials, prioritised according to their strategic importance and the social and environmental risks identified in the zones in which they are produced. Based both on sustainable and responsible management throughout the supply chains, and on the preservation and rehabilitation of natural ecosystems adjacent to production areas, this policy has been incorporated into the Group's strategy for the sustainable sourcing of ingredients, and sets new goals that are specific to these raw materials. In addition to the environmental dimension, the Forest 2030 policy focuses on respect for Human Rights and improving the living conditions of the communities affected.

Results for raw materials

Palm:

In 2021, L'Oréal consumed less than 310 tonnes of palm oil and 90,003 tonnes of palm oil derivatives (which come from palm fruit pulp) and of palm kernel oil (extracted from palm fruit kernels). These two oils are used to produce glycerine, fatty acids and fatty alcohols which form part of the composition of the Group's products.

As part of its "zero deforestation" commitment, L'Oréal is rolling out a specific strategy for palm oil derivatives, in partnership with all stakeholders (producers, NGOs and suppliers):

- 100% of purchases of palm oil, and palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria (www.rspo.org) since 2012; and
- 94% of the main derivatives come from sources that are identified (as far as mills).

In terms of certification, 100% of the volumes of palm oil used by L'Oréal meet the standards and procedures of the Roundtable on Sustainable Palm Oil (RSPO), via one of its most demanding traceability models, the SG (Segregated) model. 100% of the derivatives are also certified. L'Oréal had increased the proportion of its physically certified purchases to 98.4% of RSPO Mass Balance at the end of 2021, compared with 95% in 2020 and 70% in 2019. The remainder continues to be covered by the RSPO Book & Claim model. To complete its certification objectives, L'Oréal made a commitment for at least 30% of its volumes to be connected to field projects that support small, independent planters. In 2021, 27% of these volumes were physically connected to sustainable sourcing projects in Indonesia and Malaysia.

Within the framework of its "Zero Deforestation" commitment made in 2014, the Group had pledged to trace the main palm and palm kernel derivatives that it uses as far as the mills by the end of 2015. This was a difficult task as the process for transforming derivatives involved a large number of players and many branches of the supply chains.

An initial phase involving a survey was conducted in 2014, with the support of a firm of independent experts, of L'Oréal's strategic suppliers, who supply more than half its palm and palm kernel derivatives. Since 2015, L'Oréal has progressively updated and enriched its data collection by extending the scope to cover all suppliers in order to be able to trace and identify the origin of 100% of its main palm and palm kernel derivatives. The results of this work show that Malaysia and Indonesia are the main countries from which supplies are obtained and that, for 2020, 98% of these volumes of palm and palm kernel derivatives could be traced to the refineries, 94% to the mills and 50% as far as the plantations.

In 2021, on the basis of this work and with the goal of greater transparency, for the fourth consecutive year, L'Oréal published the list of the 928 mills indirectly connected to its supply chain and representing over 90% of its palm derivative volumes, as well as the list of its direct suppliers of derivatives.

In 2016, L'Oréal rounded out its evaluation and selection tools for palm oil and palm kernel derivative suppliers with a specific tool, the Sustainable Palm Index, 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. It was first made public in 2016 to enable it to be used by all players in the supply chain.

In 2018, to take its commitment further, L'Oréal initiated the development of a new tool in collaboration with ZSL (Zoological Society of London) and Transitions, to evaluate refineries and crushers (which extract the oil from the kernels), on the basis of their reporting, policies and procedures. The indicators used for this evaluation were aligned with the requirements of the Group's standards in respect of deforestation. This tool has been available and public since 2019.

At mill level, since 2016, the L'Oréal Group has relied on Global Forest Watch's risk assessment tool to ensure that no derivative traced to mills is linked to deforestation.

In 2018, the procedure for dealing with cases of non-conformity with our zero deforestation commitment by direct or indirect suppliers was also made public.

Since November 2019, in order to contribute to the sector transformation, L'Oréal has been a founding member of Action for Sustainable Derivatives (ASD), an initiative coordinated by BSR and Transitions within which L'Oréal has actively contributed, in particular by sharing all its methodologies and tools developed since 2014.

Palm oil derivatives in Malaysia: from a pilot project to a regional approach

In 2015, in the Beluran district of Malaysia, L'Oréal launched a pilot project called "SPOTS" (Sustainable Palm Oil & Traceability with Sabah small producers) aimed at supporting 500 independent producers of palm oil by 2020. The first phase of this innovative project, conducted in partnership with direct supplier Clariant, its intermediate supplier Global Amines, its upstream producer Wilmar and Malaysian social enterprise Wild Asia, was designed to:

- ensure that the supply of palm oil derivatives purchased by L'Oréal could be traced;
- promote RSPO certification;
- encourage the adoption of sustainable production practices; and
- improve the living conditions of the 500 small producers.

Accordingly, as the end buyer, L'Oréal has committed to buying RSPO-certified products from small producers under a five-year contract, thereby initiating a long-term commercial relationship with each stakeholder in the value chain, including small independent producers. This marks a break with the standard practice on the conventional palm oil market.

At the end of the first five years of the project, 942 independent producers had joined the SPOTS project, 774 of whom obtained RSPO certification, representing nearly 28,000 hectares of sustainably managed plantations. More than 200 training sessions were organised by Wild Asia for small palm producers, who were able to learn more about the RSPO certification system, best practice to limit production costs in sustainable agriculture, waste management and soil health.

Building on the significant results of this first phase, L'Oréal worked with its suppliers and Wild Asia to scale up the project, in order to extend its positive impact to the entire state of Sabah by 2025.

The aim of this regional cooperation is twofold: to extend RSPO certification to 3,500 independent producers, i.e. 100,000 hectares of plantations, while encouraging the adoption of regenerative agricultural practices for palm oil production.

Thus, by building on the experience of the "Bio-farms" developed by Wild Asia on around one hundred thousand hectares of palm plantations, the project aims to encourage small producers to volunteer to adopt low-carbon practices that are good for both the soil and biodiversity, and that enable them to improve their yields and their income. Establishing these bio-farms inspired by regenerative agricultural practices on nearly 10,000 hectares by 2025 will help L'Oréal to achieve its objective of maintaining a stable footprint on the ecosystems required to produce its ingredients. It will also help transition towards more sustainable and innovative agriculture that breaks with conventional practices in the production of palm oil.

Soy

In 2021, L'Oréal consumed 354 tonnes of soybean extract and 2,502 tonnes of soybean extract derivatives. In 2021, 100% of the soybean extract used by L'Oréal and coming from Latin America is from a land project certified RTRS, Bio and Fair For Life, aimed at supporting 36 small soybean producers in Brazil and Paraguay, or from certified sources (IP – Identity Preserved Proterra). Most derivatives come from areas classed without risk of deforestation.

Paper/cardboard

Regarding materials used by L'Oréal for its packaging, the paper used for notices and the cardboard used for boxes is certified as coming from sustainably managed forests (FSC or PEFC certified) (see section on "Materials vigilance and preservation of resources" below).

C/ Improving the environmental profile of packaging, new displays and Free-Standing stores in accordance with the Group's sustainable development principles

Packaging represents a significant part of the environmental impact of cosmetic products. The reduction in the environmental footprint of packaging is therefore naturally part of the commitments under the new L'Oréal for the Future programme, following on from the former Sharing Beauty With All programme, which came to an end in 2020.

In 2007, L'Oréal launched a Packaging and the Environment Policy that incorporates respect for consumers, the environment and biodiversity.

The new programme highlights three major challenges to improving the environmental profile of packaging:

- Reduce: designing filling and packing articles and finished goods that are smaller and lighter in relation to the contents, thereby consuming fewer resources;
- Replace: substituting high-impact materials with alternative materials with lower environmental footprints, such as recycled materials and materials from natural and renewable sources; and
- Recycle: making sure that the packaging can contribute to circularity by being recycled.

These principles are applied well ahead of each launch, right from the marketing brief, and are orchestrated via a global, systematic eco-design process for the Group's packaging, notably with the help of the SPOT measurement tool and methodology. L'Oréal's sustainable development commitments are an integral part of the Group's packaging strategy and new tools are have been rolled out for use by the product development teams.

Since 2018, the Group has used a specific POS programme that is based on the principles of eco-design and the circular economics. In addition, for our Free Standing Stores, we have drawn up an eco-design and construction guide in line with our principles of sustainable development. The Group shares the guidelines and best practices for both these initiatives with its suppliers and partner distributors.

In 2021, **78%** of created or renovated products had an improved environmental profile due to improved packaging.

Materials vigilance and preservation of resources

L'Oréal requires a food-grade level for all materials used in its packaging that is in contact with its products. The Group also takes a proactive approach with its suppliers in order to ensure that packaging does not contain any sensitive substances. Audits are conducted regularly to ensure the conformity of the filling and packing components delivered, thus ensuring an uncompromised level of quality and safety for consumers.

L'Oréal has pledged that it will no longer produce finished products containing PVC. This commitment has been kept since 1 January 2018, with the exception of recent acquisitions, no PVC packaging has been used in the manufacture of finished products since that date.

Controlling the source of materials used in packaging is a major challenge that requires responsible sourcing. L'Oréal has set itself the target of using, for its paper, cardboard or wooden packaging, materials from sustainably managed forests, exploited with respect for populations and forest ecosystems. The paper and cardboard used for packaging come from forests that are FSC preferably or PEFC certified (or have obtained *any other certification recognised by PEFC International*). Since 2010, L'Oréal has been a member of the Forest Stewardship Council (FSC) in France and the FSC label is the only one claimed on paper or cardboard packaging for the Group's products.

In 2021, 100% of the paper used for product leaflets and 99.9% of the cardboard used for folding boxes for finished goods were certified as coming from sustainably managed forests.

As part of its new Forest 2030 Policy, LOréal is expanding its goals to move beyond certification of the material, while extending its scope of application to cover the Group's primary, secondary and tertiary packaging. In an approach to achieve continuous improvement in traceability, L'Oréal has made a commitment that, by 2030, 100% of its packaging biomaterials will be traceable and come from sustainable sources, with no connection to deforestation. To do so, the Group will rely on the Chain of Custody certification of its packaging suppliers, enhanced by knowledge about their supplies' countries of origin (production sites of the material, origin of fibres).

Finally, with the aim of improving the recycling of the products put on the market, the Group's brands have worked to provide consumers with detailed sorting instructions and to design packaging that is at most compatible with existing sorting and recycling streams, eliminating disruptors and thereby promoting material recovery after use of the product, to participate in the circular economy.

In addition, several brands sold by L'Oréal in France (Cadum, Garnier, L'Oréal Paris, Narta, Ushuaïa, Vichy, and others), in partnership with the eco-organism CITEO, are pursuing a sorting awareness campaign (media, advertising, etc.) via the "Trionsenbeaute.fr" platform, designed to support consumers in their process to sort their beauty products at the end of life.

Weight and volume reduction: optimising resources used

In 2021, the Group reduced by **3%** in intensity the quantity of packaging used for its products, compared to 2019.

L'ORÉAL POUR LE FUTUR

Target 2030 -20%

The reduction of the weight and volume of product packaging, an integral part of the design, is a major driver for improving their environmental profile. Every year, L'Oréal launches new initiatives aimed at reducing the quantity of materials used in packaging.

A continuous process is in place to reduce the weight of existing products. As an illustration, two initiatives implemented in 2021 can be mentioned:

- Lancôme redesigned its Génifique eye care by reducing the weight of the jars by 7% for a savings of 37.5 tonnes of glass; and
- the launch of a new line of solid shampoos by Garnier allows the consumer to choose to avoid plastic bottles in favour of an FSC biobased cardboard box (one solid shampoo with a cardboard box is equivalent to two plastic bottles avoided).

In addition, in order to reduce the resources intended for packaging, L'Oréal is increasingly marketing reusable products, *i.e.* reloadable or refillable systems, with Valentino, for example, which launched its first refillable makeup line, and L'Oréal Paris, which launched shampoo pouches to be used to refill the original bottle.

To limit packaging cubic volumes for its finished products, L'Oréal has established its own procedures for reduction at source. L'Oréal's requirements are respectful of local regulations, and even exceed the regulations of most countries.

To optimise the flow of components, L'Oréal has developed wall-to-wall(1) production to reduce the environmental impact.

Replace: new sources of materials

In 2021, **21%** of the plastic packaging materials were from recycled or biobased sources.

L'ORÉAL POUR LE FUTUR

Target 2025 50%

Target 2030 100%

Aware that using non-renewable resources will not last forever, the Group seeks to replace them with recycled or biomass materials, or materials generated by technology that is not reliant on fossil-based resources. In 2021, L'Oréal used 159,351 tonnes of plastic in its primary, secondary and tertiary packaging. L'Oréal is committed to using non-fossil sources for 50% of its plastics by 2025, with an initial target of 40% for PET(2) plastic in 2020. This target has been exceeded as, since 2020, more than 50% of the PET used by the Group worldwide has been recycled PET.

Moreover, in the context of L'Oréal for the Future, the Group is aiming at reaching 100% non-fossil plastic by 2030.

Several brands use recycled plastic (some as much as 100%) or recycled glass in their bottles: 73,707 tonnes of recycled materials(3), including 43,373 tonnes in primary and secondary packaging, saved the equivalent amount of virgin materials in 2021. 67.1%, or 26,073 tonnes, of the volume of PET used by the Group worldwide is recycled PET.

---

(1) Since 2010, the Group has implemented wall-to-wall production, which consists of setting up, within its factories, a production unit for packaging operated by a supplier. This partnership makes it possible to develop reactivity and manufacturing flexibility, while reducing the transportation of packaging and generation of waste related to its production.

(2) Polyethylene terephthalate.

(3) Excluding factories that do not use the Group's systems.

73,707 tonnes
of recycled materials used in the Group's packaging.

For example, all Kerastase 250 ml shampoo bottles now contain 100% PCR(1) PET, representing 251 tonnes of recycled PET for this product line. The same efforts are being made with PE(2) containers, both on tubes with, for example, 30% PCR PE on the Bare Look Tint range from YSL Nu, or on bottles in the 1L Redken shampoo and conditioner line, which now contains 100% PCR PE, for hair salons in Europe.

In addition to brands whose bottles are now made of 100% recycled PET, such as Garnier and Elsève, Maybelline *Volum Express Hyper Curl* mascara tubes are produced using 100% PCR PET in the Asia-Pacific Zone.

As part of an ongoing partnership on innovation in responsible packaging, in 2021 L'Oréal and Albéa developed a new generation of cardboard cosmetics tube, replacing an even greater proportion of plastic with a renewable material. In November 2021, this innovation led to the marketing of the Lipikar lip balm from La Roche Posay, contained in an innovative cardboard-based packaging, thus reducing the weight of plastic by 64%.

In November 2020, L'Oréal signed a partnership with Lanzatech to develop polyethylene from industrial carbon emissions.

In order to implement new circular solutions for plastic packaging, L'Oréal is working in collaboration with an ecosystem of partners:

- L'Oréal has created a consortium with Carbios that develops a bio-recycling process using very specific enzymes that will recycle PET plastics and polyester fibres more broadly. This innovative process will produced a recycled PET equivalent to virgin PET. In April 2019, Suntory, Nestlé Waters and Pepsi-Co joined this consortium. In June 2021, L'Oréal announced the creation of the first cosmetics bottle made entirely of recycled plastic using this technology.
- Since 2018, L'Oréal has partnered with LOOP Industries® to depolymerise post-consumer PET into virgin-quality PET.
- In July 2019, L'Oréal signed a partnership with PURECYCLE to produce recycled PP.

For glass packaging, the integration of recycled glass has been expanded to product categories other than skincare and now includes makeup and perfumes. The packaging for these products is composed of up to 40% recycled glass, like the perfume refill from Mugler.

Recycle: integration into circular streams

In 2021, **39%** of the Group's plastic packaging was refillable, reusable, recyclable or compostable.

L'ORÉAL
POUR LE FUTUR

Target 2025
100%

In 2017, L'Oréal joined the New Plastics Economy (NPEC) initiative of the Ellen MacArthur Foundation, the objective of which is to rethink the life-cycle of plastic so that plastic packaging never becomes a waste product, and is re-inserted into the circular economy in the form of materials with biological or technical value. Since 2018, L'Oréal has been a partner of the Ellen MacArthur Foundation, with the goal, for example, of having 100% of its plastic packaging refillable, reusable, recyclable, or compostable by 2025. This goal is one of the commitments L'Oréal made as part of the Ellen MacArthur Global Commitment. These commitments are monitored by the annual Progress Report. The percentage of refillable, reusable, recyclable or compostable plastics in 2021 was 39%.

Avoiding the introduction of recycling "disruptors" is one way of improving the recyclability profile of packaging.

With this in mind, the L'Oréal Paris brand has discontinued the use of metallised labels across the entire Elsève shampoo range because they could interfere with the detection of plastic in automatic sorting centres.

---

(1) *Post-consumer recycled (PCR).*
(2) *Polyethylene.*

Environmental impact and tools

To evaluate the impact of its finished products, the Group makes the following tools available in its design centres:

- the innovative tool SPOT (Sustainable Product Optimisation Tool), since 2017, to meet the Group's sustainability commitments (see section 4.3.1.3.1. "Eco-designed products" of this document), which assesses the impact of packaging; and
- a tool to help in reducing the environmental impacts of transportation packaging for packaging components from suppliers to plants and transportation packaging of finished products from plants to the Group's distribution centres, particularly through optimisation of palletisation.

To share its research and results with the cosmetics industry, in 2018 the L'Oréal Group created the SPICE initiative (Sustainable Packaging Initiative for Cosmetics) with Quantis (an environmental consulting firm). The purpose of SPICE is to share the best practices and methodologies of each cosmetics player in order to harmonise and enhance the methods used to assess the cosmetic packaging environmental footprint to make it easier to understand for consumers. L'Oréal shares its own SPOT- Packaging methodology through the SPICE initiative. Tracking of work and achievements, as well as the plan for the coming months, are accessible on the open platform www.Open-Spice.com. The SPICE initiative now has more than 25 members worldwide. The dedicated SPICE tool was launched in July 2020.

Since 2018, L'Oréal has been implementing worldwide a programme to eco-design POS materials and furnishings with its teams and suppliers:

- 14 robust and pragmatic golden rules;
- training support for teams and suppliers; and
- monitoring indicators, sharing best practices and organising inter-team challenges, including our suppliers.

The principles relate in particular to materials: recycled materials and those from biobased sources, their weight, recyclability/separability and the optimisation of electricity consumption (for permanent POS). L'Oréal is testing and developing circular economy processes with its suppliers and local operators, notably in the context of uninstalling, recycling or donations. L'Oréal continues to share its best practice, for example, with the French Federation for Beauty Companies (Fédération des Entreprises de la Beauté - FEBEA).

In 2021, L'Oréal continued the roll out of its *"Sustainable retail box"* programme, aligned with the highest standards, providing concrete actions for the design and responsible construction of its free-standing stores (materials, energy, accessibility, water management, construction waste, interior air quality, ergonomics, etc.) with a view to having them certified. In 2021, 20 of the 22 new or renovated Group stores made a commitment to an eco-responsible process aligned with the highest standards of the Group. Seven of them recorded an eco-design rate of over 100% or are certified LEED Gold(1).

For our permanent POS materials, but also our Free-Standing stores, the Group uses design firms that are experts in lighting to optimise energy consumption without compromising the quality of in-store lighting. The first pilot projects are very promising, in particular for the reduction of environmental impacts. In 2021, the teams worked on new operational guidelines on this subject. This new initiative also benefits the Group's distributors, helping them to improve and optimise their energy consumption.

In 2021, **91%** of advertising displays at points of sale were eco-designed and **32%** of free-standing stores, whether new or refurbished, were designed and built in line with the Group's principles of sustainable development.

L'ORÉAL
POUR LE FUTUR

Target 2025
100%

4.3.1.3.2. Involving consumers in the Group's transformation

A/ Product quality and safety: a priority

A chapter of L'Oréal's Code of Ethics is devoted to product quality and safety.

L'Oréal develops and devises cosmetics with high-quality formulas that meet the needs of both consumers and professionals. As consumer safety is an absolute priority for L'Oréal, assessing the safety of these formulas and their ingredients is central to any new product development process and a prerequisite for any new product being brought to the market. As a result, consumers across the globe have access to cosmetics of identical quality, with proven safety records.

L'Oréal factories around the world produce cosmetic products that comply with ISO international standards. As such, almost all factories are ISO 9001 certified and implement the requirements of ISO 22716 on Good Manufacturing Practices for cosmetics. This standard sets out all the requirements for production, filling and packing, control, storage and shipment in order for a cosmetic product to comply with the defined quality.

100% of the Group's products are subject to a rigorous safety assessment and a safety report is issued for them.

The Worldwide Safety Evaluation Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients used and the formulas prior to their launch on the market. These same safety standards are applied worldwide to protect the health of consumers from across the globe.

---

(1) Leadership in Energy and Environmental Design, *a stringent American environmental certification issued by the* US Green Building Council.

L'Oréal goes one step further in safety assessments by monitoring the potential adverse effects that may arise once the product is on the market through its international cosmetovigilance network. This network collects, validates and analyses, using recognised and rigorous methods, the adverse effects related to the use of a cosmetic product. This allows for appropriate corrective measures to be taken where necessary.

The safety cycle is summarised in the following graphic:

In responding to questions that civil society may ask regarding certain substances and their effects on health and the environment, three points summarise L'Oréal's position:

- vigilance with regard to any relevant new scientific data;
- cooperation with the relevant authorities; and
- precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk.

The launch of the website "Au coeur de nos produits" (Inside our products) in 2019 is testimony to the Group's desire for increased transparency on this issue.

Finally, production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all factories are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard.

The product safety assessment process

L'Oréal has set up a process to ensure that all products developed by the Group, whatever the geographical location of the laboratory in charge of the project, are subject to the same level of rigorous safety evaluation. The assessments by the Worldwide Safety Evaluation Department, based on a multidisciplinary scientific approach, are carried out at all stages of the life cycle of the products. This approach enables L'Oréal to meet the safety requirements of the national regulations in force in all the countries in which its products are put on sale, testifying to their safety of use. A safety assessment is conducted for each product launched on the market.

The product safety evaluation is based on the evaluation of each ingredient that enters into the composition of the product and the finished product itself. It is carried out on the basis of existing safety data and the latest scientific knowledge, and takes into consideration the conditions of use of the product. If necessary, L'Oréal conducts additional safety studies in qualified laboratories all over the world. The results of these studies are interpreted by experienced scientists who are specially trained in safety issues with regard to cosmetic ingredients and products.

Furthermore, L'Oréal's ethical principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach whereby formulations are evolved by removing and/or replacing substances on the basis of new data.

L'Oréal's added value, in terms of the safety assessment of ingredients and finished products, lies in its investment for nearly 40 years in the development of predictive methods and tissue engineering, and their international regulatory recognition. For many years, the Group has been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works closely with all the international stakeholders involved in relevant industries in order to progress the development of alternative cross-disciplinary solutions in the field of safety assessment.

This longstanding commitment means that since 1989, or 14 years before regulations required, the Group no longer carries out animal testing in laboratories for any of its products. Equally, L'Oréal no longer tests its ingredients on animals. L'Oréal no longer tolerates any exceptions to this rule and this applies worldwide. The Group also does not delegate responsibility for doing so to anyone else. Some health authorities may nevertheless decide to carry out animal testing themselves for certain cosmetic products and this is still the case in China. For more than 10 years, L'Oréal has been the company most committed to getting Chinese authorities and scientists to recognise alternative methods and changing cosmetic regulations to achieve the complete and final elimination of animal testing. After the progress made in 2014, which put an end to the testing on animals of some products manufactured in China, since May 2021, all non-functional products imported into China no longer need to be tested on animals, provided that they are accompanied by a safety assessment and a manufacturing best practice certificate issued by their country of origin.

In fact, L'Oréal's products continually evolve as and when technological innovations occur, but with the constant desire to guarantee the highest level of safety for both consumers and professionals.

B/ Raising awareness among consumers about sustainable lifestyle choices

The Group wants to empower all L'Oréal consumers to make sustainable consumption choices.

The SPOT environmental and social assessment tool, rolled out to all of the Group's brands (excluding recent acquisitions), established the environmental and social profile of all new products in a process dating back to 2017.

Displaying the environmental and social impact of the products

As part of its new L'Oréal for the Future sustainability programme, L'Oréal has developed an environmental and social labelling system for its products, with ratings from A to E, designed to inform consumers and enable them to make enlightened consumption choices.

The labelling is built on the SPOT methodology to measure impacts, which was co-created with 11 independent international experts in accordance with the directives of the European Product Environmental Footprint (PEF), to scientifically measure the environmental and social impact of a product.

This tool for comparing products of the same category provides an accurate vision of the impact of a Group product, taking into consideration 14 planetary impact factors such as greenhouse gas emissions, water stress, ocean acidification or the impact on biodiversity.

These impacts are measured at each step in the life cycle of a product and calculated by taking into account not only the cultivation of raw materials, the processing and transport of the product, but also the usage phase by the consumer and the recyclability of the packaging.

In the case of cosmetics, as the carbon and water footprints are the most important impact factors, the Group made the choice to communicate a total environmental impact note combined with a focus on carbon and water footprints.

This information will be accessible to consumers on the product website. The first phase of the roll-out began with the Garnier hair-care category in July 2020 and now covers around twenty countries in Europe and will soon be in other zones.

In November 2021, two new brands - Biotherm and La Roche Posay - rolled out this labelling for their skin care ranges in France, followed by Vichy in December 2021.

Roll-outs in brands and zones where automated data modelling is used are expected to accelerate in 2022.

At the same time, L'Oréal is committed to a sectoral approach, coming together with its competitors to form the Eco Beauty Score Consortium, which aims to develop a methodology for rating cosmetic products, backed by a scientific methodology for measuring environmental impacts in line with the recommendations of the European Commission, similar to that used by the Group for its environmental labelling initiative. Alongside the other members, L'Oréal is committed to sharing its experience in this field within the Consortium, in compliance with anti-trust legislation.

In 2021, an environmental impact score was calculated for **76%** of the Group's rinse-off products. Labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.

L'ORÉAL
POUR LE FUTUR

Target
2023
100%

Environmental and societal commitment of L'Oréal brands

Conscious of the influencing ability of its brands, L'Oréal encourages them to inform and mobilise their business partners, customers and consumers around the major environmental and societal challenges facing the world.

Each brand must therefore identify an environmental or societal cause of its own, support a community partner involved in the field, and conduct awareness-raising and outreach campaigns with its consumers in order to contribute to change.

L'Oréal Paris is therefore backing the Stand Up programme against street harassment, in partnership with the NGO Hollaback!. Since it was created, more than 550,000 people have already been trained in a method that enables them to react safely to street harassment, whether they are victims or witnesses.

Maybelline has developed the "Brave Together" initiative to take action against anxiety and depression. The brand supports associations in more than 15 countries, providing citizens affected by these symptoms with access to crisis hotlines and various tools offering personalised support. It also promotes anti-stigmatisation campaigns. Maybelline has committed to investing USD $10 million by 2025 to support organisations around the world.

Yves Saint Laurent Beauté's *"Abuse is Not Love"* programme is committed to combating domestic violence. The brand has launched an online training tool to provide resources and support to those in abusive relationships as well as those who want to provide support to victims they know. Since the programme launched in 2020, training on abusive relationships has been delivered to more than 100,000 young people and the brand has set itself a target to raise awareness among 2 million people by 2030, in partnership with local NGOs in this domain.

Lancôme has committed to enabling women around the world to be the authors of their own destiny via its Write Her Future programme in partnership with Care International. More than 50,000 women have already benefitted from literacy courses, training in entrepreneurship, and student scholarships.

For more than 10 years, Giorgio Armani has been committed to providing regions affected by drought with access to drinking water and sanitation through its "Acqua for Life" programme. In partnership with UNICEF, WaterAid and Water.org, the brand has contributed to the funding of 530 water supply systems, thereby helping provide more than 390,000 people in 20 countries, on three continents, with access to drinking water.

The "Roche-Posay Cancer Support" programme helps to improve the quality of life of cancer patients by combating the skin toxicities generated by treatments. The brand also contributes to the prevention of skin cancer via information and screening campaigns: to date, the brand has offered more than 540,000 melanoma screenings. Finally, working in partnership with the NGO Childhood Cancer International, the brand's Foundation supports children with cancer and their families.

With its "Live By Blue Beauty" campaign, Biotherm is committed to supporting the oceans. The aim is to minimise the impact of Biotherm on ecosystems throughout its value chain. Prevention, research and education programmes have also been put in place in partnership with partner NGOs such as Mission Blue, the Tara Ocean Foundation, Surfrider Foundation Europe and the Oceanographic Museum of Monaco.

"Kiehl's Gives" is the charitable arm of the Kiehl's brand. Since 2015, it has provided support to nearly 147 charities through 236 local initiatives around the world, with particular emphasis on two causes: the environment and positive social impact. More than USD $17.7 million have been invested in this initiative.

In the context of the L'Oréal for the Future programme, the Group has made a commitment that three million people will benefit from its brands' social engagement programmes by 2030.

In 2021, 13 brands were actively committed to a social engagement programme with more than 200 partners, which gave 985,089 people direct support from the NGO partners of these programmes, or training delivered by the brand or by the NGO partner of the brand's programme.

In 2021, **985,089** people benefited from the social commitment programmes of the Group's brands.

L'ORÉAL
POUR LE FUTUR

**Target
2030
3 millions**

The Group and its brands also regularly conduct studies among their consumers, to anticipate future consumption choices and take into account the CSR expectations of consumers. In 2021, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its policy of actively listening to consumers on sustainable development issues through a number of studies conducted with consumer panels in the United States, India, China and Europe to understand their expectations and fine-tune its policies.

4.3.1.4. Meeting the most demanding standards

4.3.1.4.1. GHG assessment: an annual exercise

L'Oréal carries out an annual Greenhouse Gas assessment (GHG assessment) for all the Group's activities, in order to measure its CO_2 emissions and identify the action plans that will enable it to reduce its impact. This assessment, which has been performed since 2007, is conducted in accordance with the Greenhouse Gas Protocol (GHG Protocol) rules, the international reference method for recording GHG emissions. It makes it possible to determine the Group's total carbon footprint in three categories – Scopes – defined above in section 4.3.1.3.1. "Eco-designed products" of this document.

In 2021, the GHG assessment of the L'Oréal Group was estimated at 12,526 thousand tonnes of CO_2 equivalent.

Scopes 1 and 2 – emissions measured and reported on a monthly basis

These CO_2 emissions are measured by all the Group's sites and reported monthly.

Scopes 1 and 2 correspond to those for which the Group takes direct action via programmes to control energy consumption deployed on the sites and for the procurement of renewable energy. They are the subject of ambitious reduction targets as part of the L'Oréal for the Future programme (see section 4.4. "L'Oréal for the Future: 2021 results" of this document):

	2025 TARGETS	2020	2021
Industrial sites	- 100% (vs. 2005)	-81%	**-87%**
Administrative sites and research centres	- 100% (vs. 2016)	-76%	**-83%**

For 2021, all these Scope 1 and 2 emissions represented 31.6 thousand tonnes☑ for the factories and distribution centres, and 6.7 thousand tonnes for the administrative sites and research centres.

Changes in the reported figures for Scopes 1 and 2 since 2014 (in thousands of tonnes of CO_2 equivalent) (1)

		2014	2015	2016 (2)	2017 (3)	2018	2019	2020	2021
Scope 1	Industrial sites	58.5	55.5	55.5	49.7	46.6	43.6	39.0	25.9☑
	Administrative sites and research centres			6.5	8.0	7.7	6.4	4.1	1.8
	Group	**58.5**	**55.5**	**62.0**	57.7	**54.3**	**50.0**	**43.1**	**27.7**
Scope 2	Industrial sites	60.5	49.6	25.7	15.9	8.9	8.2	7.0	5.7☑
	Administrative sites and research centres			26.5	25.3	25.7	22.1	5.7	4.9
	Group	**60.5**	**49.6**	**52.2**	41.2	**34.6**	**30.3**	**12.6**	**10.6**
Scopes 1 + 2	Industrial sites	118.9	105.0	81.2	65.7	55.5	51.8	46.0	31.6☑
	Administrative sites and research centres			32.9	33.2	33.4	28.5	9.8	6.7
	Group	**118.9**	**105.0**	**114.2**	**98.9**	**88.9**	**80.3**	**55.8**	**38.3**

(1) These data present the reported figures each year in the different management reports. In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

(2) As from 2016, Scopes 1 and 2 emissions of the Group:
- are calculated using the new methodology published by the GHG Protocol ("The Scope 2 Guidance"), and monitored using the Market-Based CO_2 indicator, which replaces the Net CO_2 indicator;
- include the emissions related to leaks of cooling gases; and
- include the emissions linked to the administrative sites and research centres.

(3) In 2017 only, Scopes 1 and 2 had been expanded with emissions estimated annually for vehicles operated under long-term leases and for branded retail stores. These emissions are not included in this table.

Scope 3 – emissions estimated annually

Scope 3 covers all other greenhouse gas emissions not directly related to the sites operated by the Group or to the processing of products in the factories but to other stages in its life cycle (procurement, transportation, use, end of life, etc.) and other impacts related to the Group's activities (business travel, etc.). These emissions are the subject of an annual estimate according to the GHG Protocol methodology.

In 2021, work was carried out on Scope 3 of the GHG Assessment in order to improve its input data, limits and emission factors.

For 2021, L'Oréal Group's Scope 3 is estimated at 12,488 thousand tonnes, an increase around 0.5 million tonnes compared to 2020, primarily due to the use phase of the products.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

The GHG Protocol defines 15 items of emissions associated with Scope 3:

Upstream or downstream	Scope 3 categories	Scope	2021 emissions *(in thousand tonnes of CO_2 eq.)*
Upstream	1. Products and services purchased	CO_2 emissions related to the preparation of all materials used for the products manufactured by the Group and their promotion at points of sale. These emissions include the extraction of materials, their transportation to suppliers followed by their processing prior to delivery; this represents 838,092 tonnes of CO_2 eq. for the raw materials used in our formulas and 1,546,294 tonnes of CO_2 eq. for the packaging elements of our products. The CO_2 emissions of this item also include the services purchased by L'Oréal (marketing, advertising, etc.) (see section 4.3.1.2.2. "Involving strategic suppliers in the Group's transformation" of this document)	3,932
	2. Capital goods	CO_2 emissions related capital goods acquired or purchased by L'Oréal in 2021 (property, production, IT, etc.).	695
	3. Fuel- or energy-related activities (not included in Scope 1 and 2 emissions)	CO_2 emissions related to the extraction, production and transport of the fuel and energy purchased by L'Oréal. It also includes losses during the distribution of electricity.	161
	4. Upstream transport and distribution	CO_2 emissions generated by the transport of items purchased and shipped to production or distribution sites.	121
	5. Waste generated by sites	CO_2 emissions related to the treatment of production waste and wastewater (by a third party) from facilities operated and owned by L'Oréal.	18
	6. Business travel	CO_2 emissions related to business travel for all employees in all countries. These emissions take into account the different means of transport used (short-term car hire, train or plane).	49
	7. Employee home/work commuting	CO_2 emissions related to employees' journeys from their home to their workplace.	96
	8. Upstream leased assets	CO_2 emissions generated by the energy consumption of the stores and the consumption of fuel by vehicles used under long-term leases.	63
Downstream	9. Downstream transport and distribution	CO_2 emissions related to the transport of products sold: this includes transportation flows of finished products from the production sites to the first customer delivery point (450 460 thousand tonnes of CO_2 eq.) and consumers' travel to and from the points of sale (283 691 thousand tonnes CO_2 eq.) The CO_2 emissions of this item also include the energy consumption associated with the materials used to promote products at the point of sale (119 113 thousand tonnes CO_2 eq.).	852
	10. Processing of sold products	Not relevant: our production is used directly by the end customer. There is no transformation of intermediate products.	-
	11. Use of sold products	CO_2 emissions related to the use of L'Oréal products by consumers due to the hot water used for rinsing off certain products, such as shampoos, shower gels, dyes, etc. CO_2 emissions in this item depend primarily on the type and method of production of the energy used to heat the water. (See section 4.3.1.3. "Sustainability: from product design to end consumer" of this document)	5,737
	12. End-of-life treatment of sold products	CO_2 emissions relating to the treatment of sold products after their use: filling and packing components treated in existing streams and wastewater treated in water treatment plants. CO_2 emissions for this item are related mainly to the nature and mode of production of the energy used for each treatment.	675
	13. Downstream leased assets	Not relevant: there is no exploitation of assets owned by L'Oréal and leased by other entities.	-
	14. Franchises	Not relevant: all stores are retail stores and are included in the "Upstream leased assets" category.	-
	15. Investing activities	CO_2 emissions related to L'Oréal's investments in 2021. Investments are recognised via the share of L'Oréal's investments in the company or companies in question.	89

L'Oréal publishes data using a "cradle-to-grave" approach in order to estimate its carbon footprint globally over the entire product lifecycle (from raw material purchase to upstream and downstream transport, to product use and end of life).

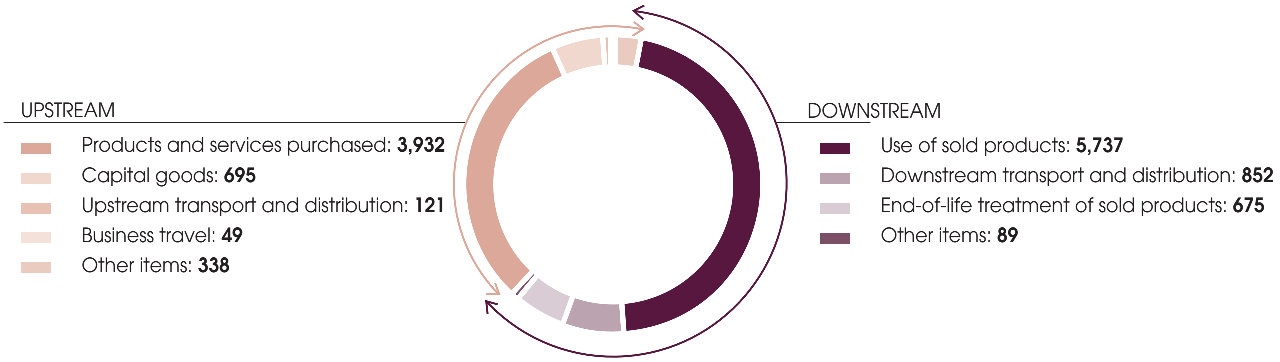
L'Oréal also analyses its emissions using a "cradle to shelf" approach, which includes the steps that L'Oréal has the most influence on through, for example, eco-design initiatives or support provided to suppliers.

These emissions associated with the "cradle to shelf" perimeter include (i) scopes 1 and 2 emissions of sites operated by L'Oréal (plants, distribution centres, administrative sites and research centres), (ii) indirect upstream GHG emissions linked to L'Oréal purchases of raw materials and packaging materials used for the products manufactured by the Group. (These emissions include the extraction of materials, their transportation to suppliers followed by their processing prior to delivery.), (iii) indirect downstream GHG emissions generated by the transport of products sold from production or distribution centres to clients. These emissions include transportation flows of finished products from the production sites to the first customer delivery point

In 2021, the CO_2 emissions associated with the "cradle to shelf" perimeter represent 446 g of CO_2eq per product sold.

THE MAIN ITEMS OF CO_2 EMISSIONS OF SCOPE 3

(thousands of tonnes of CO_2 equivalent)



The Group's commitments to a low-carbon economy have already led to several initiatives and achievements aimed at reducing the important categories under Scope 3:

- since 2009, L'Oréal has involved its suppliers in the process of reducing its carbon footprint by encouraging them to participate in the CDP Supply Chain programme (see section 4.3.1.2.2. "Involving strategic suppliers in the Group's ambitions" of this document);
- the commitment made by the Group to reduce the impact of downstream transport by -20% per unit sold per kilometre between 2011 and 2020 (see paragraph "Reduction of greenhouse gas emissions from the transport of finished products" in section 4.5.2.1. of this document);
- L'Oréal, through its Science-Based Targets (SBT) commitment validated by the initiative at the end of 2017, has sought to cover all impacts associated with its value chain. The commitment to reduce greenhouse gas emissions by 25% in 2030 (baseline 2016) comprises all of Scopes 1, 2, and 3 (according to the GHG Protocol) (see section 4.3.1.4.2. "Science-Based Targets commitment" in this document); and
- finally, in June 2020, in the context of the launch of its L'Oréal for the Future programme consistent with its Science-Based Targets (SBT) commitment (see section 4.3.1.4.2. "Science-Based Targets commitment" in this document), the Group specified its 2030 roadmap by committing to a reduction, from 2016, of 25% per finished product in the emissions associated with its product use phase, a 50% reduction in the emissions associated with its strategic suppliers and a 50% reduction per finished product in the emissions associated with product transportation.

CO_2 emissions in 2021 (Scopes 1, 2, 3) over the entire Group *(industrial sites, administrative sites and research centres)*

(thousands of tonnes of CO_2 equivalent)	Scope 1	Scope 2	Scope 3	Scopes 1, 2 & 3
Group	27.7	10.6	12,488	12,526
Industrial sites	25.9 ☑	5.7 ☑	-	-
Administrative sites and research centres	1.8	4.9	-	-

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

Changes in the data of the GHG Balance since 2016 *(thousands of tonnes of CO_2 equivalent)*

		COMMENTS	2016	2019	2020	2021
Reported figures	**Scopes 1, 2 and 3**		**114**	**11,762**	**11,225**	**12,526**
	Scope 3		**unpublished (1)**	**11,682**	**11,169**	**12,488**
Unpublished data	Scopes 1, 2 and 3	Unpublished 2016 GHG balance results Scopes 1, 2 and 3	9,881 (2)			
	Scope 3		9,712 (2)			
Restatements of data	Scopes 1 and 2	**TOTAL RESTATEMENTS**	-55			
		Improvement in the accuracy of the scope (3)	-55			
	Scope 3	**TOTAL RESTATEMENTS**	3,162	588	791	
		Improvement in the accuracy of the scope(4)	1,322	1,014	666	
		Improvement in the precision of the methodology (5)	259	258	264	
		Improvement in the precision of the methodology(6)	177	27	-139	
		Update of the emission factors(7)	1,404	-711		
Like-for-like basis	**Scopes 1, 2 and 3**		**12,988**	**12,350**	**12,016**	**12,526**
	Scope 3		**12,874**	**12,270**	**11,960**	**12,488**

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG balance continued pursuant to the SBT commitments.

(2) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).

(3) Variation in allocations to leased vehicles and stores, in Scope 3.

(4) Improvement in the accuracy of the data (emissions related primarily to services purchased, the POS and IT)

(5) Variation in the methodology and external data bases (transport and capital goods)

(6) Variation in the methodology and alignment of the internal data bases

(7) Variation in the source of the data on the energy mix used for residential water heating in the different countries.

For more information on the changes to the GHG balance data for the above years, together with the restatements published in 2020, please refer to the detailed table in section 4.6.4.

4.3.1.4.2. Science-Based Targets commitment

In 2015, L'Oréal undertook to define Science-Based Targets to reduce its greenhouse gas emissions across its entire value chain and over the long term, in accordance with the Paris Agreement on climate change.

In December 2017, the SBT initiative has validated the Group's proposal: Thus, by 2030, L'Oréal is committed to reducing by 25% in absolute value the greenhouse gas emissions of Scopes 1, 2 and 3 (with full coverage of the items of Scope 3, in accordance with the definition of the GHG Protocol), with a reference year of 2016; in particular, the Group is committed in particular to reducing greenhouse gas emissions from all sites it operates by 100% by 2025, through a programme of energy efficiency and a supply of renewable energy exclusively.

These commitments were revaluated in 2019 over Scopes 1 and 2 by the SBT initiative and considered to be in compliance with the new SBT 1.5°C criteria.

Roadmaps were deployed within the different business lines (packaging, research, sourcing, supply chain, etc.) so that each one contributes to the reduction of CO_2 emissions in Scopes 1, 2 and 3. Specific tracking has been started, which allows each of the segments to monitor its own performance.

4.3.1.4.3. UN Global Compact Pledge: "Business Ambition for 1.5°C"

In September 2019, L'Oréal joined the "Business Ambition for 1.5°C" initiative, a call to action launched by a broad coalition of companies, civil society and UN leaders, thus reaffirming its leadership on climate action. The Group has committed to net zero CO_2 emissions by 2050, contributing in this way to limiting the increase in global temperature to 1.5°C above pre-industrial levels, a necessary condition for limiting the worst impacts of climate change according to the latest conclusions of climate science.

4.3.1.4.4. Adapting the model to the climate emergency: alignment of the Group with the TCFD principles

Aware of the consequences of climate change, L'Oréal has initiated its transition towards an increasingly responsible business development model in which the non-financial challenges are placed at the same level as the financial challenges that contribute to its overall performance. The ambition is to design an innovative low-carbon business model and to make a contribution to the major collective challenge that is represented by limiting climate change.

The Sharing Beauty With All programme, rolled out globally since 2013 and supported at all levels of the organisation, has helped establish a culture in which environmental impacts and climate change are taken into account, increasingly influencing the decision-making process of each of the Group's "Métiers" (business activities) each day, as well as their major projects, as shown by the policies, programmes and outcomes described above.

As the acceleration of the environmental and social challenges calls for a more radical transformation, in June 2020 L'Oréal announced its new sustainability programme L'Oréal for the Future, with a new series of particularly ambitious objectives for 2030. The efforts to combat climate change is an integral part of the Group's new ambitions and are aligned with the Science-Based Targets commitment validated in 2017.

L'Oréal made a public commitment in 2020 to adopt the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), which encourages companies to include climate issues in their strategy, and to provide consistent, reliable and clear information to allow investors to take into account climate-related financial risks in their decisions.

Along with this dynamic move towards a low-carbon transition, L'Oréal intends to fully manage the risks and opportunities related to the challenges of climate change, anticipate their effects, and ensure its resilience by adapting its business model, its governance and decision-making processes, its Research and Operations with respect for its values and sense of purpose (raison d'être) to "Create the beauty that moves the world".

Governance

Every year, the L'Oréal Board of Directors determines the Group's strategic directions, which integrate the challenges of climate change and, more generally, the issues of sustainable development.

The Chief Corporate Responsibility Officer, who is a member of the Executive Committee, reports directly to the Chief Executive Officer and reports on the Group's activities every year to the Board of Directors or to the Strategy and Sustainability Committee.

The Chief Corporate Sustainability Officer is responsible for the formulation and implementation of the sustainable development strategy, assesses and manages the climate-related risks and opportunities Groupwide, through the action plans of the sustainability programmes (Sharing Beauty with All and since 2020 L'Oréal for the Future). She leads an internal sustainability committee, which includes experts responsible for the rollout of the sustainability programme within Operations, Research, Public Affairs, Communication, Divisions, and Brands. She guarantees the implementation of the orientations and decisions adopted by this Committee. She also defines and deploys annual targets across L'Oréal's value chain, and assesses the level of commitment of all the Brands, Country Managers and subsidiaries in implementing the sustainable development strategy. This implementation determines a portion of the variable remuneration of the Brand and Country Managers.

The mission of the Sustainable Finance Department, created in 2020, is to integrate the climate challenges from a financial standpoint. This Department, which reports to the Chief Administrative and Financial Officer and to the Chief Corporate Responsibility Officer, aims at developing and directing Sustainable Finance actions. This means, in particular, building a new income statement model that includes sustainable development elements and allows the Group to measure its efforts, especially concerning the carbon impact, coordinate finance actions, and continue to incorporate sustainable development in its decisions on investing and acquisitions.

Strategy

For the main environmental risks, the concept of risk covers both risks related to the impact of the Group's business activities on its ecosystem and the risks of the impact of climate change in the short and medium-term on its business model, activity, and financial performance.

The Group has identified seven principal risks and six opportunities relating to climate change that have potential consequences for its activities and the development of its strategy.

In-depth analyses of climate risks were conducted: identification and a dynamic approach to the risks, assessment of their impact using scenarios developed on two assumptions based on the 2°C and 4°C paths, assumptions that also integrate political, economic, social, technological, environmental and legal trends (PESTEL analysis).

Scenarios

- a "governed transition" scenario ("TG") on the basis of global warming of around +2°C in 2100. This scenario is based on strong international cooperation, major increased consumer awareness of climate and external effects and, globally, actions to anticipate and attenuate climate change in a more responsible world based on solidarity.
- "a disorganised transition" scenario ("DT") on the basis of global warming of around +4°C in 2100. This scenario is based on assumptions of limited international cooperation, growing tensions on trade, economic stagnation or slowdown and, generally, a primarily reactive adaptation to climate change.

These L'Oréal scenarios integrate pre-existing scenarios or assumptions based on scientific content as input data, particularly the RCP2.6 and RCP8.5 scenarios (Representative Concentration Pathways (RCP) – AR5) of the IPCC (Intergovernmental Panel on Climate Change) to assess the physical risks for the governed transition and disorganised transition respectively.

More specifically, studies of the impact of climate change on plant-based raw materials sourcing were also conducted. Assumptions have also been made on the paths of carbon pricing and consumer preferences, the main factors in L'Oréal's exposure to climate-related transition risks. This work will allow the Group to adapt policies and define its strategic goals.

Two timeframes were considered: a medium-term 2030 timeframe, aligned with scientific targets, and a long-term 2050 timeframe, to detect significant trends in the physical climate variables.

The entire value chain was considered in the analysis of L'Oréal's scenarios.

The two scenarios resulted in differentiated assessments of the impact of the risks identified and favoured the prioritisation of the policies implemented and the determination of the related programmes and action plans to reduce these impacts. They contributed to the development of the sustainability programme, L'Oréal for the Future, for 2030.

Risks

The Group's risk review includes physical risks and transition risks associated with changes in its value chain and ecosystem. Risks as diverse as those associated with extreme weather events on the Group's infrastructures, or the risks inherent in the supply chain, those inherent in the scarcity of resources, carbon pricing (taxes, emissions trading schemes) and their financial impacts, or those related to the Group's reputation and consumer expectations, are analysed, resulting in the preparation of impact scenarios as part of the scenarios constructed, and strategic orientations are defined.

In particular, the following main risks and opportunities were studied:

Risk 1

Regulations concerning carbon pricing mechanisms, such as specific taxes on fossil fuels, carbon taxes, and emissions trading schemes (or carbon markets), are a major challenge for the Group and its suppliers. In this context, an increase in the price per tonne of direct greenhouse gas emissions for suppliers could be reflected in the sale prices of their products and services, and potentially have a material impact on L'Oréal's operating costs. In order to mitigate this risk, the Group is engaged with its suppliers, in particular through the *CDP Supply Chain*, to ensure they devise and implement emissions reduction targets and associated action plans (see section 4.3.1.2. "Involving suppliers in the Group's transformation" of this document).

Risk 2

Changes in consumer preferences towards consumption choices increasingly influenced by the carbon footprint of products and the overall climate performance of plants could have a material impact, progressively and in the medium-term, for L'Oréal. The challenge, if this risk were insufficiently managed, would be a potential loss of revenue because of a reduction in demand for L'Oréal products from consumers. L'Oréal's strategy to prevent the associated risk is to continue to reduce the carbon footprint of its products and to give consumers the means to take enlightened purchasing decisions by providing transparent information and listening to their expectations on the issues of sustainable development (see paragraph "Displaying the environmental and social impact of the products" in section 4.3.1.3.2. of this document).

Risk 3

Climate change is expected to lead to an increase in the frequency and intensity of extreme weather events, resulting primarily in changes in precipitation patterns, which will have a particularly strong impact on agriculture.

In particular, in Indonesia and Malaysia, medium-term chronic changes in the El Niño and La Niña cycles are likely to occur. For the preparation of its palm-based ingredients, which represent a large share of its purchasing volumes of ingredients of plant origin, 98.8% of L'Oréal's supply of palm oil comes from Indonesia and Malaysia. L'Oréal could, therefore, be affected by the consequences of a chronic increase in the frequency and intensity of these extreme weather events with, as a result, an increase in the supply costs for palm oil, associated with higher production and certification costs.

These risks are taken into account by working on the resilience of the supply chain, developing projects in the field with the suppliers, and by making a long-term commitment with some of them. In order to drill down on this identification of climate-related risks on the price and availability of the most important raw materials of plant origin in the L'Oréal portfolio, a specific study taking account of a set of methodologies and sources on climate change was carried out with "BIPE" (a consulting firm specialised in the analysis of the consequences of climate change on plant production) in 2017, then refined in 2018 and 2019 in order to adapt supply strategies.

Opportunity 1

One of the consequences of climate change is the increase in the number of regions around the world that will face periods of water shortage, particularly in urban areas. An increase in the frequency or intensity of water shortages could lead to changes in consumer routines in terms of showering and hair-washing. A market opportunity consists in innovating and developing products adapted for use by consumers living in these areas of water stress. These new products could increasingly better meet consumer's needs in this context. L'Oréal could seize this opportunity by evaluating the products as a function of their water footprint, by developing new products, routines or new technologies that improve rinsing or save water in the use phase, and by increasing consumer awareness of the challenges associated with water quality and availability.

Opportunity 2

The medium-term global trend in the price of non-renewable energy is expected to rise, both because of future regulations and taxes on fossil fuels, and complex balances between supply and demand. The progressive elimination of the use of conventional fuels in favour of renewable energies would protect L'Oréal from increases in the fossil fuel prices and could result over time in operating costs that are relatively lower than those paid by other manufacturers who are not committed or insufficiently committed to this energy transition. L'Oréal intends to seize this opportunity by rapidly reducing the use of fossil energies. L'Oréal has thus committed to using 100% renewable energy at all its operated sites by 2025, by developing projects for self-supply of renewable energies on-site, as well as a 100% local and renewable energy supply (electricity, heat, biogas, etc.). L'Oréal has already started on this path with, for example, the completion of a series of projects for its own consumption of renewable energy on-site in locations such as the United States, Western Europe, Brazil, and China.

Methods for managing risks and opportunities

Identification and assessment of the risks are primarily coordinated at the Group Level by the Ethics, Risk and Compliance Department with all relevant departments. When necessary and relevant, an additional risk analysis is conducted in the operational entities, particularly for the physical risks associated with climate change.

Contributions are collected from the main operational managers and experts in this area worldwide, representing all the Group's business activities, regions, and areas of activity. Climate-related risks have been the subject of a specific approach that identified and assessed their financial and strategic impact when the Group's reputation is impacted or the long-term growth of the Group may be impacted. This analysis is regularly updated.

The mapping of the Group's risks is reviewed regularly. It is validated by the L'Oréal Executive Committee once a year and presented to the Audit Committee.

Measurement of results and reporting

In the context of the first generation of Sharing Beauty with All commitments, the Group defined a number of indicators tracked to evaluate monthly and annually the progress achieved on the targets set for 2020. As a result of the acceleration of the environmental challenges, these indicators were reassessed and completed at the time of the June 2020 launch of the new sustainability programme L'Oréal for the Future. They cover the Group's entire value chain in the areas of greenhouse gas emissions, water, biodiversity, resources and waste, and support the goals for 2030.

More specifically in terms of climate change, the goals announced in the context of the L'Oréal for the Future programme are aligned with the Science-Based Targets initiative that L'Oréal joined in 2015. In this context, L'Oréal is committed to reducing in 2030 greenhouse gas emissions by 25% in absolute value (tonnes of CO_2 equivalent) and by 50% per finished product over its entire value chain (Scopes 1, 2 and 3), compared with 2016.

Finally, in September 2019, L'Oréal joined the United Nations Business Ambition for 1.5°C initiative and made a commitment to reach net-zero emissions of CO_2 by 2050.

A GHG balance is prepared and published annually and details emissions over all the items described by the GHG Protocol.

The cross-reference table below identifies the main information of this document according to the recommendations of the Task Force on Climate-related Financial Disclosures.

Governance	Sections of this document
1. **Supervision by the Board of Directors of climate-related risks and opportunities**	1.1., 2.3.2.1. and 4.1.
2. **Role of Management in the assessment and management of climate-related risks and opportunities**	3.2. and 4.1.
Strategy	
1. **Climate-related risks and opportunities identified in the short, medium and long term**	3.5. and 4.2.
2. **Impact of climate-related risks on the Group's business activities, strategy and financial forecasts**	4.2.
3. **Resilience of the Group, taking into consideration different climate scenarios, including a scenario of 2°C or less**	1.2. and 4.3.
Risks and opportunities	
1. **Procedures to identify and assess climate-related risks**	3.5. and 4.2.
2. **Procedures for managing climate-related risks**	3.5. and 4.2.
3. **Integration of the procedures to identify, assess and manage climate-related risks within the total management of the Group's risks**	3.2.
Indicators	
1. **Indicators used to assess climate-related risks and opportunities, in line with the Group's strategy and risk management procedure**	4.1. and 4.3.
2. **Scopes 1, 2 and 3 greenhouse gas emissions and associated risks**	4.2, 4.3. and 4.5.
3. **Objectives used to manage climate-related risks and/or opportunities and the Group's performance in relation to its objectives**	1.1, 2.4, 4.3 and 4.4

4.3.1.4.5. Alignment with the European Taxonomy, aiming primarily at sectors with the largest environmental footprint of which L'Oréal is not included

In application of European Regulation 2020/852 of 18 June 2020 (the "Taxonomy" Regulation), L'Oréal is required to publish performance indicators for the 2021 financial year highlighting the eligible share of its sales, investments and operating expenses resulting from products and/or services associated with economic activities considered sustainable within the meaning of the Regulation and the Delegated Acts covering the first two objectives of the Taxonomy: climate change mitigation and climate change adaptation.

This first assessment of the eligibility of all the Group's consolidated activities was conducted on the basis of:

- the Climate Delegated Regulation of 4 June 2021 and its appendices supplementing Regulation (EU) 2020/852, specifying the technical criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation;
- the Delegated Act of 6 July 2021 and its appendices supplementing Regulation (EU) 2020/852, specifying how to calculate the performance indicators as well as the narrative information to be published;
- a detailed analysis of all activities within its various consolidated entities, conducted jointly by the Finance Department, the Operations Department and the Department of Real Estate, the CSR Department, the Legal Department and the Research and Innovation Department.

The Group has not identified any eligible sales. In fact, under the first two objectives applicable from the 2021 financial year, mitigation and adaptation of climate change, the European Commission has prioritised the business sectors that contribute significantly to greenhouse gas emissions within the European Union. L'Oréal is dedicated solely to the beauty industry; as such, its activities are not considered, within the meaning of the Taxonomy, as making a significant contribution to these initial climate targets or as a priority sector targeted by the Taxonomy. In particular, a detailed analysis of its industrial activities in the production of raw materials did not identify any production covered by the Taxonomy under the heading "Manufacture of organic basic chemicals".

As there were no eligible sales, there were no investments or operating expenses corresponding to activities related to sales that could be qualified as eligible. As a result, the various measures implemented to reduce the carbon footprint of the Group's products have not been taken into account in the performance indicators relating to investments and operating expenses. The eligibility analysis for investments and operating expenses was therefore focused on "individual measures" to reduce the Group's emissions, which explains why the eligible amounts are low, given the size of the Group.

The eligible investments identified mainly correspond to long-term leases on buildings (activity 7.7 of the Delegated Act) as defined by IFRS 16 but without analysis of the technical criteria (in line with the position of the French National Institute of Statutory Auditors) as well as to the costs of constructing and renovating buildings to improve their energy efficiency and reduce greenhouse gas emissions. Eligible investments amounted to €404.8 million (including €374.8 million related to long-term leases on buildings without analysis of the technical criteria), compared to total investments of €1,971.1 million as defined by the Taxonomy Regulation.

These investments do not include the amount of €100 million allocated to Impact Investing funds intended to finance the regeneration of damaged natural ecosystems and the fight against climate change, in so far as investments in funds are not considered eligible expenditure under the Taxonomy Regulation.

Similarly, individual measures that incur operating expenses are limited in number and the amounts in question are not significant for the Group. Furthermore, L'Oréal concluded that its research and innovation programmes are not eligible because they do not fall within the scope of the activities currently covered by the Taxonomy (heavy chemicals). It should be noted that the Group's annual budget for this category is significant: 1,029 million in 2021. L'Oréal's research and innovation is focused on Green Sciences (as described in section 4.3.1.3.1. "Eco-designed products" of this document).

The financial information used to conduct this initial analysis was subject to additional reporting as part of the closing of the annual financial statements. It was reviewed and analysed jointly by the local and corporate teams, in order to ensure that it was consistent with consolidated sales, operating expenses, and investments for the financial year 2021. In particular, reporting of the investment data was subject to self-assessment by the financial departments of the zones, with the consistency of the decisions regarding eligibility checked at corporate level.

The Group will adapt its methodology and eligibility analysis as the Taxonomy is implemented and in light of changes to the regulations, listed activities and technical review criteria.

Notwithstanding the data published by the Group in application of the Taxonomy Regulation, it should be noted that L'Oréal has, for many years, demonstrated a strong commitment to combating climate change. In 2009 L'Oréal committed to reducing the environmental footprint of its plants and distribution centres by 50% compared to 2005. Furthermore, L'Oréal placed sustainability at the heart of its strategy, with the launch of the Sharing Beauty With All programme in 2013, with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth. This meant that, by 2020, CO_2 emissions by factories and distribution centres had fallen by 81% in absolute terms compared to 2005, while production had increased by 29% over the same period.

The L'Oréal for the Future programme sets a new range of particularly ambitious targets for 2030, covering all the impacts associated with the Group's value chain, including:

- by 2025, carbon neutrality for all Group sites by improving energy efficiency and using 100% renewable energy;
- by 2030, reducing greenhouse gas emissions by 25% in absolute value compared to 2016 (Scopes 1, 2 and 3); and
- by 2050, aligning the trajectory of all greenhouse gas emissions with the +1.5°C scenario approved by the Science-Based Targets initiative

These long-standing commitments set L'Oréal apart in terms of the action it takes. For example, L'Oréal is the only company in the world, of nearly 6,000, to have received three "A" ratings, from the Carbon Disclosure Project for the sixth consecutive year, which is the highest score in three areas: efforts to combat climate change, forest preservation and sustainable water management.

The goals of the L'Oréal for the Future programme and the 2021 results are described in greater detail in this section (see also section 4.4. "L'Oréal for the Future: 2021 results" of this document, which reports on the progress made on the objectives, which is reported every year in this document).

4.3.1.5. Contributing to solving the environmental challenges of the world

In addition to transforming its economic model, the Group's ambition is to help to solve some of the most pressing social and environmental challenges.

4.3.1.5.1. Accelerating the development of the circular economy

Conscious of the growing pressure on natural resources, the global waste crisis and the role of the circular economy could play in mitigating climate change, L'Oréal has decided to set up a global investment fund dedicated exclusively to the circular economy, called the *Circular Innovation Fund* (CIF).

This fund, which is jointly managed by two management companies from different countries (Cycle Capital Management and Demeter) to firmly embed its international approach, will bring together several co-investors and will have an estimated total value of between €150 million and €200 million over time. It aims to finance companies that are innovating in the areas of recycling, plastic waste management and materials from the bioeconomy.

Launched at the end of 2021, the fund will construct and deploy its investment portfolio from 2022. As the primary sponsor of the *Circular Innovation Fund*, L'Oréal will invest €50 million.

4.3.1.5.2. Contributing to the regeneration of nature

As part of its commitment to preserving biodiversity, and to go beyond its efforts to reduce the impact of its value chain, L'Oréal launched the L'Oréal Fund for Nature Regeneration in 2020. This €50 million impact investment fund, managed by Mirova, is intended to simultaneously combine financial performance with the creation of environmental and social value.

By supporting projects to rehabilitate degraded soils, regenerate mangroves, and restore marine areas and forests, the L'Oréal Fund for Nature Regeneration aims to help preserve or restore one million hectares of ecosystem, to capture 15 to 20 million tonnes of CO_2 and create hundreds of jobs by 2030.

Since the fund was launched, more than one hundred projects have been considered for the purposes of building the investment portfolio. Fifteen projects have been selected for further study, and investment has commenced in four projects totalling more than two million euros.

For example, in October 2021 the L'Oréal Fund for Nature Regeneration invested in The Real Wild Estates Company (RWEC). Based in the county of Somerset in the United Kingdom, this company is implementing the first major "rewilding" project led by the private sector and plans to restore 50,000 hectares of degraded habitats across the country and to create up to 1,000 direct jobs.

4.3.2. Human Resources policy

The mission of L'Oréal's Human Resources Department (HR) is to support the Group's growth and its transformation initiatives. The Group, which has always placed people at the heart of its organisation, relies on its employees above all. L'Oréal's HR strategy is built on this double conviction: individualised management linked with collective strength.

To meet the challenges of a world that is constantly changing, which impact both the organisation and the work relationship the Group initiated a process of transformation to adjust its model to new aspirations and is implementing dedicated HR policies on recruitment, development and engagement. These policies are described in this chapter.

The Chief Human Relations Officer, who is member of the Executive Committee, reports directly to the Chief Executive Officer on a regular basis.

Recruiting, developing and engaging: employees at the centre of the business model

L'Oréal has always placed the individual at the centre of its model, convinced that the qualities of each one contribute to the performance of all. L'Oréal finds, recruits, and supports its employees with a long-term engagement vision. Training and development play a central role all along their professional careers.

In order to fully perform their function as strategic partner, Human Resources integrates the technological and digital dimensions and takes into account strong challenges such as social responsibility. The transformation of the Group towards Beauty Tech requires the recruitment of experts, the integration of new businesses and the dissemination of a digital culture at all levels of the company.

HR also plays a central role in the transformation of work methods and management culture. Thus, they supported the rollout of the Simplicity programme, initiated in 2016, to foster a management style based on trust, leaving room to initiative, cooperation and development. The programme was supported by a major training programme, LeadEnable for Simplicity and specific goals target the highest level of the Group. Since 2020, members of the Executive Committee and their Management Committees have been evaluated by their peers and their teams via the Leadership Survey.

Since 2018, L'Oréal's HR department has adopted a brand new modus operandi. HR has become the incubator for country ideas and initiatives as an extension to and in the spirit of Simplicity. With the Disrupt HR approach, the Group prioritises co-construction and a test-and-learn approach designed to boost agility and respond more effectively to the expectations of employees and job candidates.

L'Oréal has committed to providing training to 100% of its employees every year, worldwide.

For L'Oréal, economic growth cannot be separated from social progress. To support this conviction, the L'Oréal Share & Care programme, created in 2013 and deployed in all our subsidiaries, offers employees a set of benefits organised around four pillars, which were updated in 2021: welfare schemes, healthcare, work/life balance and the working environment. In 2021, Share & Care evolved to ensure that it remains relevant and to meet employees' needs and expectations at every key moment of their lives in this fast-changing world. Emphasis is placed on health with a global approach, both physical and mental, as well as on new working methods.

As part of a responsible and innovative social policy, L'Oréal has also developed "L'Oréal for Youth", a global programme to promote the employment of young people, which not only provides them with professional opportunities for work, but also provides them with concrete ways to boost their employability.

L'Oréal also offers its employees a policy of sharing its growth. Profit-sharing programmes have been in place for many years everywhere in the world. L'Oréal set up an employee share ownership plan in 2018 and 2020.

Quality social dialogue is also one of the essential components of the L'Oréal model. It illustrates the Group's desire to involve employees and their representatives to its development.

Finally, L'Oréal acts with the conviction that a policy in favour of Diversity, Equity and Inclusion allows everyone, regardless of their background, gender identity, religion, sexual orientation, age or disability, to give their best in the company. This is an essential driver of performance and innovation and is crucial for maintaining sustainable growth.

Exceptional measures to manage the Covid-19 health crisis

Since the beginning of the Covid-19 health crisis, L'Oréal has played its role as a solidary employer and a responsible company by taking strong measures to guarantee the health and safety of its employees in all its subsidiaries:

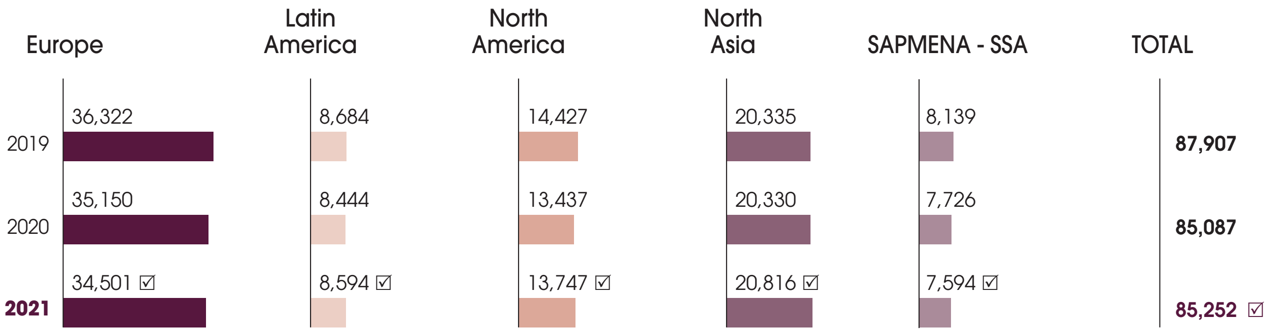
- more than 40 international instructions are now in place in all the subsidiaries of the Group and adapted to the different locations and type of work (factories, distribution centres, laboratories, administrative sites). These measures were audited and certified in several subsidiaries by an independent organisation. They are constantly updated according to health situation evolution;
- measures focused on prevention have been in place in all L'Oréal sites since the beginning of the crisis, including social distancing, the daily distribution of masks, the availability of sanitisers; the e-learning module #safetogether was rapidly developed internally to train employees in good personal protection practices;
- vulnerable or at-risk employees are exempt from being physically present at work depending on the health situation in each country;
- an international travel ban was declared in February 2020 and lasted until July 2021. Since 1 August 2021, international travels are permitted in compliance with the healthcare protocols of each country, and provided that it is exceptional and essential;
- L'Oréal's remote working arrangements are tailored to the health situation of each country. From the start of the Covid-19 health crisis, e-learning modules were developed and disseminated to best support to employees eligible for remote working. A hybrid work policy (see section 4.3.2.4. "Creating the conditions for a stimulating and attractive work environment" of this document) has been developed and is applied worldwide when allowed by sanitary conditions;
- measures were taken to strengthen cyber security in the face of the increased risk of cyber-attacks during this period (see section 4.3.2.4. "Creating conditions for a stimulating and attractive work environment" of this document);
- the fixed salaries of employees were 100% guaranteed during lockdown periods.

Policy	INDICATORS AND PRINCIPAL RESULTS
Preserving employee health and safety	Moving towards « zero accidents » is the ambition that L'Oréal has set for itself. Number of injured with lost-time: *129 (L'Oréal employees and temporary staff).* Objective: Conventional Frequency Rate (TFc) < 0.5 for all Group sites. Conventional Frequency Rate (TFc): *0.73.* Enlarged total incident rate reported (TIRe): *1.39.* Accident gravity rate: *0.02.*
Recruiting talented employees for the present and future success of the Group around the world	12,996 employees hired under permanent contracts Over one million applications received in 2021. Over 3.9 million followers on LinkedIn.
Development of employees all along their careers **Anticipate professional changes and the needs for future skill**	100% of employees trained in 2021. 3,180,718 training hours
Creating the conditions for a positive and attractive work environment	Share & Care programme launched in 2013 and updated in 2021 to continue the existing program, with new perspectives in terms of personal wellbeing and flexibility at work, in line with the changing needs of the employees. 93% of the Group's permanent employees benefit from financial protection in the event of unexpected life events 97% of the Group's permanent employees benefit from healthcare coverage aligned with best local practices 86% of the Group's employees work in subsidiaries where there are employee representative bodies. 46% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.
Offering a motivating and competitive remuneration system	Amounts of profit-sharing schemes: €352 million distributed to employees. Plan for the conditional grant of shares to employees: more than 3,600 employees involved 2020 employee shareholding plan: 35% participation Insurance and retirement programmes: complementary pension plans in place in 88% of the countries where L'Oréal operates with its employees.
Strengthen gender equality **Accelerate the inclusion of disabled workers** **Increase the diversity of socioeconomic and cultural origins in our teams.**	On 31 December 2021, women represented: ● 47% of strategic positions; ● 51% of all key positions within L'Oréal S.A. ; ● 55% of all key positions within the Group; ● 32% of Executive Committee members; and ● 50% of members of the Board of Directors. With the goal of reaching parity up to the most strategic positions. 31 countries EDGE or GEEIS certified ☑. 1.8% employees with disabilities worldwide. L'Oréal's goal is that people with disabilities will account for 2% of the Group's statutory employees by 2025. Over 75,000 employees trained in Diversity Workshops.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

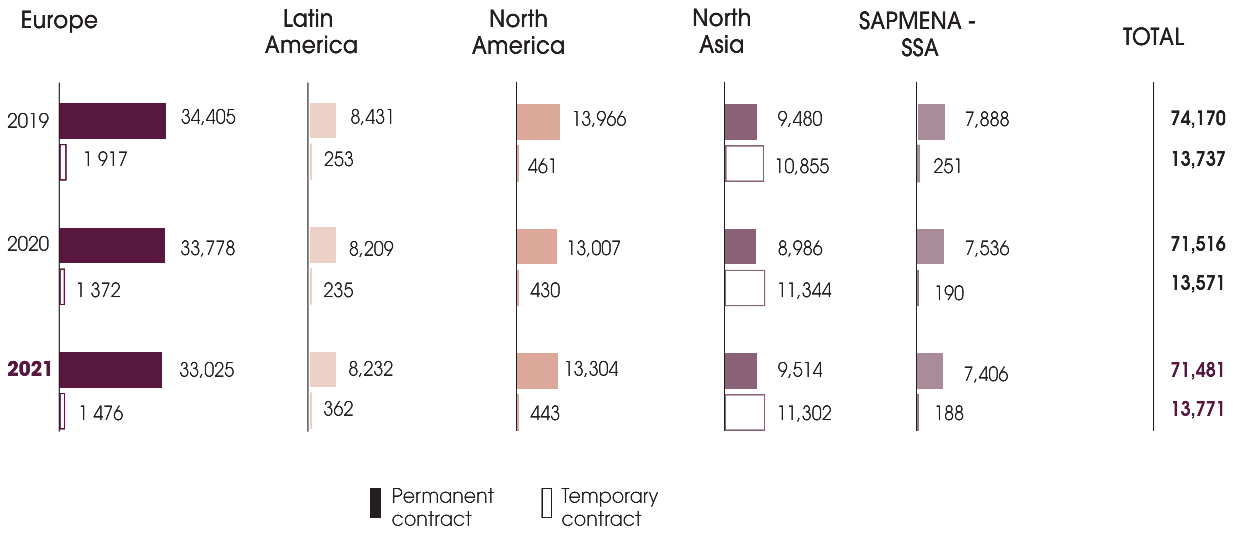
L'Oréal Group social data

EMPLOYEES BY GEOGRAPHIC ZONE [1]



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

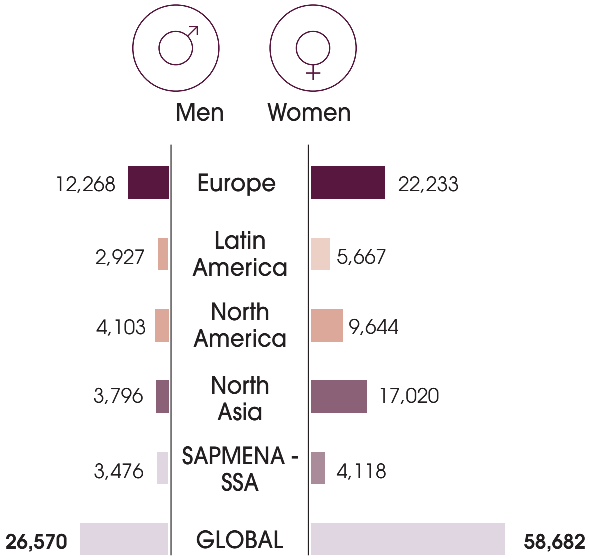
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT BY GEOGRAPHIC ZONE



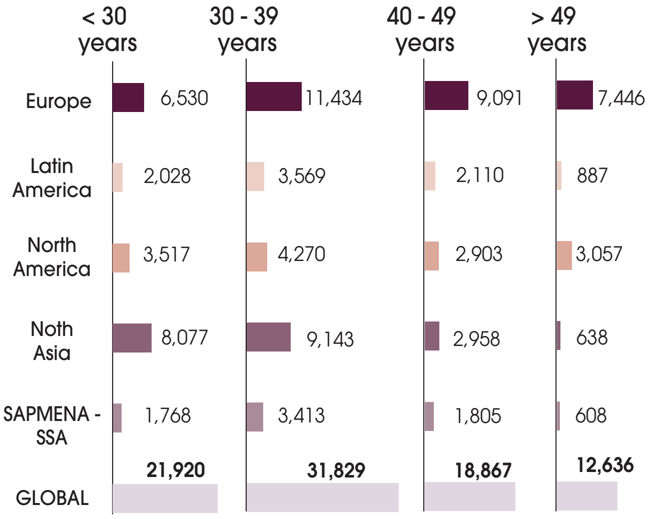
---

[1] *Excluding recent acquisitions. See the methodology notes in section 4.5. of this document.*

BREAKDOWN OF EMPLOYEES BY GENDER



BREAKDOWN OF EMPLOYEES BY AGE



AVERAGE AGE

38
years
old

ABSENTEEISM RATES

	2019	2020	2021	Details
Total absenteeism rate (%)	4.1%	8.2%	5.9%	C/(A-B)
Of which due to illness	2.2%	2.2%	2.4%	D/(A-B)

(A) Number of working days worked by all statutory employees.
(B) Number of days of annual leave taken by all statutory employees.
(C) Number of days of absence (sick leave, occupational diseases, maternity leave, paternity leave, occupational injuries and/or commuting accidents or any other paid or unpaid absence).
(D) Number of days of sick leave (excluding occupational diseases, maternity or paternity leave, occupational injuries and/or commuting accidents).

In 2021, total absenteeism figures were again affected, to a lesser extent than in 2020, by the periods during which certain points of sale and hair salons were closed, which prevented the employees affected from working in certain countries. The exemption from work for employees at risk and those isolating, who were unable to work from home, also contributed to this increase. If these absences were excluded, global absenteeism would have reached a level equivalent to the level of the years prior to the Covid-19 health crisis.

NUMBER OF RECRUITMENTS

Number of recruitments (permanent contract)	Europe	Latin America	North America	Northern Asia	SAPMENA-SSA	Total
2021	3,699	2,137	3,853	1,970	1,337	12,996
2020	2,706	1,078	2,156	910	713	7,563
2019	5,306	1,617	2,791	1,628	1,693	13,035

NUMBER OF DEPARTURES

	2019	2020	2021
Number of departures (resignations, retirements, mutual agreements, dismissals) (permanent contracts)	11,603	9,408	11,977
Number of dismissals (permanent contract)	2,813	3,358	3,153

4.3.2.1. Preserving employee health and safety

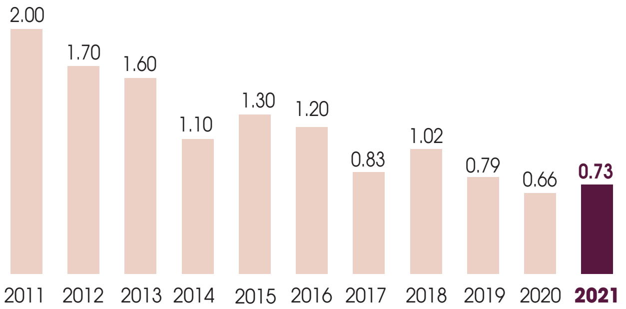
An ambitious shared health and safety policy

The Health (H) and Safety (S) policy is a main priority objective of the Group's general policy, and one of its main managerial pillars. All managers are evaluated on their ability to apply it, and on their results in this area. It is based on the fundamentals presented in section 4.3.1.1.1. "An ambitious EHS policy shared by all" of this document.

Moving towards « zero accidents » is the ambition that L'Oréal has set for the safety of its employees. To this end, the Group has implemented comprehensive programmes aimed at reducing risks and ensuring regular improvement in results through the leadership of managers and the participation of staff at all levels.

The Group strives to ensure regulatory compliance with its own standards on its sites (industrial or administrative sites, research centres stores), and makes sure that its subcontractors and suppliers ensure the health and safety of people through a specifically dedicated programme of external audits.

CHANGE IN SAFETY PERFORMANCE: CONVENTIONAL FREQUENCY RATE (TFC) [1]



129 injured with lost-time (L'Oréal and temporary staff) were reported in 2021, compared with 107 injured with lost-time in 2020. The conventional frequency rate (TFc) is 0.73 and the enlarged total incident rate reported (TIRe)[2] is 1.39.

---

[1] TFc = number of L'Oréal staff injured with lost time at one million (10^6) hours worked by L'Oréal employees.
[2] TIRe = number of injured L'Oréal and temporary staff with lost time, with a light duty and/or medical treatment reported at one million (10^6) hours worked by L'Oréal staff and hours worked by temporary staff

Injured with lost-time recorded in the Group in 2021 resulted in the following frequency rates by entity:

Sites	TFc 2021	Variation in TFc vs. 2020	TIRe 2021	Variation in TIRe vs. 2020
Factories and distribution centres sites	1.48 ☑	10%	3.46 ☑	16%
Administrative sites	0.15	7%	0.26	-13%
R&I Sites	0.36	-35%	1.84	114%
Sales forces & Stores	1.14	19%	1.52	20%
Group: all sites	0.73	11%	1.39	18%

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

The accident gravity rate was the same as in 2020 for the Group. It stood at 0.02 for the Group and 0.05 for factories and distribution centres in 2021.

Priorities

The main Health and Safety priorities and orientations relate to the following eight areas:

1. Definition and deployment of strategy and action plans to achieve the targets set: Conventional Frequency Rate (TFc) <0.5 for all Group sites;

2. Commitment and visible participation by management;

3. Initiatives to fight the most frequent incidents, which include a global ergonomics programme and a specific LIFE programme (see paragraph "A continuous improvement process" in section 4.3.1.1.1. of this document) on potentially serious accidents;

4. Health and Safety organisation and practices in compliance with the Group's standards with ISO 45001 certification for all Operations sites;

5. Specific training programme for managers, EHS managers, operators/technicians and for all employees;

6. Continuous improvement of the Health and Safety management systems at all sites;

7. Active employee participation;

8. Sharing of resources, feedback, and best practices.

87% of the Group's factories are ISO 45001 certified for their safety policy.

A global programme dedicated to improving health and safety

L'Oréal has programmes with specific and innovative tools to achieve excellence in safety, which is based on four areas:

- a strategy based on risk management, the search for excellence and the sharing of the L'Oréal culture outside the Group;
- analysis of safety and health risks with the following tools: GHAP (Global Hazard Assessment Procedure), detailed SHAP (Safety Hazard Assessment Procedure), Ergoval, PSM (Process Safety Management), CHERIE (Chemical Risk Evaluation);
- analysis of the root causes for the occurrence of incidents/accidents with the RCA tool (Root Cause Analysis);
- The use of a correct prevention tool at the right time, such as:

A programme to improve the safety culture	EHS Steering Committees	The Management Committee of each site carries out a general review of the action plans and the effectiveness of the EHS programmes.
	SIO (Safety Improvement Opportunities)	The SIO programme encourages employees to inform their direct managers of situations considered to be risky so that corrective measures are taken.
	Constructive Challenge	This framework programme is designed to improve the individual safety culture so that all employees play proactive roles both in their own safety and that of others. Each site will set up this programme, depending on its maturity.
Safety control tools	MESUR (Managing Effective Safety Using Recognition and Refocusing	These are periodic on-site safety visits by a manager. The programme has also been deployed on certain administrative and research sites since 2015.
Flexibility & simplification User friendly People empowerment	Digitalisation of prevention tools	The *Next Generation Tool* programme was launched in 2021; it was designed in order to increase the use of digital tools in the EHS activities. The strategy for the deployment of digital tools is based on a survey conducted in 2020 on all Group sites.
	LIFE	The LIFE programme, set up in 2018, targets the activities which, if they are not controlled, can lead to a potentially serious accident.
A programme to improve the ergonomic culture	*Ergonomic Attitude*	This programme, which is intended to be extended to all Group sites, has been based since 2015 on a roadmap consisting of five levels that allow the sites to systematically improve their ergonomics culture and determine their individual action plans.
SAFE@WORK SAFE@HOME spread the culture	*Safe@Work Safe@Home:*	The Safe@Work Safe@Home programme is intended to export the L'Oréal health and safety culture outside the Group. We created a partnership with RoSPA (Royal Society for the Prevention of Accidents) to benefit from their experience and share the L'Oréal experience around the world. Since 2019, L'Oréal has sponsored a Safe@Work Safe@Home award to recognise the best initiatives in the world.
Price and awards	In 2021, 54 sites covering nearly 34,000 employees were recognised by the RoSPA in their prestigious Health & Safety Awards. A total of 53 awards were won. L'Oréal Brazil earned the highest distinction, the Sir George Earle Trophy, which recognises the most remarkable performances in Health and Safety achieved by a company or organisation.	
L'ORÉAL WOMEN IN SAFETY	*Womeninsafety@LOREAL*	The *Women in Safety* programme launched in 2021 is intended to promote the Group's network of women working in the areas of Health and Safety, both in-house and outside the Group. A global steering committee issues a roadmap on the basis of 4 pillars: promote equity, diversity and inclusion, recognise leadership, be a role model and develop EHS skills and expertise.

4.3.2.2. Recruiting and supporting talents

The Group continually strives to enrich and diversify its pool of talent around the world for its present and future needs.

The recruitment teams are tasked with recruiting the best talent in all countries in which L'Oréal Group operates so as to form diverse teams that resemble our consumers and integrate all cultures. The local implementation of the recruitment policy is carried out by a network of local recruitment experts covering all countries.

To select the best talents capable of contributing to its transformation, L'Oréal has always recruited on the basis not only of a candidate's skills, but also their potential. In 2021, the Group formalised and strengthened its definition of potential, and implemented innovative methods of ensuring its recruitment is more inclusive. Its aim is to capitalise on candidates' strengths and to value fundamental traits such as ambition, resilience, empathy, judgement, and learning agility. Once recruited, the Group then supports its employees through a dynamic policy of continued professional development and internal promotion.

L'Oréal has a unique know-how in working with higher education to identify and recruit new graduates, with schemes such as:

- *Brandstorm*, the Group's innovation competition for students, which brought together more than 60,000 students from over 65 countries in 2021, in a completely digital format, and gave them a unique experience allowing them to immerse themselves in the beauty industry, express their creativity and find out about the Group's values of innovation and entrepreneurship;
- the Management Trainee programme, a rotational programme that allows new graduates to prepare effectively to take on major business responsibilities. In 2021, this programme was offered by most of L'Oréal's subsidiaries.

The Group is continually improving its powerful digital communications system which allows to enhance the employer image, to share, daily and transparently, the richness of its jobs and the diversity of its career paths and to explain its culture. L'Oréal's Social Media strategy in recruitment has also been recognised as one of the best in the world for several years. A strong presence on LinkedIn, with more than 3.9 million followers, helps with proactively recruiting the best talent.

For several years, L'Oréal has been ranked by Glassdoor as one of the best employers in France.

An International Digital team provides L'Oréal recruiters around the world with cutting edge digital tools to efficiently select the best candidates from among nearly one million applications received. These solutions, such as MYA and SEEDLINK, use artificial intelligence, which both provides greater efficiency and targets a broader diversity of backgrounds.

In 2021, the recruiter community came together to consider several key topics, such as harmonising our practices with GDPR requirements, training to combat unconscious bias, as well as overhauling training programs for new recruiters.

In 2021, the Group also launched "L'Oréal for Youth", its programme aimed at supporting the employment of young people and improving their employment prospects throughout the world. Through this comprehensive and long-term programme, the Group is committed to increasing the number of job opportunities aimed at those under the age of 30, offering training packages and rolling out coaching and mentoring initiatives.

Successful integration of new employees lays the groundwork for a lasting, quality relationship with the Company. To this end, the "FIT" integration programme provides a number of actions to give everyone the keys to success within the Group, both from an operational standpoint and with the desire to share the corporate culture.

4.3.2.3. Training and developing employees throughout their working life

L'Oréal has always considered the development of its employees as one of the main drivers of its performance and its transformation, and has a driving ambition: to develop the potential and employability of each employee throughout their lives, and to prepare tomorrow's leaders.

To achieve this aim, the People Development & Learning teams are committed to providing the most relevant and modern training and development solutions throughout the world.

This strategy means the Group is recognised as a centre of excellence and contributes to L'Oréal's competitive advantage, as well as to the attraction, engagement and retention of employees.

It is based on five levers:

- supporting and developing talent at each key stage of their career path;
- anticipating changes in job roles and the need for critical skills;
- large-scale upskilling(1) programmes to support transformations of the business and their respective challenges;
- sharing the corporate culture and the passion for the beauty industry to nurture a sense of belonging to the Group, as well as sharing our raison d'être "Create the beauty that moves the world"; and
- the growth experience of our employees, meaning the way to live out their development every day, in key moments such as, for example, the day they join L'Oréal or enter a new position, or even professional and development interviews.

Learning in the context of Covid-19

The Covid-19 health crisis accelerated the transformation of the business and changed the types of support and upskilling required, while transforming learning methods and technologies. In this context, the Group's #SafeTogether e-learning module, launched worldwide in May 2020, played a major role in the adoption of the right hygiene standards. It contributed to the protection of all employees from the very beginning of the Covid-19 health crisis. Nearly 65,000 employees have taken this module since it was launched in 2020.

In 2021, L'Oréal also created the "Hybrid Working" e-learning module to support the Group's new policy of maintaining the balance between on-site working and remote working and making this arrangement more effective. A "Best of Both Worlds" tool kit has also been made available to managers to enable them to train their teams in the best way and to implement this new policy. In total, more than 12,000 employees have already been trained using one of these resources.

---

(1) *Upskilling.*

Learning in the service of the Group's business challenges

Training is central to the Company's major transformations: the challenges of CSR, the digital revolution, which impacts all jobs, the transformation of marketing, the acceleration of e-commerce and the changes in working conditions and managerial practices.

The Digital Upskilling training programme launched in 2015 is one of the pillars of the Group's digital acceleration strategy. This programme, which has benefited more than 60,000 employees, has developed in order to support the development of essential new skills, around two major components:

- integrating digital competencies into all of the Group's training plans, particularly within the *"L'Oréal University for Marketing"*; and
- consolidating the new skills necessary for the digital transformation, particularly in e-commerce, with the launch of the *"L'Oréal University for e-Commerce"* in 2022, guaranteeing the best training offering in this field.

In the context of the transformation towards Beauty Tech, engaging all employees is a priority for the Group.

For tech and data experts, L'Oréal offers a personalised training course tailored to the various job roles, which aims to ensure that everyone is able develop their skills in the tech fields of the future (data, artificial intelligence, cyber security, enterprise architecture, etc.).

At the same time, opportunities for training in new technologies and data enable all employees to acquire the technological knowledge base required to tackle the challenges of the future and thus contribute to the Beauty Tech transformation.

With regard to CSR, L'Oréal launched a training course called "Green Steps" for its teams as part of the launch of the L'Oréal for the Future programme. This programme offers podcast-based e-learning modules and webinars with Group experts as well as an online self-assessment called the Green Test. The programme has four components: climate change, water, biodiversity and natural resources. This programme has been rolled out worldwide. At the end of 2021, 41,500 employees had started this programme and 35,000 had already completed it.

With regard to Diversity, Equity and Inclusion (DE&I), L'Oréal has developed a training course based on four fundamental pillars: gender equality and the inclusion of LGBTQIA+ people, disability, socio-economic and multicultural background, age and intergenerational issues. Available to all subsidiaries, this course is prioritised for new arrivals and is delivered in a workshop format via a virtual classroom. The DE&I offering is both modular and flexible, with remote and in-person content, which means it can be easily adapted to various local settings.

The last two years, which have been characterised by high levels of remote working, have accelerated the digitalisation of the offering, with nearly 85 resources (e-learning, e-conferences, podcasts, etc.) available in several languages on the My Learning website.

A true revolution in working methods and leadership has been accomplished in five years thanks to the Simplicity project, thus demonstrating the Group's great agility. All the principles and methods promoted by Simplicity have proved to be particularly effective to boost the engagement of teams.

The three major advances of this year were:

- a Leadership Survey rolled out for the first time to the top 2,000 executives, covering nine exemplary practices of Simplicity, the results of which are taken into account for awarding a bonus;
- the launch of a quarterly webinar, LeadEnable for Simplicity, which brings together 500 participants from 25 countries with the aim of sharing the fundamentals of Simplicity with new arrivals; and
- the continuation of a Leaders Modelling Feed-Back campaign: Two thirds of the Group's Executive Committee teams have already integrated these rituals in their daily practice.

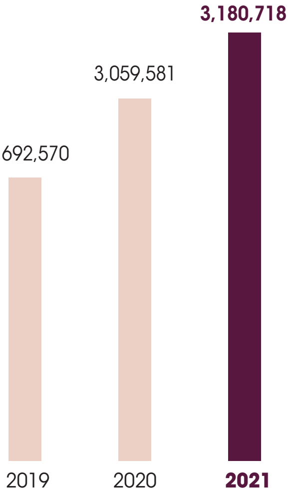
These transformations were supported by the "Learn Today, Shape Tomorrow" campaign, a series of monthly newsletters circulated Group-wide from February 2021.

Learning for all & "Next Learning"

L'Oréal is committed to learning for all, which it considers to be a human and social responsibility.

In 2021, L'Oréal achieved its target of training 100% of its employees.[1]

NUMBER OF TRAINING HOURS



---

[1] Total number of unique learners in 2021 / workforce at 31 December 2021. Trained employees who left the Group in 2021 are counted and may offset untrained employees in 2021.

BREAKDOWN BY GEOGRAPHIC ZONE

	Employees trained	Number of hours
Europe	36,352	978,368
Latin America	9,337	370,141
North America	13,042	302,312
North Asia	22,310	1,191,994
SAPMENA + SSA	8,572	337,903

In order to meet its ambition of learning for all, the Group is committed to a "Next Learning" transformation programme. This consists of maximising the impact of learning initiatives, by simplifying and adding value for all subjects possible. There are four core pillars to this challenge:

1. Prioritising key skills by ensuring that more than 90% of the target for "must-do" programmes is met. The aim of these programmes is to provide employees at different levels with the essential skills they need to excel in their work and to lead the Group's major transformations;
2. Making employees the drivers of their own development, with the goal that at least 50% of the overall learning hours come from self-directed learning offers;
3. Measuring the impact of all training programmes with a target of achieving a training impact score of at least 80/100 points. This score is evaluated by the participant after each training session; and
4. Optimising the training organisation and modernising the training methods in order to train more and train better, by investing in the excellence of the Learning Community.

In order to anticipate these critical skills, the Learning Departments of our Divisions and Business Lines work in close collaboration with their Operational Departments. This planning work establishes upskilling roadmaps for different areas of expertise and identifies the most suitable learning solutions to meet those needs.

The Learning Departments of the Zones have a critical role in the activation of these solutions and participate in creating regional offers adapted to the specific features of their zone.

The Zones rely on regional campuses to ensure the large-scale deployment of all solutions. These campuses have unique know-how in terms of designing and delivering remote learning programs that fully engage the participants.

A learning offering transformed by technology

Employees training forms part of a comprehensive EdTech (education technology) ecosystem that makes use of digital content providers, interactive animation solutions, or unique learning experiences. In 2021, the Group turned to new learning content providers (LinkedIn Learning, TED@Work, Busuu) to further enhance its existing online offering and to prepare for the launch of a fully revitalised learning experience in 2022.

In 2021, due to developments in the public health landscape, the total number of training hours from remote and micro-learning formats was lower than in 2020, but still well above 2019 levels, indicating that new digital learning habits are here to stay.

- MyLearning.com, the Group's e-learning platform, counted over 66,000 regular users[(1)] (- 2.6% vs 2020, but +16.8% compared to 2019) representing nearly 540,000 hours of e-learning (- 7.9% vs 2020, but 2.5 times higher than in 2019).
- In 2021, over 2,700 employees registered for the MOOC (Massive Open Online Courses) from Coursera, with a very high certification rate of 43% representing more than 17,000 hours of learning.
- The functionalities of the Microsoft Teams platform enabled the Group to set up live remote learning sessions totalling more than 1,000,000 training hours (i.e. +8% compared to 2020).

These technologies also helped us to reach more target employees more quickly: Marketing Media Week, for example, attracted nearly 5,000 participants from around the world.

Accreditation and rewards for L'Oréal's learning strategy

After a 6-month evaluation process, the European Foundation for Management Development (EFMD)[(2)] awarded L'Oréal with the CLIP[(3)] accreditation for a period of 5 years for all the activities delivered by the L'Oréal University Leadership & Culture.

In 2021, the Learning France teams won second place in the "Victoires des Leaders du Capital Humain" (Human Resources Leaders Awards) organised by Décideurs magazine for the following initiatives:

- in the professional training category: for the "Learning Never Stops" campaign;
- in the Leadership & Management category: for its strategy to support hybrid working for managers and employees;
- in the international human resources category: for its "Licence to Develop" workshop on the role of the manager as a "people developer".

4.3.2.4. Creating conditions for a stimulating and attractive work environment

The L'Oréal Share & Care programme: an accelerator of social progress

All along its history, L'Oréal has aimed to offer its employees security and protection to enable them to work with peace of mind. L'Oréal's Share & Care programme follows on from a long tradition of social progress and caring of the individual. L'Oréal makes, and will continue to make, a difference by putting people at the centre of its concerns, its organisation and therefore its development.

The Group has thus set a goal to create an attractive work environment in which all employees can thrive at both a professional and personal level.

---

(1) Employees who opened at least one e-learning module on MyLearning, the Group's e-learning platform, without taking into account the duration of the module.
(2) EFMD is the world authority in the accreditation of business schools and corporate learning teams.
(3) The CLIP (Corporate Learning Improvement Process) programme is the leading independent accreditation system for corporate training functions.

With its L'Oréal Share & Care programme, L'Oréal has universalised its social model in a manner that is consistent with its global dimension. This is a strong commitment that reflects the Company's vision that sustainable growth necessarily goes hand in hand with a high level of social performance.

The programme was launched in 2013, improved in 2017, and implemented collaboratively in all the subsidiaries. The Group's ambition is three-fold:

- establish a common base of social protection, *i.e.* minimum guarantees in all subsidiaries;
- become one of the top performers in each local market, by going beyond the common base whenever local best practices offer more;
- make each subsidiary a "social innovation laboratory". Through local initiatives, the subsidiaries are encouraged to set up initiatives adapted to the expectations of their employees.

Updated in 2021, the programme strengthens the existing frame while adapting it to a changing world. It offers new perspectives, particularly in terms of personal ecology and flexibility at work, with measures that reflect the changing needs of employees.

The essential components of the L'Oréal Share & Care programme have now been deployed in all Group subsidiaries and new components are being rolled out with implementation targets that vary between 2021 and 2023, based on the priority accorded by the programme.

The four pillars of the L'Oréal Share & Care programme

This large-scale social programme consists of commitments revolving around four pillars that were updated in 2021 and implemented in all countries: social protection, healthcare, work/life balance and the working environment.

Pillars	Objectives	Main commitments achieved or in progress in all countries
PROTECTION (Welfare schemes)	Providing employees and their families with financial support in the event of unexpected life events, by allocating appropriate assistance.	24 months' salary, or equivalent pension, in the event of natural or accidental death. 24 months' salary, or equivalent pension, in case of total permanent disability. A welfare scheme aligned with the best practices in each country
HEALTH (Healthcare)	Providing employees and their relatives with access to a high-quality healthcare system as well as prevention measures, placing greater emphasis on mental and emotional health, in order to create a new global approach to "personal ecology".	Reimbursement of at least 75% of medical costs in the event of major risks (hospitalisation, surgery, drugs prescription for chronic and severe diseases), Prevention and information campaigns on mental and emotional health, with individual measures (medical check-ups) and collective campaigns (melanoma, diabetes, obesity, HIV, etc.) for physical health. EAP (Employee Assistance Programme) in all subsidiaries where this service is available. Training/awareness/prevention initiatives regarding ergonomics. A local policy in each subsidiary aimed at protecting victims of domestic violence.
BALANCE (Work/life balance)	Enabling all employees to fully experience milestones in life such as maternity and paternity and demonstrating flexibility in working organisation for a better work/life balance.	At least 14 weeks' maternity leave fully paid. At least 6 weeks' paternity leave fully paid. A hybrid working policy in all subsidiaries, including working remotely for up to two days per week, on a voluntary basis, for eligible employees, in agreement with line manager and in accordance with team organisation.
WORKPLACE (Working environment)	Offering the best working environment thereby enabling employees to work in a pleasant, appropriate and effective way, and, depending on their activity, to meet, share, learn, collaborate, create or concentrate.	New premises easily accessible by public transport and by people with disabilities. According to leading global standards, L'Oréal offers high-quality working spaces, thanks in particular to the on-site services offered to employees.

In 2021, **93%**(1) of the Group's permanent employees had access to financial protection in the event of unexpected life events (including death or permanent disability).

---

(1) Permanent employees of the Group (Cosmetics) excluding, in some countries, part-time contracts of <21 hours a week, casual contracts, beauty advisers and store employees, knowing that the integration of recent acquisitions and new subsidiaries is gradual.

In 2021, **97%(1)** of the Group's permanent employees had access to healthcare coverage reflecting the best practices in their country of residence.

Assessment tools of the L'Oréal Share & Care programme

In order to ensure transparency and reliability, the entire programme is regularly subject to measures and assessments to verify that it has been implemented in accordance with the objectives:

- self-assessment and definition of the action plan through a reporting tool: the Follow-up-Tool, completed by each subsidiary annually;
- internal audit; a detailed verification of the programme's implementation has been included in the planning of internal audit in the subsidiaries;
- external audit: certain key indicators are audited within the scope of the annual external audit.

The ILO is a partner in the L'Oréal Share & Care programme

The L'Oréal Share & Care programme attracted the attention of the ILO (International Labour Organisation) in the context of its study on the contribution by major companies to the expansion of social protection all over the world.

A close collaboration was developed. As a result, the ILO launched the Global Business Network for Social Protection Floor in October 2015. This network allows acting collectively and mobilising to create a basic set of social protection measures for everyone. L'Oréal is a founding member of this new network created by the ILO to promote social protection all over the world.

Flexible work organisation

In each subsidiary, work is organised according to local context and to the activity performed in compliance with legal and contractual obligations. In several subsidiaries, both work organisation and working time are part of collective agreements.

L'Oréal believes that flexibility at work is a key element in attractiveness. Launched in 2021, the third step of L'Oréal Share & Care strengthened work flexibility with the implementation of the global "Hybrid Working" policy, which provides up to two days of remote work per week on a voluntary basis, for eligible employees, in agreement with line manager and in accordance with the organisation of the team. In 2021, all Group subsidiaries set up remote working, taking into consideration the evolution of the Covid-19 crisis, and adopted the new "Hybrid Working" policy when this was compatible with the local health situation. In addition, 61 subsidiaries have now set up a flexible working time policy.

Employees from all categories have chosen the option of part-time work. In 2021, there were 5,113 part-time employees, 4,597 of whom were women and 516 were men.

Covid-19 health crisis: teleworking and cyber security

The implementation of teleworking hugely benefitted from the security measures in place at L'Oréal, in particular, the encryption of hard drives, the use of security certificates to establish secure connections, anti-spam and anti-virus protection of emails, protection of Internet access via access gateway in the cloud and two-factor authentication of users.

In the context of crisis management, this protection was even reinforced primarily to fighting phishing threats, notably with an additional verification of URL links in messages, as well as highlighting emails from external sources.

An active social dialogue with employees and their representatives

As a signatory of the United Nations Global Compact since 2003, and in compliance with its Employee Human Rights Policy, L'Oréal respects the freedom of association and the right to collective bargaining. In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal has implemented other modes of dialogue with its employees that allow them to report their possible concerns.

In the context of this general principle, the social climate at L'Oréal is the fruit of an ongoing dialogue between Management, employees and their representatives, in accordance with trade union rights in each country and with a neutral attitude with regard to the various trade union organisations.

When employees wish to be represented by authorised employee representatives, these representatives are elected by employees without company interference. Therefore, employee representative institutions are in place in most of the European subsidiaries, in several Asian subsidiaries (China, South Korea, India, Indonesia, Japan and Vietnam), in Africa (South Africa, Kenya and Morocco), in North America and South America (Canada, United States, Argentina, Brazil, Chile, Colombia and Mexico), and also in Australia and New Zealand. Employee representatives have access to the workplace, to consenting employees, to collective bargaining agreements as well as to local documentation useful for the performance of their mission, subject to compliance with Group's legitimate rules on confidentiality and security.

In total, 86% of the Group's employees work in subsidiaries where there are employee representative councils. 46% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.

Two Directors representing the employees have been member of L'Oréal Board of Directors since 2014 (see section 2.2.1.3. "Two Directors representing the employees since July 2014" of this document).

An agreement signed in 1996 between L'Oréal and French and European trade unions led to the establishment of the Company's *Instance Européenne de Dialogue Social*/ European Works Council. This council leads discussions and formal meetings with its members about the Group's current situation and future perspectives, on the basis of an agenda prepared with the Liaison Secretariat. This council covers approximately 30,000 employees in 25 member countries of the European Economic Area and the United Kingdom.

L'Oréal's social policy permits the signing of a certain number of collective agreements every year. In 2021, 148 agreements were signed in France and 100 agreements were signed in the rest of the world. In total, the number of agreements in force on 31 December 2021 was 743, 424 of which were in France. 117 agreements in force cover health and safety, in whole or in part.

These agreements primarily cover work organisation, remuneration and working conditions (working hours, quality of life at work, professional equality, remote working, health and safety, etc.). They contribute to the proper functioning and to the performance of the Group since they strengthen employee participation and dialogue with their representatives.

4.3.2.5. Offering a motivating and competitive remuneration system

The principles of the remuneration policy

The L'Oréal remuneration policy aims at supporting the achievement of the Group's objectives and is an integral part of its development strategy. L'Oréal wants to attract and retain talents, propose motivating career paths and encourage performance and engagement of its employees while accompanying the evolution of its jobs and business.

For L'Oréal, social and economic performance are closely linked. The Group ensures that all employees receive at least the minimum salary set by local law or applicable collective agreements. In most of the countries, L'Oréal's lowest base salaries are much higher than the national minimum wages in force.

A process to monitor remuneration practices is in place to ensure that the Group's permanent employees receive at least a "living wage", *i.e.* a salary that covers their basic needs, as calculated in line with the best practices and with the support of independent experts.

A total rewards approach is used to provide each employee with a competitive rewards package including both compensation elements (fixed pay, variable pay, long-term incentives) and employee benefits.

The Group is implementing a remuneration policy that combines external competitiveness with internal equity, and rewards both individual and collective performances. In addition, employees share in the Company's results through results-based collective profit-sharing schemes rolled out globally.

The L'Oréal remuneration policy is formalised within a "Rewards charter" and is implemented by a network of Rewards experts present in the different countries. External surveys are conducted every year with specialist firms to ensure L'Oréal's competitive positioning in relation to each local reference market.

Finally, L'Oréal's ambition is for all employees to understand their remuneration and how it is determined. The Group makes sure that it communicates clearly and transparently on this subject.

L'Oréal's remuneration policy is supported by an annual employee performance assessment system applied in all the Group's subsidiaries. It enables the communication of remuneration decision making principles, processes and outcomes. The Group's subsidiaries are encouraged to provide employees, once a year, with a document presenting the evolution of the remuneration package and its various components with clarity and transparency.

Personnel costs (including welfare contributions)

€ millions	**2019**	**2020**	**2021**
Total	6,131	6,124	6,471

The comparison between the three years takes into account the impacts of foreign exchange and is not representative of the real changes in personnel costs.

Employee shareholding plans

In line with the L'Oréal policy to share growth with its employees, in 2018, L'Oréal launched its first worldwide employee share ownership plan, with very satisfactory results. This plan was indeed recognised by the French Federation of Employees and Former Employee Shareholder Associations (FAS), which awarded L'Oréal the "CAC All Tradable Grand Prix" in 2018.

A second employee share ownership plan was put in place in 2020, as L'Oréal intended to offer a new opportunity for employees to support the growth of the company and participate in its strategic project. These plans are designed to gather, unite and increase the loyalty of employees worldwide by enhancing a feeling of belonging, engagement and social cohesion. Eligible employees had the possibility of purchasing shares with preferential conditions including, where permitted by local law, a 20% discount on the share reference price with an employer matching share contribution of up to 4 free shares.

The plan was rolled out in 57 countries in 2020, 6 more than in 2018. Once again, it was a big success with a 35% subscription rate, similar to the first plan, which represents a high percentage compared to companies that have set up employee shareholding plans(1).

---

(1) 2019 survey on employee share ownership by the French Federation of Employee Shareholder Associations and Former Employees - FAS. The survey includes entities in France that practice employee share ownership and performs a recurring analysis between these same entities

Plans for the conditional grant of shares to employees (ACAs)

L'Oréal sets up long-term incentive plans in favour of its employees and corporate officers in an international context, in the form of grants of performance shares.

These grants serve a dual purpose:

- motivate and associate those who make significant contributions to future increases in the Group's financial and extra-financial results; and
- strengthen involvement and the feeling of belonging of its beneficiaries by fostering long-term loyalty in a context of increased competition for talent.

The vesting of these shares is subject to the achievement of performance targets and the beneficiary's continued presence in the Company. Under the 19th resolution submitted for approval by the Annual General Meeting of 21 April 2022, the Board of Directors, at its meeting of 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, decided to introduce new criteria to assess the extra-financial performance in addition to the financial performance for the conditional grant of shares to employees, in order to align them with L'Oréal's strategy in which economic and social performance go hand-in-hand.

To ensure consistency with the Group's strategic objectives, the choice of beneficiaries and the vesting criteria are determined by a specific policy (see section 7.4. "Long-term incentive plans" of this document). The Board of Directors, subject to the recommendation of the Human Resources and Remuneration Committee, approves the conditional grant of shares and lays down the applicable rules.

53% of the beneficiaries of the 7 October 2021 plan are women. More than 3,600 employees, representing around 9.5% of the managers around the world, nearly 58% of whom are in international subsidiaries, benefit or have benefited from at least one stock-option plan or one conditional grant of shares plan (ACAs) since 2017, and were still employees of the Company as of 31 December 2021.

Profit sharing schemes

For many years, L'Oréal's policy has been to associate employees in the results of the Company with the aim of strengthening their feeling of belonging and their motivation. In the context of the profit-sharing schemes in place, €352 million were redistributed to L'Oréal's employees in 2021 on the basis of 2020 results.

In 1968, an employee profit sharing agreement ("*participation*") was signed in France, followed by another agreement ("*intéressement*") in 1988, and these agreements have been constantly renewed since then.

Since 2001, L'Oréal has implemented a Worldwide Profit Sharing Programme in all the Group's subsidiaries in which the employees do not benefit from legal or contractual profit sharing schemes. The amounts paid within this framework are calculated locally on the basis of the turnover and profit of each subsidiary, as compared to the budgeted targets.

In 2021, L'Oréal decided to give employees an exceptional profit sharing award equivalent to a minimum of two weeks' salary throughout the world, following the Covid-19 health crisis that marked the year 2020. With this gesture, the Group wished to recognise the collective effort of its employees during this difficult period.

Amounts paid under these programmes *(in € million)*	**2019**	**2020**	**2021**
Total [1]	310	368	352

[1] Profit sharing schemes.

Employee benefit and pension schemes

L'Oréal wants to ensure that its employees benefit from competitive retirement and welfare schemes in all countries. Since 2002, an International Benefits Supervisory Committee overviews the management of these schemes in the subsidiaries and monitors the implementation of L'Oréal's Retirement and Employee Benefits policy.

L'Oréal's commitments with regard to welfare schemes are part of the Protection pillar of the L'Oréal Share & Care programme. In all subsidiaries, L'Oréal guarantees the payment of a lump sum, or equivalent pension, equal to a minimum of 24 months' salary in the event of death or total permanent disability, or a higher amount where it is the local practice.

The characteristics of retirement schemes and other end of career benefits offered by the subsidiaries vary depending on the applicable laws and regulations as well as local practices.

In 88% of the countries where L'Oréal operates, the Group contributes along with its employees to the build-up of supplemental retirement benefits for its employees in addition to the minimum benefits of the public social security system.

Retirement plans are financed by payments into specialised funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main investment funds, as well as the financial stability rating of the custodians, are regularly reviewed by the International Benefits Supervisory Committee.

L'Oréal does not propose company retirement plans in countries that do not have an appropriate legal framework or without long-term investment instruments and in countries where there is a satisfactory public social security system. The International Benefits Supervisory Committee remains attentive to changes to local situations and, when needed additional complementary schemes are put in place.

Overview of the Pension and Employee Welfare schemes in France

Pension schemes

To supplement the pensions provided for by the compulsory French pension scheme, L'Oréal has implemented some supplementary pension schemes described below:

Defined contribution scheme

In September 2003, L'Oréal set up a "defined contribution pension scheme".

All categories of employees are beneficiaries of this scheme, after one year of employment, that is financed jointly by L'Oréal and the employee, and that makes it possible for everyone to build up retirement savings.

This scheme entitles pensioners to a lifelong annuity (or to a lump-sum, under certain conditions), calculated after they claim their pension rights with the Social Security pension system, calculated on the basis of the capital formed by the contributions paid and the financial income on such contributions at the end of the employee's career, as well as the annuity option selected.

On 1 April 2021, the scheme was converted into a Mandatory Company Savings Plan (Plan d'Epargne Entreprise Obligatoire – PERO) within the framework laid down by the French Pacte law (Loi Pacte). This made it possible to introduce many improvements to the scheme, such as new options for paying into it, more diversified financial investments and more flexible exit conditions.

Defined benefit schemes

L'Oréal has also set up defined benefit schemes with unvested entitlements, initially differential followed by an additive defined benefit schemes, in order to take into account important developments impacting these schemes and with the aim of building a coherent system between the different pension schemes that exist in the Company.

French Order No. 2019-697 of 3 July 2019 that transposed EU Directive of 16 April 2014 into French law no longer allows the acquisition of unvested new rights in schemes open on 20 May 2014 for employment periods after 31 December 2019. In this context, L'Oréal froze the rights at 31 December 2019 and, in 2021, finalised the establishment of two substitution schemes with vested rights in compliance with French Order no. 2019-697 for employment periods from 1 January 2020, following the publication of the circular of 23 December 2020. These schemes are the "Supplementary pension scheme for Former Senior Managers with vested rights" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants à droits acquis) and the "Retirement Income Guarantee for former senior managers with vested rights" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants à droits acquis). These schemes are considered as the continuations of the old schemes because of the consistency in terms of population and benefits.

The "Supplementary pension scheme for Former Senior Managers" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants) concerns retirees who have held positions as senior managers for a minimum of 10 years, hired or promoted to this position between 1 January 2016 and 4 July 2019, who end their career in the Company. This is an additive defined benefit pension scheme which grants entitlement to payment of a life annuity. The reference salary taken into account for calculation of the pension is the fraction of the salary which exceeds six times the French annual Social Security ceiling. The calculation base of the supplementary pension is the average of the revalued reference salaries for the best three full years of activity out of the seven calendar years prior to the end of their career. The supplementary pension is 1.36% of the calculation base per year of service within the Group until 31 December 2019, up to a maximum of 25 years. Any retiree who so wishes could elect an option of a surviving spouse pension.

Access to the "Retirement Income Guarantee for former senior managers" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants) was closed on 31 December 2015. This scheme, created on 1 January 2001, was open to former senior managers of L'Oréal who, in addition to fulfilling the requirement of having ended their career with the Company, met the condition of having had the status of senior manager for at least ten years at the end of their career. It provides entitlement to payment to beneficiary retirees of a life annuity, as well as, after their death, the payment, subject to conditions, to their spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base is the average of the salaries for the best three years out of the seven calendar years prior to the end of the senior manager's career at L'Oréal. The pension is calculated on the basis of the number of years of professional service in the Company until 31 December 2019, capped at 25 years, each year leading to a progressive and regular increase of 1.8% in the level of the guarantee. The pension cannot exceed 50% of the calculation base or exceed the average of the fixed part of wages. A gross annuity and gross lump sum equivalent are then calculated, taking into account the sum of the annual pensions accrued by beneficiaries as a result of their professional activity and assuming that their retirement age is 65. The life annuity is the result of the conversion into an annuity at the beneficiaries' actual age on the date they apply for their pension of the gross lump sum equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday, and less all salaries paid under any early retirement leave. Around 330 senior managers are eligible for these schemes if they fulfil all conditions after ending their career with the Company.

Access to the "Pension Cover for Members of the Comité de Conjoncture" (Garantie de Retraite des Membres du Comité de Conjoncture) was closed on 31 December 2000. This former scheme granted entitlement to beneficiary retirees, after having ended their career with the Company, of a life annuity as well as, after their death, the payment under certain conditions to the spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base for the pension is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The pension is calculated on the basis of the beneficiary's number of years' service, with a ceiling of 40 years, it being specified that at the date of closure of the scheme, on 31 December 2000, the minimum length of service required was 10 years. The pension may not exceed 40% of the calculation base, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries. Around 120 senior managers (active or retired) are eligible for this scheme subject to the requirement, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

Collective Retirement Savings plan (PERCO)

Since 2003, L'Oréal has proposed that employees make savings with a view to their retirement within the scope of the PERCO. If the profit sharing is placed in the PERCO, a 100% matching contribution is paid by the Company on the first €1,200 gross and 50% thereafter (capped at €4,600/year total PERCO employer contributions). For employees who pay 100% of their profit sharing into the PERCO for five consecutive years, an employer contribution of €600 gross is paid into the PERCO (Club PERCO) in the fifth year. Since 2021, an additional employer contribution of €150 gross has been paid from the sixth consecutive year in which 100% of the profit sharing has been invested into the PERCO. Each year, employees may also transfer 10 days of saved leave time (Compte Épargne Temps, or CET) in the PERCO. An additional employer contribution of 20% is paid for these days.

Pre-retirement arrangements

L'Oréal pays close attention to its employees' retirement conditions. The existing arrangements are, in particular:

- early retirement leave ("congé de fin de carrière", CFC): this early retirement arrangement consists of exempting employees from the requirement to perform their activities, while maintaining their remuneration (up to a limit of €10,611 gross/month) as well as profit sharing, incentives and paid leave. The CFC may range from 3 months for 20 years' seniority to 9 months for 30 years' seniority and more; and

- retirement compensation ("*indemnité de départ à la retraite*", IDR): the scale set by collective agreement is more favourable than that of the National Collective Bargaining Agreement for the Chemical Industries. Thus, when they retire, employees may benefit from retirement indemnities ranging from 2 months' salary for 5 years' service to 8 months' salary for 40 years of service. In order to increase the special leave prior to retirement, employees may opt to convert all or part of their retirement indemnities into time, or may choose to receive payment of all or part of the retirement indemnities, which will be made at the time they leave the Company.

These commitments are guaranteed by external financial cover aimed at gradually building up funds derived from premiums paid to external organisations.

- The Time Savings Account (CET): this optional scheme enables employees to plan the end of their career or increase their retirement income. Employees can bank up to 10 days of leave per year in the CET, five days of which attract an employer contribution of +25% and/or a cash payment, up to a maximum of 6% of gross remuneration per year. This scheme is capped at 300 days. The CET can finance a shift to part-time working from the age of 55, early retirement, increased retirement income, or a retirement lump-sum. CET savings are valued on the basis of the employee's final salary. A maximum of 10 days per year can be transferred to the defined contribution scheme or the L'Oréal PERCO (CET days transferred to the PERCO attract an employer contribution of +20%).

Employee Welfare schemes in France

In addition to the compulsory guarantees provided for by the collective bargaining agreements, L'Oréal has set up, in France, under an agreement, an Employee Welfare scheme providing additional collective guarantees to its employees.

All these guarantees are based on gross income and can total up to eight times the French annual social security ceiling. They are generally financed on Brackets A, B, and C of income, except for the Education Annuity which is based on Brackets A and B, and the Surviving Spouse Pension which is based on Brackets B and C.

This Employee Welfare scheme provides guarantees in the event of:

- incapacity: to all employees, 90% of their gross remuneration limited to 8 social security caps, at this level net of charges, after the first 90 days of work stoppage; in the event of disability: to all employees, a fraction that is a function of the level of disability, rising to 90% of their gross remuneration limited to 8 social security caps, up to this amount net of charges;
- in the event of death:
  - for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death;
  - for the employees affiliated with the benefit scheme for managers, employees governed by Article 36 of the AGIRC convention and sales representatives, the payment of a Spouse Pension to the surviving spouse. This ensures that the spouse has an income similar to the Surviving Spouse Pension paid for supplementary retirement contributions on the portion of remuneration greater than the annual cap on social security if death had occurred at the age of 65; and
  - for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

Minimum guaranteed lump sum death benefits

L'Oréal has established an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefit in an amount equal to three years' average income. The total amount of the risk capital needed to fund the Surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is capped.

Healthcare expenses

The healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries. Employees have the option of including their family members in these schemes. Contributions are generally individual. The contribution by the employee is partly financed by the Company.

4.3.2.6. Promoting Diversity, Equity and Inclusion

Diversity, Equity and Inclusion are part one of the Group's strategic commitments, which aims to have teams that reflect the diversity of its consumers all over the world and to provide all its employees with an equitable and inclusive working environment. The Group also adopts an inclusive approach towards communities, suppliers and stakeholders. The Group's strategy in terms of Diversity, Equity and Inclusion is built around four key pillars:

1. **Gender and LGBTQIA+**: achieve gender parity at all levels and functions of the company; contribute to the establishment of more inclusive environments in favour of the LGBTQIA+ community everywhere in the world; act against any type of harassment or violence, particularly sexism, sexual harassment and gender-based violence;
2. **Disability**: accelerate the inclusion of people with disabilities, by means of targeted actions, with a minimum target for employees with disabilities in all countries;
3. **Socio-economic and multicultural background**: promote and increase the diversity of socio-economic and cultural origins in the Group's teams;
4. **Age and generations:** encourage dialogue and cooperation among employees of different generations.

The Group's policy on Diversity, Equity and Inclusion is also reflected in its approach towards its suppliers (see section 4.3.3.6. "Measures taken in favour of communities" of this document), its consumers, partners, communities and the NGOs and associations dedicated to inclusion on each continent.

To achieve its objectives, L'Oréal relies particularly on an internal network of "Diversity Coordinators", in all of its entities, who are the guarantors of the Group Diversity, Equity and Inclusion policy which they adapt to their local context.

The Group shares its achievements and progress in a dedicated section on the loreal.com website.

To measure the perception of the Diversity, Equity and Inclusion of employees, "Pulse", our annual in-house survey on employee engagement, includes questions on this issue.

In advertising and marketing its products, L'Oréal is committed to communicating responsibly by ensuring that it respects the infinite diversity of beauty needs and desires around the world. In its Code of Ethics, the Group commits not to harm the dignity of human beings or present degrading stereotypes in its advertising. It is also sensitive to possible reactions to the Group's advertising from different religious, ethnic, cultural or social groups.

To strengthen our commitment to more inclusive marketing and advertising, in 2021 L'Oréal joined the Unstereotype Alliance, an initiative led by companies convened by UN Women. The Unstereotype Alliance brings together advertisers, industry leaders and designers with the aim of eradicating harmful stereotypes in advertising.

Gender equity: professional parity and equality for women and men

Achieving real gender equality, up to the most strategic positions, is a key challenge for L'Oréal, which aims to strengthen its ability to innovate while promoting a culture of inclusion. The Group therefore ensures that all jobs are accessible to women and men, both at the level of recruitment and with regard to opportunities for career development. Special attention is given to pivotal periods such as parenthood (see paragraph "The L'Oréal Share & Care programme: an accelerator of social progress" in section 4.3.2.4. of this document).

The policy on diversity and gender balance deployed in the Group includes a goal to maintain, every year, a proportion of employees of each gender that may not be less than 40% in strategic positions (around 300 positions). General Management reports annually to the Board of Directors on this policy and the results obtained during the previous financial year. Under the 19th resolution submitted for approval by the Annual General Meeting of 21 April 2022, the Board of Directors, at its meeting on 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, decided to introduce criteria for non-financial performance in addition to financial performance within the long-term remuneration plans, one of which is a criterion linked to gender balance in strategic positions.

Since March 2019, L'Oréal has published its "Index of Professional Gender Equality", which is calculated using five indicators defined by the "Professional Future" law. This 2022 Group Index is at 97% for all of L'Oréal's French entities.

Since 2007, L'Oréal has collaborated with the INED (National Institute for Demographic Studies) to conduct an annual analysis of the differences in remuneration between women and men working in France. The aim is to guarantee identical pay for people with the same level of skills and the same classification. The median pay gap in France decreased from 10% in 2007 to 0% in 2019 for all categories(1) (stable in 2020).

In addition to the INED analysis in France, in 2020 L'Oréal launched a global tool to measure gender pay equality "all things being equal" (net of structural effects) certified by EDGE.

This analysis was conducted in 28 countries in 2021 (representing more than 80% of the global workforce): Argentina, Australia, Brazil, Canada, Chile, China, Denmark, Finland, France, Germany, Greece, India, Indonesia, Ireland, Italy, Japan, Mexico, Norway, Peru, Philippines, Russia, South Korea, Spain, Sweden, Switzerland, Thailand, United Kingdom, United States.

According to this analysis, the average "unexplained" salary gap in these countries is -0.76% in favour of men. L'Oréal aims to eliminate any "unexplained" salary gaps due to gender in all countries analysed by 2025.

L'Oréal and gender balance

As of 31 December 2021, women account for:

- 69% of the total workforce;
- 49% of expatriates in place;
- 47% of strategic positions(2);
- 66% of employees promoted;
- 59% of international brand directors☑;
- 51% of all key positions within L'Oréal S.A. (3) ;
- 55% of all key positions within the Group(4);
- 32% of Executive Committee members; and
- 50% of members of the Board of Directors.

L'Oréal chose to have its gender equality practices and policies audited and relies on two independent organisations to measure and assess the situation of its subsidiaries: Gender Equality European & International Standard (GEEIS) and Economic Dividend for Gender Equality (EDGE).

Since 2010, the Group's head office in France and 23 of its countries have been awarded the GEEIS label, and are audited every two years by Bureau Veritas to measure the progress achieved. The countries currently certified are: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

As of today, 8 other countries rely on the EDGE certification process. The countries are audited by the third-party organisations Flocert or Intertek in order to be certified. L'Oréal USA was the first country to earn the label in 2014. The countries currently certified are: Australia, Brazil, Canada, India, Philippines, Russia, Switzerland and United States.

In 2021, L'Oréal Brazil was the first of the Group's subsidiaries to achieve "EDGE Lead" status, the highest level of EDGE certification.

In 2021, L'Oréal USA and L'Oréal Canada were the first of the Group's subsidiaries to achieve "EDGE Plus" status, which provides an additional analysis in terms of intersectional equality (gender identity, sexual orientation, age, ethnicity, disability and nationality).

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

(1) For more information, see the "Diversity, Equity and Inclusion key figures" section on the loreal.com website.

(2) Strategic positions, including the Executive Committee(around 300 positions).

(3) These are the positions with the greatest responsibility: strategic positions, other key positions monitored at Group level and key positions monitored at the local/regional level. These positions represent 12% of L'Oréal S.A. employees as of 31 December 2021.

(4) These are the positions with the greatest responsibility: strategic positions, other key positions monitored at Group level and key positions monitored at the local/regional level. These positions represent 6.2% of Group employees as of 31 December 2021.

In total, 31 countries☑ continued to be EDGE or GEEIS certified in 2021, which represents more than 60% of the Group's workforce.

Being a company that is committed against gender-based violence

In 2018, L'Oréal was the first company to join the "One in Three Women" network, the first European network of companies committed to fighting violence against women(1). Its aim is to create and test measures to combat violence against women and to support the employees concerned, through specialised NGOs.

Concrete actions were taken in 2021 with the "One In Three Women" network, such as:

- an e-learning module made available in 5 languages to raise employee awareness;
- the launch of 4 new podcast episodes dedicated to the impact of domestic violence in the workplace, with testimonies from people who have been subject to this type of violence, as part of the International Day for the Elimination of Violence against Women.

L'Oréal regularly attends international conferences, such as the Global Summit of Women, the UN Global Compact and the Women's Business Council, to speak about the action it has taken to combat violence against women.

After having committed to support the ILO's adoption of the first international convention against violence and harassment in the workplace in 2019 along with the NGO, CARE, L'Oréal established a HR policy on domestic violence in 2020. The worldwide deployment of this policy began in 2021 and there are great ambitions for 2022.

When it was launched in 2018, the #StOpE initiative against so-called "ordinary" sexism in the workplace, led by L'Oréal France with AccorHotels and EY, brought together 30 companies and organisations that signed a commitment under the patronage of the French Minister for Equality between Women and Men and the Fight Against Discrimination. Today, 114 organisations are involved with this initiative, which aims to promote best practices to combat sexism in the workplace. The Group began to roll out this initiative internationally in January 2021. An e-learning was also developed collaboratively by 7 companies in the network.

Contributing to the establishment of more inclusive environments in favour of the LGBTQIA+ community

With a presence on all continents, L'Oréal contributes to the establishment of more inclusive environments for the LGBTQIA+ community(2).

Since 2018, L'Oréal has been one of the sponsors of the "Standards of Conduct for Business" established by the United Nations High Commissioner for Human Rights in the fight against discrimination against LGBTQIA+ people.

In 2019, a co-parenting policy was implemented in France and the United States, with the same rights established for paternity leave, which was increased to 6 weeks paid leave in France and 8 weeks paid leave in the US. This policy was integrated into the new version of the L'Oréal Share & Care programme in 2021.

In 2020, L'Oréal published its Employee Human Rights Policy.

L'Oréal USA again received the maximum score of 100 on the 2021 Corporate Equality Index of the Human Rights Campaign Foundation, which reflects its commitment.

Promoting the inclusion of people with disabilities

For more than 20 years, L'Oréal has applied a global policy to include people with disabilities within the Company. In 2021, the Group employed 1,509 statutory employees with disabilities, i.e. 1.8% of the total workforce. L'Oréal's goal is that people with disabilities will account for 2% of the Group's statutory employees by 2025. The disability pillar of L'Oréal's Diversity, Equity and Inclusion policy covers the following five priorities:

- Recruitment: L'Oréal promotes the recruitment of people with disabilities in all countries;
- Declaration of disability: create the conditions for employees to declare their disability, so that the company can adapt positions, jobs and support;
- Digital accessibility: any new digital platform must now meet this objective;
- Employee awareness: the success of the Disability pillar of L'Oréal's Diversity, Equity and Inclusion policy is closely linked to internal communication and training; and
- Sharing best practices: collaboration with experts, associations and NGOs recognised on the subject is an important element in advancing inclusion within and outside the Group.

An active member of the ILO since 2010, L'Oréal was one of the first signatories of the Global Business and Disability Network Charter in 2015. L'Oréal chaired this network in 2021.

In November 2020, L'Oréal became a member of *The Valuable 500*, a global business collective whose objective is to promote the inclusion of people with disabilities. L'Oréal shared its commitment on disability with this collective in 2021, and also participates in discussions to identify best practices and to facilitate the acceleration of actions on this key matter.

Reinforcing multicultural and socio-economic diversity

L'Oréal's goal is to reflect, at all levels and in all functions, the diversity of the markets in which it operates. Particular attention is therefore paid to the diversification of recruitment pools, to ensure equal opportunities in terms of professional development, and to raise awareness of employees and management on this subject.

170: Number of nationalities (in the global workforce) distributed among the 68 countries(3).

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *This is an initiative of the Foundation Agir Contre l'Exclusion (FACE) and the Kering Foundation.*

(2) *LGBTQIA+: Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual, +.*

(3) *HR reporting.*

Since 2015, L'Oréal has supported the Equal@Work network of the European Network Against Racism (ENAR), which helps to ensure progress on this important issue. Since 2019, L'Oréal has been an active member of the Tent Partnership for Refugees, a global network of more than 200 companies that support refugees. This partnership enables L'Oréal to strengthen the socio-economic and multicultural diversity of its teams, offer job opportunities to the candidates in question and facilitate their inclusion in their host countries. In 2021, L'Oréal committed to taking part in a three-year mentoring programme for 50 female refugees in France, Germany, Belgium and the Netherlands.

On World Refugee Day 2021, L'Oréal's Chief Executive Officer signed an open letter with other executives as part of the *Refugees Are Talents* collective and took part in professional gatherings and various international events to encourage the recruitment of refugees into our teams.

Training employees in Diversity, Equity and Inclusion

In order to support these initiatives, L'Oréal trains its employees in Diversity, Equity and Inclusion by organising Diversity Training Workshops. This training is now available virtually. Since 2007, more than 75,000 employees have been trained through these workshops.

Since 2010, L'Oréal has participated in the EVE programme, an initiative led by the Danone Group, aimed to help women to be agents of change in their company and to develop their leadership and careers. Since its launch, more than 650 of the Group's employees have taken part in this programme. The Group wanted to go further by partnering with Danone to create editions in Asia in 2014 (EVE Asia-Pacific), and Africa (EVE Africa) since 2017.

On the Group's internal platform dedicated to training, MyLearning, a page dedicated to Diversity, Equity and Inclusion was created in 2020. More than 80 learning resources are now available.

In 2021, the Group made 9 new e-learning modules available, covering the following topics: micro-aggressions, sexism, unconscious bias, mental health, digital accessibility, domestic violence, cyber-harassment, workplace inclusion of the LGBTQIA+ community, combating racism in the workplace, as well as quarterly e-conferences and a selection of podcasts.

Awards obtained in 2021

L'Oréal has been recognised on several occasions for its excellence in the area of Diversity, Equity and Inclusion:

- For the fifth consecutive year, L'Oréal was recognised by Bloomberg's Gender-Equality Index 2022 (GEI) for its commitments to female leadership, talent management, gender equality, inclusion, and policies on sexual harassment. In 2022, the Bloomberg Gender-Equality Index includes 418 international companies with their headquarters in 45 countries around the world.
- L'Oréal is recognised as one of the 100 best-ranked companies in terms of diversity and inclusion in the Refinitiv Diversity & Inclusion Index 2021. This international index is compiled following an analysis of more than 11,000 listed companies.
- For the fourth consecutive year, L'Oréal was one of the top five most advanced companies in the world in terms of gender equality, according to the Equileap Global Gender-Equality Ranking 2021, which assesses nearly 4,000 companies in 23 countries. L'Oréal came fourth worldwide in this ranking, first in the consumer goods sector and first in France.
- In 2021, L'Oréal won the "Parity of the Top 100" Special Award for the Feminisation of Governing Bodies, at the 8th annual Awards for the Feminisation of Governing Bodies of the SBF120 companies.

4.3.3. Human rights policy

4.3.3.1. A commitment of the entire organisation

L'Oréal's commitment to Human Rights is based in particular on the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights and the Fundamental Conventions of the International Labour Organisation, although these conventions have not all been ratified by all the countries where L'Oréal operates.

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 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 Human Rights commitments 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 Zones (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.

The Group completed a generic review of the Human Rights issues related to its operational activities and commercial relationships, and identified four groups of impacted stakeholders that inform the Human Rights policy:

- the Human Rights of our employees;
- the Human Rights of the employees of Group suppliers;
- the Human Rights of consumers; and
- the Human Rights of communities.

In order to achieve its Human Rights goals and face these risks, L'Oréal has been a member of the United Nations Global Compact since 2003, and is committed to respecting all internationally recognised Human Rights. A specific partnership was also signed in 2019 with the Danish Institute for Human Rights to support the Group in the implementation of Human Rights. This commitment to respect Human Rights is supported each year at the highest level of the Company by its Chief Executive Officer, by the Chief Ethics, Risks and Compliance Officer, and by the Chief Sustainability Officer, who also chairs the Group's Human Rights Committee.

Aware of the scale of the challenge throughout its entire value chain, L'Oréal has set ambitious goals to respect Human Rights with regard to the protection of personal data (see section 4.3.3.2. "L'Oréal's commitment to protecting personal data"), the data of its consumers (see section 4.3.3.3. "Measures taken in favour of consumers"), its employees (see section 4.3.3.4. "Measures taken in favour of L'Oréal employees"), the employees of its suppliers (see section 4.3.3.5. "Measures taken in favour of the employees of the Group's suppliers in the context of their working conditions"), local communities (see section 4.3.3.6. "Measures taken in favour of communities") and women in particular (see section 4.3.3.7. "Measures for the promotion of women's rights" of this document), through various internal or public documents.

Code of Ethics	L'Oréal's commitments to respecting and promoting Human Rights, with reference in particular to the 1948 Universal Declaration of Human Rights and the 2011 United Nations Guiding Principles on Business and Human Rights.
Human Rights Policy	L'Oréal's commitments to its stakeholders, particularly its consumers and civil society, and which describes the way in which these commitments are fulfilled in practice.
Employee Human Rights Policy	In 2020, L'Oréal launched a specific policy on Employee Human Rights that undertakes to respect a base of universal Human and Social Rights for its employees, regardless of their position or location in the world.
"The Way We Buy"	A practical guide intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties in relationships with suppliers.
Mutual Ethical Commitment Letter	The Group's suppliers must sign an ethical commitment letter that sets out its requirements and commitments to its suppliers. In 2021, the Group published an updated version, the Mutual Ethical Commitment Letter, which highlights the mutual commitment between it and its suppliers. This document covers, in particular, Human Rights and working conditions. This new version is being rolled out gradually with all suppliers worldwide. (see section 3.4. "Vigilance Plan" of this document).
"Suppliers/Subcontractors and Child Labour"	Description of the main commitments concerning child labour by suppliers/subcontractors.
L'Oréal's Influencer Value Charter	L'Oréal does not work with influencers under the age of 16 or the legal contractual age.
Employee evaluation system	The ethical competency "Acts with integrity and respects others" is included in the annual appraisal system for all employees.
Speak Up policy	L'Oréal's Speak up policy, running since 2008, enables employees to report serious violations of Human Rights and Fundamental Freedoms, health and safety of people and respect for the environment, notably via a secure Internet site (ethics whistleblowing channel) directly to the Chief Ethics, Risk and Compliance Officer. The Group's ethics whistleblowing channel (www.lorealspeakup.com) has also been accessible to all Group stakeholders since 2018.
An annual ethics reporting system	The system is used to monitor the implementation of the Ethics and Human Rights programme. The subsidiaries are informed of their potential areas for improvement by the Global Ethics, Risk & Compliance Department. 100% of the subsidiaries completed their annual ethics reporting in 2021.
Procedures for prospective acquisitions	When prospective acquisitions are being reviewed, the responses to the "Ethics and Human Rights questionnaire" submitted to target companies serve to identify whether they have properly taken into account risks related to failure to respect Human Rights (abolition of child labour and compulsory and forced labour, etc.), among other issues.

Raising employee awareness

Ongoing communication	The Group's Human Rights policy and Employee Human Rights Policy is communicated to all Group employees. The Chief Ethics, Risk & Compliance Officer regularly visits the Group's entities all over the world to meet employees at all levels of the Company. 100% of the subsidiaries have communicated on at least one Human Rights subject(1).
Training	Specific training is being rolled out for the Management Committees. ● A specific, compulsory e-learning course on Ethics covering certain Human Rights themes is currently being rolled out in all subsidiaries. As of 31 December 2021, 76% of the employees with access to the online module had completed this course. ● In 2021, 145 purchasers were trained in responsible purchasing practices. This training is compulsory for any new purchaser. 100% of the Group's subsidiaries included issues related to Human Rights in their local training programme.

---

(1) The scope of consolidation of Human Rights data arising from the ethics reporting is identical to that of social data.

4.3.3.2. L'Oréal's commitment to protecting personal data

The Group attaches great importance to the principle of transparency and aims to establish a relationship of trust with all its stakeholders, and in particular its consumers, employees and suppliers. The Group ensures that personal data protection and data security are at the heart of its responsible use of personal data.

In support of this ambition, the Group's principles governing the processing of personal data (Data Privacy) have been shared all over the world to raise the awareness of all employees about respect for ethical principles and the legal and regulatory requirements in this area. These principles were updated in 2020 and are supplemented by a framework of policies, procedures and operational guidelines.

The Group has put in place a structure based on a Global Data Privacy Office *(Global DPO Office)*, which consists of a Legal unit and a Programme unit. A Group Data Privacy Officer (DPO) was appointed in 2018 and a network of country DPOs has been set up worldwide and is constantly being strengthened (46 DPOIs in 2021). The structure also relies on a network of Head of Data Privacy in each region and in each business area (IT, Digital, Marketing, HR, Research & Innovation, Retail, Operations, etc.), who are responsible for defining and deploying privacy policies tailored to the challenges and specific features of their fields.

A Global Strategic Data Privacy Committee was set up to establish strategic guidelines and ensure the data privacy programme is rolled out within the Group. Led by the Group DPO, this Committee is composed specifically of the Chief Financial Officer, the Chief Ethics, Risk and Compliance Officer, the Group General Counsel and the Chief Information Officer. For the sake of consistency and operational efficiency, a Data Privacy Steering Committee is in place for each region.

This governance notably aims to monitor the Group's compliance with different laws, such as the GDPR in Europe, the CCPA in California, the LGPD in Brazil, the PIPL in China or the POPI Act in South Africa, by ensuring the involvement of all stakeholders and by adapting customer, supplier and business line processes to the Group's rules and to applicable local laws.

In order to comply with European rules, the Group has established a record of data processing performed in Europe. This tool is also offered in countries not subject to the GDPR that wish to use it in order to map their processing operations.

In support of the "privacy by design" principle, the Group has also developed and deployed a digitalised tool that is available to operational staff, to help them to ensure that a project complies with operational principles and rules relating to data privacy from the very start and to carry out the required privacy impact assessments.

All employees within the Group have access to an awareness-raising programme on the protection of personal data. Specific training is also available for the main business lines. An Intranet site dedicated to this subject can be accessed at any time by all employees worldwide.

The Group Internal Control is in charge of organising a self-assessment of the implementation of the data privacy compliance programme for all countries and business lines. This evaluation is performed annually. As part of the Group's digital activities, the Internal Audit Department conducts dedicated audit checks on the protection of the personal data of consumers. This control has been supplemented by the creation and deployment in 2019 of a specific audit programme on the protection of personal data, aimed at all European countries that are subject to GDPR and this programme is conducted by an independent auditor.

4.3.3.3. Measures taken in favour of consumers

Brand programmes	Conscious of the influencing ability of its brands, L'Oréal encourages them to inform and mobilise their business partners, customers and consumers around the major environmental and societal challenges facing the world. Each brand must therefore identify an environmental or societal cause of its own, support a community partner involved in the field, and conduct awareness-raising and outreach campaigns with its consumers in order to contribute to change. (see section 4.3.1.3.2. "Involving consumers in the Group's transformation" of this document)
Transparency and awareness	• L'Oréal relies on its scientific teams to answer consumers' questions about the ingredients in its products through its Inside our Products platform that came on line in 2019. This is a space entirely dedicated to providing information to consumers about the quality and safety of L'Oréal's ingredients, requirements and processes. The website is available in five languages in 23 countries. • The "Trions en beauté" (Sort by Beauty) initiative: an awareness campaign conducted by the Group's brands. The goal of this site developed by L'Oréal France is to support consumers in their sorting process. In particular, it explains how to sort each of the different types of packaging for cosmetic products, as well as the importance of recycling for our environment, and encourages everyone to act.
Product quality and safety	Consumer safety is an absolute priority for L'Oréal: assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market. (see section 4.3.1.3.2. "Involving consumers in the Group's transformation" of this document)

4.3.3.4. Measures taken in favour of L'Oréal employees

L'Oréal has also implemented several other policies that contribute to the respect of employees' Human Rights and Fundamental Freedoms, notably through its policies on workplace health and safety, social dialogue and diversity, and its Share & Care programme (see section 4.3.2.4. "Creating conditions for a stimulating and attractive work environment" of this document).

The Group ensures that all employees receive at least the minimum salary set by local law or the applicable collective agreements, and that they receive a living wage(1) that covers their basic needs, calculated in line with best practices.

Lastly, L'Oréal's subsidiaries must comply with applicable local legislation and the minimum set of core rules designed to prevent serious Human Rights violations. The details and implementation of these rules is described in L'Oréal's Vigilance Plan (see section 3.4. "Vigilance Plan" of this document) which also explains the Group's organisation in the area of Human Rights.

4.3.3.5. Measures taken in favour of employees of the Group's suppliers in the context of their working conditions

L'Oréal seeks out suppliers that share its ethical commitments, namely with regard to Human Rights and working conditions of their employees.

L'Oréal's commitments are communicated to all suppliers via the general terms of purchase. Moreover, suppliers identified in the Group's risk mapping must sign the Letter of Ethical Commitment; some may also be audited. The details and implementation of this Buy & Care programme are described in L'Oréal's Vigilance Plan in section 3.4. "Vigilance Plan" and 4.3.1.2.1. "Due diligence: selection and assessment of strategic suppliers" of this document.

L'Oréal wants to carry this goal beyond the Group. This is why the L'Oréal for the Future programme includes a new demanding commitment: ensuring that all employees of strategic suppliers are paid at least the level of a "living" wage. Calculated by region and aligned with the best local practices, these new standards must allow employees to cover their basic needs and those of their family for decent housing, food, education and any other needs. In many countries, this "living" wage goes beyond the legal minimums.

4.3.3.6. Measures taken in favour of communities

As part of the Sharing Beauty With All programme, the Group's action has enabled more than 100,000 people from socially disadvantaged or poor communities to access employment.

As part of its new L'Oréal for the Future sustainability programme, the Group reiterated its commitment to help 100,000 more beneficiaries by 2030.

In 2021, **13,946 people** from underprivileged communities gained access to employment.

L'ORÉAL
POUR LE FUTUR

2030 targets	2021 results
An additional 100,000 people from underprivileged or poor communities will be able to access employment through the following programme:	13,946 people from underprivileged or poor communities have access to work.
● Solidarity Sourcing;	89,093 people accessed work through the Solidarity Sourcing programme, 7,955 more people than in 2020.
● Professionalisation in the beauty industry;	5,991 people from extremely vulnerable environments were trained in beauty professions.

---

(1) *This means an amount that covers basic needs, calculated in line with best practices and the support of independent experts.*

SOME MEASURES TAKEN IN FAVOUR OF LOCAL COMMUNITIES

Throughout the production chain	The environmental risks related to L'Oréal's sites and activities may potentially have an impact on the local communities in which the Group operates. In this area, L'Oréal has a long-standing commitment to managing risks and reducing its environmental footprint, and is implementing an ambitious policy described in detail in section 4.3.1. "Environmental policy" of this document.
A responsible approach to property assets	For prospective acquisitions of premises or building land, L'Oréal must ensure that the former owners and/or occupiers have not been unfairly removed and/or that any expropriation by the authorities was conducted in accordance with international law, namely with the free agreement and compensation of the previous owners and/or occupants.
Responsible sourcing	See "Giving preference to the use of sustainably sourced renewable raw materials" in section 4.3.1.3.1. "Eco-designed products" of this document.
Solidarity Sourcing: Using the Group's purchasing power to serve social inclusion	Through its Solidarity Sourcing programme, established in 2010, due to its many industrial and administrative sites all over the world, L'Oréal is heavily involved in the life of local communities in the areas neighbouring its sites and suppliers. While being a company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects. The programme aims to use the Group's purchasing power to serve social inclusion by dedicating part of its purchases to suppliers providing access to work and a sustainable income for people who are generally excluded from the labour market, economically vulnerable communities, including small businesses and those that have trouble accessing major contractors. The programme concerns all the Group's suppliers and values their commitment to Diversity, Equity and Inclusion. The Solidarity Sourcing programme concerns for example: fair trade producers, companies which employ people with disabilities, social insertion enterprises, or companies owned by minorities (when this is permitted by national legislation). As part of L'Oréal for the Future, its new sustainability programme announced in June 2020, the Group is renewing its goal to allow over 100,000 people from underprivileged or poor communities to find work by 2030. Solidarity Sourcing offers a novel purchasing approach due to its global, holistic nature: ● the programme is deployed in all geographic zones; ● it concerns all areas of purchases (raw materials, packaging, subcontracting, logistics, promotional items and indirect retail, services, etc.); and The ambition of the programme is to associate economic performance with a positive corporate social responsibility footprint. Global beneficiaries of the Programme included 2,499 people with a disability in 28 countries in 2021. The number of beneficiaries rose by 20% over the last three years. This was achieved as the result of a stronger commitment from the Group, despite the unprecedented Covid-19 health crisis, which particularly impacted this community. In 2021, as part of the Solidarity Sourcing programme, **89,093** economically and socially vulnerable people gained access to lasting employment, *i.e.* an additional **7,955** people. Throughout 2021, the Solidarity Sourcing programme enabled 89,093 people from underprivileged or poor communities all over the world to gain access to work or to keep a job and receive a decent income. This represents an additional 7,955 people compared to 2020, an increase of 9.8%. Solidarity Sourcing today has 365 projects up and running in 709 local initiatives (with an additional 211 initiatives launched in 2021) in 61 countries, with the support of 70 third parties. This programme has offered the opportunity for the Group's purchasers to enrich their jobs by contributing to improving the lives of thousands of people involved in the processing of the goods and services purchased. As a result, in 2021, 176 buyers supported Solidarity Sourcing project, an increase of 7% compared to 2020. **Focus on the Group's solidarity purchases in France** 77 projects of the global Solidarity Sourcing programme support employment in France (1 in 5 projects), deployed in 122 local initiatives. France, the birthplace of the Group, is the country that undertakes the highest number of Solidarity Sourcing projects (out of the 61 countries in which the programme operates) and the seventh country in number of beneficiaries behind Burkina Faso, Indonesia, India, Madagascar, the United States and China. In 2021, solidarity purchases in France represented 2,737 full-time jobs. The number of jobs generated by the Solidarity Sourcing programme in France was up 9% compared with 2020 (representing 228 jobs), thanks in large part to the mobilisation of Group purchasing managers and 130 suppliers including 68 Adapted Enterprises (Entreprises Adaptées – EA) and work assistance organisations (Etablissements et Services d'Aide par le Travail – ESAT).

	These projects cover a wide range of purchases, including cardboard, glass and plastic packaging, POS advertising materials and services, filling and packing and logistics: ● 21.4% of the beneficiaries are people with disabilities (586 jobs); ● more than half of the beneficiaries are in zones classified as vulnerable (1,388 jobs). These are areas classified as "Rural Revitalisation Zones" and "Sensitive Urban Zones". These jobs, located on the sites of 19 Group suppliers, cover production needs (glass bottles, tubes, cardboard boxes, subcontracting) or services related to our business; ● other solidary purchase projects in France mainly concern support for Living Heritage Enterprises (EPV), SMEs, older workers facing hiring discrimination, women entrepreneurs, women who are victims of domestic violence, people being integrated into society, and a bio-solidarity cooperative.
Employees mobilised: *Citizen Day*	Every year since 2010, L'Oréal's employees spend a day of their working time offering their skills and devoting their energy to several hundred associations in the social and environmental field. This involves, for example, cleaning natural sites, setting up well-being workshops for people in vulnerable situations, repainting centres for seniors or people facing hardships, helping job-seekers prepare their CVs, etc. L'Oréal continued to innovate in its citizen commitment and developed the *L'Oréal Citizen* programme(1), offering employees the possibility of contributing to different causes through several solidarity formats: salary rounding, solidarity hackathons, crowdfunding campaigns, etc.
Beauty for a Better Life: a L'Oréal Foundation programme	Convinced that beauty contributes to the process of rebuilding oneself, the L'Oréal Foundation, through its Beauty For a Better Life programme, assists fragile people in improving their self-esteem by giving them access to free beauty and well-being care. It also promotes employment for vulnerable women through excellence training programmes in the beauty professions. **Beauty care and well-being treatments** The L'Oréal Foundation supports and funds the provision of free beauty care and well-being treatments in medical and social environments through the partnerships it has built with non-profit and hospital organisations. These treatments are provided by specially trained socio-beauticians or socio-hairdressers. They play a role in improving well-being, self-esteem, fighting spirit and social cohesion. They offer essential moments, whether for patients whose bodies are ravaged by illness or for people in a fragile social situation. In 2021, the L'Oréal Foundation made it possible for more than 21,000 people in difficult circumstances to receive beauty care and wellbeing treatments in France. In particular, a special operation was set up to offer socio-beauty and socio-hairdressing services to nearly 1,000 women and students in financial difficulties and refugees, whose vulnerabilities were worsened by the economic and social consequences of the Covid-19 health crisis. By increasing access to these treatments, the L'Oréal Foundation is also encouraging social innovation: following the mobile treatment room initiative launched in 2019 that enabled 850 women in rural areas and priority neighbourhoods to benefit from socio-beauty care, a beauty and well-being space was designed in 2021 in partnership with Emmaüs Solidarité. This space is specifically dedicated to vulnerable people to give them no-cost access to socio-beauty and socio-hairdressing services within a welcoming space. **Training in the beauty professions** In partnership with local NGOs in nearly 30 countries, the L'Oréal Foundation offers free training in beauty professions (hairdressing and makeup) to women in very difficult social or economic situations to assist them in finding employment. Thus, at year-end 2021, 5,991 people in very difficult social or economic situations were trained in beauty professions, representing a total of 20,606 people over the last four years. At the end of 2021, as part of the "Beauty for a Better Life" programme, **5,991** people from extremely vulnerable environments were trained in beauty professions.
A L'Oréal Foundation partnership with Médecins du Monde to put a smile on children's faces	The L'Oréal Foundation also supports the Médecins du Monde (Doctors of the World) association's facial reconstructive surgery operations ("Opération Sourire" – Operation Smile) for children who suffer from congenital malformations and women who have been victims of physical violence. The Foundation allows these people to regain their integrity and return to their community.

---

(1) *The citizen commitments are detailed on the website: www.loreal.com/en/articles/commitments/loreal-citizen/.*

4.3.3.7. Measures for the promotion of women's rights

As an active supporter of the UN Women's Empowerment Principles, the Group is involved in numerous initiatives aimed not only at improving the situation of women in the private and public spheres, but also at recognising the contribution of women to the advancement of humanity.

Responsible communication	The Group's Code of Ethics and the principles of Responsible Communication, which are summarised in an operational brochure distributed worldwide, cover namely the prohibition of stereotypes and degrading images of women.
Gender equality	Achieving real gender equality, up to the highest levels of responsibility, is a key challenge for the Company, both to promote a culture of inclusion and to increase L'Oréal's ability to innovate. The Group, therefore, ensures that all jobs are equally accessible to women and men, both at the level of recruitment and with regard to career development possibilities. Special attention is given to pivotal periods such as parenthood. For more information, see "Guaranteeing and achieving professional gender equality" in section 4.3.2.6. "Promoting Diversity, Equity and Inclusion" of this document. During supplier audits, L'Oréal also seeks to ensure the absence of discrimination and sexual harassment.
For Women in Science: a programme of the L'Oréal Foundation	Since 1998, the L'Oréal-Unesco For Women in Science programme works to accelerate the careers of female scientists and fight the obstacles they encounter so that they can contribute to solving the great challenges of our time for the benefit of all. As of this date, the International "L'Oréal-UNESCO For Women in Science" Awards has honoured 122 women, distinguished for their careers and the excellence of their scientific work. They include Professors Elizabeth H. Blackburn, Ada Yonath, Emmanuelle Charpentier and Jennifer Doudna, who received a Nobel Prize after winning the International Prize. Each year, the programme also recognises more than 250 young talented scientists at doctoral or post-doctoral level in over 110 countries, 15 of whom will be selected to represent the future of science on an international level. A total of more than 3,900 female researchers have been supported worldwide in the last 23 years. To support these scientific women even further, and to allow them to break the glass ceiling more easily, the L'Oréal Foundation has also made a commitment to train them in skills to which they generally do not have access during their academic courses (such as personnel development, management, communication, negotiation). For three years, the Foundation has also led an ambitious initiative: "Men for Women in Science". The goal is to involve the leaders of scientific institutions, who play a key role in changing the system, to join the movement for a more inclusive science and society that benefits everyone. Over fifty male scientific leaders around the world have made a commitment through a charter to remove the brakes on the advancement of women in the sciences and accelerate the change in the culture and practices. Since the under-representation of women in the scientific fields originates during the school years, the Foundation launched the "For Girls in Science" programme in 2014. The goal: to improve the appeal of science, encourage scientific careers for young female students, and fight gender stereotypes. More than **3,900 female scientists**, from more than 118 countries have been recognised and rewarded since 1998.

The L'Oréal Fund for Women	**The L'Oréal Fund for Women: a charitable fund to support women in extremely vulnerable situations throughout the world.** The crisis triggered by the Covid-19 health crisis has exacerbated many inequalities, with particularly devastating effects for those who were already struggling socially or economically or were victims of abuse, where women are at the top of the list. For this reason, in the context of its L'Oréal for the Future programme, L'Oréal, which has long been committed to supporting women's rights, created a €50 million charitable endowment fund in 2020 to support local organisations and associations in the field in their efforts to, in particular: ● assist women in extremely vulnerable situations; and ● prevent domestic and sexual violence and support victims. Particular attention is paid to projects aimed at helping women who are vulnerable on a number of fronts, particularly refugees or women with disabilities. Beyond the provision of emergency assistance, the L'Oréal Fund for Women wants to make a proactive contribution to the resilience of women and girls, by supporting social and professional integration projects and breaking down the barriers to education. The fund supports some 20 projects in Brazil that target vulnerable women in indigenous populations and in disadvantaged neighbourhoods on the outskirts of cities. For example, Casa do Menor is running three projects to promote the resilience of women through income generation, preparation for higher education and improved digital skills. In France, the fund also supports social action projects such as the Café des Femmes run by Banlieues Santé, a place of sharing where vulnerable women can access holistic support. The fund also supports projects for the education of vulnerable girls, in particular Aide et Action's Education for Women Now programme in Senegal, Madagascar, India, and Laos. As regards the fight against violence, the fund supports the Re#Start collective, which works to expand the Maisons des Femmes initiative. Maisons des Femmes are holistic centres that provide emergency services and work to empower women who have been victims of violence. Lastly, to play its part in the social and professional integration of women and girls from refugee communities, the fund supports Techfugees, which provides digital technology training in France, Italy and Greece. Since it was launched, the L'Oréal Fund for Women has supported more than 120 organisations around the world, which support more than 400,000 direct beneficiaries.
Brand programmes	Alongside the NGO Care, Lancôme is taking part in Write her Future, an international programme aimed at fighting illiteracy among girls. In 2021, the program had more than 44,000 beneficiaries (see section 4.3.3. of this document).
Responsible and inclusive purchasing	Over 60% of the beneficiaries of the Group's solidarity purchase programme (see section 4.3.3.6. of this document) are women. A total of 48,061 beneficiaries come from 66 projects – encompassing 134 local initiatives – specifically related to the emancipation of women in 30 countries, with the support of 17 associations and NGO partners. These Solidarity Sourcing projects support the following women: ● producers of raw materials such as shea, Indian pennywort, argan, babacu or galanga grown and harvested in accordance with fair trade principles; ● hailing from various vulnerable local communities, or who have assumed positions usually reserved for men; ● beneficiaries through support for Women-Owned Businesses (suppliers owned, controlled and led by 51% or more women); In 2021, the Group continued to accelerate its strategy to support female entrepreneurship, reconfirming its involvement in WEConnect International(1) and multiplying by 3.8 the number of suppliers led by women supported in 16 countries. This strategy, initiated many years ago in the United States through the partnership with The Women's Business Enterprise National Council (WBENC), is being deployed and accelerated worldwide; ● single mothers; ● military wives; and ● victims of violence. Other than agricultural professions, these projects concern a broad range of manufacturing activities and services: production, assembly, logistics, sales, marketing, or digital business activities.

---

(1) WEConnect International is an international network that certifies and connects "women-owned" suppliers with their target customer companies.

4.3.4. Policy to prevent corruption

Wishing to act in all circumstances in accordance with the ethical principles it has set itself and to comply with the laws and regulations in force in all the countries where it operates, the L'Oréal Group applies a zero tolerance policy in terms of corruption.

A long-standing commitment at the highest level of the Company

L'Oréal has been a member of the United Nations Global Compact since 2003 and supports the fight against corruption.

The Group is committed to complying with the United Nations Convention against Corruption of 31 October 2003 and to applying all applicable laws, in particular the Sapin 2 law in France.

L'Oréal is a member of the International Chamber of Commerce Anti-Corruption Commission and a member of Transparency International France.

This commitment 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 every year.

The involvement of everyone in preventing corruption

The Executive Committee	Regularly reviews the corruption prevention policy presented to the Board of Directors.
The Chief Ethics, Risk and Compliance Officer	Reporting to the Chief Executive Officer, the Chief Ethics, Risk & Compliance Officer is responsible for designing and monitoring the corruption prevention programme and relies on the global network of internal control managers for its implementation. He leads the specific risk mapping.
Country Managers	Country Managers ensure the correct deployment of the corruption prevention programme and its compliance.
Employees	Employees apply the corruption prevention policy in the context of their activities. If they have any doubts, they may contact their line management, their Legal Director, their Administrative and Financial Director, their Internal Control Manager, their Ethics Correspondent and, ultimately, the Chief Ethics, Risk & Compliance Officer, if they have any questions about respecting this commitment. The aim is to ensure that all the situations encountered are thoroughly examined and, where applicable, that appropriate steps can be taken.

L'Oréal's Code of Ethics and practical corruption prevention guides

L'Oréal's Code of Ethics publicly states a zero-tolerance policy on corruption which applies to all employees, directors and corporate officers, Directors and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages, and in French and English Braille, it is distributed to all employees worldwide.

L'Oréal has also published a more detailed corruption prevention policy that is available on its website, loreal.com.

With regard to employees, the Group also has other reference documents for the purpose of specifying the practices to be adopted and preventing corruption:

- ***Specific corruption prevention Guide***: rolled out throughout the Group as a whole since 2013 and complemented in 2018, it covers the relationships with each of L'Oréal's stakeholders, in particular with the Public Authorities and Intermediaries. This practical Guide is intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties. It reaffirms L'Oréal's corruption prevention policy which was approved by the Chief Executive Officer and the Executive Committee and presented to the Board of Directors.

  This policy posted online on L'Oréal's website (www.loreal.com) restates the following principles:
  - the zero-tolerance policy on corruption;
  - the prohibition of facilitation payments;
  - the prohibition of all contributions to political parties or politicians with the aim of obtaining a commercial advantage;
  - the prohibition on giving and accepting gifts and/or invitations that might influence or be perceived as influencing a business relationship;
  - communication of the commitment to preventing corruption to the Group's business partners; and
  - respect for these commitments by intermediaries representing L'Oréal, particularly in countries where there is a high risk of corruption.
- ***Employee guide – Gifts/Invitations***: distributed in 2014 on a Group-wide basis to specify the rules in this area, it is now integrated within the specific corruption prevention Guide;
- ***Employee Guide – Management of intermediaries with public authorities***: distributed in 2018 to the relevant personnel to specify the rules in this area; and
- **"The Way We Buy"**: a practical and ethical guide to govern relationships between suppliers and all employees involved in purchasing decisions. This document has been translated into 12 languages.

Corruption prevention measures implemented within the Group

Group-level risk assessment	The risk of corruption is included in the Group risk assessment. Following the update conducted in 2020, which used a more robust methodology, the Group has produced 93 corruption risk maps in 75 countries. A tool also enables Country Managers to assess and analyse possible local ethical risks (including corruption) and to take the necessary prevention measures.
Specific Human Resources procedures	An ethical competency "Delivers both sustainable and short-term results with integrity" is included in the annual appraisal system for all employees.
L'Oréal's "Speak Up" policy	This enables employees to express any concerns they may have, including with regard to corruption, namely directly via a secure website to the Group's Chief Ethics, Risk and Compliance Officer. Any allegation raised in good faith is examined in detail and appropriate measures are taken, where necessary, in the event of non-compliance with the corruption prevention policy. The whistle-blowing line was opened to employees in 2008, and then to stakeholders in 2018.
Training	A compulsory online training programme (e-learning) on the prevention of corruption, available in 18 languages, has been rolled out in all countries; it had been taken by 85% of the employees concerned as at 31 December 2021.
Control and assessment of measures and procedures dedicated to the prevention of corruption	The Group's Internal Control process provides for control procedures on operational activities, in particular for the separation of tasks. Moreover, accounting controls for the prevention of corruption are performed periodically. The implementation of the corruption prevention programme is part of the Internal Control self-assessment process rolled out in operational entities. L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during audit assignments, through individual interviews and specific checks. These interviews are conducted separately with the Country Manager and the Administrative and Financial Director. They give rise to an individual report reviewed and signed by these latter persons.
Due diligences prior to proposed acquisitions	A procedure specific to corruption risks integrates appropriate and proportionate verifications at the different steps of the acquisition process. Responses to the ethics questionnaire submitted to target companies are intended to identify whether corruption risk prevention has been taken into account by the companies.
Third-party due diligences	The third-party management process (customers/suppliers) includes corruption risk. An assessment of corruption risks is conducted on our third parties, and appropriate verifications are implemented, which rely primarily on a dedicated tool. For intermediaries with public authorities, a specific guide has been made available to employees.

A commitment shared with the Group's partners

L'Oréal wants to share its commitment to fight against corruption with its business partners and as such, compliance with the law is included in the Group's general terms of purchase and the new version of the Mutual Ethical Commitment Letter. It moreover reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.

A recognised approach

L'Oréal was recognised for the twelfth time as one of the "World's Most Ethical Companies" by the Ethisphere Institute.

4.3.5. Tax policy

L'Oréal considers that the contribution of taxation is an integral part of its social, environmental and societal responsibility and constitute a way to participate positively to the development of the countries in which the Group operates.

The L'Oréal Group's tax policy forms part of the sustainable development of its business and is based on three pillars: Compliance, Transparency and Legitimacy, as defined in the Internal Tax Charter prepared and distributed around the world.

Compliance

L'Oréal completes its tax declarations and pays its taxes by the deadlines in compliance with the laws and regulations in the countries in which the Group operates. Special vigilance is required on compliance with the rules related to the fight against tax fraud and tax evasion.

L'Oréal is located in countries where it conducts a real operational and commercial activity. If applicable, the Group's presence in certain so-called "tax haven" countries is justified for operational reasons and the development of its activity, and not for tax purposes.

L'Oréal ensures that transactions between Group companies are carried out in compliance with arm's length principle as defined by the OECD and satisfies increasingly digitalized reporting obligations (transfer pricing documentation, country-by-country reporting, etc.).

L'Oréal aims for excellence in tax compliance.

Transparency

L'Oréal establishes and maintains relations with Tax and Customs Authorities based on transparency pursuant to the Group's "zero tolerance" rule on corruption. L'Oréal also develops a constructive relationship with Tax and Customs Authorities, a relationship based on the principles of co-operation and mutual respect. L'Oréal responds appropriately and promptly to requests from the tax authorities regarding the exchange of information and in compliance with tax conventions.

Where permitted to do so by governments, L'Oréal joins the cooperative compliance programmes launched by the tax authorities. For example, the trust relationship ("relation de confiance") with the French tax authorities.

In addition, the Group may contribute to the analysis of legislative changes at the request of Tax and Customs Authorities or professional associations requested for said changes. Consequently, the Group takes part in OECD working groups relating to pillars 1 and 2.

L'Oréal takes into consideration global challenges and standards in terms of tax transparency. In particular, it adheres to the reporting recommendations of the GRI (Global Reporting Initiative) and, more specifically, standards GRI 207-1, GRI 207-2 and GRI 207-3.

L'Oréal is also a member of the European Business Tax Forum (EBTF), a European companies association that seeks to increase transparency in the tax debate.

Legitimacy

L'Oréal legitimately applies the most relevant tax treatment, in accordance with the economic reality, operational objectives and the laws in force.

In an evolving international tax environment, the positions taken by the Group may be questioned and subject to tax and customs audits by local authorities. If there is disagreement with a Tax or Customs Authority, L'Oréal is able to legitimately defend its interpretation of the law, prove its good faith and, as needed, bring the disputes to court.

A regular review of tax risks carried out by the Group's Tax Department in contact with the local financial teams enables the risks to be assessed, resulting, if applicable, to the recognition of a provision. The main tax risks are reported to the General Management and the Audit Committee.

Organisation

Compliance with these three pillars is ensured by centralised expertise and a strong geographical presence of tax function in the countries.

Tax compliance falls under the responsibility of the Chief Financial Officers, backed up and relayed by the Tax and Accounting Departments. These Departments, assisted where applicable by external advisors, monitor changes in tax regulations to ensure that the Group complies with these regulations.

Centralised expertise

Within the Department of Operational Finance, the Group Tax Department ensures compliance with the Tax Policy in collaboration with the Finance Departments through the relay of different group-wide tax experts:

- Intra-group Transactions & Customs, which ensures compliance with tax and customs standards and secures the prices of intra-group transactions and the related documentation;
- Analytics & Compliance, which analyses, verifies and informs on the Group's compliance and global tax liability;
- M&A, which assists and provides tax advice on proposed merger-acquisition projects.

In order to enhance these centres of expertise, two new functions were created in 2021:

- Tax Digitalisation which will support digital tax compliance projects in accordance with tax regulations in this area; and
- Tax Governance, in order to ensure the correct deployment of the Group's tax policy.

A strong geographical presence

In the zones and countries, the tax function is directly represented in 30 countries by local tax departments operating under the accountability of the Country/Zone Chief Financial Officer. The Tax Directors have different responsibilities:

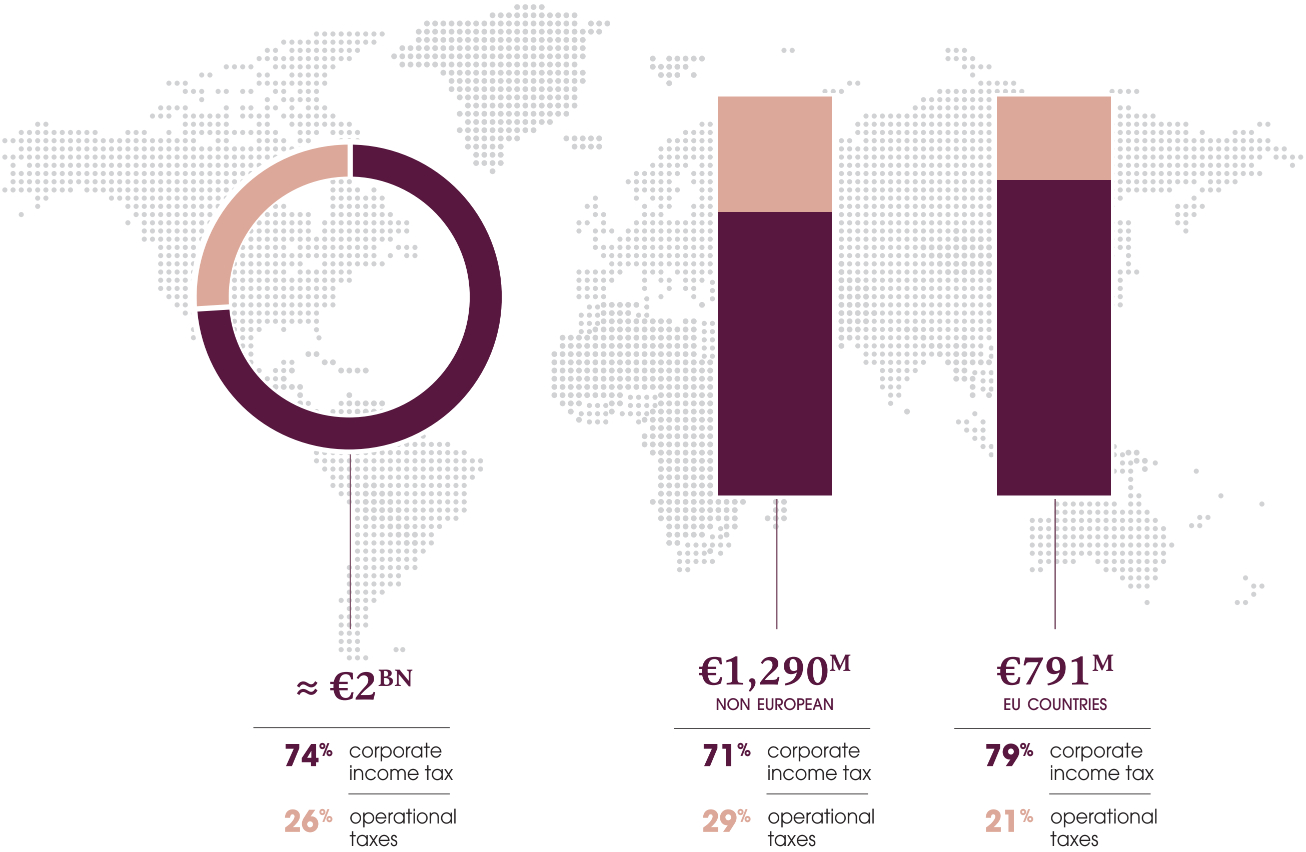
- respect for compliance rules in collaboration with the accounting departments;
- assistance and tax advice to the operational teams in the context of their projects;
- tax directives, ongoing training and pedagogy with other parties;
- management of the tax contribution;
- management of tax and customs risks, controls, claims and litigations;
- relations with the Tax and Customs Authorities and the other public authorities; and
- tax watch and best practices, which implies dialogue with peers, professional associations, external auditors and law firms.

This matrix organisation, combined with the Group's tax policy respect, are the basis of successful management of the tax burden and a responsible tax practice.

2021 tax contribution

In 2021, the amount of tax L'Oréal paid to governments and local authorities was €2 billion. In addition to income tax, L'Oréal pays and levies numerous taxes and contributions such as sales and purchase taxes, environmental taxes, property taxes and other local taxes.

The Group's tax footprint, consistent with its operational and geographical footprint, breaks down as follows in 2021:



4.4. L'ORÉAL FOR THE FUTURE: 2021 RESULTS

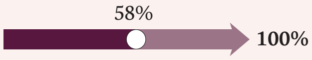
The L'Oréal for the Future programme marks the launch of a new phase of L'Oréal's sustainable development approach, with the intention of building on the Group's earlier achievements to accelerate its transformation towards an increasingly sustainable business model. 2021 is the first reporting year for the programme.

■ Results 2021 ■ Targets

Transforming our business

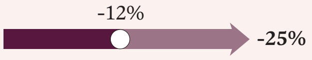
CLIMATE

By 2025, all our sites will achieve carbon neutrality by improving energy efficiency and using 100% renewable energy▲.



2020 Results: 43%

By 2030, we will innovate to enable our consumers to reduce their greenhouse gas emissions resulting from the use of our products by 25% compared to 2016, on average and per finished product(1).



2020 Results: -12%

By 2030, we will reduce by 50% on average and per finished product, the greenhouse gas emissions linked to the transport of our products, compared to 2016▲.

2020 Results: +17%

By 2030, our strategic suppliers will reduce their direct emissions (scopes 1 and 2) by 50% in absolute terms, compared to 2016.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

WATER

By 2030, we will evaluate all formulas thanks to our environmental test platform to guarantee they are respectful of all aquatic ecosystems, whether continental or coastal.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

By 2030, we will innovate to enable our consumers to reduce by 25%, on average and per finished product, the water consumption linked to the use of our products, compared to 2016(2).

2020 Results: +6%

By 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop▲(3).

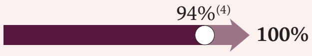
2020 Results: 12%

By 2030, all our strategic suppliers will use water sustainably in the areas where they operate.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

BIODIVERSITY

By 2030, 100% of the biobased ingredients for formulas and packaging materials will be traceable and will come from sustainable sources, none of them will be linked to deforestation▲(4).



2020 Results: 91%(4)

By 2030, the Group will hold flat the total land occupancy vital to the sourcing of our ingredients, compared to 2019.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

By 2030, 100% of our industrial sites and all our operated buildings will have a positive impact on biodiversity compared to 2019.

The Group will report on this indicator in 2022 as the methodology was defined in 2021.

▲ These indicators are used to assess the performance of L'Oréal's Chief Executive Officer – see section 2.4. "Remuneration of directors and corporate officers" of this document.

(1) *Unit used: TCO_2eq./kg of formulas sold.*

(2) *Unit used: L/Kg of formulas sold.*

(3) *Waterloop factories.*

(4) *The ingredients of biobased formulas are traceable and come from sustainable sources.*

RESOURCES

By 2030, 95% of our ingredients in formulas will be biobased, derived from abundant minerals or from circular processes▲.	60%	**95%**	
By 2030, 100% of the plastic used in our packaging will be either from recycled or biobased sources (we will reach 50% by 2025)▲.	21%	**100%**	2020 Results: 15%
By 2030, we will reduce by 20% in intensity the quantity of packaging used for our products, compared to 2019.	-3%	**-20%**	2020 Results: -8%
By 2025, 100% of our plastic packaging will be refillable, reusable, recyclable or compostable.	39%	**100%**	2020 Results: 40%
By 2025, 100% of our new displays will be ecodesigned, taking into account circular economy principles for end of life management.	91%	**100%**	
By 2025, 100% of our new Free Standing Stores will be designed and built following our sustainability principles;	32%	**100%**	
By 2030, 100% of the waste generated in our sites (5) will be recycled or reused.	59%	**100%**	2020 Results: 58%

Empowering our ecosystem in our transformation

By 2030, 100% of our strategic suppliers' employees will be paid at least a living wage covering their basic needs and those of their dependents, calculated in-line with best practices.	*The Group will report on this indicator in 2022 as the methodology was defined in 2021.*		
By 2030, we will have helped 100,000 people from disadvantaged communities gain access to employment▲.	13,946	**100,000 people**	
By 2030, 3 million people will have benefited from our brands' social engagement programmes.	985,089	**3 million**	
By 2022, the Product Environmental and Social Labelling system will apply to all the Group's rinse-off products(6).	76%	**100%**	
By 2030, all Group products will be eco-designed▲.	96%	**100%**	2020 Results: 96%

Contribute to solving the challenges of the world

By 2023, we will have invested €50 million to support highly vulnerable women.	12 million	**50 million**
By 2030, the L'Oréal fund for Nature Regeneration will have invested €50 million to help restore 1 million hectares of degraded ecosystems.	2 million	**50 million**
By 2030, the Fund will have helped capture 15 to 20 million tonnes of CO_2 and we will have created hundreds of jobs opportunities.	*The impacts in terms of CO_2 and job creation will be measured and published once the projects have reached maturity*	
By 2030, we will have invested €50 million to finance projects that will help promote a more circular economy.	*The Fund will construct and deploy its investment portfolio from 2022.*	

(5) *Industrial sites.*

(6) *In 2021, an environmental impact score was calculated for 76% of the Group's rinse-off products; labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.*

4.5. METHODOLOGICAL NOTES

4.5.1. Social and health and safety data

4.5.1.1. Social data

4.5.1.1.1. Scope of consolidation

The employees indicated and their breakdown correspond to the total headcount(1).

Employees in the Retail Excellence 4, Thermes de La Roche Posay, Saint Gervais Mont Blanc, Ecole OA and Mugler Fashion entities, a total of 444 employees, are included in the total workforce. The different distributions of these employees are calculated in proportion to the distribution of France employees. They are excluded from the indicators on diversity, training, minimum salaries and the number of collective agreements.

4.5.1.1.2. Indicators

The indicators chosen are those used in the management of employees and of the social aspects of the Company. They reflect the results of the Human Resources policy.

4.5.1.1.3. Data

Four methods are used to collect data for the defined scope:

- most of the data are collected using the dedicated "Country Reporting" Intranet, available in all countries in which there is a L'Oréal subsidiary. The system covers several topics: employees, training, absenteeism, labour relations, the L'Oréal Share & Care programme, remuneration, diversity, recruitment, freedom of association and profit sharing. At the beginning of each financial year, the local Human Resources Directors provide the required data for the previous year;
- other data are collected by each department concerned (i.e. Training, Recruitment) using dedicated systems which follow the same operational and dissemination approach;
- if information is not consolidated for the entire scope of the Cosmetics Division, it can be extrapolated from the available results for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative; and
- lastly, the data relating to specific populations (expatriates, key positions, etc.) are gathered from the "CAROL" online career monitoring system, deployed in all subsidiaries of the Cosmetics Division.

The number of employees trained is calculated on the basis of all types of training format and length. Trained employees include the total number of employees (including those who left the Group during the year) who took at least one training course during the year, including regular users of the MyLearning platform.

Concerning the L'Oréal Share & Care indicator relating to healthcare coverage, the best practices in the countries are regularly evaluated in each country in which the Group is present.

For absenteeism because of illness, the scope and methodology of the indicator have not changed over the past three years. The 2019 and 2020 values for illness absenteeism were corrected (2.2% instead of 2.0%), as a result of a material error that was made in 2019 and 2020.

A process of continuous improvement of these systems has been put in place. They are reviewed each year, taking into account the Statutory Auditors' recommendations and the monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition and their communication, monitoring and control process.

4.5.1.2. Health and safety data

4.5.1.2.1. Scope of consolidation

The safety indicators relate to all sites: factories, distribution centres, administrative sites, research centres and stores, as well as sales forces.

Safety reporting covers 100% of the plants, distribution centres, administrative sites, research centres, sales forces and stores.

At year-end 2021, 173 administrative sites and research centres, sales forces and stores participated in the reporting.

To achieve better monitoring of accident history by type of site, safety reporting from administrative sites has been refined in recent years by being split into three categories: administrative sites with only one strictly administrative staff; sales forces for travelling staff; stores for in-store beauty consultants managed by L'Oréal.

The safety indicators of the factories, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The factories, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems.

4.5.1.2.2. Indicators

The indicators applied are those used in the management of the Group's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Hours worked report the time during which the staff is exposed to professional risks, including remote work or the equivalent. They include overtime hours. However, they do not include holidays and days of absence (illness, paid holidays).

---

(1) The subsidiaries in Venezuela were deconsolidated at 31 December 2015. Certain acquisitions/subsidiaries (Modiface, Stylenanda Japan, Takami Cosmetics, Côte d'Ivoire, Bangladesh, Luxembourg), whose information systems have not yet been integrated in the Group's system, are excluded from the reporting. They represent 0.19% of the Group's employees.

4.5.1.2.3. Data

The following method is used to collect data for the defined scope:

The health and safety data are collected using the dedicated site reporting Intranet system, available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site or zone must validate the accuracy of all the data provided.

A process of continuous improvement of these systems has been put in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.1.3. Environmental data

4.5.1.3.1. Scope of consolidation

The environmental indicators cover all sites: factories, distribution centres, administrative sites and research centres.

Environmental reporting covers 100% of the plants, distribution centres, administrative sites and research centres with more than 50 people for these last two types of site.

The environmental indicators of the factories, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The factories, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems.

The indicators do not take into account the impacts of exceptional incidents or events caused externally (construction, extension work, etc.) not linked to the site's activity in terms of water and energy consumption and waste production. Similarly, in the special case where a subcontractor is located geographically on the sites, its impacts are not taken into account.

In order to cover all of the Group's impacts, environmental reporting was extended to the Group's administrative sites and research centres in 2016. In 2021, 87 administrative sites and research centres participated in the reporting. Some sites that share their premises with other companies are unable to obtain certain information: 100% of these sites provided information on energy consumption and CO_2 emissions, 99% of the sites reported their water consumption and 92% of the sites reported their quantity of waste.

The sites of Vichy and La Roche Posay are part of a unique legal entity (CAP) but are accounted for as two Group factories.

Four Group factories contain a logistics centre in their building: these four logistics centres are not included in the count of the total number of Group logistics centres.

4.5.1.3.2. Indicators

The indicators chosen are those used in the management of the Company's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Activity: the activity of L'Oréal sites is measured on the basis of finished goods for industrial sites and hours worked for administrative sites and research centres.

The production units included are the equivalent units produced on-site or affected by occasional subcontracting.

Hours worked are the hours performed on-site, thus excluding remote working hours.

Greenhouse gases: The Group's CO_2 emissions are calculated in accordance with the concepts defined by the GHG protocol, and monitored according to the Market-Based CO_2 indicator.

With the desire for comparability, the data on CO_2 emissions for the 2005 baseline provided have been updated in light of these rules (recalculated on the basis of a constant scope). The calculation of the 2005 baseline is based on the 2003 emission factors of local electricity suppliers – when they are available. When the emission factors are not available, IEA (International Energy Agency) and eGRID(1) emission factors , available in 2006, corresponding to IEA factors for 2003 and EPA(2) (eGRID) factors for 2000, are used. For the estimates for the following years, the emission factor used follows the GHG Protocol rules: in general, the factor provided by the supplier, which is the most accurate; if it is not known, the regional emission factor is used or failing this, the IEA emissions factor (the 2018 IEA edition with the 2016 emission factor for emissions since 2019).

Remarks concerning the level of uncertainty depending on the Scopes in question:

Scopes 1 and 2: The level of uncertainty at the Group level is approximately 1% for plants and distribution centres, and 5% for administrative sites and research centres.

Scope 3: The highest level of uncertainty in a GHG assessment concerns the Scope 3 estimate given the number and nature of the data necessary for calculating it (emission factors for the energy used to heat the water necessary for the usage phase of our rinse-off products all over the world, the quantity of water necessary for rinsing, CO_2 emissions of our raw materials and packaging suppliers, distances travelled for transportation, etc.).

Because measurement of the global CO_2 impact of the Group's business activities is essential information in light of the commitments made to fight climate change, efforts are made year after year to increase the reliability of these data. The level of uncertainty of the Group's Scope 3 emissions is estimated to be between 20% and 30%.

This suggests that, unlike Scopes 1 and 2, the changes in Scope 3 emissions from one year to the next may relate more to the quality of the data collected and the methods of calculation used than to a real measurement of change in performance. This margin of uncertainty with regard to Scope 3 is a reality for all companies, and does not make it possible to consider this data as an adequate benchmark or method of performance assessment.

---

(1) Emissions & Generation Resource Integrated Database.

(2) Environmental Protection Agency.

Carbon Neutrality: see section 4.3.1.1.3 "Fighting climate change on operated sites" of this document. The Vichy and La Roche Posay sites are part of a unique legal entity (CAP) but are recognised as two Group factories, including in the recognition of sites that have achieved carbon neutrality.

In 2021, an R134a leak of 171 kg, corresponding to 222 tonnes of CO_2 equivalent, occurred at the North Little Rock distribution centre following the installation of new equipment. Investigations were carried out with the supplier of this equipment, which accepted responsibility for non-conformity of the delivered equipment, which was defective by design. The supplier replaced this equipment and no further leaks were recorded at this site in 2021. L'Oréal decided to consider this case as an exception to the rule of carbon neutrality and to maintain this status in 2021 for the North Little Rock distribution centre.

Wastewater: For industrial sites, the Chemical Oxygen Demand (COD) covers the volumes of wastewater leaving the site, whether or not they have been treated on the site.

Waterloop: see the Waterloop Factory concept in section 4.3.1.1.4 "Preserving the water resource on operated sites" of this document. Exceptions to the definition of Waterloop status may be authorised if they are approved by the Operations Department: these exceptions are related to regulatory constraints (e.g. requirements of the Food and Drug Administration) or Group quality requirements.

Biodiversity: biodiversity inventories that describe the actual situation of the sites in terms of species and habitats present in the zone studied must be carried out by a certified organisation at least every three years with specific interim follow-ups.

Waste: L'Oréal includes everything in its transportable waste that comes out of a factory or a distribution centre and which is not a finished or semi-finished product (the following examples are included for a factory: raw material packaging or filling and packing components, sludge from wastewater treatment plants, broken pallets, etc.).

In order to improve the system of waste performance monitoring and exhaustively record the waste generated by the use of returnable packaging, a system of recording returnable packaging at source was put in place in 2014. L'Oréal thus records the weight of its returnable packaging at source in transportable waste, with each of the sites being responsible for maximising the number of rotations. The recording of the weight of returnable packaging at source is a measure intended to encourage rotation of this returnable packaging and contributes, through its reuse, to increasing its useful life.

Sites that no longer send any waste for destruction or to landfill are considered to have attained a 100% recovery rate.

The material recovery index corresponds to the quantity of waste, reused or recycled, divided by the total amount of waste generated, excluding returnable packaging at source, including the returnable packaging in rotation, excluding waste sent to landfill due to regulatory obligations.

The recovery index corresponds to the quantity of waste recovered, whether material or energy, divided by the total amount of waste generated excluding returnable packaging at source, including returnable packaging in rotation, excluding waste sent to landfill due to regulatory obligations.

To obtain a more accurate understanding of the recovery and material recovery indices, these indicators are calculated excluding the transport pallets that would otherwise represent a significant share of the returnable packaging in rotation.

Since 2021, waste generation no longer includes the sludge from the wastewater treatment plans at the Group's sites.

Energy: the energy produced by the heat pumps that comes from geothermy is no longer counted in the Group's total energy consumption; the energy necessary for the operation of this equipment is, however, included in the Group's energy consumption.

4.5.1.3.3. Data

The collection of data for the defined scope uses the following method: environmental data are collected using the dedicated Intranet-based site reporting system, available in all countries where L'Oréal has a subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site or zone must validate the accuracy of all the data provided.

A process of continuous improvement of these systems has been put in place. They are reviewed each year by the Statutory Auditors and modified taking into account their recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition and the communication, monitoring and control process.

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.2. L'Oréal for the Future data

4.5.2.1. Transforming the Group's activities

Reduction of greenhouse gas emissions from the transport of finished products

The scope considered includes the transport of the Group's finished and promotional products from its production sites to the first point of delivery to its customers. Deliveries made directly to its consumers are excluded.

The period considered is 12 months, between 1 November of year n-1 and 31 October of year n. The calculation methodology employed uses greenhouse gas emissions factors (in grams of CO_2 equivalent per ton of merchandise transported and per km travelled), which depend on the mode of transport and the type of energy used.

These were updated in 2021 by the Quantis company considering best practice with regard to current technological knowledge.

Respecting biodiversity - Traceable biobased ingredients from a sustainable source

The calculation of the percentage of biobased ingredients for traced formulas from a sustainable source is based on the following definitions:

- a raw material is considered to be biobased when more than 50% of the carbons it contains are of plant origin (according to ISO 16 128);
- an ingredient is considered traced when the following three pieces of information are available: the botanical species, the country in which it grows or is collected, the growing or collection method;
- an ingredient is considered to be sustainably sourced when, on the basis of the elements of traceability, it has been analysed for environmental and social risk (SCAN Index);
  - either no risk has been identified and the raw material is considered to be sustainably sourced,
  - or risks have been identified and an adapted action plan must have been put in place with this supplier. This action plan must have been verified by an independent third party (e.g., audit, certification, land project established with the support of an NGO) that verifies compliance with the basic and progressive criteria of sustainable sourcing of the Group's raw materials.

This indicator is calculated on the basis of actual purchases between January and November 2021.

Reduction of the water consumption related to the use of the products

Scope of consolidation refers to the data on the products sold over a period of 12 months from 1 January to 31 December of 2021.

The calculation of this indicator is based on the evaluation of the volume of water necessary-in other words, the value calculated on the basis of an average water volume necessary per usage dose-for the use of the Group's products by consumers. These data are provided by the IDG management software, which is the source of the data used for the economic results and which contains all the figures for worldwide sales of finished products, both rinse-off and leave-in. The only exception is samples, which are not products sold and are therefore not taken into account.

Eco-designed products – SPOT

Eco-designed products are new or renovated products that have an improved environmental or social profile. The indicator covers the Group's scope and concerns new or renovated products by production centres that were manufactured by the Group's factories or subcontractors and that had an availability date at the distribution centre scheduled for between 1 January 2021 and 31 December 2021. The analysis concerns all international brands that were in the Group before 2013. The following are excluded from the scope: all products that were designed or renovated but not yet produced, full-buy products (i.e. products not packaged at L'Oréal but purchased as FP from a supplier), products not for sale (i.e. samples, testers and one shots), promo products and any brand acquisition made after 2013 that had not yet fully integrated the product design ecosystem (e.g. LOGOCOS, THAYERS, TAKAMI, etc.) or new creation. The indicator covers products with formulas/packaging that have been developed and produced for the first time, products with formulas/packaging that were renovated in 2021 or products that have been improved in terms of the social component.

Ingredients in formulas are from biobased sources, derived from abundant materials or from circular processes

Scope of consolidation

The scope of consolidation corresponds to the twelve months of 2021. The scope corresponds to the cosmetic products manufactured in the L'Oréal factories and the purchases of finished products from subcontractors. The scope of the L'Oréal factories covers only the factories operating under the SAP WISE system, which permits the feedback of information via the IDG information system. To date, there are only four Group factories that are outside the scope (India: factories in Pune and Badi), the Magdal factory in Israel and the Nairobi factory in Kenya). Thus, reporting covers 99.4% of production from our factories. This indicator is evaluated for all the Group's active formulas and is calculated on the basis of the data on production volume. The data are processed, including consistency checks and correction of anomalies if necessary.

Data

Calculation of this indicator relies solely on the dry material, excluding the "water" used in certain formulations.

There are three elements that are calculated independently:

- The biobased portion: this represents the percentage of raw materials of renewable origin in our portfolio according to the definition of ISO 16 128.
- The abundant mineral portion: this refers to the percentage of ingredients of mineral origin, the abundance of which allows sustainable use and the inorganic ingredients (non-mineral and not containing any carbon atoms, oxygenated water for example) obtained by green processes. The definition of abundant minerals is established by the Raw Materials Department (DIMP) with the assistance of an expert consultant from the French Bureau of Geological and Mining Research (Bureau de recherches géologiques et minières - BRGM). An initial list was available at the start of 2022 that covers 40% in volume of the minerals used by the Group (characterising 463 raw materials). This list will be updated during the coming years (updateable list)
- The circular process portion: the definition of this sub-element is still being established by the Raw Materials Department (DIMP) with the assistance of experts and will be available in the near future.

Resources – Data on packaging indicators

Scope of consolidation

The packaging data cover all the finished products leaving the factories, with the exception of certain finished products for which the data are not yet linked to the central information systems, such as MINDS. This is the case for the products from the factories in Migdal, Nairobi, Funza or Salzhelmmendorf, for certain subcontracted products from recent acquisitions, and packaging specific to Travel Retail. These packaging data exclude POS /PLV materials.

Indicators

1. **Percentage of created or renovated products had an improved environmental profile due to improved packaging**

SPOT: The proportion of new or updated products whose environmental profile has been improved are reported annually; this is calculated by the SPOT tool. For a new product, improvement is measured in relation to an average of the brand's existing and comparable products; for an updated product, improvement is measured and compared to the earlier product.

2. **Percentage of labelled paper and cardboard**

The data on the percentage of FSC labelled paper and cardboard (sourced from wood derivatives) comes from tracking the supplies of all suppliers: the Group's sourcing entities demand that each of their suppliers complete the information on tonnage and provide the related certifications. The data are aggregated by the central sourcing department.

3. **Reduction in intensity of the quantity of packaging used for the Group's products**

The reduction in packaging intensity is measured in packaging weight divided by the weight of the formula. The unit is g/g and scope is all the packaging leaving a factory (primary, secondary or tertiary). The reduction in intensity is calculated from specification systems for filling, packing and production articles. The data are aggregated at the global level by the data management teams.

4. **Percentage of plastic packaging recycled or from biobased sources**

The tonnages of plastic materials recycled or from biobased sources used in the products come from specification systems for the filling and packing articles and the production of finished products, and are aggregated at the global level by the data management teams. The portion of recycled plastic is an actual rate of recycled material in the packaging: it does not come from a *mass balance certification system.* The scope of this indicator is all packaging leaving the factory (primary, secondary and tertiary).

5. **Percentage of plastic packaging that is refillable, reusable, recyclable or compostable**

The definition of refillable, reusable, recyclable or compostable packaging follows the definitions of the Ellen Mc Arthur Foundation described in the document "New Plastics Economy Global Commitment – Reporting Guidelines April 2021". These definitions are taken account of in the Group's data management systems, which allows identification and counting of the quantities.

Data

The following method is used to collect data for the defined scope: the different indicators come from product specification systems linked to the production management tools. The data are extracted and recovered by the data management teams who aggregate them globally using a centralised IT tool. It is the Sustainability entity of the Department of Packaging Operations and Development that verifies all the elements and the figures.

Eco-designed advertising displays at points of sale

The scope of consolidation for POS eco-design covers POS purchasing expenses (display, advertising elements at the points of sale) in the countries in which a L'Oréal subsidiary that has a Sourcing team is established. Every year the Sourcing teams in question report the POS expense and the % of conformity with eco-design "Must Haves".

The Country data are collected using the intranet systems dedicated to reporting by "Reporting 21" country, which can be accessed by each Sourcing team in the countries. Each Sourcing team is responsible for compiling the data of the team's Country, and must validate the accuracy of the data communicated. The data are also validated by the Sourcing Zones. The indicator is consolidated at the Group level by the Global Retail Sourcing teams. In 2021, 53 Entities (Country or Hub) participated in the reporting.

The Sourcing teams and suppliers concerned are trained in eco-design, including the associated data collection process. The process is defined and explained every year to the teams responsible. The percentage of eco-designed POS is calculated in accordance with a self-declared statement from the suppliers trained in eco-design. It is reviewed by the Statutory Auditors whose recommendations are used for continuous improvement of the systems.

Eco-design of owned stores and points of sale

Scope of consolidation

The scope considered includes the Group's new and renovated free-standing stores over a global scope. The period considered is 12 months, from 1 January to 31 December of the current year. A store is considered ecodesigned if the ecodesign rate exceeds 100% or if the store is LEED Gold certified.

The ecodesign rate of the free-standing stores is calculated on the basis of the process tracking and the documentation of the Sustainable Retail Box checklist and according to a self-declaration of the conformity of said points of sale, unless the store holds an external LEED certification.

Data

At the time the data are compiled, each country team is responsible for verifying the accuracy of all data communicated to the teams of each of the geographic zones. Ecodesign is the subject of training for the teams monitoring the process and the documentation of the "Sustainable Retail Box" checklist.

A process of continuous improvement of these systems has been put in place. They are reviewed every year by the Statutory Auditors and modified by taking into consideration their recommendations and follow-up objectives for the following years.

4.5.2.2. Empowering the Group's business ecosystem

Beneficiaries of the Solidarity Sourcing programme

Scope of consolidation

The period considered is 12 months from 1 January to 31 December of the current year over a worldwide scope.

Conditions apply and must be met in order to be counted as a beneficiary of the Solidarity Sourcing programme:

- Workers from economically or socially disadvantaged communities who work at the Group's suppliers and their subcontractors;
- The supplier must also produce materials, goods or services purchased by L'Oréal; in other words, the work hours are assignable to the Group;
- Finally, being counted as a beneficiary requires meeting at least one of the following two criteria: access to and remaining in a permanent job if their community is generally excluded or under-represented in the activity and, as applicable, a substantial and lasting improvement in income thanks to the activity associated with the "Solidarity Sourcing" programme.

Data

In the majority of projects, the counting methodology is based on the number of full-time equivalents (FTE) under local regulations and on the basis of a full year. The FTE number is proportional to L'Oréal's weight in the supplier's business activity. Thus, the number of beneficiaries of the "Solidarity Sourcing" programme who work at a supplier is calculated as a proportion of the payroll of the supplier who participates in the production of L'Oréal products. However, if the supplier's employees work for customers other than L'Oréal, it is then the amount of the orders in relation to the supplier's total revenue that determines the number of hours assigned to the L'Oréal production.

A specific feature should be noted for projects related to sustainable sourcing of raw materials (e.g. Projects based on fair trade principles); the unit of measurement of the beneficiaries is not FTE, but the number of producers concerned. The supplier, with the assistance of an independent third party, defines a threshold at which the project has a significant impact on the target community with respect to the local situation (for example, living conditions or income). It is then possible to count the beneficiary workforce for said project resulting from the "Solidarity Sourcing" programme.

People from very difficult social or economic situations trained in beauty professions.

Scope of consolidation

This indicator is calculated over a global scope using annual data and a sliding total over four years.

This is the number of people trained (beneficiaries) within the *Beauty for a Better Life* programme implemented by the partner structures (NGOs, etc.) between 1 January and 31 December 2021.

Data

The data collection is performed by managers of the programme at L'Oréal's subsidiaries on the basis of the information and a certificate of compliance transmitted to them by the partner structures. The data are collected and consolidated by the Foundation teams (within the Department of Corporate Responsibility) that perform consistency controls.

People in very difficult social or economic situations who have benefited from beauty care and wellbeing treatments

Scope of consolidation

This indicator is calculated over a France scope using annual data. This is the number of people who have benefited from beauty care under the Beauty for a Better Life programme implemented by the partner structures (NGOs, etc.) between 1 January and 31 December 2021.

Data

The data are collected by the programme's partners structures. The data are collected and consolidated by the Foundation teams (within the Department of Corporate Responsibility) that perform consistency controls.

Beneficiaries of our brands' social engagement programmes

Scope of consolidation

This indicator is calculated over a scope limited to the brands that have social engagement programmes. The scope excludes the brands' environmental programmes. Also excluded from the scope of consolidation are product donations and media awareness-raising campaigns.

Data

The following method is used to collect data for the defined scope: in order to be counted, a beneficiary must be directly supported by a NGO partner of the brand's programme or have received training from the brand or the NGO partner of the brand's programme. The data are collected and consolidated by each Marketing department and each subsidiary, which must validate the accuracy of all the data consolidated and communicated.

Displaying the environmental and social impact of the products

Scope of consolidation

The indicators concern all rinse-off products that belong to one of the following categories: Shampoo, Conditioner & Masks, Leave-in care & Oil, Colouring, Face Cleanser, or Body Cleanser manufactured in the year 2021 over a Group scope. The indicators do not count the Hand Cleanser and Rinse-off Shave Cream categories.

The indicators used are those used in the application of the Product Impact Labelling (PIL) methodology. They reflect the results of the Group's policy for measuring the environmental and social impact of the products. The calculation method and the data are verified by independent auditors.

Data

The data for the defined scope is collected by the Operations Department using SPOT (Sustainable Product Optimization Tool).

4.5.2.3. Contribute to solving the challenges of the world

Supporting the most vulnerable women

Scope of consolidation

This indicator is calculated over a global scope using data accumulated since the Fund was launched. It is the number of structures (NGOs, etc.) supported by the Fund, the number of women directly supported by these structures with the assistance of the Fund, and the budget in euros allocated since the launch of the Fund.

Data

Data is collected by the structures supported by the Fund which have used all or a portion of the budget allocated during the reference period. The data are collected and consolidated by the Fund teams (within the Department of Corporate Responsibility), who perform consistency controls on the basis of the information reported and a certificate of conformity transmitted by the partner structures.

The budget allocated is monitored and consolidated by the Fund's teams within the Department of Corporate Responsibility in cooperation with the Finance team of the Founder (L'Oréal).

4.5.3. Human Rights data

4.5.3.1. Scope of consolidation

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

4.5.3.2. Indicators

The indicators chosen are those within the scope of the applicable regulations, with in particular the aim of data comparability.

4.5.3.3. Data

The following methods are used to collect data for the defined scope:

- the data relating to Ethics and Human Rights for L'Oréal subsidiaries is collected by the Ethics, Risk and Compliance Department using the Annual Ethics Reporting platform. The scope is aligned with individual company data unless otherwise indicated for each indicator in the report;
- Human Rights data for the employees of the Group's suppliers are consolidated by the Purchasing Department and collected during social audits by an independent and accredited third party that carries out the audits and shares the data collected as well as the audit reports; and
- the other data are collected from the corporate departments concerned (Corporate Social Responsibility, Worldwide Product Safety Evaluation, Ethics, Risk and Compliance, and the L'Oréal Foundation).

4.6. CROSS-REFERENCE TABLES, INCLUDING NFIS AND GHG FOOTPRINT

4.6.1. Table of concordance for reporting standards in respect of social, environmental and societal matters

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP and SDGs
	PRINCIPLES	
4.5.	Methodological notes	
4.7.	Opinion on the compliance and true and fair nature of the information	
1.2.	Business model	
	MAIN RISKS	
4.2.2.	● Environment	#9 to 11
4.2.2.	● Human resources	#6 to 8
4.2.2.	● Human Rights	#3 to 5
4.2.2.	● The fight against corruption	#12 to 14
177	● The fight against tax evasion	#12 to 14
	POLICIES, INDICATORS, RESULTS	
4.3.1.	● Environment	#9 to 11
4.3.2.	● Human resources	#6 to 8
4.3.3.	● Human Rights	#3 to 5
4.3.4.	● The fight against corruption	#12 to 14
4.3.5.	● The fight against tax evasion	#12 to 14
	INFORMATION AND COMMITMENTS	
4.3.1.3., 4.3.1.4., 4.3.1.5.	Consequences on climate change	#9 to 11
4.3.2.4., 4.3.3.4.	Collective agreements concluded within the company	#6 to 8
4.3.1.2.2., 4.3.1.3.1., 4.3.2.1., 4.3.2.4.	Working conditions of employees	#3 to 8, SDG 8,10
4.3.2.6.	Measures to combat discrimination and promote diversity	#3 to 5 and #A to D, SDG 5,10
4.3.2.6.	Measures in favour of disabled people	#3 to 8 and #A to D, SDG 8,10
	SOCIETAL COMMITMENTS IN FAVOUR OF	
4.3.1.	● Sustainable Development	#9 to 11, SDG 7,9,12,13,15,16
1.2.7., 4.3.1.1.6., 4.3.1.5.1.	● Circular economy	#9 to 11, SDG 12
4.3.1.1.6	● Fight against food waste	#9 to 11, SDG 12
4.3.1.1.6	● Fight against food insecurity	#9 to 11, SDG 1,8
28 , 4.3.1.3.2.	● Respect for animal welfare	SDG 14.15
4.3.1.1.6	● Responsible, fair and sustainable food	
	SOCIAL, ENVIRONMENTAL, AND SOCIETAL INFORMATION	
	SOCIAL INFORMATION	
	Employment	#3 to 8 and #A, #D
230	● Total workforce	
230-231	● Distribution of employees by gender, by age and by geographic zone	#A, SDG 5
232 , 4.3.2.2.	● Recruitments	#6 to 8
232	● Dismissals	#6 to 8
4.3.2.5.	● **Remuneration and trends**	#3 to 8, #A
	Work organisation	#3 to 8
4.3.2.4.	● Organisation of working time	
232	● Absenteeism	
	Social relation	#3 to 8
4.3.2.4.	● Organisation of the social dialogue	
4.3.2.4.	● Situation with regard to collective agreements	
	Health & Safety	#3 to 8
4.3.2.1., 4.3.2.4.	● Health and safety conditions at work	
4.3.2.4.	● Status report on agreements signed with trade union organisations with regard to health and safety at work	#3 to 8 and #15 to 18
4.3.2.1.	● Frequency and severity of occupational injuries	
4.3.2.1.	● Occupational diseases	

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP and SDGs
	Training	#3 to 8
4.3.2.3.	● Training policy implemented	
4.3.2.3.	● Total number of training hours	
	Equality of treatment	#3 to 8 and #A, #D, #I SDG 5,10
4.3.2.6.	● Measures taken to promote gender equality	#3 to 8 and #A, #D, SDG 5,10
4.3.2.6.	● Measures taken in favour of employment and professional insertion of the disabled	#3 to 5 and #A to D, SDG 10
4.3.2.6., 236	● Policy to combat discrimination	#3 to 5 and #A to D, SDG 10
	Promotion & compliance with the ILO conventions	#3 to 8 and #A, #D, #I
4.3.3. , 221-222	● Compliance with freedom of association and the right to collective bargaining	#3 to 8 and #A, #D, #I
4.3.2.6.	● Elimination of employment and professional discrimination	#3 to 8 and #A, #D, #I SDG 5, 8, 10
4.3.3. , 221-222	● Elimination of forced or compulsory labour	#3 to 8 and #A, #D, #I
4.3.3. , 221-222	● Effective abolition of child labour	#3 to 8 and #A, #D, #I
	ENVIRONMENTAL INFORMATION	
	General environmental policy	#9 to 11
4.3.1.	● Company structure to take into account environmental issues and, where applicable, environmental evaluation or certification measures	
4.1.1., 4.1.2.	● Training actions and provision of information to employees with regard to environmental protection	
4.3.1.	● Measures to prevent environmental risks and pollution	
188	● Amount of the provisions and cover with regard environmental risks, on condition that this information is not liable to cause serious harm to the Company in a lawsuit in process	
	Pollution	#9 to 11
4.3.1.1.2.	● Means devoted to prevention of environmental risks and pollution	#9 to 11 SDG 6,7,9,11,12,13,14,15
4.3.1.	● Noise disturbances and any other pollution related to an activity	#9 to 11, SDG 9, 11
	Circular economy	#9 to 11, SDG 9,11,12
	(i) Prevention and management of waste	#9 to 11, SDG 9,11,12
1.3.2., 4.3.1.1.3., 4.3.1.1.6., 4.5.2.3.2.	● Measures to prevent, recycle, reuse, other forms of recovery and waste elimination	#9 to 11, SDG 9,11,12
4.3.1.1.6	● Fight against food waste	#9 to 11
	(ii) Sustainable use of resources	#9 to 11, SDG 9,11, 12
1.2.6., 1.3.2., 4.3.1.2.2., 4.3.1.3.1.	● Water consumption and water supply depending on local constraints	#9 to 11, SDG 6
4.3.1.3.,	● Raw material consumption and measures taken to improve efficiency in their use	#9 to 11, SDG 12
1.3.2., 4.3.1., 4.3.1.1.3.,	● Energy consumption, measures taken to improve energy efficiency and use of renewable energies	#9 to 11, SDG 7
4.3.1.1.2., 4.3.1.1.5.	● Soil use	#9 to 11, SDG 7.12
	Climate change	#9 to 11, SDG 13
4.3.1.4.1.	● Significant sources of greenhouse gas emissions generated by the activity, in particular by the use of goods and services produced by the Company	#9 to 11
1.3.2., 4.3.1.1.3., 4.3.1.4.1., 4.3.1.4.2., 4.3.1.4.4.	● Ambitious voluntary medium- and long-term greenhouse gas emission reduction targets and the means implemented to achieve them	#9 to 11, SDG 7.12
4.2.2., 4.3.1., 4.3.1.1.3., 4.3.1.4.4.	● Adaptation to the consequences of climate change	#9 to 11, SDG 13
	Protection of biodiversity	#9 to 11
4.3.1., 4.3.1.1.5.	● Measures taken to preserve or develop biodiversity	#9 to 11, SDG 13,14,15
	SOCIETAL INFORMATION	
	Societal commitments for Sustainable Development	#16 to 18 and #21 and #C
1.3.2., 4.3.1.2.2., 4.3.2.2.	● Impact of the Company's activity on employment and local development	#6 to 8, SDG 11
4.3.1.2.2.	● Impact of the Company's activity on neighbouring or local populations	SDG 11
4.1.2., 4.3.2.4.	● Relationships with the Company's stakeholders and means of dialogue with them	#2 and #16 to 18 and #21
4.1.2., 4.3.1.2.2., 4.3.1.3.2., 4.3.3.6.	● Partnership or philanthropy actions	#15 to 18, SDG 17
	Subcontractors and suppliers	#3 to 11 and #B
1.2.7., 4.3.1.2.2., 4.3.3.6.	● Taking into account social and environmental issues in purchasing policy	#3 to 11
1.2.7., 4.3.1.2.	● Consideration of their social and environmental responsibility in relations with suppliers and subcontractors	#3 to 11

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP and SDGs
	Fair practices	#12 to 14
4.3.4.	● The actions taken to prevent corruption	#12 to 14
4.3.1.3.2.	● The measures taken in favour of consumer health and safety	#6 to 8, SDG 3
4.3.3.	**Other actions taken in favour of Human Rights**	#3 to 5 and #A to D and #I

4.6.2. SASB cross-reference table

Theme	Measurement	Group information	Code
Water management	(1) total water withdrawn (2) total water consumption percentage of each from regions with high or extremely high water stress	Total water drawn: 1,975,083 m^3 – plants % of water drawn from regions with high or extremely high water stress: 19% Total water consumed: 1,089,660m^3 % of water drawn from regions with high or extremely high water stress: 19%	CG-HP-140a.1
	Description of risks associated with water management and discussion of strategies and practices aimed at reducing these risks	L'Oréal has set itself a major objective of fighting climate change and preserving natural resources in the overall exercise of its activity. The Group wants to preserve the water resource throughout its value chain, on its operated sites, but by also engaging its ecosystem in its commitments. See the following sections: 3.5. Risk factors and risk management. 4.3.1.3.1. Eco-designed products.	CG-HP-140a.2
Product performance in terms of the environment, health and safety	Sales from products containing REACH substances of very high concern (SVHC)	L'Oréal has developed a detailed analysis of health and safety risks. It should be noted that the same safety standards are applied worldwide to ensure identical quality across the globe. See the following sections: Product quality and safety: a priority in 4.3.1.3.2 Involving consumers in the Group's transformation. 4.3.2.1. Preserving employee health and safety. 1.5. Internal control and risk management system.	CG-HP-250a.1
	Sales from products containing substances included on the California DTSC Candidate Chemicals List		CG-HP-250a.2
	Discussion on the process for identifying and managing emerging materials and chemicals of concern		CG-HP-250a.3
	Sales from products designed according to the principles of green chemistry	96% of the Group's products are eco-designed and respect the principles of green chemistry. See the following section: 4.3.1.3.1. Eco-designed products	CG-HP-250a.4
Management of the packaging life cycle	(1) Total weight of packaging (2) percentage of packaging composed of recycled and/or renewable materials and (3) percentage of recyclable, reusable and/or compostable packaging	Management of the packaging life cycle is a central component of the Group's environmental policy. In 2021, the figures were as follows: 1) The total weight of plastic packaging was 159,351 tonnes. 2) 21% of the plastic packaging materials are from recycled or biobased sources. 3) 39% of the plastic packaging is refillable, recyclable, reusable and/or compostable.	CG-HP-410a.1
	Discussion on strategies for reducing the environmental impact of packaging during its life cycle	In order to reach the best understanding of the environmental impact of the packaging, L'Oréal has used the SPOT tool since 2017, which calculates the complete environmental and social footprint of a product in accordance with the European Commission recommendation (Product Environmental Footprint). See the following sections: 4.3.1.3. Sustainability: from product design to end consumer. 3.5. Risk factors and risk management.	CG-HP-410a.2
Environmental and social impact of the palm oil supply chain	Quantity of palm oil and derivatives percentage certified by the supply chains of the Roundtable on Sustainable Palm Oil (RSPO) as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	In 2021, L'Oréal consumed 310 tonnes of palm oil. 100% of the palm oil supplies have been certified sustainable by the Round Table on Sustainable Palm Oil (RSPO) since 2010, and the supply of palm oil or palm kernel derivatives since 2012 Segregated: 100%, 98.2% of which are also Palm Oil Innovation Group (POIG) verified. The Group has reached 98.4% of RSPO Mass Balance. 1.6% is covered by Book & Claim.	CG-HP-430a.1
Measurement of activity	Unit of products sold, total weight of products sold	The Group does not report on this indicator.	CG-HP-000.A
	Number of factories	L'Oréal has 39 factories around the world.	CG-HP-000.B

4.6.3. GRI Standards Content Index

This report has been prepared in accordance with the GRI Standards: Core Option. Material issues have been mapped with the relevant GRI Standards disclosure. Content relating to the indicator list below is available within the table or at the location provided.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
GENERAL DISCLOSURES					
General Disclosures	2-1	Organisation details		Fully compliant	1.1. - 1.2. - 7.1. - 7.3.
	2-2	Entities included in the organisation's sustainability reporting		Fully compliant	1.4.1. - 1.4.2.
	2-3	Reporting period, frequency and contact point		Fully compliant	1. - 4.5.
	2-4	Restatements of information		Fully compliant	4.5.
	2-5	External assurance		Fully compliant	2.3.
	2-6	Activities, value chain and other business relationship		Fully compliant	1.2. - -1.2.7
	2-7	Employees		Fully compliant	4.3.2.
	2-8	Workers who are not employees		Fully compliant	4.3.2.
	2-9	Governance structure and composition		Fully compliant	1.1.5 - 2.2. - 2.3.
	2-10	Nomination and selection of the highest governance body		Fully compliant	2.1 - 2.2.3 - 2.3.5. 2.5
	2-11	Chair of the highest governance body		Fully compliant	1.1.5 - 2.2.
	2-12	Role of of the highest governance body		Fully compliant	2.3.3. - 4.1
	2-13	Delegation of responsability		Fully compliant	3.4.6. - 4.3.3. - 4.3.4. 4.1
	2-14	Role of the highest governance body in sustainability reporting		Fully compliant	2.3.2 - 2.3.3. - 4.1
	2-15	Conflict of interest		Fully compliant	2.1.3 - 2.3.4 - 2.3.5 2.2.1.5.
	2-16	Communication of critical concerns		Fully compliant	4.1.2. - 3.5.
	2-17	Collective knowledge of the highest governance body		Fully compliant	1.2.3. - 1.2.4.
	2-18	Evaluation of the performance of the highest governance body		Fully compliant	2.3.4
	2-19	Remuneration policy		Fully compliant	2.4
	2-20	Process to determine remuneration		Fully compliant	2.4
	2-21	Annual compensation ratio		Fully compliant	2.4.2 4.3.2
	2-22	Statement on sustainable development strategy		Fully compliant	4.1 - 4.3.1
	2-23	Policy commitments		Fully compliant	4.1.2.
	2-24	Embedding policy commitments		Fully compliant	4.3
	2-25	Process to remediate negative impacts		Fully compliant	3.5 - 3.5.2 - 4.1.2.
	2-26	Mechanism for seeking advice and raising concerns		Fully compliant	3.1 3.4.6. - 4.3.3. - 4.3.4.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
	2-27	Compliance with laws and regulations		Fully compliant	2.2.1.5.
	2-28	Membership associations		Fully compliant	4.1.2.
	2-29	Approach to stakeholder engagement		Fully compliant	4.1.3.
	2-30	Collective bargaining agreements		Fully compliant	4.3.2.4
Management Approach	3-1	Process to determine material topics		Fully compliant	3. - 4.1.2 - 4.5.
	3-2	List of material topics			3.
	3-3	Management of material topics		Fully compliant	3. - 4.1. - 4.3.
ECONOMIC					
	202-2	Key posts and local managers	Strategic positions outside France occupied by local managers: 32%	Fully compliant	3.5. 4.3.4.
	205-1	Operations assessed for risks related to corruption		Fully compliant	4.3.4.
	205-2	Communication and training about anti-corruption policies and procedures		Fully compliant	4.3.4.
ENVIRONMENTAL					
Energy	302-1	Energy consumption within the organisation	Fuel consumption from non-renewable sources: 128,686,294 kWh; Fuel consumption from renewable sources: 168,873,582 kWh Self-generated electricity, heating, cooling, and steam: 80,809,909 kWh; Electricity, heating, cooling, and steam sold: 7,797,725 kWh; Electricity, heating, cooling, and steam purchased for consumption: 417,741,073 kWh; total energy consumption: 783,210,572 kWh. 80% of renewable energy in total energy consumption	Fully compliant	1.2.7 - 3.4.4.3. 4.3.1.
	302-3	Energy intensity	Energy intensity : 128 kWh / 1000 FP	Fully compliant	4.3.1.
	302-4	Reduction of energy consumption		Fully compliant	1.2.7. - 3.4.4.3.
Water	303-1	Water withdrawal by source	Volume of water withdrawn – Surface water, including water from wetlands, rivers, lakes and oceans, and ground water: 260,182 m^3; Volume of water withdrawn – Rainwater collected directly and stored: 4,956 m^3; Volume of water withdrawn – Wastewater from another organisation: 23 m^3; Water from municipal water supplies or water from other water utilities: 1,791,898 m^3; Total volume of water withdrawn by plants and distribution centres: 2,057,059 m^3	Fully compliant	1.2.7. - 3.4.4.3. 4.3.1.
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity		Fully compliant	3.4.7.3. - 4.
Emissions	305-1	Direct (Scope 1) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-2	Energy indirect (Scope 2) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-3	Other indirect (Scope 3) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-4	GHG emissions intensity	Intensity of direct CO_2 emissions: 4.2 g eq. /CO_2/PF; Change in the intensity of direct CO_2 emissions compared with 2019: - 35%; intensity of indirect CO_2 emissions: 0.9 g eq. /CO_2/PF; Change in the intensity of indirect CO_2 emissions compared with 2019: - 35 %;) ; Intensity of CO2 emissions CO_2: 5.2 g eq. /CO_2/PF; Change in the intensity of CO_2 emissions (direct + indirect) vs 2019: -35%	Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-5	Reduction of GHG emissions	Change in direct CO_2 emissions compared (scope 1) with 2019: -35%; Change in indirect CO_2 emissions (scope 2, Market Based): -35%	Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
Waste and Wastewater	306-2	Waste by type and disposal method	Waste recovered for use as a source of energy: 43,501 tonnes; Waste recovered through reuse and recycling: 66,195 tonnes; Waste incinerated without recovery for use as a source of energy: 3,238 tonnes	Fully compliant	4.3.1.1.1.6.
	306-3	Significant spills		Fully compliant	4.3.1.2. - 3.5

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria		Fully compliant	4.3.1.3.2. - 3.4.4
SOCIAL					
Employment	401-1	New employee hires and employee turnover	Employee turnover : 14%.	Fully compliant	4.3.2.
Occupational Health and Safety	403-1	Workers representation in formal joint management–worker health and safety committees		Fully compliant	4.3.2 - 3.4.4.1.
Training and education	404-1	Average hours of training per year per employee		Fully compliant	4.3.2.
	404-3	Percentage of employees receiving regular performance and career development reviews		Fully compliant	4.3.2.5.
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour		Fully compliant	4.3.1.2.1 3.4.4.1.
Forced labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Fully compliant	3.4.4.1 4.2.2. - 4.3.3.
Human Rights Assessment	412-1	Operations that have been subject to Human Rights reviews or impact assessments		Fully compliant	3.4.7.
	412-2	Employee training on Human Rights policies or procedures		Fully compliant	4.3.2.2 4.3.3.4
Supplier social assessment	414-2	Negative social impacts in the supply chain and actions taken	Audits – Europe: 146; Audits –Asia, Pacific: 641; Audits – Americas: 343; Audits – Africa, Middle-East: 106. Of all cases of non-compliance: 45% were related to working conditions, health, or safety, 24% were related to working hours, 19% were related to the pay; 12%. In the event of major non-compliance, corrective action plans are put in place and subject to a follow-up audit. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to the cessation of commercial relations.	Fully compliant	4.3.1.3.2.
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories		Fully compliant	4.3.2.1. 4.3.1.3.2.
Marketing and labelling	417-1	Requirements for product and service information and labelling		Fully compliant	1.2.6. 4.2.2, - .3.2
GRI Foundation		Publish a GRI content index		Fully compliant	4.3.6

4.6.4. GHG balance

This table provides a detailed list of all restatements made to correct our GHG balance since 2016. These changes may concern the scope under review, the methodology used or the emission factors used.

	(thousands of tonnes of CO_2 equivalent)	Comments	Financial year 2016	Financial year 2019	Financial year 2020	Financial year 2021
Reported figures	**Scopes 1, 2 and 3**		**114**	**11,762**	**11,225**	**12,526**
	Scope 3		**Unpublished(1)**	**11,682**	**11,169**	**12,488**
Unpublished data	**Scopes 1, 2 and 3**	Unpublished 2016 GHG balance results scopes 1, 2 and 3(2)	9,881			
	Scope 3		9,712			
Variances	Scopes 1 and 2	**TOTAL RESTATEMENTS**	**-55**	-	**-**	
		Improvement in the accuracy of the scope(3)	-55			
	Scope 3	**TOTAL RESTATEMENTS**	**3,162**	**588**	**791**	
		Improvement in the accuracy of the methodology (as from 2021)(4)	259	258	264	
		Improvement in the accuracy of the methodology (as from 2021)(5)	177	-397	-139	
		Improvement in the accuracy of the scope (as from 2021)(6)	958	880	666	
		Improvement in the accuracy of the scope (as from 2021)(7)	19			
		Improvement in the accuracy of the scope (as from 2021)(8)	-46			
		Update of the emission factors (as from 2021)(9)	81			
		Improvement in the accuracy of the scope (as from 2020)(10)		424		
		Update of the emission factors (as from 2020)(11)		-577		
		Update of the parameters (as from 2019)(12)	28			
		Improvement in the accuracy of the scope (as from 2018) (13)	340			
		Update of the emission factors (as from 2018)(14)	1,295			
		Improvement in the accuracy of the scope (as from 2018)(15)	51			
Like-for-like basis	**Scopes 1, 2 and 3**		**12,988**	**12,350**	**12,016**	**12,526**
	Scope 3		**12,874**	**12,270**	**11,960**	**12,488**

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG balance continued pursuant to the SBT commitments.
(2) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).
(3) Variation in allocations to leased vehicles and stores, in Scope 3.
(4) Variation in the methodology and external data bases (transport and capital goods).
(5) Variation in the methodology and alignment of the internal data bases.
(6) Improvement in the accuracy of the data (emissions related primarily to purchases of services and IT).
(7) Variation in allocations to leased vehicles and stores, in Scope 3.
(8) Improved precision in the POS data.
(9) Change in the source of the data on the energy mix used for residential water heating in the different countries.
(10) Improved accuracy of data for formulas and finished products (nomenclature).
(11) Update of the energy mix used for residential water heating in European countries.
(12) Improvement in the data related to the product use phase: volume of water and quantity of products used.
(13) Improved precision in the POS data.
(14) Change in the source of the data on the energy mix used for residential water heating in the different countries.
(15) Variation in allocations to leased vehicles and stores, in Scope 3.

4.7. STATUTORY AUDITOR'S REPORTS

4.7.1. Report of one of the Statutory Auditors, appointed as independent third party, on the verification of the consolidated non-financial performance statement

Year ended December 31, 2021

This is a free English translation of the report by one of the Statutory Auditors 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
14, rue Royale
75008 Paris, France

To the Shareholders' Meeting,

In our capacity as Statutory Auditor of L'Oréal SA, your company (hereinafter the "Company"), appointed as independent third party ("third party") and accredited by the French Accreditation Committee (Cofrac), under number 3-1048 (Cofrac Inspection Accreditation, no. 3-1048, scope available at www.cofrac.fr) and currently adapting our management system as required by the Cofrac for this accreditation (from ISO17020 to ISO 17029), we have conducted procedures to express a limited assurance conclusion on the historical information (observed or extrapolated) in the consolidated non-financial performance statement, prepared in accordance with the Company's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2021 (hereinafter the "Information" and the "Statement", respectively), presented 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*).

Conclusion

Based on our procedures as described in the section "Nature and scope of procedures" and the evidence we have obtained, no material misstatements have come to our attention that cause us to believe that the non-financial performance statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of the Information enables the use of different but acceptable measurement techniques that may impact comparability between entities and over time.

Accordingly, the Information must be read and interpreted with reference to the Guidelines, summarised in the Statement.

Limits inherent in the preparation of the information relating to the Statement

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

Responsibility of the Company

The Board of Directors is responsible for:

- selecting or determining the appropriate criteria for the preparation of the Information;
- preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented with respect to these risks as well as the outcomes of these policies, including key performance indicators and the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- implementing such internal control as it determines is necessary to enable the preparation of Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by applying the Company's Guidelines as referred to above.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

As it is our responsibility to issue an independent conclusion on the information prepared by management, we are not authorised to participate in the preparation of the Information, as this could compromise our independence.

It is not our responsibility to provide a conclusion on:

- the Company's compliance with other applicable legal and regulatory provisions (particularly with regard to the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy), the duty of vigilance and the fight against corruption and tax evasion);
- the fairness of information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and acting as the verification programme and with the international standard ISAE 3000 (revised).

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

Means and resources

Our work engaged the skills of ten people between October 2021 and February 2022 and took a total of twenty-one weeks.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around thirty interviews with people responsible for preparing the Statement.

Nature and scope of procedures

We planned and performed our work taking account of the risk of material misstatement of the Information.

We consider that the procedures conducted in exercising our professional judgement enable us to express a limited assurance conclusion:

- We familiarized ourselves with the activities of all companies in the consolidation scope and the description of the principal risks.
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement provides the information required under Article R.225-105 II of the French Commercial Code where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of the principal risks associated with the activities of all the consolidated entities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important – presented in Annex 1; for certain risks or information, (human resources, health and safety, human, social and environmental rights, etc.) our work was carried out on the consolidating entity, while for other risks, our work was carried out on the consolidating entity and on a selection of entities;
- We verified that the Statement covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.

- We obtained an understanding of internal control and risk management procedures implemented by the Company and assessed the data collection process aimed at ensuring the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes – presented in Annex 1 - that we considered to be the most important, we implemented:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sample basis and using other selection methods, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities – presented in Annex 2 - and covered between 17% and 28% of the consolidated data selected for these tests.
- We assessed the overall consistency of the Statement in relation to our knowledge of the entire Company.

The procedures conducted in a limited assurance review are substantially less in scope than those required to issue a reasonable assurance opinion in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, February 18, 2022
One of the Statutory Auditors,

Deloitte & Associés

David Dupont-Noël	Catherine Saire
Partner, Audit	Partner, Développement Durable

Appendix 1: List of Information we Considered as the most important

Key performance indicators and other quantitative results:

Environment, Health and Safety:

Thematic	Indicators
Greenhouse gas emissions	Emissions de CO_2 methods " *market-based* " and " *location-based* ", scopes 1 and 2 according to the GHG Protocol (in tonnes)
	Emissions de CO_2 methods " *market-based* " and " *location-based* ", scopes 1 and 2 according to the GHG Protocol (in tonnes)
	Emissions de CO_2 - Scope 3
	Percentage change in CO emissions$_2$ per finished product sold (kg eqCO_2/PF sold), compared to 2016
	Percentage reduction in greenhouse gas emissions from product use compared to 2016
	Percentage of neutral sites
Energy consumption	Total energy consumption (kWh, kWh/1000PF, kWh/100h)
	Breakdown by energy source: Electricity, Gas, Fuel, Steam, Other energy (kWh)
	Percentage of renewable energy consumed (%)
	Electricity from renewable sources consumed (in kWh)
	Self-consumption rate of electricity (%)
Air emissions, excluding greenhouse gases	Refrigerant gas leaks (kg)
	Direct emissions of SO_2 (kg, kg/PF)
	Emissions of Volatile Organic Compounds (in kg)
Water	Number of waterloop factories
	Total net withdrawal/Net water withdrawal (excluding recycled water and rainwater for gardening) (in m3; l/PF, l/100h)
	Total volume of water consumed per use (in m3)
	Total volume of water recycled on-site (in m3) / Total volume of recycled water from another L'Oréal site (m3)
	Volume of wastewater covered by the off-site pre-treatment analysis (in m3) / Volume of wastewater covered by the on-site post-treatment analysis (in m3)
	Compliance with up to 1000 mg/l COD before off-site treatment / after on-site treatment
	Weight of COD before off-site treatment (in tonnes) / Weight of COD after on-site treatment (in tonnes) and specific pollution rate before off-site treatment (in mg/l) / after on-site treatment (in mg/l)
	Total water consumption (excluding recycled water and rainwater for gardening) (in m3; l/PF; l/100h)
Rubbish	Transportable waste excluding rotating shuttle packaging, with shuttle packaging at source *(tonnes and g/PF, kg/100h)*
	Sludge (tonnes)
	Total waste excluding sludge (*in tonnes; g/FP*)
	Transportable waste related to the activity by nature (excluding shuttle packaging) (*in tonnes*)
	Transportable activity-related waste by cause (excluding shuttle packaging) (*in tonnes*)
	Compliance with maximum 10 kg of sludge / ton of juice produced
	Rotating shuttle packaging *(tonnes)*
	Treatment of transportable activity-related waste (tonnes)
	Waste sent to landfill, including that for regulatory constraint *(tonnes)*
	Valuation Index and Material Valuation Index *(%)*
	Regulated waste (tonnes)
Health and safety	Conventional frequency rate of accidents at work, distribution by type of site
	Escalated incident rate total expanded, distribution by site type
	Severity rate of accidents at work
	Number of actions identified during MESUR visits
Biodiversity	Biodiversity inventory date
	Use of plant protection products

Social:

Thematic	**Indicators**
Staff	Distribution of statutory staff (CDD/CDI) by type of contract, by area and by gender
	Number of employees with disabilities
Remuneration	Minimum wage
	Number of permanent contracts with a fixed salary below the living wage
Evolution	Number of recruitments (CDI)
	Number of departures, including number of redundancies
Absenteeism	Overall absenteeism and illness (%)
Formation	Number of hours of training
	Percentage of Group employees who received at least one training during the year
Share & Care	Number of permanent employees of the Group who can benefit from financial protection in the event of an accident of life, such as death or total permanent disability
	Number of permanent Employees of the Group who can benefit from health coverage aligned with the best practices of their country of residence
Collective agreement	Percentage of Group employees covered by a collective agreement (national, branch or company)
	Presence of employee representatives
	Percentage of employees working in subsidiaries where representative bodies are in place
	Number of company collective agreements in force on 31 December
Diversity	Percentage of brands led by women
	Number of entities that have received the GEEIS label

Societal:

Thematic	**Indicators**
R&I / Water	Percentage reduction in water consumption related to consumer use of products
	Percentage of ingredients in bio-based formulas, derived from abundant minerals or circular processes
R&I / Resources	Percentage of Raw Materials respecting the principles of Green Chemistry
	Percentage of Biodegradability of Formulas
Transport	Emissions de CO_2 by product sold: 2021 value and evolution compared to the 2016 baseline
	Emissions de CO_2 in absolute terms
	Emissions de CO_2 equivalent per tonne of goods transported and per Km travelled
Purchasing & Sourcing / Greenhouse gas emissions	Percentage of CDP participation for strategic direct suppliers
	Percentage of CDP participation for strategic indirect suppliers
	Percentage of CDP participation for strategic suppliers
	Percentage of direct strategic suppliers whose scope 1-2 reporting is verified
	Percentage of indirect strategic suppliers whose scope 1-2 reporting is verified
	Percentage of strategic suppliers whose scope 1-2 reporting is verified
	Percentage of suppliers whose scope 1-2 reporting is verified among strategic suppliers
Purchasing & Sourcing / Social Audits	Number of sites audited in 2021
	Number of social audits of suppliers carried out in 2021
	Number of sites audited in "remote audit" in 2021
	Distribution of non-conformities identified during suppliers' social audits by audited chapter
	Percentage of suppliers who improved their social audit result in 2021
	Cumulative number of sites audited 2021
	Cumulative number of social audits 2021
Purchasing & Sourcing / Supplier Evaluation	Percentage of strategic suppliers assessed and selected based on their environmental and societal performance
Purchasing & Sourcing / Water	Percentage of CDP participation for direct strategic suppliers
	Percentage of CDP participation for indirect strategic suppliers
	Percentage of CDP participation for strategic suppliers
	Percentage of direct strategic suppliers with a score >=A- (among participants)
	Percentage of direct strategic suppliers with a score >=B (among participants)
	Percentage of strategic suppliers with a score >=A- (among participants)
	Percentage of strategic suppliers with a score >=B (among participants)
Purchasing & Sourcing / Biodiversity	Percentage of biobased from sustainable sources
	Zero deforestation commitment
	Percentage of ingredients in traceable and sustainably sourced bio-based formulas and packaging materials

Thematic	Indicators
Corporate Responsibility & Foundation / Brand Commitments	Number of people who have benefited from brand engagement programs
Corporate Responsibility & Foundation / Ecodesign	Percentage of eco-designed products
Corporate Responsibility & Foundation / Women's Fund	Number of structures and beneficiaries supported under the Women's Fund
Corporate Responsibility & Foundation / BFBL	Number of people from struggling communities who were able to access employment
	Number of people in very precarious situations trained in beauty professions
Corporate Responsibility & Foundation / L'Oréal Fund – pillar 3	Commitments made in 2021 as part of the L'Oréal Fund for the Regeneration of Nature
	Creation of the Circular Innovation Fund
Packaging	Percentage of plastic packaging of recycled or bio-based origin
	Percentage reduction in the amount of packaging used for products compared to 2019
	Percentage of refillable, reusable, recyclable or compostable plastic packaging
Retail	Percentage of eco-design of advertising displays at the point of sale
	Percentage of shops (own points of sale) designed and built according to the principles of sustainable development
Human rights	Existence of a system for verifying the age of employees at the time of recruitment
	Communications and training on human rights topics
	Number of employees aged 16 to 18

Appendix 2: List of Selected Contributing Entities and Sites

- Social data:
  - France;
  - Canada;
  - Taiwan.
- EHS data selected from the following sites:

Country	Site
Turkey	Istanbul
Egypt	Cairo
Spain	SA Spain
	SA Spain Stores
Japan	Gotemba
	SA Japan
	R&I Japan
Canada	Montreal
USA	Florence
	SA Salon Centric Sales
South Africa	Midrand
Brazil	Sao Paulo
	SA Brazil Sales
China	DC China
	R&I China
	SA Guangzhou China
	SA Korea
Mexico	San Luis Potosi
	Mexico City
Germany	SA Germany
France	SA CCZ RIO
Italy	SA Italy
Thailand	SA Thailand

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, 2021)

This is a free translation into English of the Statutory Auditors' 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'OREAL

14, rue Royale

75008 Paris

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 (the "Selected information") for the year ended December 31, 2021 published in the L'Oréal Group management report.

Conclusion

Based on the work we performed, as described in the section « Nature and scope of procedures », and the elements we collected, the consolidated non-financial information selected by L'Oréal, presented hereafter and published in its management report, has been presented, in all material aspects, in accordance with the Guidelines.

Selected information

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*"
- Social information:
  - number of social audits carried out during the year and breakdown of non-compliance by subject audited.
- Environmental, health and safety information of industrial sites:
  - units of finished goods produced;
  - direct and indirect CO2 emissions using the "market-based" method, percentage of carbon neutral sites, 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, electricity autoconsumption rate, refrigerant gas leakages;
  - total net water consumption and by finished good (excluding recycled and rain water used for gardening), number of waterloop factories, volume of recyled water on site or coming from another L'Oréal's site;
  - volume of wastewater concerned by the analysis, compliance with 1000 mg/l max. of COD, weight of COD and specific rate of pollution before off-site treatment / after on-site treatment;
  - transportable waste excluding returnable packaging in rotation, with returnable packaging accounted at source, sludge, total wast excluding sludge, returnable packaging in rotation, treatment of transportable waste linked to activity, regulated waste, waste to landfill, of which for local regulatory constraints, recovery and material recovery rates;
  - date of biodiversity inventory, use of phytosanitary products;
  - conventional frequency rates, enlarged frequency rates, and severity rates for work accidents.

Responsibility of the Company

This under the responsibility of the Board of Directors:

- to select or establish appropriate criteria for the preparation of the Selected Information (hereinafter the "Guidelines"), the significant elements of which appear in the management report and which are available on request from the Operations, Human Relations, Purchasing, and Environmental and Social Responsibility Departments;
- as well as to put in place the internal control that it deems necessary for the establishment of the Selected information that does not contain any significant anomalies, whether these result from fraud or result from errors.

The Information selected was established by applying the entity's Guidelines as mentioned above.

Responsibility of the Statutory Auditors

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

It is not our responsibility to express such a conclusion on other information.

Independence and quality control

Our independence is defined by the provisions set out in Article L.822-11-3 of the French Commercial Code and the code of ethics for the profession of statutory auditor. In addition, we have set up a quality control system that includes documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory texts, ethical rules and the professional doctrine of the National Company of Auditors relating to to this intervention.

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 (*Asssurance engagements other than audits or reviews of historical financial information*).

We planned and performed our work taking into account the risk of material misstatement of the Selected Information.

We believe that the procedures we have carried out by exercising our professional judgment allow us to form a conclusion of reasonable assurance:

- We examined the Guidelines set up by L'Oréal with regard to their relevance, completeness, reliability, neutrality and clarity, taking into consideration, where applicable, best practices in the sector;
- We took note of the internal control and risk management procedures put in place by the entity and assessed the collection process aimed at the completeness and sincerity of the Selected information;
- We have implemented analytical procedures consisting in verifying the correct consolidation of the data collected as well as the consistency of the changes;
- We have implemented detailed tests, on the basis of surveys or other means of selection, consisting of verifying the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities, namely:
  - for selected human resources information: the activities in France, Canada and Taiwan, representing 20% 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: South Africa (Midrand), Germany (Karlsruhe), Brazil (Sao Paulo), Canada, (Montéral, DC Ville Saint Laurent), China (Suzhou, DC China), Egypt (Cairo), United States (Florence, DC North Little Rock, DC Mc Calla, DC Walton), France (Ormes, Saint Quentin, DC Creuzier Le Neuf, DC Essigny), India (Pune), Indonesia (Jakarta), Italy (Settimo), Japan (Gotemba), Mexico (Mexico, San Lui Potosi), Poland (Warsaw), Russia (Vorsino), Turkey (Istanbul), representing 47% of Group activity (in units of finished goods reviewed).

To assist us in carrying out our work, we called on our specialists in sustainable development and social responsibility. We conducted interviews with the persons responsible for preparing the Selected information, in particular representing the General Management of Operations, Human Relations, Purchasing, and Environmental and Social Responsibility Departments.

Neuilly-sur-Seine, February 18, 2022

The Statutory Auditors

Deloitte & Associés

David Dupont-Noel
Partner

Catherine Saire
Partner,
Sustainable Development

PricewaterhouseCoopers Audit

Anne-Claire Ferrié
Partner

Sylvain Lambert
Partner,
Sustainable Development

5

2021 CONSOLIDATED FINANCIAL STATEMENTS *

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

L’Oréal S.A. is a French company, with its registered office in France. It performs a sales activity that is specific to France.

At the same time, L’Oréal S.A. acts as a holding company and provides strategic coordination on the one hand and scientific, industrial and marketing coordination for the L’Oréal Group throughout the world on the other.

The subsidiaries operate the Group’s business activities in the country or region in which they are located. To do so, they define the strategy specific to their market, make the most suitable choices, and manufacture, directly or indirectly, and market the products they decide to sell on their market.

Almost all of the subsidiaries are owned by L’Oréal S.A. which has a holding or control percentage equal or close to 100%.

The financial statements set out in this chapter present the results of the L’Oréal Group as a whole, including all subsidiaries.

The Statutory Auditors’ Report on the consolidated financial statements has been included at the end of this chapter.

5.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	2021	2020	2019
Net sales	**3.1**	**32,287.6**	**27,992.1**	**29,873.6**
Cost of sales		-8,433.3	-7,532.3	-8,064.7
Gross profit		**23,854.3**	**20,459.8**	**21,808.9**
Research & Innovation expenses		-1,028.7	-964.4	-985.3
Advertising and promotion expenses		-10,591.0	-8,647.9	-9,207.8
Selling, general and administrative expenses		-6,074.2	-5,638.5	-6,068.3
Operating profit	**3.1**	**6,160.3**	**5,209.0**	**5,547.5**
Other income and expenses	4	-432.0	-709.0	-436.5
Operational profit		**5,728.3**	**4,500.0**	**5,111.0**
Finance costs on gross debt		-38.0	-79.2	-75.4
Finance income on cash and cash equivalents		18.5	19.8	28.7
Finance costs, net		-19.4	-59.4	-46.7
Other financial income and expenses	9.4	-40.2	-36.5	-16.0
Sanofi dividends		378.3	372.4	363.0
Profit before tax and associates		6,046.9	4,776.5	5,411.4
Income tax	6	-1,445.4	-1,209.8	-1,657.2
Share of profit in associates		0.6	0.9	1.0
Net profit		**4,602.2**	**3,567.6**	**3,755.2**
Attributable to:				
•owners of the company		4,597.1	3,563.4	3,750.0
•non-controlling interests		5.1	4.2	5.2
Earnings per share attributable to owners of the company (euros)		8.24	6.37	6.70
Diluted earnings per share attributable to owners of the company (euros)		8.21	6.34	6.66
Earnings per share attributable to owners of the company, excluding non-recurring items (euros)	11.4	8.86	7.33	7.78
Diluted earnings per share attributable to owners of the company, excluding non-recurring items (euros)	11.4	8.82	7.30	7.74

5.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	**Notes**	**2021**	**2020**	**2019**
Consolidated net profit for the period		**4,602.2**	**3,567.6**	**3,755.2**
Cash flow hedges		*-203.7*	*129.1*	*2.9*
Cumulative translation adjustments		*610.5*	*-790.2*	*188.2*
Income tax on items that may be reclassified to profit or loss(1)		*41.5*	*-23.3*	*-1.9*
Items that may be reclassified to profit or loss		**448.3**	**-684.4**	**189.2**
Financial assets at fair value through other comprehensive income	*9.3*	*1,192.2*	*-1,269.1*	*1,650.6*
Actuarial gains and losses	*11.3*	*585.5*	*-225.6*	*-327.7*
Income tax on items that may not be reclassified to profit or loss(1)		*-181.7*	*97.8*	*29.7*
Items that may not be reclassified to profit or loss		**1,596.0**	**-1,396.9**	**1,352.6**
Other comprehensive income		**2,044.3**	**-2,081.3**	**1,541.8**
Consolidated comprehensive income		**6,646.5**	**1,486.3**	**5,297.0**
Attributable to:				
● owners of the company		6,641.4	1,482.1	5,291.9
● non-controlling interests		5.1	4.2	5.1

(1) The tax effect is as follows:

€ millions	**2021**	**2020**	**2019**
Cash flow hedges	41.5	-23.3	-1.9
Items that may be reclassified to profit or loss	**41.5**	**-23.3**	**-1.9**
Financial assets at fair value through other comprehensive income	*-37.3*	*40.4*	*-51.7*
Actuarial gains and losses	*-144.4*	*57.4*	*81.4*
Items that may not be reclassified to profit or loss	**-181.7**	**97.8**	**29.7**
TOTAL	**-140.2**	**74.5**	**27.8**

5.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Non-current assets		**30,937.6**	**29,046.8**	**29,893.3**
Goodwill	7.1	11,074.5	10,514.2	9,585.6
Other intangible assets	7.2	3,462.8	3,356.3	3,163.8
Right-of-use assets	3.2	1,507.6	1,525.3	1,892.3
Tangible assets	3.2	3,266.2	3,225.2	3,644.3
Non-current financial assets	9.3	10,920.2	9,604.8	10,819.1
Investments accounted for under the equity method	8	9.9	11.1	10.9
Deferred tax assets	6.3	696.5	809.9	777.3
Current assets		**12,075.8**	**14,560.1**	**13,916.5**
Inventories	3.3	3,166.9	2,675.8	2,920.8
Trade accounts receivable	3.3	4,021.0	3,511.3	4,086.7
Other current assets	3.3	2,037.9	1,732.7	1,474.9
Current tax assets		136.2	234.4	148.1
Cash and cash equivalents	9.2	2,713.8	6,405.9	5,286.0
TOTAL		**43,013.4**	**43,606.9**	**43,809.8**

EQUITY & LIABILITIES

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Equity	**11**	**23,592.6**	**28,998.8**	**29,426.0**
Share capital		111.5	112.0	111.6
Additional paid-in capital		3,265.6	3,259.8	3,130.2
Other reserves		19,092.2	18,642.5	16,930.9
Other comprehensive income		5,738.6	4,304.5	5,595.8
Cumulative translation adjustments		-279.1	-889.2	-99.2
Treasury shares		-8,940.2	—	—
Net profit attributable to owners of the company		4,597.1	3,563.4	3,750.0
Equity attributable to owners of the company		**23,585.7**	**28,993.0**	**29,419.3**
Non-controlling interests		6.9	5.8	6.7
Non-current liabilities		**2,837.6**	**3,478.0**	**3,515.3**
Provisions for employee retirement obligations and related benefits	5.4	360.6	1,013.5	772.9
Provisions for liabilities and charges	12.1	63.8	56.8	56.9
Non-current tax liabilities	6	344.8	397.9	310.2
Deferred tax liabilities	6.3	810.3	706.6	737.7
Non-current borrowings and debt	9.1	10.7	8.5	9.6
Non-current lease debt	9.1	1,247.5	1,294.7	1,628.0
Current liabilities		**16,583.2**	**11,130.1**	**10,868.5**
Trade accounts payable		6,068.1	4,764.5	4,658.4
Provisions for liabilities and charges	12.1	1,223.3	1,224.7	1,117.8
Other current liabilities	3.4	3,980.8	3,682.5	3,508.5
Income tax		268.9	215.1	334.8
Current borrowings and debt	9.1	4,619.4	856.4	841.2
Current lease debt	9.1	422.8	386.9	407.9
TOTAL		**43,013.4**	**43,606.9**	**43,809.8**

5.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2018	**559,625,527**	**112.1**	**3,070.3**	**19,847.8**	**4,242.1**	**-56.5**	**-287.4**	**26,928.4**	**5.2**	**26,933.6**
Changes in accounting policy at 01.01.2019				-81.5				-81.5		-81.5
At 01.01.2019(1)	**559,625,527**	**112.1**	**3,070.3**	**19,766.3**	**4,242.1**	**-56.5**	**-287.4**	**26,847.0**	**5.2**	**26,852.2**
Consolidated net profit for the period				3,750.0				3,750.0	5.2	3,755.2
Cash flow hedges					*1.1*			*1.1*	*-0.1*	*1.0*
Cumulative translation adjustments							*174.1*	*174.1*		*174.1*
Hyperinflation							*14.1*	*14.1*		*14.1*
Other comprehensive income that may be reclassified to profit and loss					**1.1**		**188.2**	**189.3**	**-0.1**	**189.2**
Financial assets at fair value through other comprehensive income					*1,598.9*			*1,598.9*		*1,598.9*
Actuarial gains and losses					*-246.3*			*-246.3*		*-246.3*
Other comprehensive income that may not be reclassified to profit and loss					**1,352.6**			**1,352.6**		**1,352.6**
Consolidated comprehensive income				**3,750.0**	**1,353.7**		**188.2**	**5,291.9**	**5.1**	**5,297.0**
Capital increase	1,491,678	0.3	59.9	-0.1				60.0		60.0
Cancellation of Treasury shares		-0.8		-803.0		803.8				—
Dividends paid (not paid on Treasury shares)				-2,176.7				-2,176.7	-3.6	-2,180.3
Share-based payment				144.4				144.4		144.4
Net changes in Treasury shares	-3,000,000					-747.3		-747.3		-747.3
Changes in the scope of consolidation										
Other movements				-0.1				-0.1		-0.1
At 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,681.0**	**5,595.8**		**-99.2**	**29,419.3**	**6.7**	**29,426.0**
Consolidated net profit for the period				3,563.4				3,563.4	4.2	3,567.6
Cash flow hedges					*105.6*			*105.6*	*0.2*	*105.8*
Cumulative translation adjustments							*-801.8*	*-801.8*	*-0.3*	*-802.1*
Hyperinflation							*11.9*	*11.9*		*11.9*
Other comprehensive income that may be reclassified to profit and loss					**105.6**		**-789.9**	**-684.3**	**-0.1**	**-684.4**
Financial assets at fair value through other comprehensive income					*-1,228.8*			*-1,228.8*		*-1,228.8*
Actuarial gains and losses					*-168.1*			*-168.1*		*-168.1*
Other comprehensive income that may not be reclassified to profit and loss					**-1,396.9**			**-1,396.9**		**-1,396.9**
Consolidated comprehensive income				**3,563.4**	**-1,291.3**		**-789.9**	**1,482.1**	**4.2**	**1,486.3**
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares										—
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares										—
Changes in the scope of consolidation										—
Other movements				4.8				4.8	-0.1	4.7
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**	**—**	**-889.1**	**28,993.0**	**5.8**	**28,998.8**

(1) After taking account of the change in accounting policy pertaining to IFRS 15 "Revenue from Contracts with Customers" (note 1).

€ millions	**Common shares outstanding**	**Capital**	**Additional paid-in capital**	**Retained earnings and net profit**[2]	**Other compre-hensive income**	**Treasury shares**	**Cumulative translation adjustments**	**Equity attributable to owners of the company**	**Non-controlling interests**	**Total equity**
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**	**—**	**-889.1**	**28,993.0**	**5.8**	**28,998.8**
Consolidated net profit for the period				4,597.1				4,597.1	5.1	4,602.2
Cash flow hedges					*-161.9*			*-161.9*	*-0.3*	*-162.2*
Cumulative translation adjustments							*582.4*	*582.4*	*0.3*	*582.7*
Hyperinflation							*27.8*	*27.8*		*27.8*
Other comprehensive income that may be reclassified to profit and loss					**-161.9**		**610.2**	**448.3**	**—**	**448.3**
Financial assets at fair value through other comprehensive income					*1,154.9*		*—*	*1,154.9*	*—*	*1,154.9*
Actuarial gains and losses					*441.1*		*—*	*441.1*	*—*	*441.1*
Other comprehensive income that may not be reclassified to profit and loss					**1,596.0**		**—**	**1,596.0**	**—**	**1,596.0**
Consolidated comprehensive income				**4,597.1**	**1,434.1**	**—**	**610.2**	**6,641.4**	**5.1**	**6,646.5**
Capital increase	800,780	—	5.8	—				5.8	—	5.8
Cancellation of Treasury shares		-0.5		-1,104.3		1,104.8		—	—	—
Dividends paid (not paid on Treasury shares)				-2,264.4				-2,264.4	-4.7	-2,269.1
Share-based payment				155.2				155.2	—	155.2
Net changes in Treasury shares	-25,260,000					-10,045.0		-10,045.0	—	-10,045.0
Changes in the scope of consolidation				—				—	—	—
Other movements[2]				99.8	—			99.8	0.6	100.4
AT 31.12.2021	**535,412,360**	**111.5**	**3,265.6**	**23,689.3**	**5,738.6**	**-8,940.2**	**-279.1**	**23,585.7**	**6.9**	**23,592.6**

(2) Of which €102.2 million pertaining to the IFRIC 2021 interpretation on IAS19 "Employee Benefits" on Attributing Benefit to Periods of Service.

5.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	2021	2020	2019
Cash flows from operating activities				
Net profit attributable to owners of the company		4,597.1	3,563.4	3,750.0
Non-controlling interests		5.1	4.2	5.2
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities		1,781.0	2,028.1	1,958.3
• changes in deferred taxes	6.1	83.6	-10.1	-42.5
• share-based payment (including free shares)	5.5	155.2	129.7	144.4
• capital gains and losses on disposals of assets		0.5	3.6	-14.0
Other non-cash transactions		16.5	5.8	1.9
Share of profit in associates net of dividends received		1.3	-0.6	-1.0
Gross cash flow		**6,640.4**	**5,724.1**	**5,802.3**
Changes in working capital	3.5	88.0	729.2	460.5
Net cash provided by operating activities (A)		**6,728.4**	**6,453.3**	**6,262.8**
Cash flows from investing activities				
Purchases of tangible and intangible assets		-1,075.2	-972.4	-1,231.0
Disposals of tangible and intangible assets		14.5	26.6	16.6
Changes in other financial assets (including investments in non-consolidated companies)		-117.3	-66.5	-65.9
Effect of changes in the scope of consolidation	2.2	-455.7	-1,626.8	-9.3
Net cash from investing activities (B)		**-1,633.7**	**-2,639.1**	**-1,289.6**
Cash flows from financing activities				
Dividends paid		-2,352.1	-2,190.6	-2,221.1
Capital increase of the parent company		5.8	129.7	60.0
Disposal (acquisition) of Treasury shares		-10,060.9	—	-747.3
Purchase of non-controlling interests		—	—	—
Issuance (repayment) of short-term loans		3,939.4	-74.8	-354.9
Issuance of long-term borrowings		—	—	—
Repayment of long-term borrowings		—	-3.6	-0.6
Repayment of lease debt		-396.4	-451.8	-425.8
Net cash from financing activities (C)		**-8,864.2**	**-2,591.1**	**-3,689.6**
Net effect of changes in exchange rates and fair value (D)		77.4	-103.2	10.5
Change in cash and cash equivalents (A+B+C+D)		**-3,692.1**	**1,119.9**	**1,294.0**
Cash and cash equivalents at beginning of the year (E)		**6,405.9**	**5,286.0**	**3,992.0**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**9.2**	**2,713.8**	**6,405.9**	**5,286.0**

Income tax paid totalled €1,258.3 million, €1,316.3 million and €1,534.3 million for 2021, 2020 and 2019, respectively.Interest paid (excluding interest on lease debts) amounted to €1.7 million, €32.4 million and €21.6 million for 2021, 2020 and 2019, respectively.Dividends received totalled €379.8 million, €372.5 million and €364.1 million in 2021, 2020 and 2019, respectively. These are included within the gross cash flow.Cash outflow relating to leases amounted to €513.1 million (of which €37.0 million related to paid interests on lease debts) €574.1 million (of which €44.7 million related to paid interests on lease debts) and €570.8 million (of which €54.4 million related to paid interests on lease debts) for 2021, 2020 and 2019 including leases that do not fall under the scope of IFRS 16.

5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note contents

NOTE 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union as of 31 December 2021.

On 9 February 2022, the Board of Directors closed the consolidated financial statements at 31 December 2021. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 21 April 2022.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2021.

The Group is currently reviewing a decision of the IFRS IC:

In April 2021, a decision relating to IAS 38 "Intangible Assets" was published. It addressed the matter of how to account for the costs of configuring or customising software accessed *via* the cloud under a "Software as a service" (SaaS) agreement. At 31 December 2021, this analysis has not yet been finalised due to the operational complexity of implementing this decision.

Amendments and interpretations applied in 2021: Decision relating to IAS 19 "Employee Benefits" regarding the attribution of employee benefits to periods of service.

The method traditionally used to recognise obligations arising from defined benefit pension schemes involved attributing the rights on a straight-line basis over the entire career of the beneficiaries.

The IFRS IC recommended adjusting this method for defined benefit schemes that had the following characteristics:

- dependent on the length of service with the Company;
- capped at a specified number of years of service;
- payable from retirement age.

For this type of scheme, the decision published in late May 2021 states that rights vested over the period prior to retirement age should be attributed on a straight-line basis by limiting its duration to the specified number of years of service at which rights are capped.

Impact at Group level is focused on France and stands at €137.4 million gross and €102.2 million after tax, recorded as an increase in shareholders' equity. The impact on the income statement for the period is marginal.

Amendments and interpretation applied in 2020: IFRS 16 "Leases"

At 31 December 2020, the Group completed its analysis of the IFRS Interpretation Committee (IC) decision dated 26 November 2019. This decision relates to the duration of certain leases (indefinite term or short initial contractual term which is automatically renewable) as well as to the depreciation period for fixtures and fittings that are inseparable from the leased asset. This decision does not have a significant impact at the Group level.

The Group applied the amendment to IFRS 16, adopted by the European Union on 12 October 2020 and on 31 March 2021, relating to Covid-19-related rent relief reducing lease payments due on or before 30 June 2022. The amendments allow changes in terms of rent relief to be recognized immediately in income rather than spread over the term of the contract.

The impact is not material at the Group level.

Change in accounting policy applied at 1 January 2019: IFRS 16 "Leases"

This standard took effect on 1 January 2019.

Key changes resulting from the standard are as follows:

- Accounting for operating leases as of 1 January 2019: all leases are accounted for under a single model consisting of recording a debt (present value of future lease payments) and a right-of-use asset.

The lease term is the non-cancellable period of each lease unless the Group is reasonably certain to exercise the contractual renewal options.

The right of use is depreciated over the term of the lease.

The discount rate used to assess the lease debt corresponds to the effective annual interest rate for each lease. We calculate it using the zero interest rate coupons received per currency and per maturity tranche, plus the Group credit spread.

L'Oréal selected the simplified retrospective approach and has measured the right of use of almost all its leases by determining their book value from the lease start date.

- 95% of the capitalised leases are property leases, including country head offices, stores and distribution centres. Other types of leases involve vehicle fleets, traditional handling equipment and packaging tools and equipment.
- Low value leases and leases that ended in 2019 are not included in the scope.
- On initial recognition, deferred tax are recognised.

- The restated balance sheet at 1 January 2019 is as follows:

€ millions		*€ millions*	
ASSETS		EQUITY & LIABILITIES	
		Equity	-82
Other intangible assets/ tangible assets	-92	Deferred tax liabilities	-10
Right-of-use assets	2,005	Non-current lease debt	1,751
Deferred tax assets	19	Other current liabilities	-129
Other current assets	2	Current lease debt	404
TOTAL	**1,934**	**TOTAL**	**1,934**

Change in accounting interpretation applied at 1 January 2019: Application of IFRIC 23

The application since 1 January 2019 of IFRIC 23 "Uncertainty Over Income Tax Treatments" has led the Group to the reclassification of uncertain tax provisions as *Non-current tax liabilities.*

1.1. Use of estimates

The preparation of the consolidated financial statements in accordance with international accounting standards requires that the Group make a certain number of estimates and assumptions that may affect the value of the Group's assets, liabilities, equity and net profit (loss).

These estimates and assumptions mainly concern the measurement of goodwill and other intangible assets, operating lease terms, provisions, non-current tax liabilities, pension obligations, deferred taxes and share-based payments. Estimates used by the Group in relation to these different areas are made based on information available when the accounts are prepared and are described in detail in each specific associated note.

1.2. Scope and methods of consolidation

All companies included in the scope of consolidation have a financial year ending 31 December or close their accounts on that date.

All companies directly or indirectly controlled by the parent company L'Oréal have been fully consolidated.

Group companies that are jointly controlled with a limited number of other shareholders under a contractual agreement are consolidated under the equity method in accordance with IFRS 11.

Associates over which the Group has a significant influence have been accounted for by the equity method.

1.3. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Income statement items are translated at average exchange rates for the year.

The resulting translation difference attributable to the Group is entered directly under equity under the item *Cumulative translation adjustments,* while the translation difference attributable to non-controlling interests is recognised under the *Non-controlling interests* item.

1.4. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of the assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency and translated using the closing exchange rates in effect at the closing date. Goodwill recorded before 1 January 2004 continues to be recorded in euros.

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. Year 2021

Acquisitions

On 1 February 2021, L'Oréal finalised the acquisition of Takami Co. This company develops and markets under licence products from the Takami skincare brand; owned by Dr. Hiroshi Takami, the founder of the two eponymous dermatology clinics in Tokyo. Mainly available in Japan and in some Asian countries, notably in China.

At the same time, L'Oréal also renewed the brand licensing agreement with Dr. Takami for a very long period and signed a collaboration agreement with the Takami clinics.

*T*akami will be integrated into the L'Oréal Luxe Division.

On 8 December 2021, L'Oréal signed an agreement to acquire Youth to the People, a skincare company based in California inspired by superfood.

Youth to the People develops and markets high-performance skincare products known for innovative formulas that combine premium vegan blends of superfood extracts and science.

Available in the US, Canada, Australia and in select European countries where it enjoys a very strong appeal, the brand is marketed through an omnichannel distribution – mix of D2C e-commerce and selective distribution.

The brand will be integrated into the L'Oréal Luxe Division. In 2021, Youth to the People is expected to record over US$50 million of sales.

This acquisition was completed on 29 December 2021 and has been fully consolidated since that date.

The cost of these new acquisitions represented €524.8 million. The total amount of goodwill and other intangible assets resulting from their acquisitions provisionally amounted to €510,5 million.

In 2021, the acquisition of Takami represented €54.4 million in full-year net sales and -€7.7 million in full-year operating profit.

Sale

On 31 March 2021, L'Oréal finalised the sale of the Cosmeurop production site, located in Strasbourg, France to the Superga group.

2.1.2. Year 2020

Acquisition

On 31 March 2020, L'Oréal finalised the acquisition of the Mugler and Azzaro brands and perfumes belonging to the Clarins group for a cash amount of €1.3 billion, net of cash acquired.

This acquisition has been fully consolidated since that date.

On 18 June 2020, L'Oréal announced the acquisition of US skincare brand Thayers Natural Remedies. The brand will be integrated into L'Oréal's Consumer Products Division.

The distribution strategy, initially focused on a network of natural products stores, has evolved into a multi-channel approach that today includes mass-market retailers, specialised retailers, drug stores and online distribution. In 2019, Thayers generated sales of US$44 million. The acquisition was completed on 31 July 2020 and has been fully consolidated since that date.

The cost of these acquisitions represented €1.7 billion. The total amount of goodwill and other intangible assets resulting from these acquisitions amounted at their acquisition dates to €1,464 million for Azzaro and Mugler and €304.3 million for Thayers.

In 2020, these acquisitions represented €275.7 million in full-year net sales and €34.9 million in full-year operating profit.

Sale

On 4 February 2020, after some strategic thinking to ensure the best possible development for the Roger & Gallet brand, L'Oréal announced it had entered into exclusive negotiations with the French investment holding company Impala to sell this brand.

Founded in Paris in 1862, Roger & Gallet emerged from the world of Apothecary Perfumery inspired by the French art de vivre. Part of L'Oréal since 2008 following the acquisition of Yves Saint Laurent Beauté, Roger & Gallet offers a rich catalogue of fragrances in a range of perfumes, toiletries and skincare. In 2018, the brand generated sales of €52 million.

On 29 June 2020, L'Oréal and French investment holding company Impala announced that they had finalised the sale of the Roger & Gallet brand.

2.1.3. Year 2019

Acquisition

L'Oréal did not make any significant acquisition in 2019.

2.2. Impact of changes in the scope of consolidation in the cash flow statement

For 2021, these changes mainly related to the Takami and Youth to the People acquisitions.

For 2020, these changes mainly related to the Azzaro-Mugler and Thayers Natural Remedies acquisitions.

The impact of acquisitions is not material for 2019.

2.3. Transaction on share capital

On 7 December 2021, the L'Oréal Board of Directors approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. The total price paid to Nestlé was €8.904 billion. All shares redeemed by L'Oréal have been bought back for the express purpose of cancelling them. The transaction had a marginally accretive impact on the diluted net earnings per share in 2021, given that the shares were repurchased at the end of 2021, but will have a full-year accretive impact of at least 4% for the 2022 financial year.

This transaction led the Group to take out a bridging loan of €1.9 billion and issue commercial paper for €2.3 billion, with the balance financed by the cash available at 31 December 2021.

NOTE 3. Operating items – Segment information

Accounting Principles

Net sales

Net sales are recognised when the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from net sales, as are incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes.

Incentives granted to distributors and consumers arerecorded as a deduction from net sales when the followingtwo conditions are met at the same time: the service is notseparable from the sale of the product and it is not possibleto reasonably estimate the fair value of the cost of theservice.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Cost of sales

The cost of goods sold consists mainly of the industrial production cost of products sold, the cost of distributing products to customers including freight and delivery costs, either directly or indirectly through depots, inventory impairment costs, and royalties paid to third parties.

Research and innovation expenses

Expenditure during the research phase is charged to the income statement for the financial year during which it is incurred.

Expenses incurred during the innovation phase are recognised as *Intangible assets* only if they meet all the following criteria set out in IAS 38:

- the project is clearly defined and the related costs are separately identified and reliably measured;
- the technical feasibility of the project has been demonstrated;
- the intention and ability to complete the project and to use or sell the products resulting from the project have been demonstrated;
- the resources necessary to complete the project and to use or sell it are available;
- the Group can demonstrate that the project will generate probable future economic benefits, as the existence of a potential market for the production resulting from the project, or its internal usefulness has been demonstrated.

In view of the very large number of innovation projects and uncertainties concerning the decision to launch products relating to these projects, L'Oréal considers that some of these capitalisation criteria are not met.

Advertising and promotion expenses

These expenses consist mainly of expenses relating to the advertisement and promotion of products to customers and consumers. They are charged to the income statement for the financial year in which they are incurred.

Selling, general and administrative expenses

These expenses relate mainly to sales teams and sales team management, marketing teams and administrative services, as well as general expenses and the costs and expenses of free shares.

Operating profit

Operating profit consists of gross profit less research and innovation expenses, advertising and promotion expenses, and selling, general and administrative expenses.

Tangible assets

Tangible assets are recorded on the balance sheet at their purchase price. They are not remeasured.

Assets financed by lease contracts are recognised as assets on the balance sheet under *Right-of-use* assets. The corresponding debt is recognised as a liability under *Lease debt*.

Investment subsidies are recorded as liabilities under *Other current liabilities*.

The components of tangible assets are recorded separately if their estimated useful lives, and therefore their depreciation periods, are materially different.

Tangible assets are depreciated using the straight-line method, over the following useful lives:

Buildings	40 years
Industrial machinery and equipment	5-15 years
Point-of-sales advertising: stands and displays	3 years
Other tangible assets	3-10 years

Depreciation and impairment losses are recorded in the income statement according to the use of the asset.

In view of their nature, tangible assets are considered to have a value of zero at the end of the useful lives indicated above.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost method.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

The current trade accounts receivable impairment methodology at L'Oréal reflects the level of expected losses on the customer portfolio, calculated on the basis of past statistics from the outset of the receivable. Moreover, this risk is contained thanks to the credit insurance policy applied by the Group.

Except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

3.1. Segment information

3.1.1. Information by business segment

The Group's business activities are organised into four Divisions. In its markets, each Operational Division develops and enhances a range of its own brand of consumer products:

- the Professional Products Division provides expertise to beauty professionals.

  For over 100 years, this Division has acquired extensive knowledge of, and provided tailored support solutions for, the hairdressing sector. It has built up a unique brand portfolio which currently includes L'Oréal Professionnel, Kérastase, Redken, Matrix and PureOlogy;
- the Consumer Products Division's goal is to democratise access to the best that the world of beauty has to offer.

  The Division is underpinned by four major global brands (L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup), and by the deployment of its specialised and regional brands (Stylenanda, Essie, Dark and Lovely, Mixa, Magic, etc.);
- L'Oréal Luxe creates exceptional experiences and products, for the most demanding consumers in selective distribution.

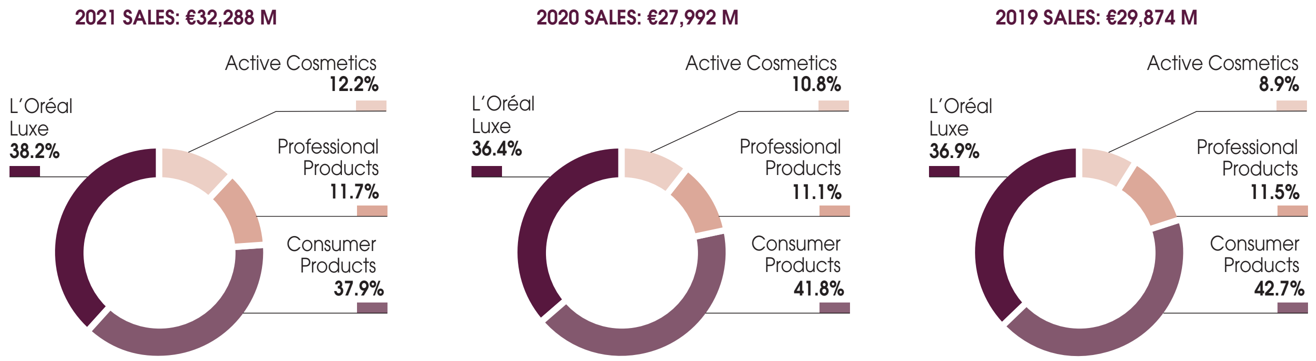
  The Division has built a unique portfolio of prestigious brands including iconic mainstream, aspirational, alternative and specialist brands (Lancôme, Kiehl's, Giorgio Armani Beauty, Yves Saint Laurent Beauté, Biotherm, Helena Rubinstein, Shu Uemura, IT Cosmetics, Urban Decay, Ralph Lauren, Mugler, Viktor&Rolf, Valentino, Azzaro, etc.);
- the Active Cosmetics Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

  Its portfolio of highly complementary brands (La Roche-Posay, Vichy, CeraVe, SkinCeuticals, etc.) is designed to keep pace with major skincare trends and recommendations of healthcare professionals.

The "non-allocated" item includes expenses incurred by the Functional Divisions, fundamental research and the cost of free shares not allocated to the Divisions. It also includes non-core businesses, such as reinsurance.

The performance of each Division is measured on the basis of operating profit.

WEIGHT OF NET SALES BY DIVISION OVER THE THREE PERIODS



€ millions **2021**	Sales	Operating profit	Operational Assets [(1)]	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,783.9	806.9	3,251.6	80.3	175.1
Consumer Products	12,233.5	2,466.0	10,186.6	370.7	709.1
L'Oréal Luxe	12,346.2	2,816.3	9,532.4	293.3	473.6
Active Cosmetics	3,924.0	990.5	2,957.4	80.1	117.5
TOTAL OF DIVISIONS	**32,287.6**	**7,079.7**	**25,927.9**	**824.4**	**1,475.3**
Non-allocated	-	-919.4	1,047.7	259.6	215.6
GROUP	**32,287.6**	**6,160.3**	**26,975.7**	**1,084.0**	**1,690.9**

(1) Operational assets mainly include goodwill, intangible and tangible assets, right-of-use assets, trade accounts receivable and inventories.

€ millions **2020**	**Sales**	**Operating profit**	**Operational Assets (1)**	**Investments in tangible and intangible assets**	**Depreciation, amortisation and provisions**
Professional Products	3,097.3	581.7	2,962.6	63.1	198.8
Consumer Products	11,703.8	2,388.1	9,887.6	360.8	818.2
L'Oréal Luxe	10,179.9	2,275.9	8,773.4	277.2	545.9
Active Cosmetics	3,011.1	766.0	2,524.2	56.7	125.1
TOTAL OF DIVISIONS	**27,992.1**	**6,011.6**	**24,147.7**	**757.8**	**1,688.1**
Non-allocated	-	-802.6	1,042.6	167.4	198.4
GROUP	**27,992.1**	**5,209.0**	**25,190.3**	**925.2**	**1,886.4**

(1) Operational assets mainly include goodwill, intangible and tangible assets, right-of-use assets, trade accounts receivable and inventories.

€ millions **2019**	**Sales**	**Operating profit**	**Operational Assets (1)**	**Investments in tangible and intangible assets**	**Depreciation, amortisation and provisions**
Professional Products	3,441.9	691.6	3,506.1	85.7	191.4
Consumer Products	12,748.2	2,574.6	10,700.0	514.3	780.7
L'Oréal Luxe	11,019.8	2,493.7	7,941.7	514.4	592.9
Active Cosmetics	2,663.7	620.8	2,374.1	66.1	92.3
TOTAL OF DIVISIONS	**29,873.6**	**6,380.7**	**24,521.8**	**1,180.5**	**1,657.3**
Non-allocated	-	-833.2	1,077.6	142.4	199.6
GROUP	**29,873.6**	**5,547.5**	**25,599.5**	**1,322.9**	**1,856.9**

(1) Operational assets mainly include goodwill, intangible and tangible assets, right-of-use assets, trade accounts receivable and inventories.

Operational assets can be reconciled to the 2021, 2020 and 2019 balance sheets as follows:

€ millions	**2021**	**2020**	**2019**
Operational assets	**26,975.7**	**25,190.3**	**25,599.5**
Non-current financial assets	10,920.2	9,604.8	10,819.1
Investments accounted for under the equity method	9.9	11.1	10.9
Deferred tax assets	696.5	809.9	777.3
Other current assets	1,697.4	1,584.9	1,317.1
Cash and cash equivalents	2,713.8	6,405.9	5,286.0
Non-allocated assets	**16,037.7**	**18,416.6**	**18,210.3**
TOTAL ASSETS	**43,013.4**	**43,606.9**	**43,809.8**

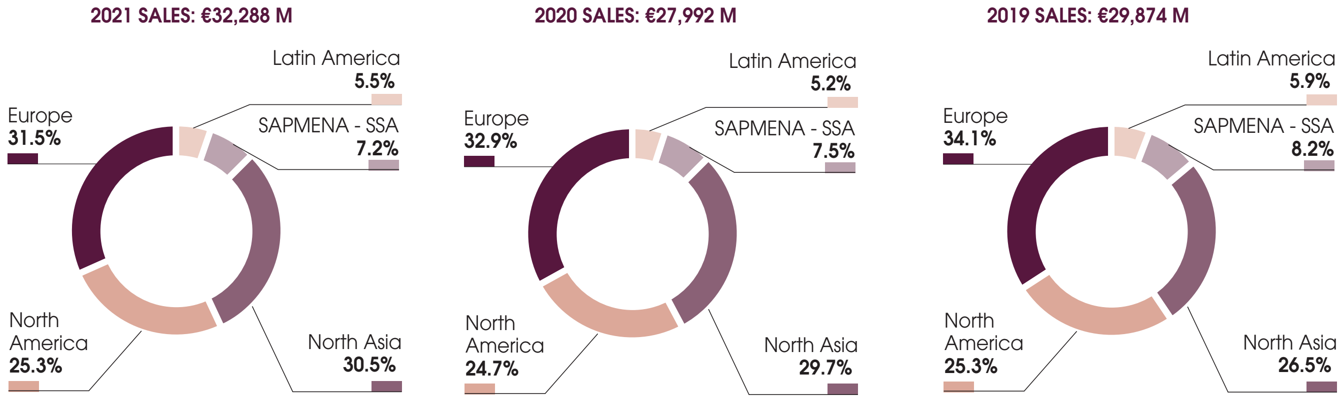
3.1.2. Information by geographic zone

All information is presented on the basis of geographic location of the subsidiaries.

During the first half of 2021, the Group redefined its geographic zones. Sales by geographic zone reflect this organisation and break down as follows: Europe, North America, North Asia, SAPMENA – SSA (1) and Latin America. The data relating to previous periods have been restated to reflect these changes.

3.1.2.1. Consolidated net sales by geographic zone

WEIGHT OF NET SALES BY GEOGRAPHIC ZONE OVER THE THREE PERIODS



2021 SALES: €32,288 M

2020 SALES: €27,992 M

2019 SALES: €29,874 M

(1) SAPMENA – SSA: South Asia Pacific, Middle East, North Africa and Sub-Saharan Africa.

		Growth *(%)*			
€ millions	2021	Published data	Excluding exchange effect	2020	2019
Europe	10,184.8	10.7%	11.1%	9,199.3	10,186.8
North America	8,155.9	18.1%	21.8%	6,903.4	7,567.0
North Asia	9,863.3	18.6%	17.8%	8,318.1	7,908.2
SAPMENA – SSA	2,312.0	10.0%	16.0%	2,101.9	2,438.5
Latin America	1,771.5	20.6%	27.0%	1,469.3	1,773.1
GROUP	**32,287.6**	**15.3%**	**16.9%**	**27,992.1**	**29,873.6**

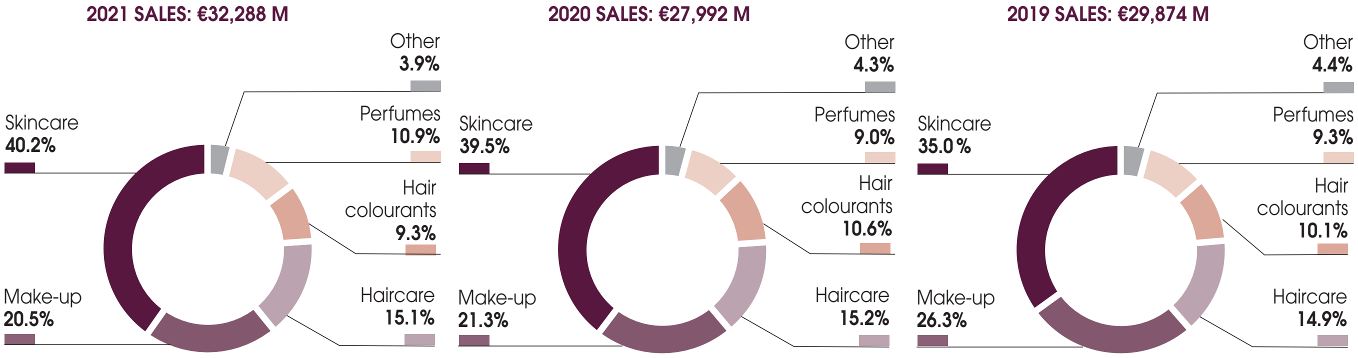
3.1.2.2. Breakdown of operational assets and consolidated investments by geographic zone

	2021		2020		2019	
€ millions	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets
Europe	11,837.5	375.8	11,504.0	358.5	10,607.0	525.4
North America	7,636.3	208.5	6,991.0	193.7	7,789.0	332.3
North Asia	4,030.1	153.9	3,424.4	116.7	3,451.2	180.3
SAPMENA – SSA	1,170.7	52.7	1,059.6	48.8	1,202.4	74.9
Latin America	1,253.4	33.6	1,168.7	40.0	1,472.3	67.6
Non-allocated	1,047.7	259.6	1,042.6	167.4	1,077.6	142.4
GROUP	**26,975.7**	**1,084.0**	**25,190.3**	**925.2**	**25,599.5**	**1,322.9**

3.1.3. Sales by business segment

		Growth *(%)*			
€ millions	2021	Published data	Excluding exchange effect	2020	2019
Skincare	12,982.3	17.5%	18.1%	11,051.7	10,453.1
Make-up	6,626.8	11.0%	12.6%	5,969.3	7,854.3
Haircare	4,880.1	14.7%	17.3%	4,254.3	4,460.9
Hair colourants	3,016.1	1.5%	3.9%	2,971.6	3,032.1
Perfumes	3,511.8	38.9%	41.1%	2,528.7	2,770.4
Other	1,270.6	4.4%	6.9%	1,216.5	1,302.8
GROUP	**32,287.6**	**15.3%**	**16.9%**	**27,992.1**	**29,873.6**

WEIGHT OF NET SALES BY BUSINESS SEGMENT OVER THE THREE PERIODS



3.2. Depreciation and amortisation expense and tangible assets

3.2.1. Depreciation and amortisation expenses

Depreciation and amortisation of tangible and intangible assets included in operating expenses amounted to €1,459.1 million, including €405.6 million for right-of-use (IFRS 16), €1,616.9 million, including €466.6 million for right-of-use (IFRS 16) and €1,616.8 million, including €445.1 million for right-of-use (IFRS 16) respectively, for 2021, 2020 and 2019.

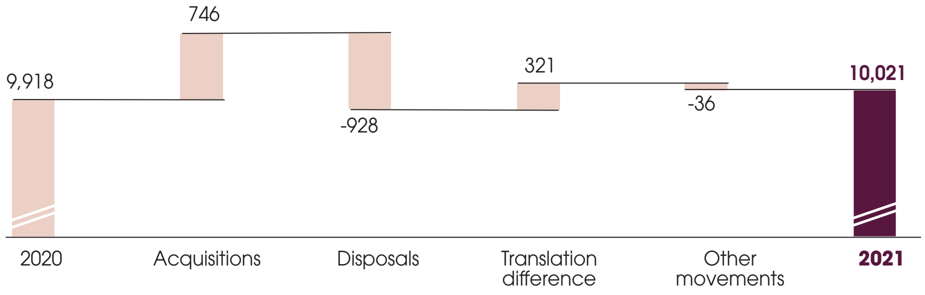
3.2.2. Tangible assets

€ millions 2021	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	31.12.2021
Land and buildings	2,334.7	42.2	-75.3	52.8	29.0	2,383.3
Machinery and equipment	3,639.7	133.8	-204.8	101.5	63.5	3,733.7
Point-of-sales advertising: stands and displays	2,096.4	203.8	-506.0	90.1	42.8	1,927.1
Other tangible assets and fixed asset in progress	1,846.8	366.4	-142.2	77.0	-171.0	1,976.9
Gross value	**9,917.6**	**746.2**	**-928.3**	**321.4**	**-35.7**	**10,020.9**
Land and buildings	1,251.2	89.9	-69.0	28.0	-8.1	1,292.0
Machinery and equipment	2,700.6	237.4	-203.3	75.0	-26.5	2,783.2
Point-of-sales advertising: stands and displays	1,664.9	317.9	-505.5	69.7	0.2	1,547.2
Other tangible assets	1,075.7	144.2	-140.1	47.1	5.5	1,132.4
Depreciation and provisions	**6,692.4**	**789.4**	**-917.9**	**219.8**	**-28.9**	**6,754.7**
TANGIBLE ASSETS – NET	**3,225.2**	**-43.2**	**-10.4**	**101.6**	**-6.8**	**3,266.2**

(1) *These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.*

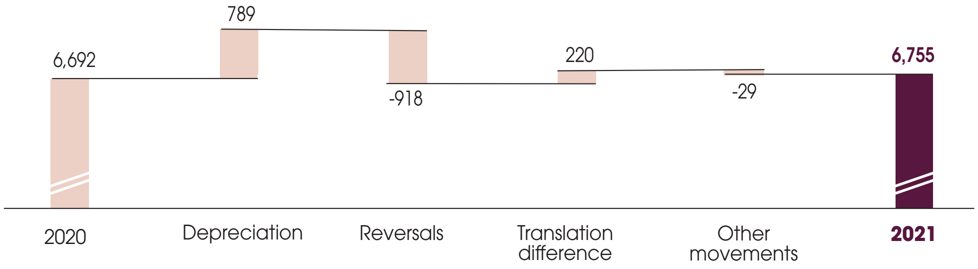
CHANGE IN GROSS FIXED ASSETS

(€ millions)



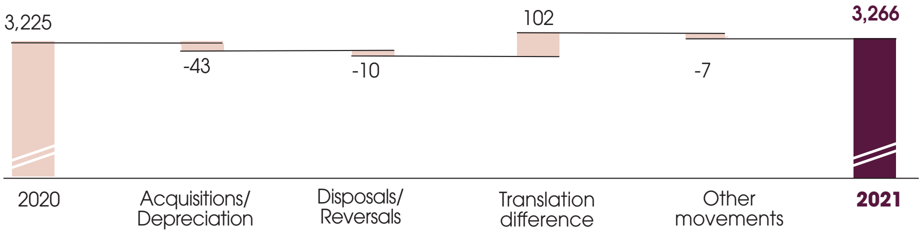
CHANGE IN DEPRECIATION, AMORTISATION AND PROVISIONS

(€ millions)



NET TANGIBLE ASSETS

(€ millions)



€ millions **2020**	**31.12.2019**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Translation difference**	**Other movements (1)**	**31.12.2020**
Land and buildings	2,333.3	47.2	-24.9	-101.0	80.3	2,334.7
Machinery and equipment	3,735.3	163.1	-120.3	-175.4	37.1	3,639.7
Point-of-sales advertising: stands and displays	2,358.1	221.0	-420.2	-144.4	81.8	2,096.4
Other tangible assets and fixed assets in progress	2,004.3	262.1	-97.5	-114.4	-207.8	1,846.8
Gross value	**10,431.1**	**693.4**	**-662.9**	**-535.2**	**-8.6**	**9,917.6**
Land and buildings	1,218.7	79.4	-19.3	-38.1	10.5	1,251.2
Machinery and equipment	2,732.6	259.2	-119.3	-115.0	-56.9	2,700.6
Point-of-sales advertising: stands and displays	1,774.4	408.2	-415.4	-113.9	11.6	1,664.9
Other tangible assets	1,061.0	165.0	-94.8	-66.4	11.0	1,075.7
Depreciation and provisions	**6,786.8**	**911.7**	**-648.8**	**-333.4**	**-23.8**	**6,692.4**
TANGIBLE ASSETS – NET	**3,644.3**	**-218.3**	**-14.1**	**-201.8**	**15.2**	**3,225.2**

(1) *These mainly consist of assets related to refurbishment costs for premises reclassified as rights of use after the Group applied IFRS 16 on 1 January 2019 (€33 million) and tangible assets in progress allocated to other fixed assets.*

€ millions **2019**	**31.12.2018**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Translation difference**	**Other movements (1)**	**31.12.2019**
Land and buildings	2,259.2	43.1	-38.2	18.4	50.8	2,333.3
Machinery and equipment	3,585.1	158.3	-129.6	38.0	83.5	3,735.3
Point-of-sales advertising: stands and displays	2,147.8	372.2	-247.4	43.0	42.5	2,358.1
Other tangible assets and fixed assets in progress	1,922.1	384.0	-76.8	25.8	-250.8	2,004.3
Gross value	**9,914.3**	**957.6**	**-492.0**	**125.2**	**-74.0**	**10,431.1**
Land and buildings	1,169.9	77.1	-33.3	6.8	-1.8	1,218.7
Machinery and equipment	2,585.7	258.6	-126.7	24.9	-9.9	2,732.6
Point-of-sales advertising: stands and displays	1,559.4	440.2	-246.6	31.5	-10.1	1,774.4
Other tangible assets	974.7	168.3	-75.6	13.5	-19.9	1,061.0
Depreciation and provisions	**6,289.7**	**944.2**	**-482.2**	**76.8**	**-41.7**	**6,786.8**
TANGIBLE ASSETS – NET	**3,624.6**	**13.4**	**-9.8**	**48.4**	**-32.4**	**3,644.3**

(1) *These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.*

3.2.3. Leases

3.2.3.1. Right-of-use assets

Right-of-use assets break down by type of underlying asset, as follows:

€ millions	**31.12.2021 Net**	**Depreciation and impairment losses (1) 2021**	**31.12.2020 Net**	**01.01.2020 Net**
Buildings	1,124.6	261.5	1,101.2	1,291.2
Stores	265.4	123.0	293.3	445.1
Key money	28.7	3.4	34.5	49.0
Others	88.8	17.1	96.3	106.9
RIGHT-OF-USE ASSETS	**1,507.6**	**405.0**	**1,525.3**	**1,892.3**

(1) *Of which €405.6 million in depreciation for the period.*

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Lease debt due in more than 5 years	313.8	299.9	465.7
Lease debt due in between 1 and 5 years	933.7	994.8	1,162.3
Lease debt due in less than 1 year	422.8	386.9	407.9
LEASE DEBT	**1,670.3**	**1,681.6**	**2,035.9**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2021	31.12.2020	31.12.2019
Finished products and consumables	2,770.3	2,492.2	2,724.0
Raw materials, packaging and semi-finished products	838.6	643.4	605.7
Gross value	**3,608.9**	**3,135.6**	**3,329.7**
Valuation allowance	442.1	459.8	409.0
INVENTORIES – NET	**3,166.9**	**2,675.8**	**2,920.8**

3.3.2. Trade accounts receivable

€ millions	31.12.2021	31.12.2020	31.12.2019
Gross value	4,069.7	3,565.4	4,133.5
Valuation allowance	48.7	54.1	46.8
NET VALUE	**4,021.0**	**3,511.3**	**4,086.7**

Trade accounts receivable are due within one year. The impairment of trade accounts receivable reflects the level of expected losses on the customer portfolio from the outset of the receivable. Moreover, except when local conditions do not allow it, the Group has insurance cover for the subsidiaries. The non-collection risk on trade accounts receivables is therefore minimised, and this is reflected in the level of the allowance, which is less than 2% of gross receivables at the end of 2021.

3.3.3. Other current assets

€ millions	31.12.2021	31.12.2020	31.12.2019
Tax and employee-related receivables (excluding income tax)	707.9	639.0	616.0
Prepaid expenses	503.6	452.2	365.9
Derivatives	67.6	183.0	49.2
Current financial assets	4.8	6.7	23.3
Other current assets	753.9	451.8	420.4
TOTAL	**2,037.9**	**1,732.7**	**1,474.9**

3.4. Other current liabilities

€ millions	31.12.2021	31.12.2020	31.12.2019
Tax and employee-related payables (excluding income tax)	1,628.3	1,533.8	1,586.8
Credit balances on trade receivables	1,326.4	1,244.5	1,128.2
Fixed assets payables	386.6	385.1	434.5
Derivatives	240.4	94.9	123.6
Other current liabilities	399.1	424.3	235.4
TOTAL	**3,980.8**	**3,682.5**	**3,508.5**

3.5. Changes in working capital

This caption is broken down as follows:

€ millions	2021	2020	2019
Inventories	-373.3	101.9	-53.8
Trade accounts receivable	-407.1	315.3	-59.6
Trade accounts payable	1,086.8	345.3	110.7
Other receivables and payables	-218.5	(33.3)	463.2
TOTAL	**88.0**	**729.2**	**460.5**

NOTE 4. Other operational income and expenses

Accounting principles

Other income and expenses

The Other income and expenses item includes capital gains and losses on disposals of tangible and intangible assets, impairment of assets, restructuring costs, and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements.

The cost of restructuring operations is fully provisioned if it results from a group obligation towards a third party originating from a decision taken by a competent body which is announced to the third parties concerned before the end of the reporting period. This cost consists mainly of severance payments, early retirement payments, the cost of unworked notice periods, the costs of training for employees affected by the restructuring measures, and other costs relating to site closures. Any write-offs of fixed assets or impairment charged against inventories and other assets related directly to these restructuring measures are also recorded as restructuring costs.

Operational profit

Operational profit is calculated based on operating profit and includes other income and expenses such as capital gains and losses on disposals of tangible and intangible assets, impairment of assets, and restructuring costs.

This item breaks down as follows:

€ millions	**2021**	**2020**	**2019**
Capital gains and losses on disposals of tangible and intangible assets (1)	-0.4	-3.5	14.0
Impairment of tangible and intangible assets (2)	-337.5	-89.8	-142.8
Restructuring costs (3)	-149.6	-382.1	-120.2
Other (4)	55.5	-233.5	-187.5
TOTAL	**-432.0**	**-709.0**	**-436.5**

(1) Including:
- in 2020, mainly the capital loss of-€2.7 million on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019);
- in 2019, €11 million in capital gains on property sales in Germany.

(2) Including:
- in 2021, the goodwill of IT Cosmetics (-€254,7 million) and the brand Magic (-€82,8 million);
- in 2020, the residual brand and goodwill of Clarisonic for €63.6 million and €24.6 million respectively, due to the brand's discontinuation;
- in 2019, the brand and goodwill of Clarisonic and Roger & Gallet for €80 million and €59 million, respectively.

(3) Including:
- in 2021, the ongoing restructuring of the organisation and distribution of the Luxe and Professional Divisions in Europe (€60.8 million), the reorganisation of the Consumer Products Division's sales forces in North Asia (€29 million), the restructuring of an industrial activity in Eastern Europe (€10 million), the restructuring of production in Germany (€18.2 million) and the reorganisation of Urban Decay's distribution structures in 17 countries (€9.2 million);
- in 2020, the reorganisation of the distribution structures of the Luxe Division in North America (€96.3 million) and in Asia-Pacific (€27.2 million), the repositioning ofcertain distribution channels in China (€27.8 million), the reorganisation of organisational and distribution structures within the Luxe and Professional Divisions in Western Europe (€85.9 million), the continued redesign of NYX Professional Makeup's distribution channels (€66.3 million), the repositioning of the Decléor Carita brands and theirsales strategy (€22.5 million), as well as the operational impact of the discontinuation of the Clarisonic brand (€18.9 million);
- in 2019, the redesign of NYX Professional Makeup's distribution channels (€76 million), the refocus of production facilities on Luxe, mostly in France (€11 million),restructuring Clarisonic manufacturing in the US (€8.6 million), reorganising distribution, organisational and accounting structures in Europe (€9 million) and additional costs for various reorganisation projects in 2018, primarily in Brazil (€8.2 million).

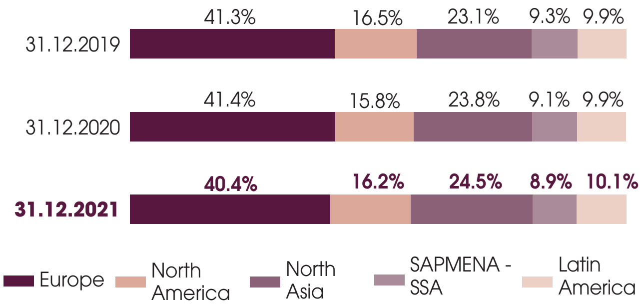
(4) Including:
- in 2021, the reversal of a provision for disputes related to intellectual property (€45.6 million), the write-down of Earn-out Style Nanda and Atelier Cologne earn-out debts (€44.2 million), partially offset by charitable donations (€16 million) and acquisition costs (€14.3 million);
- in 2020, certain specific and identifiable costs relating to the consequences of the public health crisis borne during the first half of the year including €27 million in additional health costs (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and the costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities. These include €43 million relating to own points of sales (mainly the salaries of beauty advisers and costs relating to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States. Acquisition-related costs (€24 million) and disputes related to intellectual property (€20 million);
- in 2019, acquisition-related costs (€6.1 million), the increase of the Stylenanda earn-out (€56.5 million), the disputes related to intellectual property (€55.8 million)and the profit-sharing adjustment following the agreement signed with the French tax administration for the 2014-2018 tax audits (€56.7 million).

NOTE 5. Number of employees, personnel costs and employee benefits

5.1. Number of employees

	31.12.2021	31.12.2020	31.12.2019
Europe	34,503	35,372	36,322
North America	13,806	13,492	14,480
North Asia	20,900	20,345	20,335
SAPMENA – SSA	7,609	7,739	8,153
Latin America	8,594	8,444	8,684
TOTAL (1)	**85,412**	**85,392**	**87,974**

(1) Excluding employees of equity-accounted companies.



5.2. Personnel costs

€ millions	2021	2020	2019
Personnel costs (including welfare contributions) (1)	**6,471.1**	**6,124.2**	**6,131.1**

(1) Excluding employees of equity-accounted companies.

Personnel costs include pension expenses (excluding interest components), the cost of any share-based payments (stock options and free shares), and payroll taxes.

5.3. Executive compensation

Costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors can be analysed as follows:

€ millions	2021	2020	2019
Directors' fees	1.4	1.4	1.3
Salaries and benefits including employer welfare contributions	40.5	40.3	40.1
Employee retirement obligation charges	11.2	12.9	10.8
SHARE-BASED PAYMENT (STOCK OPTIONS AND FREE SHARES)	**27.2**	**27.5**	**33.7**

The number of executives who were members of the Management Committee was 19 at 31 December 2021 compared with 20 at 31 December 2020 and at 31 December 2019.

5.4. Post-employment benefits, termination benefits and other long-term employee benefits

Accounting principles

The Group operates pension, early retirement and other employee benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group recognises in the income statement contributions payable when they are due. No provision has been set aside in this respect as the Group's obligation does not exceed the amount of contributions paid.

The characteristics of the defined benefit schemes in force within the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. An early retirement plan and a defined benefit plan have also been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees. These obligations are partially funded by an external fund, except those relating to healthcare costs for retired employees;
- for foreign subsidiaries with employee retirement schemes or other specific obligations relating to defined benefit plans, the excess of the projected benefit obligation over the scheme's assets is also recognised by setting up a provision for charges on the basis of the actuarial value of employees' vested rights.

The charges recorded in the income statement during the year include:

- additional rights vested by employees during the accounting period;
- the impact of any change to existing schemes on previous years or of any new schemes;
- the change in the value of the discounted rights over the past year;
- income on external funds calculated on the basis of the discount rate applied to the benefit obligation.

The latter two items represent the interest component of the pension costs. The interest component is shown within Net financial income on the *Other financial income and expenses* item.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected unit credit method). The obligations and the fair value of plan assets are assessed each year using length-of-service, life expectancy, staff turnover by category and economic assumptions (such as inflation rate and discount rate).

The Group applies a simplified granular approach to calculate its service cost for the period. Under this simplified approach, two different discount rates are used to calculate the obligation and the service cost based on the duration of the future cash flows relating to each of these items. Financial costs are calculated by applying the discount rate used for the obligation to plan assets and by applying the differential interest rate to service cost for the period.

Actuarial gains and losses arising on post-employment defined benefit obligations are recognised in equity.

Actuarial gains and losses in relation to other benefits such as jubilee awards and long-serve bonuses are immediately charged to the income statement.

The liability corresponding to the Company's net defined benefit obligation regarding its employees is recorded in the balance sheet on the *Provisions for employee retirement obligations and related benefits* line.

The actuarial assumptions used to calculate these obligations take into account the economic conditions specific to each country or Group company. The main weighted average assumptions for the Group are as follows:

In %	31.12.2021	31.12.2020	31.12.2019
Discount rate (commitment)	1.6%	1.1%	1.6%
Discount rate (service cost)*	1.8%	1.4%	1.9%
Salary increases	3.6%	3.4%	3.5%

* *Used for the services cost for the following financial year.*

	31.12.2021			31.12.2020			31.12.2019		
	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate
Expected rate of health care inflation	5.3%	4.2%	2027	5.3%	4.2%	2027	5.7%	4.2%	2027

The discount rates are obtained by reference to market yields on high quality corporate bonds having maturity dates equivalent to those of the obligations.

Bond quality is assessed by reference to the AA-/Aa3 minimum rating provided by one of the three main credit-rating agencies.

Discount rates can be broken down by geographic zone as follows:

In %	2021	2020	2019
Weighted average (all countries) based on the benefit obligation	**1.6%**	**1.1%**	**1.6%**
Of which:			
Euro zone			
Discount rate (commitment) (1)	1.0%	0.5%	0.9%
Discount rate (service cost)*	1.1%	0.6%	1.0%
USA			
Discount rate (commitment)	2.5%	2.0%	2.8%
Discount rate (service cost)*	2.8%	2.3%	3.0%
United Kingdom			
Discount rate (commitment)	2.0%	1.5%	2.0%
Discount rate (service cost)*	2.0%	1.5%	2.0%

(1) The weighted average for 2021 consists of a 1.02% discount rate on annuity plans with an average term of 19.86 years and a 0.72% discount rate on capital plans with an average term of 11.23 years.

** Used for the service cost for the following financial year.*

A 50 basis point decrease in the discount rates would increase the projected defined benefit obligations by €237.0 million for the euro zone, €89.0 million for the United States and €74.5 million for the United Kingdom.

The expected returns on plan assets are based on the discount rates used.

The breakdown of plan assets is as follows:

In %	31.12.2021	31.12.2020	31.12.2019
Equity securities (1)	36.6%	35.2%	33.9%
Bonds	54.1%	57.2%	57.8%
Property assets (2)	4.3%	4.6%	4.8%
Monetary instruments	3.3%	0.9%	0.6%
Other(1)	1.7%	2.1%	2.9%
TOTAL	**100%**	**100%**	**100%**

(1) Of which L'Oréal shares: none.

(2) Of which property assets occupied by Group entities: none.

The allocation of plan assets has to comply with specific investment limits for the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

Fluctuations during 2021, 2020 and 2019 are set out below:

€ millions	**Present value of defined benefit obligation**	**Plan assets**	**Net provisions**
Balance at 31 December 2018	**4,144.4**	**-3,755.5**	**388.9**
Service cost during the period	168.8	-	168.8
Interest cost	111.8	-	111.8
Expected return on assets	-	-99.5	-99.5
Past service cost: new plans/plan amendments	72.9	-	72.9
Curtailments	-100.3	-	-100.3
Settlements	-	-	-
Benefits paid	-198.4	151.9	-46.5
Contributions paid	6.3	-58.9	-52.6
Actuarial gains and losses	706.6	-378.9	327.7
Translation differences	67.9	-66.3	1.6
Other movements	-5.3	5.6	0.3
Balance at 31 December 2019	**4,974.5**	**-4,201.6**	**772.9**
Service cost during the period	201.2	-	201.2
Interest cost	80.0	-	80.0
Expected return on assets	-	-66.7	-66.7
Past service cost: new plans/plan amendments	-12.7	-	-12.7
Curtailments	-21.2	-	-21.2
Settlements	-1.0	1.1	0.2
Benefits paid	-227.7	161.9	-65.9
Contributions paid	4.1	-85.3	-81.3
Actuarial gains and losses	483.1	-257.5	225.6
Translation differences	-167.0	139.8	-27.2
Other movements	5.1	3.3	8.4
Balance at 31 December 2020	**5,318.4**	**-4,305.0**	**1,013.5**
Service cost during the period	221.9	-	221.9
Interest cost	60.5	-	60.5
Expected return on assets	-	-50.4	-50.4
Past service cost: new plans/plan amendments	-10.0	-	-10.0
Curtailments	-16.7	-	-16.7
Settlements	1.1	-	1.1
Benefits paid	-221.6	174.7	-46.9
Contributions paid	6.4	-101.1	-94.6
Actuarial gains and losses	-329.9	-255.2	-585.2
Translation differences	159.0	-151.4	7.5
Other movements (1)	-141.9	1.8	-140.0
BALANCE AT 31 DECEMBER 2021	**5,047.2**	**-4,686.6**	**360.6**

(1) Including -€137.4million pertaining to the IFRIC 2021 intrerpretation on IAS 19 "Employee Benefits" on Attribuintg Benefit to Periods of Service.

The total present value of defined benefit obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

€ millions	**31.12.2021**	**31.12.2020**	**31.12.2019**
Present value of defined benefit obligations wholly or partly funded	4,635.0	4,832.5	4,507.6
Fair value of plan assets	4,686.6	4,304.9	4,201.6
Net position of defined benefit obligations wholly or partly funded	-51.6	527.6	306.1
Present value of defined benefit obligations wholly unfunded	412.2	485.9	466.9

The retirement expense charged to the income statement is recorded within personnel expenses for the operating part and within financial costs for the financial part and can be analysed as follows:

€ millions	**2021**	**2020**	**2019**
Service cost during the financial year	221.9	201.2	168.8
Interest costs	60.5	80.0	111.8
Expected return on assets	-50.4	-66.7	-99.5
New plans/plan amendments (1)	-10.0	-12.7	72.9
Curtailments (1)	-16.7	-21.2	-100.3
Settlements	1.1	0.2	-
TOTAL	**206.4**	**180.9**	**153.6**

(1) (2019) Order no. 2019-697 transposing a European Directive dated 16 April 2014 into law no longer allows for new additional rights to be acquired in schemes opened on 20 May 2014 for employment periods after 31 December 2019. The net impact recorded in 2019 net income for these developments is +€17.5 million. L'Oréal finalised in 2021 the implementation of a replacement scheme for acquired rights in accordance with this Order for employment periods starting 1 January 2020, following publication of the circular on 23 December 2020. This scheme is considered a continuation of the former scheme due to its consistency in terms of population and benefits.

Contributions to defined contribution schemes recognised as an expense for 2021, 2020 and 2019 amounted to €559.3 million, €511.3 million and €524.80 million, respectively.

A change of 1% point in medical cost inflation would have the following impact:

€ millions	**Increase of 1%**	**Decrease of 1%**
Impact on projected benefit obligation	9.57	-7.99
Impact on current service cost and interest costs	0.23	-0.19

Actuarial gains and losses for the periods presented are as follows:

€ millions **2021**	**Present value of defined benefit obligation**	**Plan assets**	**Net provisions**
Actuarial gains and losses: experience adjustments	31.5	-255.2	-223.7
Actuarial gains and losses: demographic assumptions	23.2	-	23.2
Actuarial gains and losses: financial assumptions	-384.6	-	-384.6
TOTAL	**-329.9**	**-255.2**	**-585.2**

€ millions **2020**	**Present value of defined benefit obligation**	**Plan assets**	**Net provisions**
Actuarial gains and losses: experience adjustments	40.3	-257.5	-217.2
Actuarial gains and losses: demographic assumptions	7.2	-	7.2
Actuarial gains and losses: financial assumptions	435.6	-	435.6
TOTAL	**483.1**	**-257.5**	**225.6**

€ millions **2019**	**Present value of defined benefit obligation**	**Plan assets**	**Net provisions**
Actuarial gains and losses: experience adjustments	-25.5	-378.9	-404.4
Actuarial gains and losses: demographic assumptions	-36.6	-	-36.6
Actuarial gains and losses: financial assumptions	768.8	-	768.8
TOTAL	**706.6**	**-378.9**	**327.7**

5.5. Share subscription or purchase options – Free shares

Accounting principles

In accordance with the requirements of IFRS 2 "Share-based Payment", the value of options or free shares granted as calculated at the grant date is expensed in the income statement over the vesting period, which is generally five years for purchase options and four years for free shares.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

The cost of the additional 2-year holding period applicable to French residents, for plans prior to 1 January 2016, is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile.

The impact of IFRS 2 on profit for the period is booked on the *Selling, general and administrative expenses* item of the income statement at Group level, and is not allocated to the Divisions or geographic zones.

a) Share subscription or purchase options

There is no option plans in force at 31 December 2021.

Data concerning all share option plans during financial years 2021, 2020 and 2019 are set out below:

	31.12.2021		31.12.2020		31.12.2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	**57,397**	**€83.19**	**524,193**	**€81.91**	**1,313,801**	**€78.60**
Options granted	-		-		-	
Options exercised	-52,397	€83.19	-465,796	€81.76	-785,408	€76.43
Options expired	-5,000		-1,000		-4,200	
Number of options not exercised at end of period	**-**	**€-**	**57,397**	**€83.19**	**524,193**	**€81.91**
Of which:						
number of exercisable options at end of period	-	€-	57,397	€83.19	524,193	€81.91
expired options at end of period	-		-		-	
Weighted average share price		**€364.74**		**€273.24**		**€240.28**

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2019.

Grant date Stock subscription plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
22.04.2015	23.04.2019	860,150	706,937	-
20.04.2016	21.04.2020	906,100	835,725	-
20.04.2017	21.04.2021	906,000	742,276	-
17.04.2018	18.04.2022	931,000	350	885,625
18.04.2019	19.04.2023	843,075	200	823,900
14.10.2020	15.10.2024	713,660	200	712,515
07.10.2021	08.10.2025	588,750	-	588,750

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions apply to the 7 October 2021, 14 October 2020, 18 April 2019 and 17 April 2018 plans:

- for 50% of shares granted, the growth in comparable Cosmetics sales in relation to growth in net sales for a panel of competitors:
  - 2022, 2023 and 2024 financial years under the 2021 plan,
  - 2021, 2022 and 2023 financial years under the 2020 plan,
  - 2020, 2021 and 2022 financial years under the 2019 plan,
  - 2019, 2020 and 2021 financial years under the 2018 plan,
- for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

  The calculation will be based on the mean of the performance in the:
  - 2022, 2023 and 2024 financial years under the 2021 plan,
  - 2021, 2022 and 2023 financial years under the 2020 plan,
  - 2020, 2021 and 2022 financial years under the 2019 plan,
  - 2019, 2020 and 2021 financial years under the 2018 plan,

and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

The plans of 22 April 2015, 20 April 201620 April 2017 were finally granted by the allocation of, respectively, 706,262 shares on 23 April 2019, 835,600 shares on 21 April 2020 and 742,276 shares on 21 April 2021.

At 31 December 2021, the performance conditions for plans in progress were deemed achieved.

The fair value of free shares is determined using the following assumptions:

	Stock subscription plans						
Grant date	April 2015	April 2016	April 2017	April 2018	April 2019	October 2020	October 2021
Risk-free rate of return	-0.02%	-0.06%	-0.35%	-0.28%	-0.25%	-0.53%	-0.60%
Discount for post-vesting transfer restrictions for French employees	1.70%	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends	1.52%	1.85%	1.82%	1.85%	1.58%	1.34%	1.11%
Share price	€177.10	€168.10	€181.75	€191.85	€243.80	€288.00	€360.00
Fair value							
• Employees resident in France	€161.49	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34
• Employees not resident in France	€164.50	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34

The expense recorded in 2021, 2020 and 2019 amounted to €152.3 million, €120.1 million and €143.2 million, respectively.

c) Capital increase reserved for employees

In September 2020, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €223.25, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 17 September to 2 October 2020 during which 417,966 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, for which the number of shares will be finalised in June 2021.

For French employees, free shares were offered upon subscription in proportion to their personal contribution to the plan with a maximum of 4 shares offered for 10 shares subscribed.

For employees in other countries, shares were offered under a free share plan with a continued employment condition fort he employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for10 shares subscribed. The shares will be allocated to employees on 3 November 2025 provided they are still with the Group on that date.

The IFRS 2 expense measuring the benefit offered to employees is calculated with reference to the fair value of the discount offered on the non-transferable shares.

The capital was increased on 3 November 2020 by 452,967, including matching shares.

The IFRS 2 expense for free shares recognised for the 2021 financial year amounted to €2.8 million and corresponds to the cost relating to employees outside France.

The IFRS 2 expense amounted respectively to €9.7 million and €1.4 million in 2020 and 2019.

NOTE 6. Income tax

Accounting principles

The income tax charge includes the current tax expense payable by each consolidated tax entity and the deferred tax expense. Deferred tax is calculated whenever there are temporary differences between the tax basis of assets and liabilities and their basis for consolidated accounting purposes, using the balance sheet liability method.

The restatement of assets and liabilities relating to lease contracts results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is measured using the tax rate enacted at the closing date and which will also apply when the temporary differences reverse.

Deferred tax assets generated by tax loss carryforwards are only recognised to the extent it is probable that the entities will be able to generate taxable profit against which they can be utilised.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which is payable only by L'Oréal, the parent company of the tax Group. Tax consolidation systems also exist outside France.

Uncertain tax positions are recorded in the balance sheet under *Non-current tax liabilities*. These correspond to an estimate of tax risks and litigation related to income tax for the various countries in which the Group operates.

6.1. Detailed breakdown of income tax

€ millions	2021	2020	2019
Current tax	1,361.7	1,219.9	1,699.7
Deferred tax	83.6	-10.1	-42.5
INCOME TAX	**1,445.4**	**1,209.8**	**1,657.2**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2021	2020	2019
Profit from continuing operations before tax and associates	**6,046.9**	**4,776.5**	**5,411.4**
Theoretical tax rate	24.72%	26.37%	26.21%
Expected tax charge	**1,494.8**	**1,259.7**	**1,418.1**
Impact of permanent differences	17.3	31.4	64.4
Impact of tax rate differences	-74.3	-129.9	-161.6
Change in unrecognised deferred taxes	3.5	1.7	2.3
Effect of non-current tax liabilities (1)	-11.9	108.2	346.7
Other (2)	16.0	-61.3	-12.7
GROUP TAX CHARGE	**1,445.4**	**1,209.8**	**1,657.2**

(1) *Including, in 2019, a €262 million expense to cover an agreement made with the French tax administration regarding a disagreement over which French products in our business fall under the tax base for 2014-2018.*
(2) *Including tax credits and taxes on dividend distributions.*

The expected tax charge reflects the sum of pre-tax profit for each country, multiplied by the normal taxation rate. The theoretical tax rate reflects the total expected tax charge as a percentage of pre-tax profit.

The impact of any reduced tax rates existing in certain countries in addition to the normal tax rates is included on the line Impact of tax rate differences.

6.3. Deferred taxes in the balance sheet

The net change in deferred taxes (assets and liabilities) can be analysed as follows:

€ millions	
Balance of deferred tax assets at 31 December 2018	**572.7**
Balance of deferred tax liabilities at 31 December 2018	**-673.7**
Income statement impact	42.5
Translation differences	3.8
Other effects (1)	94.3
Balance of deferred tax assets at 31 December 2019	**777.3**
Balance of deferred tax liabilities at 31 December 2019	**-737.7**
Income statement impact	10.1
Translation differences	-8.5
Other effects (1)	62.1
Balance of deferred tax assets at 31 December 2020	**809.9**
Balance of deferred tax liabilities at 31 December 2020	**-706.6**
Income statement impact	-83.6
Translation differences	-7.4
Other effects (1)	-126.0
BALANCE OF DEFERRED TAX ASSETS AT 31 DECEMBER 2021	**696.5**
BALANCE OF DEFERRED TAX LIABILITIES AT 31 DECEMBER 2021	**-810.3**

(1) Including mainly the deferred tax impact of currency hedging instruments recognised in equity, as well as the tax effect on actuarial gains and losses recognised in equity.

Deferred tax assets and liabilities recorded in the balance sheet may be broken down as follows:

	31.12.2021		**31.12.2020**		**31.12.2019**	
€ millions	**Deferred tax assets**	**Deferred tax assets**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Temporary differences	672.3	498.8	783.3	431.4	760.2	422.5
Deferred tax liabilities on revaluation of Sanofi		311.5		275.2		315.2
Tax credits and tax loss carry-forwards	24.2		26.6		17.1	
DEFERRED TAX TOTAL	**696.5**	**810.3**	**809.9**	**706.6**	**777.3**	**737.7**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€93.6 million, €263.8 million and €209.8 million respectively at the end of 2021, 2020 and 2019) and provisions for liabilities and charges (€115.9 million, €135.8 million and €136.5 million at the end of 2021, 2020 and 2019).

Deferred tax liabilities on temporary differences mainly include intangible assets acquired under business combinations other than non-tax-deductible goodwill.

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €16.4 million at 31 December 2021 compared with €14.3 million at 31 December 2020 and €17.0 million at 31 December 2019.

NOTE 7. Intangible assets

7.1. Goodwill

Accounting principles

Business combinations are accounted for by the purchase method. The assets, liabilities and contingent liabilities of the Company acquired are measured at fair value at the acquisition date. Any valuation differences identified when the acquisition is carried out are recorded under the corresponding asset and liability items.

Any residual difference between the cost of an acquisition and the Group's interest in the fair value of the identified assets and liabilities is recorded as Goodwill and allocated to the Cash Generating Units expected to benefit from the acquisition or the related synergies.

Goodwill generated on the acquisition of an associate is presented in the *Investments in associates* item.

For business combinations carried out after 1 January 2010, the main changes with regard to previously applicable accounting principles are set out below:

- for each acquisition, the Group chooses whether to recognise the full amount of goodwill regardless of the ownership interest acquired, or an amount of goodwill corresponding to its interest in the acquired company (previously the only method allowed);
- deferred tax assets recognised after the initial accounting is complete are included in profit or loss, and in contrast to previous practices, the amount of goodwill that would have been recorded had the deferred tax asset been recognised as an identifiable asset at the acquisition date is not deducted;
- costs incurred in respect of a business combination are now expensed and no longer included in the acquisition cost;
- the acquisition cost, which includes contingent consideration, is recognised and measured at its acquisition-date fair value. Subsequent changes in fair value, affecting in particular the contingent consideration recorded in liabilities, are recognised in Other income and expenses in the income statement and no longer treated as an adjustment to goodwill;
- any previous interest held in the acquiree prior to the date control was obtained is now remeasured at its acquisition-date fair value, with the corresponding gain or loss on remeasurement recognised on the income statement;
- purchase commitments for minority interests are recognised in financial debt at the acquisition-date fair value. Subsequent changes in fair value of the commitment are recognised by adjusting equity.

Goodwill is allocated by Cash Generating Units or by groups of Cash Generating Units. A Cash Generating Unit corresponds to one or more worldwide brands.

€ millions **2021**	**31.12.2020**	**Acquisitions/Disposals**	**Other movements**	**31.12.2021**
Redken/PureOlogy	639.2	1.5	37.3	678.1
L'Oréal Professionnel/Kérastase	403.7		14.3	417.9
Matrix	382.4	0.2	26.5	409.1
Professional Products Total	**1,425.3**	**1.7**	**78.0**	**1,505.1**
L'Oréal Paris	1,132.0		37.4	1,169.4
Mass Market make-up	971.5		48.4	1,019.9
Garnier	443.8		22.4	466.2
Stylenanda	423.7		-3.0	420.7
NYX Professional Makeup	304.5		20.4	324.8
LaSCAD	156.4		-	156.4
Other	341.2		34.2	375.5
Consumer Products Total	**3,773.1**	**-**	**159.8**	**3,932.9**
Perfumes	1,468.3		-14.8	1,453.5
Lancôme	829.1		8.8	837.9
IT Cosmetics	736.5		-221.1	515.4
YSL Beauté	535.5		0.5	536.0
Urban Decay	141.4		9.9	151.3
Shu Uemura	137.5		-0.8	136.6
Other	239.8	484.2	14.8	738.9
L'Oréal Luxe Total	**4,088.1**	**484.2**	**-202.7**	**4,369.6**
CeraVe	608.7		23.3	632.0
Vichy/Dermablend	314.4		7.2	321.6
La Roche-Posay	163.6		4.6	168.2
Other	140.9		4.2	145.1
Active Cosmetics Total	**1,227.6**	**-**	**39.3**	**1,266.9**
GROUP TOTAL	**10,514.2**	**485.9**	**74.5**	**11,074.5**

2021 acquisitions mainly relate to Takami and Youth to the People for €484.2 million. Allocation of the goodwill from these transactions to the CGUs has not yet been finalised.

Other movements mainly reflect the positive impact of changes in exchange rates for €317.7 million, as well as the recognition of an impairment loss on IT Cosmetics (€254.7 million).

The accumulated impairment losses relating to IT Cosmetics, L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €265.6 million, €301.6 million, €165.5 million, €146.4 million and €33.6 million, respectively, at 31 December 2021.

€ millions

2020	31.12.2019	Acquisitions/Disposals	Other movements	31.12.2020
Redken/PureOlogy	681.0	0.5	-42.3	639.2
L'Oréal Professionnel/Kérastase	421.0		-17.3	403.7
Matrix	413.1		-30.7	382.4
Decléor and Carita (1)	137.4		-137.4	
Other	3.2	-3.2	-	-
Professional Products Total	**1,655.7**	**-2.7**	**-227.7**	**1,425.3**
Mass Market make-up	1,037.9		-66.4	971.5
L'Oréal Paris	910.2	253.1	-31.3	1,132.0
Garnier	503.9		-60.1	443.8
Stylenanda	430.7		-7.0	423.7
NYX Professional Makeup	327.8		-23.3	304.5
LaSCAD	158.3		-1.9	156.4
Other	356.8	-	-15.5	341.2
Consumer Products Total	**3,725.5**	**253.1**	**-205.5**	**3,773.1**
Lancôme	832.6		-3.5	829.1
IT Cosmetics	787.4		-50.9	736.5
YSL Beauté	536.1		-0.6	535.5
Perfumes (2)	457.7	1,119.4	-108.8	1,468.3
Urban Decay	152.7		-11.3	141.4
Shu Uemura	143.1		-5.6	137.5
L'Oréal Beauty Device (3)	24.6		-24.6	-
Skincare Premium (1)			173.0	173.0
Other	67.5		-0.7	66.8
L'Oréal Luxe Total	**3,001.8**	**1,119.4**	**-33.0**	**4,088.1**
CeraVe	635.4		-26.7	608.7
Vichy/Dermablend (4)	323.8	-1.1	-8.3	314.4
La Roche-Posay	169.0		-5.4	163.6
Other (1)	74.5		66.4	140.9
Active Cosmetics Total	**1,202.7**	**-1.1**	**26.1**	**1,227.6**
GROUP TOTAL	**9,585.6**	**1,368.7**	**-440.1**	**10,514.2**

(1) Reclassification related to Decléor/Carita.
(2) Allocation of Azzaro-Mugler goodwill to the Perfumes Cash Generating Unit.
(3) Following the discontinuation of the Clarisonic brand, residual goodwill was fully written down.
(4) Disposal of the Roger & Gallet brand on 29 June 2020.

2020 acquisitions mainly relate to Azzaro/Mugler and Thayers for €1,372 million.

Following the strategic repositioning of the Decléor and Carita brands within the Active Cosmetics and Luxe Divisions with effect from 1 July 2020, Decléor-Carita goodwill of €137.4 million was reallocated, respectively, to the Skinceuticals Cash Generating Unit for Decléor for €71.2 million and to the new Skincare Premium Cash Generating Unit for Carita for €66.1 million, in view of the expected synergies between the brands belonging to these Cash Generating Units.

Héléna Rubinstein goodwill of €106.9 million was reallocated to the Skincare Premium Cash Generating Unit with the Carita brand to reflect the new dedicated operational structure for these two Skincare brands.

Other movements mainly reflect the negative impact of changes in exchange rates for €413.7 million, as well as the recognition of an impairment loss on Clarisonic (€25 million) due to the discontinuation of the brand.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €282.9 million, €149.1 million, €136.5 million and €30.3 million, respectively, at 31 December 2020.

€ millions **2019**	**31.12.2018**	**Acquisitions/Disposals**	**Other movements**	**31.12.2019**
Redken/PureOlogy	666.7	3.5	10.8	681.0
L'Oréal Professionnel/Kérastase	415.4		5.6	421.0
Matrix	405.8		7.3	413.1
Decléor and Carita	137.4		-	137.4
Other	3.1	-	0.1	3.2
Professional Products Total	**1,628.4**	**3.5**	**23.7**	**1,655.7**
Mass Market make-up	1,019.6		18.3	1,037.9
L'Oréal Paris	899.1		11.0	910.2
Garnier	513.2		-9.3	503.9
Stylenanda	429.5		1.3	430.7
NYX Professional Makeup	322.6		5.1	327.8
LaSCAD	158.3		-	158.3
Other	353.8		3.0	356.8
Consumer Products Total	**3,696.1**		**29.4**	**3,725.5**
Lancôme	825.3		7.3	832.6
IT Cosmetics	775.9		11.4	787.4
YSL Beauté	533.2		2.9	536.1
Perfumes	454.9		2.8	457.7
Urban Decay	150.2		2.5	152.7
Shu Uemura	137.9		5.3	143.1
L'Oréal Beauty Device (1)	71.3		-46.7	24.6
Other	65.0		2.6	67.5
L'Oréal Luxe Total	**3,013.7**	**-**	**-12.0**	**3,001.8**
CeraVe	629.5		5.9	635.4
Vichy/Dermablend	358.4		-34.6	323.8
La Roche-Posay	161.4		7.6	169.0
Other	73.4		1.1	74.5
Active Cosmetics Total	**1,222.7**		**-20.1**	**1,202.7**
Other	36.1		-36.1	-
GROUP TOTAL	**9,597.1**	**3.5**	**-15.0**	**9,585.6**

(1) This Cash Generating Unit mainly concerns Clarisonic.

No significant acquisitions or disposals took place during this financial year.

Other movements mainly reflect the positive impact of changes in exchange rates for €65.4 million, as well as the recognition of impairment losses on Clarisonic (€47 million) and Roger & Gallet (€36 million).

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, and Softsheen-Carson amounted to €279.7 million, €153.0 million, and €149.3 million, respectively at 31 December 2019.

7.2. Other intangible assets

Accounting principles

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition as well as internally generated intangible assets are also included in this item.

a) Intangible assets acquired through business combinations

They mainly consist of brands, customer relationships and formulas and patents.

With regard to brands, the use of the "discounted cash flow" method is preferred to enable the value in use to be monitored more easily following the acquisition. Two approaches have been adopted to date:

- premium-based approach: this method involves estimating the portion of future cash flows that could be generated by the brand, compared with the future cash flows that the activity could generate without the brand;
- royalty-based approach: this involves estimating the value of the brand by referencing the levels of royalties demanded for the use of similar brands. It is based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the brand in order to ensure that the assumptions selected are relevant. The discount rate used is based on the weighted average cost of capital (WACC) for the target acquired. Terminal growth rates are consistent with available market data (generally 2.5% for Europe and 3% for the rest of the world, except in specific cases).

A brand may have a finite or an indefinite useful life span.

Local brands which are to be gradually replaced by an international brand already existing within the Group have a finite useful life span.

They are amortised over their useful lives as estimated at the date of acquisition.

International brands are brands which have an indefinite life span. They are tested for impairment at least once a year during the fourth quarter, and whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable amount of the brand based on the model adopted when the acquisition took place.

Customer relationships refer to relations developed with customers either through contractual arrangements or by non-contractual means through constant revenue streams resulting from the target's competitive position or reputation in its market.

The useful life of a customer relationship is limited and varies depending on the estimated attrition rate of existing customers at the time of the acquisition.

The Group may decide to identify and value patents and formulas that it intends to develop.

The value of a patent or a formula is assessed on the basis of the future profits expected from its ownership in the future, in accordance with the royalty-based approach.

The amortisation period applicable to patents corresponds to the period during which they enjoy legal protection. Formulas, which are not protected by legal means, are amortised over a maximum period of 5 years.

b) Internally generated intangible assets

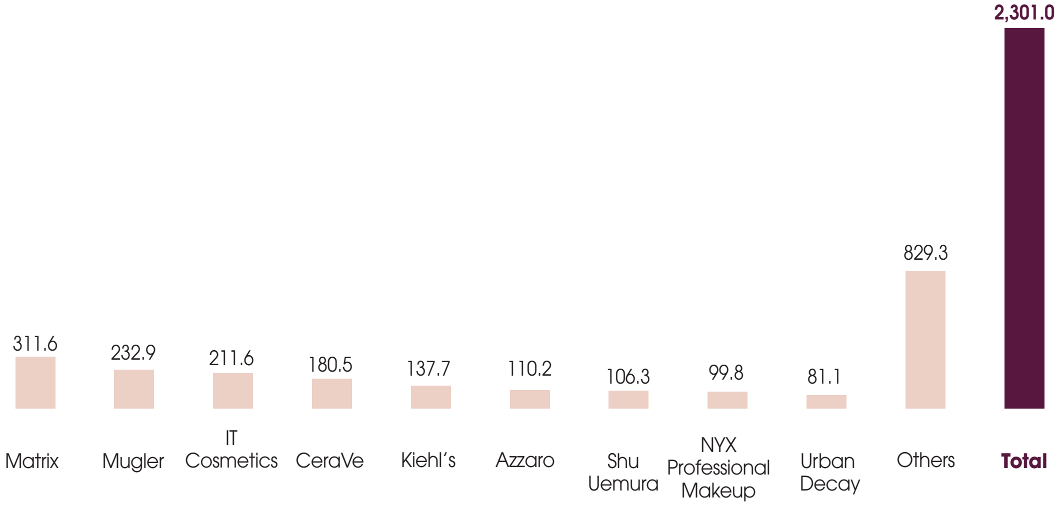
These mainly consist of software.

Innovation costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

Capitalised innovation costs are amortised from the date the software is made available in the entity concerned and over its probable useful life, which, in most cases, is between five and eight years.

€ million **2021**	**31.12.2020**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Changes in the scope of consolidation**	**Other movements[1]**	**31.12.2021**
Brands with indefinite useful life[3]	2,200.4				100.6	2,301.0
Amortisable brands and product ranges	92.3		-2.4		4.2	94.1
Licences and patents	738.7	14.6	-8.7	19.6	1.3	765.5
Software	1,627.5	62.1	-104.3	-1.9	155.7	1,739.1
Customer relationships	563.6	0.5	-0.6	6.3	43.2	613.0
Others	218.1	261.1	-0.3	-	-120.2	358.7
Gross value	**5,440.6**	**338.3**	**-116.3**	**24.0**	**184.8**	**5,871.4**
Brands with indefinite useful lif[2]	242.1	82.8			22.9	347.8
Amortisable brands and product ranges	73.6	3.2	-2.4		3.5	77.9
Licences and patents	180.1	21.8	-8.7		1.5	194.7
Software	1,114.1	193.7	-101.9	-2.1	25.4	1,229.2
Customer relationships	455.1	43.1	-0.6		39.0	536.6
Others	19.3	2.4	-0.3		1.1	22.5
Depreciation and provisions	**2,084.3**	**347.0**	**-113.9**	**-2.1**	**93.4**	**2,408.7**
OTHER INTANGIBLE ASSETS – NET	**3,356.3**	**-8.7**	**-2.5**	**26.2**	**91.5**	**3,462.8**

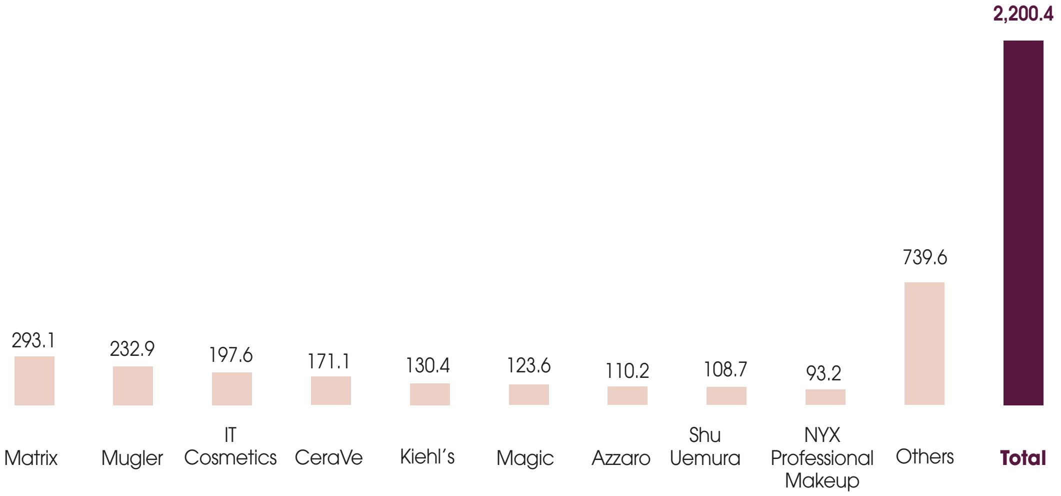
(1) Other movements mainly consisted of the impact of hyperinflation in Argentina and the positive change in exchange rates over the period totalling €102.2 million.
(2) Including the impairment of the brand Magic (€83 million), due to the exacerbated competition on on the masks market in China and its consequence on the slippage in Business Plan. The Magic technology is in contrast successfully implemented globally on brands Garnier and L'Oréal Paris.
(3) At end-2021, the gross value of brands with an indefinite useful life span breaks down as follows:



Accumulated impairment losses relating to brands amounted to €137.1 million on Magic, €96.5 million on Clarisonic, €54.2 million on Softsheen-Carson, €46.0 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2021.

€ million **2020**	**31.12.2019**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Change in the scope of consolidation**	**Other movements[1]**	**31.12.2020**
Brands with indefinite useful life[2]	1,943.6	-	-23.2	387.5	-107.5	2,200.4
Amortisable brands and product ranges	99.0	0.1	-1.2	-	-5.7	92.3
Licences and patents	730.5	15.7	-5.2	0.8	-3.0	738.7
Software	1,549.6	71.6	-82.3	5.8	82.8	1,627.5
Customer relationships	610.8	-	-11.4	6.5	-42.3	563.6
Others	239.8	157.2	-9.6	-	-169.2	218.1
Gross value	**5,173.1**	**244.6**	**-132.9**	**400.7**	**-244.9**	**5,440.6**
Brands with indefinite useful life	212.4	63.6	-22.2	-	-11.7	242.1
Amortisable brands and product ranges	75.2	3.5	-1.2	-	-3.9	73.6
Licences and patents	172.9	10.3	-0.3	0.1	-2.9	180.1
Software	1,066.1	183.4	-82.3	4.7	-57.8	1,114.1
Customer relationships	458.7	42.7	-11.4	-	-34.9	455.1
Others	24.1	-	-3.6	-	-1.2	19.3
Depreciation and provisions	**2,009.4**	**303.4**	**-120.8**	**4.8**	**-112.4**	**2,084.3**
OTHER INTANGIBLE ASSETS – NET	**3,163.8**	**-58.8**	**-12.1**	**395.9**	**-132.5**	**3,356.3**

(1) Other movements mainly consisted of the impact of hyperinflation in Argentina and the negative change in exchange rates over the period totalling -€135.1 million.
(2) At end-2020, the gross value of brands with an indefinite useful life span breaks down as follows:

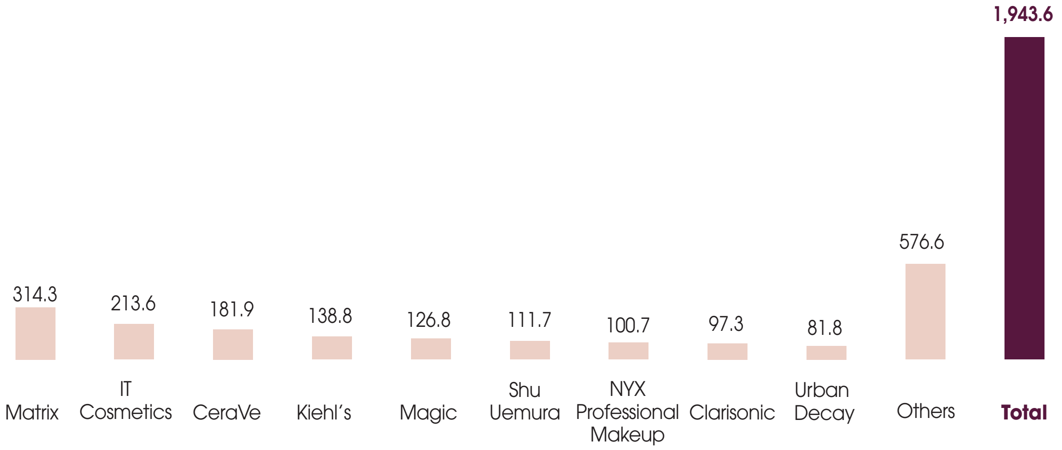


Accumulated impairment losses relating to brands amounted to €90.4 million on Clarisonic, €51.4 million on Softsheen-Carson, €44.9 million on Magic, €41.5 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2020.

€ million 2019	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation[2]	Other movements[1]	31.12.2019
Brands with indefinite useful life[2]	1,906.4	-	-		37.2	1,943.6
Amortisable brands and product ranges	101.3	-	-2.8		0.5	99.0
Licences and patents	579.9	140.1	-		10.5	730.5
Software	1,380.8	80.4	-38.1		126.5	1,549.6
Customer relationships	605.0	-	-	1.3	4.4	610.8
Key money	74.2	-	-	-	-74.2	-
Others	197.6	144.9	-8.6	-	-94.1	239.8
Gross value	**4,845.1**	**365.4**	**-49.5**	**1.3**	**10.8**	**5,173.1**
Brands with indefinite useful life	156.1	55.3	-		1.0	212.4
Amortisable brands and product ranges	72.3	3.5	-0.9		0.3	75.2
Licences and patents	163.7	8.7	-		0.5	172.9
Software	936.5	157.0	-38.0		10.6	1,066.1
Customer relationships	404.2	48.2	-		6.3	458.7
Key money	14.1				-14.1	-
Others	10.8	10.2	-4.8		7.9	24.1
Depreciation and provisions	**1,757.8**	**282.9**	**-43.7**	**-**	**12.4**	**2,009.4**
OTHER INTANGIBLE ASSETS – NET	**3,087.3**	**82.5**	**-5.8**	**1.3**	**-1.6**	**3,163.8**

(1) *Other movements mainly include the reclassification of €60.1 million in key money to right-of-use assets on 1 January 2019, which was offset by the final granting of the acquisition of Logocos purchased in 2018. The Group allocated €14.5 million to the brands with an indefinite useful life span line and €9.9 million to the Licences and patents line. Lastly, there was a €31.3 million positive change in exchange rates over the period.*

(2) *At end-2019, the gross value of brands with an indefinite useful life span breaks down as follows:*



7.3. Impairment tests on intangible assets

Accounting principles

Goodwill is not amortised. It is tested for impairment at least once a year during the fourth quarter or whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

Impairment tests consist of comparing the carrying amount of assets including goodwill with the recoverable amount of each Cash Generating Unit. A Cash Generating Unit corresponds to one or more worldwide brands. A Cash Generating Unit can contain several brands depending on organisational criteria and particularly when distribution circuits and commercial/management structures are pooled. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The cash flows are determined in the currencies of the countries in question and are translated, in the same way as the net carrying amounts to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is based on the weighted average cost of capital (WACC), which amounted to 7.8% in 2021, to 7.3% in 2020 and 6.8% in 2019 for amounts in euro, adjusted where appropriate by a country risk premium according to the geographic zones concerned. The discount rates are post-tax rates applied to post-tax cash flows, and result in recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows. The assumptions adopted in terms of sales growth and terminal values are reasonable and consistent with the available market data (generally 2.5% for Europe and 3% for the rest of the world for terminal values except in specific cases).

The use of discounted cash flow forecasts is preferred in order to determine recoverable amounts, unless details of similar recent transactions are readily available.

Impairment charged against goodwill cannot be reversed.

Impairment tests of Cash Generating Units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, are carried out based on the following data and assumptions:

		Discount rate *(%)*	
€ millions	**Net carrying amount of goodwill and brands with an indefinite useful life**	**International excluding US**	**USA**
Test 2021			
Perfumes	1,812.9	7.8	7.4
L'Oréal Paris	1,215.6	7.8	7.4
Mass Market make-up	1,067.5	7.8	7.4
Lancôme	852.7	7.8	7.4
CeraVe	812.5	7.8	7.4
Redken/PureOlogy	767.2	7.8	7.4
IT Cosmetics	726.9	7.8	7.4
Matrix	720.8	7.8	7.4
YSL Beauté	536.0	7.8	(1)
Stylenanda	494.6	7.8	(1)
Garnier	493.8	7.8	7.4
NYX Professional Makeup	424.6	7.8	7.4
L'Oréal Professionnel/Kérastase	417.9	7.8	7.4
Vichy/Dermablend	336.2	7.8	(1)
Shu Uemura	242.9	7.8	(1)
Urban Decay	232.4	7.8	7.4
Test 2020			
Perfumes	1,827.7	7.3	7.8
L'Oréal Paris	1,174.8	7.3	7.8
Mass Market make-up	1,017.5	7.3	7.8
IT Cosmetics	934.1	7.3	7.8
Lancôme	842.5	7.3	7.8
CeraVe	779.8	7.3	7.8
Redken/PureOlogy	722.1	7.3	7.8
Matrix	675.6	7.3	7.8
YSL Beauté	535.5	7.3	(1)
Stylenanda	498.2	7.3	(1)
Garnier	471.3	7.3	7.8
L'Oréal Professionnel/Kérastase	403.7	7.3	7.8
NYX Professional Makeup	397.6	7.3	7.8
Vichy/Dermablend	327.9	7.3	(1)
Shu Uemura	246.2	7.3	(1)
Urban Decay	217.8	7.3	7,8
Test 2019			
Mass Market make-up	1,085.7	6.8	7.8
IT Cosmetics	1,001.0	6.8	7.8
L'Oréal Paris	910.2	6.8	7.8
Lancôme	846.3	6.8	7.8
CeraVe	817.3	6.8	7.8
Redken/PureOlogy	771.1	6.8	7.8
Matrix	727.4	6.8	7.8
YSL Beauté	536.1	6.8	(1)
Garnier	535.6	6.8	7.8
Stylenanda	506.6	6.8	(1)
Perfumes	474.0	6.8	7.8
NYX Professional Makeup	428.5	6.8	7.8
L'Oréal Professionnel/Kérastase	421.0	6.8	7.8
Vichy/Dermablend	339.5	6.8	(1)
Shu Uemura	254.8	6.8	(1)
Urban Decay	234.5	6.8	7.8

(1) Since the US dollar amounts for these CGUs are not material, no specific discount rate has been used in this respect.

An impairment loss on the IT Cosmetics cash-generating unit was recorded for €254.7 million in view of adverse events, the performance not being in line with expectations. The slippage on the business plan results from the discontinuation of some very dilutive distribution channels in the United States.

The recoverable amount of the IT Cosmetics cash-generating unit was €750.8 million at the end of June 2021. The discount rate used at 31 December 2021 for this test were as follows: 7.4% for the USA and 7.8% for international.

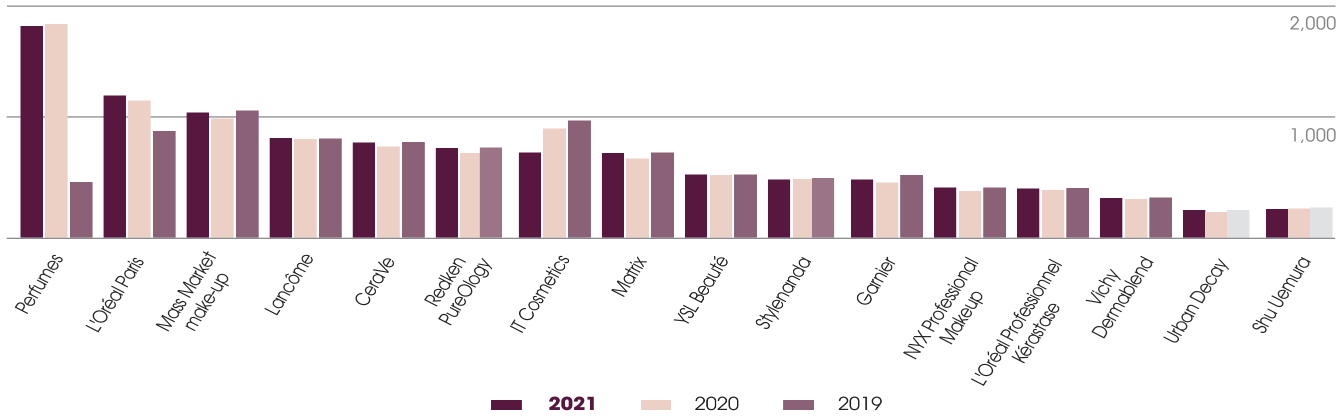
At 31 December 2021, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €176.5 million.

A 1% decrease in the terminal growth rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €110.9 million.

The terminal growth rate is consistent with market data, *i.e.* 2.5% for Europe and 3% for the rest of the world.

A 1-point decrease in the margin rate over the business plan period on all the Group's Cash Generating Units would lead to an impairment loss risk of around €44.5 million.

The net carrying amount of goodwill and brands with indefinite useful life breaks down as follows for the largest Cash Generating Units:



NOTE 8. Investments accounted for under the equity method

€ millions	31.12.2021	31.12.2020	31.12.2019
Investments accounted for under the equity method			
LIPP Distribution	9.3	10.5	10.1
Other	0.6	0.6	0.8
TOTAL	**9.9**	**11.1**	**10.9**

NOTE 9. Financial assets and liabilities – Cost of debt

Accounting principles

Finance costs, net

Net financial debt consists of all current and non-current financial borrowings and debt, less cash and cash equivalents.

Net finance costs consist of income and expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges. As interest rate derivatives are fully effective, no ineffectiveness impacts finance costs.

Borrowings and debt

Borrowings and debt are valued at amortised cost based on an effective interest rate.

In accordance with the principle of fair value hedge accounting, fixed-rate borrowings and debt swapped at a floating rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance costs and are offset by changes in the value of the related interest rate swaps.

The fair value of fixed-rate debt is determined by the discounted cash flow method using bond yield curves at the closing date, allowing for the spread corresponding to the Group's risk class to be taken into account.

The carrying amount of floating-rate debt is a reasonable approximation of its fair value.

Medium- and long-term borrowings and debt are recorded under Non-current liabilities. Short-term borrowings and debt as well as the current portion of medium- and long-term borrowings and debt are presented under *Current liabilities*.

Cash and cash equivalent

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with a negligible risk of changes in value and a maturity date of less than three months at the date of acquisition.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash and are presented under *Other current assets*.

Bank overdrafts considered to be financing are presented in *Current borrowings and debt*.

The money-market unit trusts are classified as financial assets at fair value through profit or loss. As such, they are valued in the balance sheet at their market value at the closing date. Any related unrealised gains are accounted for in *Finance costs, Net in the income statement*.

The carrying amount of bank deposits is a reasonable approximation of their fair value.

Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and receivables maturing after more than 12 months.

Investments in non-consolidated companies are classified as financial assets at fair value through other comprehensive income. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line *Other comprehensive income*.

The fair value of listed securities is determined on the basis of the share price at the closing date. For unlisted securities, in the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

Long-term loans and receivables are considered to be assets generated by the business. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

9.1. Borrowings and debt

The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

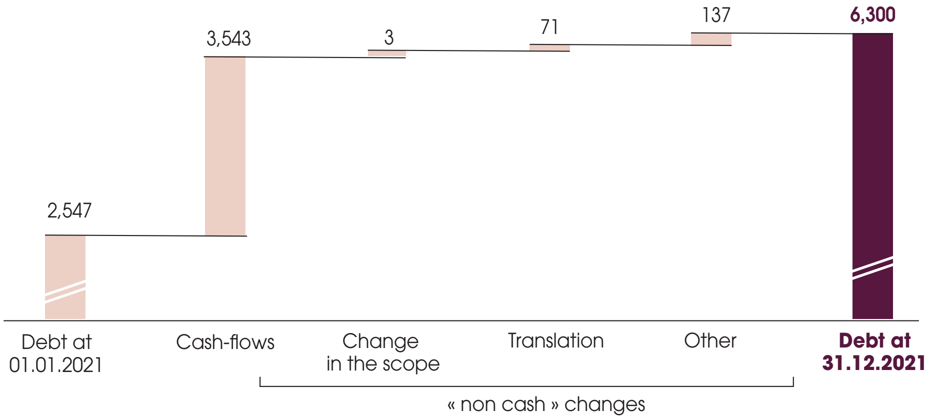
9.1.1. Debt by type

	31.12.2021		31.12.2020		31.12.2019	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments [1]	-	2,507.0	-	706.4	-	601.1
MLT bank loans	-	-	-	-	-	-
Lease debt	1,247.5	422.8	1,294.7	386.9	1,628.0	407.9
Overdrafts	-	118.7	-	61.6	-	136.8
Other borrowings and debt [2]	10.7	1,993.7	8.6	88.3	9.6	103.3
TOTAL	**1,258.2**	**5,042.2**	**1,303.3**	**1,243.2**	**1,637.6**	**1,249.1**

To finance the repurchase of its own shares from Nestlé (see note 2.3.), the Group:
(1) issued commercial paper (€2,300 million) and
(2) took out a bridging loan (€1,904 million).

9.1.2. Change in debt

			"Non-cash" changes				
€ millions	31.12.2020	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other	31.12.2021
Short-term marketable instruments	706.5	1,787.7	-	12.9	-	-	2,507.1
MLT bank loans	-	-	-	-	-	-	-
Lease debt	1,681.5	-396.4	2.3	69.1	-	313.8	1,670.3
Overdrafts	61.7	55.9	-	1.1	-	-	118.7
Other borrowings and debt	96.9	2,095.7	1.1	-12.6	-	-176.7	2,004.4
TOTAL	**2,546.5**	**3,542.9**	**3.4**	**70.5**	**-**	**137.1**	**6,300.4**



9.1.3. Debt by maturity date

€ millions	31.12.2021	31.12.2020	31.12.2019
Less than 1 year [1]	5,042.2	1,243.2	1,249.1
1 to 5 years	933.7	994.8	1,162.3
More than 5 years	324.4	308.5	475.3
TOTAL	**6,300.4**	**2,546.5**	**2,886.7**

(1) At 31 December 2021 the Group had confirmed undrawn credit lines for €5,000 million compared with €5,363.0 million at 31 December 2020 and €3,801.1 million at 31 December 2019. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2021, as at 31 December 2020 and 31 December 2019, is not material given the outstanding debt at these dates, comprising short-term marketable instruments drawn at very short terms and at negative interest rates in France, very short-term miscellaneous borrowings contracted locally by subsidiaries, and lease debts.

These estimates are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and assuming that no debt is rolled over at maturity.

9.1.4. Debt by currency excluding lease debts

€ millions	31.12.2021	31.12.2020	31.12.2019
Euro (EUR)	4,441.4	382.0	284.2
US dollar (USD)	59.2	368.4	422.2
Colombian Peso (COP)	21.2	34.8	27.0
Turkish lira (TRY)	19.3	5.4	0.4
Danish Krone (DDK)	11.0	0.1	0.5
Malaysian Ringgit (MYR)	12.7	-	-
South African Rand (ZAR)	10.9	14.0	9.3
Chilean Peso (CLP)	8.8	24.1	27.5
Kenyan Shilling (KES)	12.9	6.4	11.5
Egyptian Pound (EGP)	8.3	13.9	14.5
Pakistani Rupee (PKR)	8.0	7.4	6.2
Other	16.3	8.4	47.4
TOTAL	**4,630.0**	**864.9**	**850.7**

9.1.5. Breakdown of fixed rate – floating rate debt (after allowing for interest rate hedging instruments)

€ millions	31.12.2021	31.12.2020	31.12.2019
Floating rate	4,529.9	768.2	757.4
Fixed rate including lease debts	1,770.5	1,778.3	2,129.3
TOTAL	**6,300.4**	**2,546.5**	**2,886.7**

9.1.6. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are -0.54% in 2021 compared with 0.39% in 2020 and 0.99% in 2019 for short-term marketable instruments.

There is no medium- to long-term bank loan at 31 December 2021 as at 31 December 2020 and 31 December 2019.

9.1.7. Average debt interest rates

Average debt interest rates after allowing for hedging instruments break down as follows:

	31.12.2021	31.12.2020	31.12.2019
Euro (EUR) (1)	-0.51%	-0.30%	-0.45%
US dollar (USD)	0.08%	0.90%	2.34%

(1) The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

9.1.8. Fair value of borrowings and debt

The fair value of fixed-rate debt is determined for each loan by discounting future cash flows, based on bond yield curves at the balance sheet date, after allowing for the spread corresponding to the Group's risk rating.

The net carrying amount of outstanding bank loans and other floating-rate loans is a reasonable approximation of their fair value.

The fair value of borrowings and debt amounted to €6,300.4 million at 31 December 2021 compared with €2,546.5 million at 31 December 2020 and €2,886.7 million at 31 December 2019.

The fair value of borrowings and debt excluding IFRS 16 amounted to €4,630.0 million at 31 December 2021 compared with €864.9 million at 31 December 2020 and €850.8 million at 31 December 2019.

9.1.9. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2021, 2020 and 2019.

9.1.10. Confirmed credit lines

At 31 December 2021, L'Oréal and its subsidiaries had €5,000 million of confirmed undrawn credit lines, compared with €5,363.0 million at 31 December 2020 and €3,801.1 million at 31 December 2019.

The maturities of the credit lines at 31 December 2021 are broken down as follows:

- €0 million at less than one year;
- €2,500.0 million between one and four years;
- €2,500.0 million at more than five years.

9.2. Cash and cash equivalents

	31.12.2021		31.12.2020		31.12.2019	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	513.2	513.3	3,739.9	3,743.5	3,042.4	3,044.6
Bank accounts and other cash and cash equivalents	2,200.6	2,201.6	2,666.0	2,680.5	2,243.6	2,243.6
TOTAL	**2,713.8**	**2,714.9**	**6,405.9**	**6,424.0**	**5,286.0**	**5,288.2**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). They are considered as financial assets at fair value through profit or loss.

Term accounts with a maturity of less than three months at inception are shown on the *Bank accounts and other cash and cash equivalents* line.

9.3. Non-current financial assets

	31.12.2021		31.12.2020		31.12.2019	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
Sanofi (1)	10,472.6	4,033.5	9,304.5	4,033.5	10,595.5	4,033.5
Other listed securities (2)	34.5	20.6	30.7	12.0	5.8	9.8
Unlisted securities (3)	277.9	336.4	154.4	244.7	89.1	179.4
Financial assets at amortised cost						
Non-current loans and receivables	135.2	137.2	115.1	117.1	129.0	131.4
TOTAL	**10,920.2**	**4,527.7**	**9,604.8**	**4,407.3**	**10,819.4**	**4,354.1**

(1) L'Oréal's stake in Sanofi was 9.36% at 31 December 2021. The carrying amounts at 31 December 2021, 31 December 2020 and 31 December 2019 (€10,472.6 million, €9,304.5 million and €10,595.5 million (respectively) correspond to the market value of the shares based on the closing price at each of these dates (€88.58, €78.70 and €89.62, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12. The investment is measured at fair value through other comprehensive income.

(2) This heading includes listed securities of biotechnology start-ups.

(3) This heading mainly includes:
- strategic investments in investment funds measured at fair value through other comprehensive income including 50 million subscribed over 2020 in the L'Oréal fund for the regeneration of nature;
- securities of our subsidiaries in Venezuela deconsolidated since 31 December 2015, for €94.4 million fully written down.
In the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

9.4. Other financial income and expenses

This item is broken down as follows:

€ millions	2021	2020	2019
Interest component of pension costs	-10.1	-13.3	-12.3
Other financial income and expenses	-30.1	-23.3	-3.7
TOTAL	**-40.2**	**-36.6**	**-16.0**

NOTE 10. Derivatives and exposure to market risks

Accounting principles

Derivative instruments entered into to hedge identifiable foreign exchange and interest rate risks are accounted for in accordance with hedge accounting principles.

Forward foreign exchange contracts and options are put in place in order to hedge items recorded in the balance sheet (fair value hedges) and cash flows on highly probable future commercial transactions (cash flow hedges).

All foreign exchange hedging instruments are recorded on the balance sheet at their market value, including those which relate to purchases and sales in the next accounting period. Hence changes in the fair value of these hedging instruments is recorded as follows:

- changes in the market value linked to variations in the time value of forwards used as hedges are recognised in equity and the amount accumulated in equity impacts the income statement at the date on which the hedged transactions are completed;
- changes in the market value linked to variations in the spot rate between the inception of the hedge and the closing date are charged to equity, and the amount accumulated in equity impacts income statements at the date on which the transactions hedged are completed. Any remaining hedge ineffectiveness is recognised directly in the income statement.

In accordance with hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. Similarly, if a currency hedge has been taken out in respect of fixed assets purchased with foreign currency, these assets are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to hedge certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated equity, under the item Cumulative translation adjustments.

With regard to interest rate risk, fixed-rate debt and financial loans hedged by interest rate *swaps* are valued in the balance sheet at their market value. Changes in the fair value of these items are recorded as finance costs and offset by adjustments to the fair value of the related hedging derivatives. Floating-rate debt and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge these items are valued in the balance sheet at their market value, with changes in value recorded directly through equity on the *Other comprehensive income* item.

The fair value of interest rate derivative instruments is their market value. This market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with counterparties rated investment grade.

In accordance with Group rules, currency and interest rate derivatives are set up exclusively for hedging purposes.

10.1. Hedging of currency risk

The Group is exposed to currency risk on commercial transactions recorded on the balance sheet and on highly probable future transactions.

The Group's policy regarding its exposure to currency risk on future commercial transactions is to hedge, before the end of the year, a large part of the currency risk for the following year, using derivatives based on operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Any currency risks identified are hedged by forward contracts or options in order to reduce as far as possible the currency exposure of each subsidiary. The term of the derivatives is aligned with the Group's settlements. Exchange rate derivatives are negotiated by FINVAL or, in exceptional cases, directly by the Group's subsidiaries. Such transactions are supervised by the Group's Treasury department.

As a non-financial corporation, FINVAL is subject to the European Market Infrastructure Regulations (EMIR). Published by the European Commission in September 2012, EMIR is aimed at moving OTC markets towards a centralised model, thereby enhancing market transparency and regulatory oversight and decreasing systemic risk using a guarantee mechanism. As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by managing their own cash and debt are almost non-existent.

Owing to the Group's policy of currency risk hedging a large part of annual requirements for the following year before the end of the current year, the sensitivity of profit or loss to changes in foreign exchange rates at 31 December is marginal. The impact of changes in foreign exchange rates on the foreign exchange cash flow hedges reserve is described in note 11.3.

All derivative financial instruments held for currency risk hedging purposes have a maturity of less than 18 months at inception and break down as follows:

	Nominal			Market value		
€ millions	**31.12.2021**	**31.12.2020**	**31.12.2019**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Currency futures						
Purchase of EURO against foreign currencies	**2,292.6**	**2,940.2**	**2,959.1**	**-139.8**	**95.4**	**-75.8**
EUR/CNY	540.7	937.5	678.8	-91.3	7.0	-5.7
EUR/USD	502.4	343.5	370.5	-26.3	30.2	-3.1
EUR/RUB	241.4	186.3	268.2	-8.2	10.2	-12.9
EUR/JPY	201.3	47.5	-13.6	3.3	0.1	-0.4
EUR/GBP	162.9	308.9	241.1	-6.8	1.1	-16.4
EUR/MXN	148.3	137.7	196.6	-4.8	-4.1	-6.4
EUR/BRL	117.5	70.9	85.4	-0.7	0.6	-
EUR/AUD	88.5	89.5	93.9	-1.9	-3.9	-1.4
EUR/CLP	57.9	50.2	48.7	5.5	-1.8	2.8
EUR/TWD	56.8	52.6	49.5	-1.2	3.7	-1.0
EUR/SAPMENA currencies	63.8	175.8	208.5	-3.9	0.6	-6.0
EUR/North Asia currencies	-	259.3	218.3	-	53.8	-13.7
EUR/Europe currencies	47.2	158.0	313.2	-1.6	-2.0	-6.7
EUR/Latin America currencies	28.4	22.3	29.6	-0.2	0.2	-0.4
EUR/SSA currencies	21.0	28.7	30.3	0.5	-2.2	-1.5
EUR/Other currencies	14.5	71.5	140.0	-2.2	1.8	-3.0
Purchase of USD against foreign currencies	**418.6**	**373.1**	**517.7**	**13.2**	**-18.2**	**-**
USD/SAPMENA currencies	238.9	232.6	256.7	2.7	-6.3	-1.3
USD/Latin America currencies	130.7	68.3	132.9	9.9	-5.7	4.0
USD/CAD	49.0	51.4	92.2	0.6	-3.6	-1.0
USD/Europe currencies	-	19.3	28.6	-	-2.2	-1.4
USD/SSA currencies	-	1.4	7.3	-	-0.4	-0.3
USD/Other currencies	-	-	-	-	-	-
Sale of USD against foreign currencies	**508.8**	**242.7**	**303.4**	**-5.6**	**-10.0**	**0.5**
USD/North Asia currencies	495.6	242.7	303.4	-6.5	-10.0	0.5
USD/Other currencies	13.2	-	-	0.9	-	-
Other currency pairs	**551.8**	**481.2**	**727.2**	**-4.1**	**2.7**	**-4.2**
CURRENCY FUTURES TOTAL	**3,791.9**	**4,037.1**	**4,507.3**	**-172.7**	**70.0**	**-79.5**
Currency options						
EUR/CNY	-	101.1	63.5	-	3.6	1.7
EUR/RUB	-	62.2	-	-	7.4	-
EUR/USD	69.4	37.7	40.9	-	2.9	0.7
EUR/BRL	11.1	26.0	9.9	0.1	2.1	0.8
EUR/MXN	7.7	21.8	-	-	0.5	-
EUR/TRY	-	9.4	19.7	-	1.5	1.2
EUR/GBP	-	-	33.3	-	-	0.3
EUR/HKD	70.4	-	-	-0.1	-	-
Other currency pairs	**-**	**18.6**	**7.8**	**-**	**0.6**	**0.6**
CURRENCY OPTIONS TOTAL	**158.5**	**276.7**	**175.1**	**-0.1**	**18.6**	**5.3**
Of which total options purchased	158.5	276.7	175.1	-0.1	18.6	5.3
TOTAL	**3,950.3**	**4,313.7**	**4,682.4**	**-172.4**	**88.6**	**-74.2**

The market values by type of hedging are as follows:

€ millions	**2021**	**2020**	**2019**
Fair value hedges [(1)]	-38.6	20.4	-25.6
Cash flow hedges	-133.9	68.2	-48.6
TOTAL	**-172.5**	**88.6**	**-74.2**

(1) Fair value hedges relate to currency risks on operating receivables and payables as well as on foreign currency investments and financing.

The fair value of the derivatives is their market value.

The Group has no significant foreign currency exposures that are not hedged in the balance sheet.

10.2. Foreign exchange gains and losses

Accounting principles

Foreign exchange gains and losses resulting from the difference between the value of foreign currency operating income and expenses translated at the spot rate effective on the transaction date and at the exchange rate effective on the settlement date are recognised directly on the appropriate income and expense lines, after allowing for hedging derivatives.

Foreign exchange gains and losses break down as follows:

€ millions	2021	2020	2019
Time value	-70.5	-87.6	-126.9
Other foreign exchange gains and losses	17.7	94.0	-63.2
TOTAL	**-52.8**	**6.4**	**-190.1**

Foreign currency transactions are translated at the spot rate at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using the exchange rates effective at the closing date. Foreign exchange gains and losses also include the following items relating to derivative instruments:

- changes in market value linked to variations in the spot rate between the inception of the hedge and the date when the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for €1.5 million, €13.3 million and -€9.2 million in 2021, 2020 and 2019, respectively.

These amounts are allocated to the appropriate operating expense items. They are broken down as follows:

€ millions	2021	2020	2019
Cost of sales	-37.2	6.4	-161.9
Research and innovation expenses	-4.2	-2.1	16.5
Advertising and promotion expenses	-5.9	1.2	-25.5
Selling, general and administrative expenses	-5.5	0.9	-19.3
FOREIGN EXCHANGE GAINS AND LOSSES	**-52.8**	**6.4**	**-190.1**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2021, 2020 and 2019.

10.4. Sensitivity to changes in interest rates

An increase of 100 basis points in interest rates would have had a direct negative impact of -€18.2 million on the Group's net finance costs at 31 December 2021, compared with a direct positive impact of €56.4 million at 31 December 2020 and a direct positive impact of €45.3 million at 31 December 2019. This calculation allows for cash, cash equivalents and derivatives, and assumes that total net debt/cash remains stable and that fixed-rate debt at maturity is replaced by floating-rate debt.

The impact of a 100 basis point rise in interest rates on the fair value of the Group's fixed-rate financial assets and liabilities, after allowing for any interest rate derivatives, can be estimated at -€1 million at 31 December 2021 compared with -€1.0 million at 31 December 2020 and -€0.9 million 31 December 2019.

10.5. Counterparty risk

The Group has financial relations with international banks rated investment grade by specialised agencies. The Group thus considers that its exposure to counterparty risk is low.

Furthermore, the financial instruments used to manage exchange rate and interest rate risk are issued by leading international banking counterparties.

10.6. Liquidity risk

The Group's liquidity risk can be assessed on the basis of its outstanding short-term debt under its short-term marketable instruments programme. Should these bank facilities not be renewed, the Group would have confirmed undrawn credit lines of €5,000 million at 31 December 2021. These lines were not subject to any covenants.

10.7. Shareholding risk

No cash has been invested in shares.

Available cash is invested with top-ranking financial institutions in the form of non-speculative instruments which can be drawn in very short periods. At 31 December 2021, marketable securities consist exclusively of unit trusts (note 9.2).

At 31 December 2021, the Group held 118,227,307 Sanofi shares for an amount of €10,472.6 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €88.58 on 31 December 2021 would have an impact of plus or minus €1,047.3 million before tax on Group equity.

The initial share price for Sanofi shares was €34.12.

The shares are valued based on their fair value, and unrealised losses and gains are accounted for through equity in the *Other comprehensive income* item.

At 31 December 2020, the Group held 118,227,307 Sanofi shares for an amount of €9,304.5 million (note 9.3). A change of plus or minus 10% in the market price of these shares relative to the market price of €78.70 on 31 December 2020 would have an impact of plus or minus €930.4 million before tax on Group equity.

At 31 December 2019, the Group held 118,227,307 Sanofi shares for an amount of €10,595.5 million (note 9.3). A change of plus or minus 10% in the market price of these shares relative to the market price of €89.62 on 31 December 2019 would have an impact of plus or minus €1,059.5 million before tax on Group equity.

10.8. Fair value hierarchy

IFRS 7 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: valuation techniques using observable inputs;
- level 3: valuation techniques using unobservable inputs.

The table below provides an analysis of financial instruments recorded at fair value on the balance sheet by level of the fair value hierarchy.

€ millions **31 December 2021**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives	-	67.6	-	67.6
Sanofi shares	10,472.6	-	-	10,472.6
Marketable securities	-	-	-	-
TOTAL ASSETS AT FAIR VALUE	**10,472.6**	**67.6**	**-**	**10,540.2**
Liabilities at fair value				
Foreign exchange derivatives	-	240.4	-	240.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**240.4**	**-**	**240.4**

€ millions **31 December 2020**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives	-	183.0	-	183.0
Sanofi shares	9,304.5	-	-	9,304.5
Marketable securities	3,739.9	-	-	3,739.9
TOTAL ASSETS AT FAIR VALUE	**13,044.4**	**183.0**	**-**	**13,227.4**
Liabilities at fair value				
Foreign exchange derivatives	-	94.9	-	94.9
TOTAL LIABILITIES AT FAIR VALUE	**-**	**94.9**	**-**	**94.9**

€ millions **31 December 2019**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives	-	49.2	-	49.2
Sanofi shares	10,595.5	-	-	10,595.5
Marketable securities	3,042.4	-	-	3,042.4
TOTAL ASSETS AT FAIR VALUE	**13,637.9**	**49.2**	**-**	**13,687.1**
Liabilities at fair value				
Foreign exchange derivatives	-	123.6	-	123.6
TOTAL LIABILITIES AT FAIR VALUE	**-**	**123.6**	**-**	**123.6**

10.9. Offsetting financial assets and financial liabilities

Financial assets and liabilities resulting from foreign exchange and/or interest rate hedging transactions entered into with the Group's counterparty banks are not offset in the balance sheet since they are FBF (French Banking Federation) or ISDA (International Swaps and Derivatives Association) agreements that only provide for offsetting in the event of default by one of the parties to the agreement. Accordingly, they do not meet the offsetting criteria set out in IAS 32.

Had the agreements been offset at the level of each counterparty bank, assets and liabilities would have decreased by €62.7 million, €75.5 million and €48.8 million respectively in 2021, 2020 and 2019.

NOTE 11. Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists of 557,672,360 shares with a par value of €0.20 at 31 December 2021 following the exercise of subscription options for 52,397 shares, the issue of 5,327 shares for the employee shareholding plan in the UK, 743,056 free shares and the cancellation of 3,000,000 shares.

Share capital consists of 559,871,580 shares with a par value of €0.20 at 31 December 2020 following the exercise of subscription options for 465,796 shares, the issue of 452,979 shares for the employee shareholding plan and 835,600 free shares.

Share capital consisted of 558,117,205 shares with a par value of €0.20 at 31 December 2019, following the exercise of subscription options for 785,408 shares the issue of 8 shares for the employee shareholding plan, 706,262 free shares and the cancellation of 3,771,125 shares.

11.2. Treasury shares

Accounting principles

Treasury shares are recorded at acquisition cost and deducted from equity. Capital gains/losses on disposal of these items net of tax are charged directly to equity and do not contribute to profit for the financial year.

a) 2021

The change in the number of shares in 2021 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2021	**559,871,580**	**-**	**559,871,580**
Shares cancelled	-3,000,000	3,000,000	-
Options and free shares exercised	800,780	-	800,780
Treasury shares purchased	-	-25,260,000	-25,260,000
AT 31.12.2021	**557,672,360**	**-22,260,000**	**535,412,360**

The change in treasury shares in 2021 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2021	**-**	**-**	**-**	**-**
Shares cancelled	-3,000,000	-	-3,000,000	-1,104.8
Options and free shares exercised	-	-	-	-
Treasury shares purchased	25,260,000	-	25,260,000	10,045.0
AT 31.12.2021	**22,260,000**	**-**	**22,260,000**	**8,940.2**

b) 2020

The change in the number of shares in 2020 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2020	**558,117,205**	**-**	**558,117,205**
Shares cancelled	-	-	-
Options and free shares exercised	1,754,375	-	1,754,375
Treasury shares purchased	-	-	-
AT 31.12.2020	**559,871,580**	**-**	**559,871,580**

c) 2019

The change in the number of shares in 2019 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2019	**560,396,652**	**-771,125**	**559,625,527**
Shares cancelled	-3,771,125	3,771,125	
Options and free shares exercised	1,491,678		1,491,678
Treasury shares purchased		-3,000,000	-3,000,000
AT 31.12.2019	**558,117,205**	**-**	**558,117,205**

The change in treasury shares in 2019 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2019	**-**	**771,125**	**771,125**	**56.5**
Shares cancelled	-3,000,000	-771,125	-3,771,125	-56.5
Options and free shares exercised	-		-	-
Treasury shares purchased	3,000,000		3,000,000	-
AT 31.12.2019	**-**	**-**	**-**	**-**
€ millions	-	-	-	-

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	31.12.2021	31.12.2020	31.12.2019
Securities at fair value through other comprehensive income			
Reserve at beginning of period	5,293.2	6,562.3	4,911.7
Changes in fair value over period	1,192.2	-1,269.1	1,650.6
RESERVE AT END OF PERIOD	**6,485.4**	**5,293.2**	**6,562.3**

€ millions	31.12.2021	31.12.2020	31.12.2019
Cash flow hedges – foreign exchange			
Reserve at beginning of period	173.8	44.8	41.7
Changes in fair value over period	-75.2	78.7	201.8
Changes in fair value recorded through other comprehensive income	-128.4	50.3	-198.7
Deconsolidation	-	-	-
RESERVE AT END OF PERIOD	**-29.8**	**173.8**	**44.8**

The table below shows the impact of an increase or decrease of over 10% in the euro and US dollar against other currencies on the foreign exchange cash flow hedging reserve and the market value of the hedging instruments:

€ millions	31.12.2021	31.12.2020	31.12.2019
Impact of a 10% increase in the EUR against all other Group currencies	359.9	344.5	323.1
Impact of a 10% decrease in the EUR against all other Group currencies	-344.9	-324.2	-301.9
Impact of a 10% increase in the USD against key Group currencies	-80.4	-43.7	-27.0
Impact of a 10% decrease in the USD against key Group currencies	90.7	54.9	41.2

€ millions	31.12.2021	31.12.2020	31.12.2019
Cash flow hedges - interest rates			
Reserve at beginnning of period	-	-	-
Changes in fair value over period	-	-	-
Impairment loss recorded through other comprehensive income	-	-	-
RESERVE AT END OF PERIOD	**-**	**-**	**-**

€ millions	31.12.2021	31.12.2020	31.12.2019
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-1,283.7	-1,058.2	-730.5
Actuarial gains/(losses) over the period	584.1	-224.4	-327.7
Impact of asset ceiling	1.1	-1.1	-
Deconsolidation and other	0.2	-	-
RESERVE AT END OF PERIOD	**-698.3**	**-1,283.7**	**-1,058.2**

€ millions	31.12.2021	31.12.2020	31.12.2019
Other comprehensive income			
Gross reserve	5,757.4	4,183.2	5,548.8
Associated tax effect	-18.8	121.4	46.9
RESERVE NET OF TAX	**5,738.6**	**4,304.5**	**5,595.8**

11.4. Net profit excluding non-recurring items – Earnings per share

Accounting principles

Earnings per share are calculated in accordance with the rules set out in IAS 33.

Basic earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, less the average number of treasury shares held deducted from equity.

Where applicable, diluted earnings per share take into account dilutive stock options and free shares in accordance with the "treasury share method", under which sums collected on exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

11.4.1. Reconciliation with net profit

Net profit excluding non-recurring items reconciles as follows with net profit attributable to owners of the company:

€ millions	2021	2020	2019
Net profit from attributable to owners of the company	**4,597.1**	**3,563.4**	**3,750.0**
Capital gains and losses on tangible and intangible assets	0.4	3.5	-14.0
Impairment of tangible and intangible assets	337.5	89.8	142.8
Restructuring costs	149.6	382.1	120.2
Other	-55.5	233.5	187.5
Tax effect on non-recurring items	-104.4	-161.5	165.0
Non-controlling interests on non-recurring items	-0.4	-	-0.1
Tax effect on acquisitions and internal restructuring	14.2	-11.8	5.5
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**4,938.5**	**4,099.0**	**4,356.9**

11.4.2. Earnings per share attributable to owners of the company

The tables below set out earnings per share attributable to owners of the company:

2021	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	4,597.1	557,600,698	8.24
Stock options	-	55,463	-
Free shares	-	2,135,384	-
DILUTED EARNINGS PER SHARE	**4,597.1**	**559,791,545**	**8.21**

2020	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,563.4	559,101,322	6.37
Stock options	-	274,942	-
Free shares	-	2,259,699	-
DILUTED EARNINGS PER SHARE	**3,563.4**	**561,635,963**	**6.34**

2019	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,750.0	559,739,718	6.70
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE	**3,750.0**	**562,813,129**	**6.66**

11.4.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share excluding non-recurring items:

2021	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,938.5	557,600,698	8.86
Stock options	-	55,463	-
Free shares	-	2,135,384	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,938.5**	**559,791,545**	**8.82**

2020	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,099.0	559,101,322	7.33
Stock options	-	274,942	-
Free shares	-	2,259,699	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,099.0**	**561,635,963**	**7.30**

2019	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,356.9	559,739,718	7.78
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,356.9**	**562,813,129**	**7.74**

11.4.4. Calculation of the number of shares

All potential ordinary shares are included in the calculation of earnings per share since all stock option plans have a dilutive impact on the periods presented.

At 31 December 2021, 338,664,185 shares had been held in registered form for two years making them eligible for the 10% preferential dividend.

NOTE 12. Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes

12.1. Provisions for liabilities and charges

Accounting principles

Provisions for liabilities and charges are set up to cover probable outflows for the benefit of third parties without any equivalent consideration being received by the Group in return. They mainly relate to restructuring costs, industrial, environmental and commercial risks relating to operations such as breach of contract, product returns, and employee-related risks.

These provisions are estimated on the basis of the most likely assumptions or by using statistical methods, depending on the nature of the risks.

Provisions for liabilities and charges are recorded either as *Non-current liabilities* or as *Current liabilities*, depending on their type. Provisions for liabilities or disputes which must be settled within 12 months of the closing date, and those linked to the normal operating cycle (such as product returns), are recorded as *Current liabilities*. Other provisions for liabilities and charges are recorded as *Non-current liabilities*.

12.1.1. Closing balances

€ millions	31.12.2021	31.12.2020	31.12.2019
Provisions for liabilities and charges	**63.8**	**56.8**	**56.9**
Non-current provisions (1)	63.8	56.8	56.9
Current provisions for liabilities and charges	**1,223.3**	**1,224.7**	**1,117.8**
Provisions for restructuring	182.5	235.1	112.9
Provisions for product returns	405.9	352.4	351.1
Other current provisions (1)	634.9	637.3	653.7
TOTAL	**1,287.1**	**1,281.6**	**1,174.7**

(1) *This item notably includes provisions for tax risks and litigation excluding corporate income tax, industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments accounted for under the equity method when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities (note 12.2.2.a and b).*

12.1.2. Changes in provisions for liabilities and charges during the period

The change in this caption in 2021 can be analysed as follows:

€ millions	31.12.2019	31.12.2020	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2021
Provisions for restructuring	113.0	235.1	130.5	-145.2	-45.4	7.5	182.5
Provisions for product returns	351.0	352.4	422.9	-305.4	-84.5	20.4	405.9
Other provisions for liabilities and charges	710.7	694.1	216.2	-97.7	-117.7	3.8	698.7
TOTAL	**1,174.7**	**1,281.6**	**769.6**	**-548.3**	**-247.6**	**31.7**	**1,287.1**

(1) *Mainly resulting from translation differences.*
(2) *These figures can be analysed as follows:*

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	639.1	-417.1	-155.8
Other income and expenses	130.5	-131.2	-91.8
Net financial income	-	-	-

The change in this caption in 2020 can be analysed as follows:

€ millions	31.12.2018	31.12.2019	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2020
Provisions for restructuring	102.1	112.9	261.9	-110.9	-15.7	-13.1	235.1
Provisions for product returns	316.8	351.1	300.4	-227.0	-49.4	-22.7	352.4
Other provisions for liabilities and charges	608.5	710.7	219.0	-133.8	-58.8	-43.0	694.1
TOTAL	**1,027.4**	**1,174.7**	**781.3**	**-471.7**	**-123.9**	**-78.8**	**1,281.6**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	498.8	-357.6	-108.1
Other income and expenses	282.5	-114.1	-15.8
Net financial income	-	-	-

The change in this caption in 2019 can be analysed as follows:

€ millions	31.12.2017	31.12.2018	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2019
Provisions for restructuring	146.0	102.1	89.1	-58.7	-13.3	-6.4	112.9
Provisions for product returns	303.6	316.8	301.0	-233.6	-38.6	5.5	351.1
Other provisions for liabilities and charges	623.6	608.5	278.9	-127.7	-62.2	13.2	710.7
TOTAL	**1,073.2**	**1,027.4**	**669.0**	**-420.0**	**-114.1**	**12.4**	**1,174.7**

(1) Mainly resulting from translation differences
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	530.7	-360.0	-100.8
Other income and expenses	138.3	-60.0	-13.3
Net financial income	-	-	-

12.2. Contingent liabilities and material ongoing disputes

L'Oréal is party to several material disputes, described below:

12.2.1. Tax disputes

Brazil – IPI indirect tax base challenged

In January 2015, decree 8.393/2015 stated that commercial companies in Brazil would be liable for the indirect IPI tax on certain products as from 1 May 2015. L'Oréal is challenging the legal grounds of this decree and its application. In light of changes in market practices and a favourable change in the opinion of its advisers, since 1 January 2018 L'Oréal has recognised the IPI collected under income and the provision that had been funded was accordingly reversed in 2018.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €523.9 million, including interest and penalties. The Brazilian tax authorities are questioning the ex-works sales price to the commercial arm used to calculate the IPI tax base. After consulting with its tax advisors, L'Oréal considers that the Brazilian tax authorities' position is unfounded and has challenged these notices. L'Oréal continues its legal proceedings with the tax and legal authorities.

In light of the negative developments in administrative court decisions on the same matter for other Brazilian groups, L'Oréal funded a provision for €35 million to partially cover this risk.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2017/18 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €202.4 million including interest and penalties. After consulting with its tax advisors, L'Oréal decided to contest these notices and continues the legal proceedings with the administrative and legal authorities.

Mutual agreement procedures

Mutual agreement procedures were instigated vis-à-vis the Italian, French, Spanish, Indonesian and Singaporean tax authorities in order to eliminate double taxation following disagreements between these authorities.

12.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

In Greece, in its decision passed down on 4 October 2017, the Greek competition authority condemned L'Oréal Hellas to pay a fine of €2.6 million for carrying out anti-competitive practices in 2005-2006. L'Oréal Hellas refuted all allegations of having engaged in anti-competitive practices with other luxury cosmetics manufacturers. The Greek Administrative Court of Appeal quashed this decision on 5 November 2018. The Greek competition authority lodged an appeal in cassation against this decision on 28 January 2019 and a hearing before the Council of State, which was postponed on numerous occasions, was finally held on 17 November 2020. The decision should be handed down during the first-half of 2022.

In Germany, after the German competition authority filed a lawsuit in 2008 in the area of personal care products, which was definitively closed in 2015, distributors filed a lawsuit seeking damages against L'Oréal Germany which has resulted in dismissals by the courts at this stage. These proceedings are still ongoing. L'Oréal Germany is contesting the merits of these claims and denies that any damages occurred.

b) France

In France, on 18 December 2014, the French competition authority handed down a fine of €189.5 million against L'Oréal in the hygiene products sector for events that took place in the early 2000s. On 27 October 2016, the Paris Court of Appeal upheld this first instance decision. L'Oréal refutes all accusations of concerted practices with its competitors and regrets that the French competition authority did not take into account the highly competitive French market in household and hygiene products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches.

Following an appeal lodged by L'Oréal, on 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision should be handed down during the first-half of 2022.

It should be noted that since the appeal and Cassation appeal do not entail a stay in the judgement, the fine provisioned at the end of 2014 was paid on 28 April 2015.

At 31 December 2021, the provision was maintained in liabilities and the payment recognised in *Other current assets*.

Following this ruling, the distributors filed lawsuits for damages against L'Oréal. These proceedings are in initial stages or resulted in dismissals by the courts. These proceedings are still ongoing. L'Oréal contests the merits of these claims and denies that any damages occurred.

A provision has been set aside for all disputes still in progress at 31 December 2021 amounting to €189.5 million at year-end unchanged from the provision at end-2020 and end-2019.

At the present time, no other exceptional events or disputes are highly likely to have a material impact on the earnings, financial situation, assets, or operations of the Company or the L'Oréal Group.

NOTE 13. Sustainable development and the climate

13.1. Measurement of assets and liabilities

a) Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect current regulations to have any significant impact on the Group's operations, financial position, earnings or assets.

b) Mea surement of assets

For many years, L'Oréal has shown a strong commitment to environmental, social and societal responsibility. L'Oréal placed sustainability at the heart of its strategy, with the launch in 2013 of the Sharing Beauty With All programme with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth.

In June 2020, L'Oréal initiated the second phase of its commitments to sustainable development, under the umbrella of the L'Oréal for the Future programme, with a new set of particularly ambitious and concrete targets for 2030, in order to cover all the impacts associated with its value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers.

For example:

- the Group undertakes to reach carbon neutrality for all Group sites by 2025, by improving energy efficiency and using 100% renewable energy;
- by 2030, 100% of ingredients in formulas and biobased packaging materials will be traceable and come from sustainable sources. None of them will contribute to deforestation;
- by 2030, 100% of the plastics used in packaging will be from either recycled or biobased sources;
- by 2030, L'Oréal undertakes to innovate to enable its consumers to reduce by 25%, on average and per finished product, the water consumption and greenhouse gas emissions linked to the use of its products, compared to 2016.

The above commitments do not jeopardise the value of the Group's assets or the useful lives of our non-financial assets. In particular:

- our ongoing efforts to bring our products in line with consumer demand as part of L'Oréal for the Future are included in the Group's short-term strategic plans used in impairment tests on intangible assets with an indefinite useful life;
- to date, the adaptation of our plants and product formulas has not led us to identify any risk of our production lines becoming obsolete or experiencing a reduction in their value in use.

13.2. Financing and investment

The Group's L'Oréal for the Future programme rests on its financing and short- and long-term investment strategies.

a) Financing

The credit lines indexed to the Group's sustainable development performance incorporate a borrowing cost adjustment mechanism.

The L'Oréal Group has a syndicated loan from 20 banks (€5 billion), which had not been used at the end of December 2021. This loan incorporates a mechanism whereby the margin is adjusted in line with the Group's performance with regard to four ESG KPIs: climate, biodiversity, resources and social commitment.

b) Short-term investment

The Group's available cash is mainly invested in SRI SICAV money-market funds. Investment in these types of SICAV accounted for 70% of all short-term investment in 2021.

c) Long-term investment

The Group recorded a total of €139 million in non-current financial assets related to sustainable development activities, measured at fair value through equity (see note 9.3).

- at the end of 2021, investment in the *Circular Innovation Fund* amounting to €50 million. L'Oréal is one of the main contributors to this impact investing fund, whose investment thesis is focused on the circular economy, structured around seven verticals including new packaging materials and solutions from the bioeconomy and the circular economy, green technology and waste and recycling collection services;
- in 2020, the creation of a fund for Nature Regeneration to financially support projects to restore natural marine, forest and agricultural ecosystems. This dedicated €50 million fund had already invested in three projects at the end of 2021 (creation of a Blue Carbon Facility, a reforestation project in Colombia and a pan-European project to reintroduce biodiversity);
- investment in start-ups (€39 million in total), including the Swiss environmental technology firm Gjosa, which developed innovative water saving solutions, the French biotech company Global Bioenergies, which developed a process to convert plant-based resources, and the green chemistry start-up Carbios, which developed enzymatic processes for plastic biodegradation and biorecycling.

NOTE 14. Off-balance sheet commitments

14.1. Lease commitments

These amounted to €257.9 million at 31 December 2021 compared with €257.5 millions at 31 December 2020 and €230.7 million at 31 December 2019, of which:

- €45.1 million was due within one year at 31 December 2021, compared with €44.3 million at 31 December 2020 and €41.8 million at 31 December 2019;
- €76.9 million was due within one to five years at 31 December 2021, compared with €72.3 million at 31 December 2020 and €48.5 million at 31 December 2019;
- €135.9 million was due in over five years at 31 December 2021, compared with €140.9 million at 31 December 2020 and 140.4 million at 31 December 2019.

14.2. Other off-balance sheet commitments

Confirmed credit lines are discussed in note 9.1.10.

Other significant off-balance sheet commitments have been identified and measured. They chiefly fall due within one year and are as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Guarantees given (1)	312.2	326.5	398.5
Guarantees received	76.8	73.6	80.3
Capital expenditure orders (2)	504.2	255.6	329.6
Firm purchase commitments under logistics supply contracts	1,341.5	972.8	871.0

(1) These consist mainly of guarantees given to governmental bodies or concerning loans granted to third parties who are partners of the Group, and the net commitment toward the L'Oréal Foundation for its long-term action programme and commitment to pay into the fund dedicated to rebuilding the Notre-Dame Cathedral.

(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

NOTE 15. Transactions with related parties

15.1. Transactions with associated companies (Related parties)

Equity-accounted companies include joint ventures only.

The consolidated financial statements include transactions carried out between the Group and its equity-accounted companies, considered to be related parties. The main transactions with these related parties and the associated outstanding balances are as follows:

€ millions	2021	2020	2019
Sales of goods and services	-	-	-
Financial expenses and income	-	-	-

The following receivables and payables were recorded on the balance sheet for the related parties:

€ millions	31.12.2021	31.12.2020	31.12.2019
Operating receivables	0.1	-	-
Operating payables	-	-	0.1
Financial receivables	0.1	0.1	0.1

15.2. Related parties with a significant influence on the Group

L'Oréal has been informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr. Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

The lock-up agreements were concluded in application of Articles 787 B and 885 I bis of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action vis-à-vis the Company.

In 2021, no significant transactions were carried out with a member of senior management or a shareholder with a significant influence, except for the operation above and the repurchase by L'Oréal from Nestlé of 22,260,000 of its own shares.

NOTE 16. Fees accruing to auditors and members of their networks payable by the Group

FEES FOR THE 2021 FINANCIAL YEAR

	PricewaterhouseCoopers				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	**Amount**	**As a %**	**Amount**	**As a %**	**Amount**	**As a %**	**Amount**	**As a %**
Review of interim, company and consolidated financial statements								
L'Oréal	1.2	55%	n/a	n/a	1.4	54%	n/a	n/a
Fully consolidated subsidiaries	0.7	32%	4.0	56%	0.6	22%	4.7	83%
Subtotal	**1.9**	**86%**	**4.0**	**56%**	**2.0**	**76%**	**4.7**	**83%**
Non-audit services (1)								
L'Oréal	0.3	14%	2.1	29%	0.6	24%	-	-%
Fully consolidated subsidiaries	-	-%	1.1	15%	-	-%	0.9	17%
Subtotal	**0.3**	**14%**	**3.2**	**44%**	**0.6**	**24%**	**0.9**	**17%**
TOTAL	**2.2**	**100%**	**7.2**	**100%**	**2.6**	**100%**	**5.6**	**100%**

(1) Mainly concerning acquisition audits.

FEES FOR THE 2020 FINANCIAL YEAR

	PricewaterhouseCoopers				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	**Amount**	**As a %**	**Amount**	**As a %**	**Amount**	**As a %**	**Amount**	**As a %**
Review of interim, company and consolidated financial statements								
L'Oréal	1.1	50%	n/a	n/a	1.4	57%	n/a	n/a
Fully consolidated subsidiaries	0.8	36%	3.9	40%	0.7	28%	4.7	93%
Subtotal	**1.9**	**86%**	**3.9**	**40%**	**2.1**	**85%**	**4.7**	**93%**
Non-audit services (1)								
L'Oréal	0.3	14%	3.3	32%	0.3	14%	-	-
Fully consolidated subsidiaries	-	-%	2.9	28%	-	-%	0.4	7%
Subtotal	**0.3**	**14%**	**6.2**	**60%**	**0.3**	**15%**	**0.4**	**7%**
TOTAL	**2.2**	**100%**	**10.2**	**100%**	**2.4**	**100%**	**5.1**	**100%**

(1) Mainly concerning acquisition audits.

NOTE 17. Subsequent events

No significant events occurred between the balance sheet date and the date on which the consolidated financial statements were approved by the Board of Directors.

5.7. CONSOLIDATED COMPANIES AT 31 DECEMBER 2021

5.7.1. Fully consolidated companies

Company	Head office	% interest
ATELIER COLOGNE (as a sub-group)	France	100.00
AZZARO MUGLER BEAUTÉ FRANCE	France	100.00
AZZARO MUGLER BEAUTÉ UK LIMITED	United Kingdom	100.00
BEAUTÉ, RECHERCHE & INDUSTRIES	France	100.00
BEAUTYCOS INTERNATIONAL COMPANY LIMITED	China	100.00
BEAUTYLUX INTERNATIONAL COSMETICS (SHANGHAI) CO LTD	China	100.00
BIOTHERM	Monaco	99.80
BOLD BUSINESS OPPORTUNITIES FOR L'ORÉAL DEVELOPMENT	France	100.00
CANAN KOZMETIK SANAYI VE TICARET A.S.	Turkey	100.00
CENTRE LOGISTIQUE D'ESSIGNY OU CLOE	France	100.00
CENTRE THERMAL DE LA ROCHE-POSAY	France	100.00
COBELSA COSMETICOS, S.A.	Spain	100.00
COMPAGNIE THERMALE HOTELIERE ET FINANCIERE – C.T.H.F.	France	99.98
COMPTOIR LAINIER AFRICAIN	Morocco	100.00
COSBEL S.A. DE C.V.	Mexico	100.00
COSMELOR LTD	Japan	100.00
COSMEPHIL HOLDINGS CORPORATION PHILIPPINES	The Philippines	100.00
COSMETIL	Morocco	49.80
COSMETIQUE ACTIVE INTERNATIONAL – CAI	France	100.00
COSMETIQUE ACTIVE PRODUCTION – C.A.P.	France	100.00
EGYPTELOR LLC	Egypt	100.00
ELEBELLE (PROPRIETARY) LIMITED	South Africa	100.00
EPISKIN	France	99.92
EPISKIN BRASIL BIOTECNOLOGIA EIRELI	Brazil	99.92
ERWITON S.A.	Uruguay	100.00
FAPAGAU & CIE	France	100.00
FAPROREAL	France	100.00
FINVAL	France	100.00
FITNE GESUNDHEIT UND WELLNESS GMBH	Germany	100.00
FRABEL S.A. DE C.V.	Mexico	100.00
GEMEY PARIS – MAYBELLINE NEW YORK	France	100.00
GUANGZHOU L'ORÉAL BUYCOOR INTERNET SCIENCE & TECHNOLOGY CO., LTD	China	100.00
HELENA RUBINSTEIN ITALIA S.P.A.	Italy	100.00
HOLDIAL	France	100.00
INTERBEAUTY COSMETICS LTD	Israel	92.97
INTERBEAUTY PRODUCTS LIMITED	Kenya	100.00
JSC L'ORÉAL	Russia	100.00
KOSMEPOL SP. Z.O.O.	Poland	100.00
L & J RE	France	100.00
L'ORÉAL TRAVEL RETAIL AMERICAS, INC.	United States	100.00
LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE	France	99.98
LABORATOIRE SANOFLORE	France	100.00
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00
LIBRAMONT ENERGIES VERTES – LEV	Belgium	100.00
LOA3	France	100.00
LOA6	France	100.00
LOA10	France	100.00
LOGISTICA 93 S.R.L.	Italy	100.00
LOGO-BAU VERWALTUNGSGESELLSCHAFT GMBH	Germany	100.00
LOGOCOS NATURKOSMETIK AG	Germany	100.00
L'ORÉAL (CHINA) CO. LTD	China	100.00
L'ORÉAL (THAILAND) LIMITED	Thailand	100.00
L'ORÉAL (UK) LIMITED	United Kingdom	100.00
L'ORÉAL ADRIA D.O.O.	Croatia	100.00

Company	Head office	% interest
L'ORÉAL ARGENTINA SOCIEDAD ANONIMA	Argentina	100.00
L'ORÉAL AUSTRALIA PTY LTD	Australia	100.00
L'ORÉAL BALKAN D.O.O.	Serbia	100.00
L'ORÉAL BALTIC SIA	Latvia	100.00
L'ORÉAL BANGLADESH LIMITED	Bangladesh	100.00
L'ORÉAL BELGILUX S.A.	Belgium	100.00
L'ORÉAL BRASIL COMERCIAL DE COSMÉTICOS LTDA	Brazil	100.00
L'ORÉAL BRASIL PESQUISAS E INOVACAO LTDA	Brazil	100.00
L'ORÉAL BULGARIA EOOD	Bulgaria	100.00
L'ORÉAL CANADA, INC.	Canada	100.00
L'ORÉAL CENTRAL AMERICA S.A.	Panama	100.00
L'ORÉAL CENTRAL WEST AFRICA LTD	Nigeria	100.00
L'ORÉAL CESKA REPUBLIKA S.R.O.	Czech Republic	100.00
L'ORÉAL CHILE S.A.	Chile	100.00
L'ORÉAL COLOMBIA S.A.S.	Colombia	100.00
L'ORÉAL COSMETICS INDUSTRY S.A.E.	Egypt	100.00
L'ORÉAL COTE D'IVOIRE	Ivory Coast	100.00
L'ORÉAL DANMARK A/S	Denmark	100.00
L'ORÉAL DEUTSCHLAND GMBH	Germany	100.00
L'ORÉAL EAST AFRICA LIMITED	Kenya	100.00
L'ORÉAL ECUADOR S.A.	Ecuador	100.00
L'ORÉAL EGYPT LLC	Egypt	100.00
L'ORÉAL ESPANA S.A.	Spain	100.00
L'ORÉAL FINLAND OY	Finland	100.00
L'ORÉAL GUATEMALA S.A.	Guatemala	100.00
L'ORÉAL HELLAS S.A.	Greece	100.00
L'ORÉAL HONG KONG LIMITED	Hong Kong	100.00
L'ORÉAL INDIA PRIVATE LIMITED	India	100.00
L'ORÉAL ITALIA S.P.A.	Italy	100.00
L'ORÉAL KAZAKHSTAN LIMITED LIABILITY PARTNERSHIP	Kazakhstan	100.00
L'ORÉAL KOREA LIMITED	Korea	100.00
L'ORÉAL LIBAN SAL	Lebanon	100.00
L'ORÉAL LIBRAMONT	Belgium	100.00
L'ORÉAL MAGYARORSZAG KOZMETIKAI KFT	Hungary	100.00
L'ORÉAL MALAYSIA SDN BHD	Malaysia	100.00
L'ORÉAL MANUFACTURING MIDRAND (PROPRIETARY) LIMITED	South Africa	100.00
L'ORÉAL MAROC	Morocco	50.00
L'ORÉAL MEXICO S.A. DE C.V.	Mexico	100.00
L'ORÉAL MEXICO SERVICIOS S.A. DE C.V.	Mexico	100.00
L'ORÉAL MIDDLE EAST	United Arab Emirates	100.00
L'ORÉAL NEDERLAND B.V.	The Netherlands	100.00
L'ORÉAL NEW ZEALAND LIMITED	New Zealand	100.00
L'ORÉAL NORGE A/S	Norway	100.00
L'ORÉAL ÖSTERREICH GMBH	Austria	100.00
L'ORÉAL PAKISTAN PRIVATE LIMITED	Pakistan	100.00
L'ORÉAL PANAMA COMERCIAL S.A.	Panama	100.00
L'ORÉAL PANAMA S.A.	Panama	100.00
L'ORÉAL PERU S.A.	Peru	100.00
L'ORÉAL PHILIPPINES, INC.	The Philippines	100.00
L'ORÉAL POLSKA SP. Z.O.O.	Poland	100.00
L'ORÉAL PORTUGAL UNIPESSOAL, LDA	Portugal	100.00
L'ORÉAL PRODUITS DE LUXE INTERNATIONAL	France	100.00
L'ORÉAL PRODUKTION DEUTSCHLAND BETEILIGUNGS GMBH	Germany	100.00
L'ORÉAL PRODUKTION DEUTSCHLAND GMBH & CO KG	Germany	100.00
L'ORÉAL ROMANIA SRL	Romania	100.00
L'ORÉAL SAIPO INDUSTRIALE S.P.A.	Italy	100.00
L'ORÉAL SAUDI ARABIA	Saudi Arabia	75.00
L'ORÉAL SINGAPORE PTE LTD	Singapore	100.00
L'ORÉAL SLOVENIJA KOZMETIKA D.O.O.	Slovenia	100.00
L'ORÉAL SLP S.A. DE C.V.	Mexico	100.00
L'ORÉAL SOUTH AFRICA HOLDINGS (PROPRIETARY) LIMITED	South Africa	100.00

Company	Head office	% interest
L'ORÉAL SUISSE S.A.	Switzerland	100.00
L'ORÉAL SVERIGE AB	Sweden	100.00
L'ORÉAL TAIWAN CO., LTD.	Taiwan	100.00
L'ORÉAL TÜRKIYE KOZMETIK SANAYI VE TICARET ANONIM SIRKETI	Turkey	100.00
L'ORÉAL UAE GENERAL TRADING LLC	United Arab Emirates	100.00
L'ORÉAL UKRAINE	Ukraine	100.00
L'ORÉAL URUGUAY S.A.	Uruguay	100.00
L'OREAL USA, INC. (as a sub-groupe)	Unites States	100.00
L'ORÉAL VERWALTUNGS GMBH	Germany	100.00
L'ORÉAL VIETNAM CO. LTD	Vietnam	100.00
L'ORÉAL WEST AFRICA LIMITED	Ghana	100.00
MAGIC HOLDINGS (as a sub-groupe)	China	100.00
MASRELOR LLC	Egypt	100.00
MATRIX DISTRIBUTION GMBH	Germany	100.00
MODIFACE INC.	Canada	100.00
MUGLER FASHION	France	100.00
NANDA CO. LTD	Korea	100.00
NANDA JAPAN K.K.	Japan	100.00
NIHON L'OREAL KABUSHIKI KAISHA	Japan	100.00
NLO KABUSHIKI KAISHA	Japan	100.00
NOVÉAL	France	100.00
NYX PROFESSIONAL MAKEUP SPRL/BVBA	Belgium	100.00
P.T. L'ORÉAL INDONESIA	Indonesia	100.00
P.T. YASULOR INDONESIA	Indonesia	100.00
PRESTIGE ET COLLECTIONS INTERNATIONAL	France	100.00
PROCOSA PRODUCTOS DE BELEZA LTDA	Brazil	100.00
PRODUCTOS CAPILARES L'ORÉAL S.A.	Spain	100.00
REAL CAMPUS BY L'ORÉAL	France	100.00
RETAIL EXCELLENCE 4	France	100.00
SCENTAL LIMITED	Hong Kong	100.00
SHANGHAI EPISKIN BIOTECHNOLOGY CO. LTD	China	99.92
SHANGHAI L'ORÉAL INTERNATIONAL TRADING CO. LTD	China	100.00
SHU UEMURA COSMETICS INC.	Japan	100.00
SICOS & CIE	France	100.00
SOCIETE HYDROMINERALE DE LA ROCHE-POSAY	France	99.98
SOPROCOS	France	100.00
SOPRORÉAL	France	100.00
SPARLYS	France	100.00
TAKAMI CO., LTD	Japan	100.00
THERMES DE SAINT-GERVAIS-LES-BAINS LE FAYET	France	100.00
YICHANG TIANMEI INTERNATIONAL COSMETICS CO LTD	China	100.00
YIGAOMEILAN SHNGHAI COSMETICS CO., LTD	China	100.00

5.7.2. Equity-accounted companies

Company	Head office	% interest
INNEOV ARGENTINA S.A.	Argentina	50.00 (1)
INNEOV DEUTSCHLAND GmbH	Germany	50.00 (1)
INNEOV HELLAS A.E.	Greece	50.00 (1)
INNEOV MEXICO S.A. DE C.V.	Mexico	50.00 (1)
INNEOV TAIWAN CO. LTD	Taiwan	50.00 (1)
LIPP DISTRIBUTION	Tunisia	49.00
NUTRICOS TECHNOLOGIES	France	50.00 (1)
SCI GOLF DU CONNETABLE	France	38.12

(1) Companies jointly owned with Nestlé.

5.8. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31 December 2021)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'ORÉAL
14, rue Royale
75008 Paris, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of L'Oréal for the year ended 31 December 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Description of risk	*How our audit addressed this risk*
Measurement of intangible assets *See Note 7.1 – Goodwill, Note 7.2 – Other intangible assets, Note 7.3 – Impairment tests on intangible assets, and Note 4 – Other operational income and expenses, to the consolidated financial statements*	
At 31 December 2021, the net carrying amount of goodwill and other intangible assets recognised in the consolidated financial statements totalled €14,537 million, representing 34% of assets. These assets consist primarily of goodwill and non-amortised brands with indefinite useful lives, recognised following business combinations. Whenever there is an indication of impairment, or at least once a year, the Group verifies that the carrying amount of these assets is not greater than their recoverable amount and does not present a risk of impairment (impairment test). The recoverable amount of each Cash Generating Unit (CGU) is determined on the basis of discounted operating future cash flow forecasts covering a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The main assumptions taken into account in the measurement of the recoverable amount concern: ● growth in sales and margin rate; ● a perpetual growth rate for calculating the terminal value; and ● discount rates based on the weighted average cost of capital, where necessary adjusted by a country risk premium. The impairment tests performed led to the recognition of an impairment loss of €338 million in 2021, including €255 million on the goodwill of IT Cosmetics. We deemed the measurement of these assets to be a key audit matter because of their relative materiality in the consolidated financial statements and because the calculation of their recoverable amount requires a high degree of judgement from Management in terms of projecting future cash flows and determining the main assumptions to be used.	We obtained the impairment tests and sensitivity analyses prepared by Management. We assessed the sensitivity analyses, in particular by comparing them to our own sensitivity analyses, to determine the nature and scope of our procedures. We assessed, in particular, the quality of the process for drawing up and approving budgets and forecasts and, for the impairment tests that we deemed the most sensitive, the reasonableness of the main estimates made and, more specifically: ● the consistency of sales and margin rate projections with the Group's past performance and the economic and financial context in which the Group operates; ● the corroboration of the growth rates used with analyses of the performance of the global cosmetics market, taking into account specific features of the local markets and distribution channels in which the Group operates; ● the discount rates applied to future cash flows, by comparing their inputs with external references, with the guidance of our valuation experts; ● the analyses of the sensitivity of the recoverable amount to the key main assumptions used, as described by Management in Note 7.3 to the consolidated financial statements, and to our own analyses. We verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.
Measurement of provisions for liabilities and charges (excluding provisions for product returns), non-current tax liabilities and contingent liabilities *See Note 6 – Income tax and Note 12 – Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes, to the consolidated financial statements*	
The Group is exposed to various risks arising in the ordinary course of its business, particularly tax risks, industrial, environmental and commercial risks relating to operations (excluding provisions for product returns), employee-related cost risks and risks related to antitrust investigations. When the amount or due date of a liability can be estimated with sufficient reliability, provisions are recorded for these risks. When this is not the case, the Group provides disclosures on contingent liabilities in the notes to the consolidated financial statements. The contingent liabilities and material ongoing disputes reported in Note 12.2.1 include tax disputes in Brazil and India, for which the tax authorities are claiming €524 million and €202 million, respectively. Provisions for liabilities and charges (excluding provisions for product returns) amounted to €881 million, and non-current tax liabilities to €345 million at 31 December 2021. We deemed the determination and measurement of these items to be a key audit matter given: ● the high degree of judgement required from Management to determine which risks should be provisioned and measure with sufficient reliability the amounts of these provisions; ● the potentially material impact of these provisions on the Group's profit.	In order to identify and gain an understanding of all of the existing disputes and liabilities as well as the corresponding judgements made, we made inquiries with General Management and the Legal and Tax Departments at all levels of the organisation, in France and abroad. We corroborated the list of identified disputes with the Group's risk mapping, as presented by the Legal Department to the Audit Committee, and the information provided by the principal law firms acting for the Group, which we interviewed on the matters. Regarding the most significant disputes for which a provision was recorded, we assessed the quality of Management's estimates by taking into consideration the data, assumptions and calculations used. We carried out a retrospective review by comparing the amounts paid out with the provisions recorded in recent years. With the guidance of our experts in the field where applicable, we carried out the following procedures: ● we examined the procedural aspects and/or the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the decision to record a provision; ● on the basis of the information provided to us, we critically assessed the estimated ranges of risk level and verified that the measurements used by Management fall within these ranges; ● when appropriate, we verified the consistency of the methods used for these assessments. Regarding contingent liabilities, with the guidance of our experts in the field where applicable, we examined the procedural aspects and/or the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the decision not to record a provision. We verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Description of risk	***How our audit addressed this risk***
Recognition of sales – estimation of items to be deducted from sales *See Note 3 – Accounting principles – Sales, to the consolidated financial statements*	
Sales incentives, discounts and product returns are deducted from sales, as are incentives granted to distributors or consumers, such as commercial cooperation, coupons, discounts and loyalty programs. These various deductions are recorded simultaneously to the recognition of sales, based mainly on statistics compiled from past experience and contractual conditions. We deemed estimating these amounts at the reporting date to be both difficult (due to the range of contracts and contractual conditions prevalent in the Group's different markets) and sensitive (sales are a key indicator in the assessment of the performance of the Group and its Management), and to have a material impact in the financial statements. Accordingly, these estimates constitute a key audit matter given the risk that product returns, sales incentives, discounts and other incentives granted to customers (distributors or consumers) are not fully catalogued and/or properly measured and thus that sales are not accounted for correctly and/or in the appropriate reporting period.	We assessed the appropriateness of the accounting policies applied by the Group with respect to the recognition of product returns, sales incentives, discounts and other incentives granted to customers, with respect to IFRS. We familiarized ourselves with the internal control systems implemented by the Group's commercial entities, with a view to measuring and accounting for items deducted from sales, especially at the end of the reporting period, and we tested, on a sample basis, the main controls of those systems. We also carried out substantive tests on representative samples in order to ascertain whether product returns, sales incentives, discounts and other incentives granted to customers were being estimated correctly. Our tests consisted primarily in: ● assessing the appropriateness of valuation methods, in particular through a critical assessment of the assumptions used, verification of the consistency of the methods, and analysis of the unwinding of provisions from the previous year; ● reconciling the statistics compiled from past experience and contractual conditions with the data contained in the IT systems dedicated to the management of commercial conditions; ● verifying the calculation of the corresponding expenses (including the residual commitment at the end of the reporting period) and how they are recorded in the accounting system and presented in the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group presented in the management report includes the consolidated non-financial performance statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Format of presentation of the consolidated financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018. As it relates to the consolidated financial statements, our work included verifying that the tagging in the financial statements complies with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the consolidated financial statements to be included by the Company in the annual financial report filed with the French Financial Markets Authority - AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of L'Oréal by the Annual General Meeting of 29 April 2004.

At 31 December 2021, PricewaterhouseCoopers Audit and Deloitte & Associés were in the eighteenth consecutive year of their engagement.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2022
The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire FERRIÉ	David DUPONT-NOEL

6

PARENT COMPANY FINANCIAL STATEMENTS*

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

The individual financial statements set out in this chapter are those of the L'Oréal parent company. They show the financial situation of the parent company stricto sensu. Unlike the consolidated financial statements, they do not include the results of the Group's subsidiaries.

The information regarding the parent company financial statements that was previously included in the Management Report of the Board of Directors is now included in this chapter. The pages concerned are the table showing the main changes and thresholds crossed regarding investments in subsidiaries, the five-year financial summary and the amount of expenses and charges provided for in Article 223 *quater* of the French General Tax Code, and the table showing invoices issued and received, not paid at the end of the financial year and in arrears, provided for by Articles L. 441-6-1 and D. 441-4 of the French Commercial Code. The Statutory Auditor's Report on the parent company financial statements completes this information.

6.1. COMPARED INCOME STATEMENTS

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Operating revenue		**5,944.5**	**5,535.9**	**4,615.5**
Sales	2	5,255.4	4,837.8	4,131.0
Reversals of provisions and transfers of charges		135.6	194.8	84.5
Other revenue	3	553.5	503.4	400.0
Operating expenses		**-5,297.1**	**-5,022.4**	**-4,184.5**
Purchases and change in inventories		-705.4	-674.6	-424.7
Other purchases and external charges		-2,659.0	-2,404.3	-2,119.0
Taxes and similar payments		-135.4	-119.2	-108.2
Personnel costs		-1,276.7	-1,213.2	-1,038.5
Depreciation, amortisation and charges to provisions	5	-288.7	-329.2	-283.6
Other charges		-231.9	-281.9	-210.5
Operating profit		**647.4**	**513.6**	**431.0**
Net financial revenue	6	3,517.1	3,912.4	4,086.5
Net charges/reversals of provisions and transfers of charges	6	-183.4	-77.1	-198.7
Exchange gains and losses		-93.6	16.4	-108.0
Net financial income		**3,240.1**	**3,851.7**	**3,779.8**
Profit before tax and exceptional items		**3,887.5**	**4,365.3**	**4,210.8**
Exceptional items	**7**	**2.1**	**-156.4**	**22.5**
Employee Profit Sharing		-27.4	-27.2	-44.8
Income tax	8	-1.7	-22.8	-82.7
NET PROFIT		**3,860.5**	**4,158.8**	**4,105.8**

6.2. COMPARED BALANCE SHEETS

ASSETS

€ millions (net values)	Notes	31.12.2021	31.12.2020	31.12.2019
Intangible assets	11	4,607.4	4,366.0	2,937.5
Tangible assets	12	573.4	555.9	530.9
Financial assets	14	19,272.1	10,488.1	10,633.8
Non-current assets		**24,452.9**	**15,410.0**	**14,102.2**
Inventories		102.3	107.2	69.7
Prepayments to suppliers		6.4	7.8	7.3
Trade accounts receivable	16	770.2	692.9	616.7
Other current assets	16	515.0	489.8	471.1
Marketable securities	15	33.4	63.9	22.6
Cash and cash equivalents	27	0.6	3,791.3	2,463.5
Current assets		**1,427.9**	**5,152.9**	**3,650.9**
Prepaid expenses		84.4	87.7	65.9
Unrealised exchange losses	21	188.2	45.8	60.3
TOTAL ASSETS		**26,153.4**	**20,696.4**	**17,879.3**

LIABILITIES

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Share capital		111.5	112.0	111.6
Additional paid-in capital		3,265.6	3,259.8	3,130.2
Reserves and retained earnings		10,813.1	10,020.0	8,087.1
Net profit		3,860.5	4,158.8	4,105.8
Regulated provisions		29.9	36.2	49.8
Shareholders' equity		**18,080.6**	**17,586.8**	**15,484.5**
Provisions for liabilities and charges	**18**	**878.3**	**790.6**	**610.4**
Borrowings and debt	19	4,946.5	369.3	207.5
Trade accounts payable	20	994.7	829.8	568.0
Other current liabilities	20	1,234.8	1,074.7	999.0
Other payables		**7,176.0**	**2,273.8**	**1,774.5**
Unrealised exchange gains	21	18.5	45.2	9.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**26,153.4**	**20,696.4**	**17,879.3**

6.3. CHANGES IN SHAREHOLDERS' EQUITY

The share capital comprises 557,672,360 shares with a par value of €0.2 each following transactions carried out in 2021:

- subscription of 52,397 shares following the exercise of options, the issue of 5,327 shares for the employee shareholding plan and the grant of 743,056 free shares and cancellation of 3,000,000 shares.

Changes in shareholders' equity are as follows:

€ millions	Share capital	Additional paid-in capital	1976 revaluation reserve	Reserves and retained earnings	Net profit	Regulated provisions	Total
Balance at 31 December 2018 before appropriation of net profit	**112.1**	**3,070.3**	**42.5**	**7,427.7**	**3,594.9**	**64.4**	**14,311.9**
Capital increase	0.3	59.9					60.2
Cancellation of shares	-0.8			-801.2			-802.0
Appropriation of 2018 net profit				1,418.2	-1,418.2		0.0
Dividends paid for 2018					-2,176.7		-2,176.7
2019 net profit					4,105.8		4,105.8
Other movements during the period				-0.1		-14.6	-14.7
Balance at 31 December 2019 before appropriation of net profit	**111.6**	**3,130.2**	**42.5**	**8,044.6**	**4,105.8**	**49.8**	**15,484.5**
Capital increase	0.4	129.6					130.0
Cancellation of shares							
Appropriation of 2019 net profit				1,933.2	-1,933.2		0.0
Dividends paid for 2019					-2,172.6		-2,172.6
2020 net profit					4,158.8		4,158.8
Other movements during the period				-0.2		-13.6	-13.8
Balance at 31 December 2020 before appropriation of net profit	**112.0**	**3,259.8**	**42.5**	**9,977.6**	**4,158.8**	**36.2**	**17,586.8**
Capital increase	0.1	5.8					5.9
Cancellation of shares	-0.6			-1,101.3			-1,101.9
Appropriation of 2020 net profit				1,894.4	-1,894.4		0.0
Dividends paid for 2020					-2,264.4		-2,264.4
2021 net profit					3,860.5		3,860.5
Other movements during the period				-0.1		-6.3	-6.4
BALANCE AT 31 DECEMBER 2021 BEFORE APPROPRIATION OF NET PROFIT	**111.5**	**3,265.6**	**42.5**	**10,770.6**	**3,860.5**	**29.9**	**18,080.6**

The amount added to reserves for unpaid dividends on some treasury shares held by L'Oréal as well as movements between 1 January and the dividend payment date, on maturing free share plans, stock option exercises and the final number of shares carrying preferential dividend rights, stood at - €2.7 million in 2021, compared with -€6.2 million in 2020 and - €0.7 million in 2019.

Regulated provisions mainly consisted of accelerated tax-driven depreciation, which amounted to €29.9 million at 31 December 2021, compared with €36.2 million at 31 December 2020 and €49.8 million at 31 December 2019.

Details of option plans and free share plans are provided in note 17.

6.4. STATEMENTS OF CASH FLOWS

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Operating activities				
Net profit		**3,860.5**	**4,158.8**	**4,105.8**
Depreciation and amortisation	11-12	162.7	145.4	121.0
Charges to provisions (net of reversals)		121.8	216.4	304.4
Gains and losses on disposals of non-current assets		57.9	78.4	-1.3
Other non-cash transactions(1)		3.6	-1.5	-136.4
Gross cash flow		**4,206.5**	**4,597.5**	**4,393.5**
Changes in working capital	25	45.0	185.0	-231.0
Net cash provided by operating activities		**4,251.5**	**4,782.5**	**4,162.5**
Investing activities				
Investments in non-current assets	11/12/2014	-10,594.5	-1,605.3	-1,234.3
Changes in other financial assets	26	171.8	-58.7	30.9
Disposals of non-current assets		36.5	65.3	55.4
Net cash from investing activities		**-10,386.2**	**-1,598.7**	**-1,148.0**
Financing activities				
Capital increase		5.8	129.7	60.0
Dividends paid		-2,264.4	-2,172.6	-2,176.7
Changes in financial debt	19	4,577.3	160.3	-0.9
Net cash from financing activities		**2,318.7**	**-1,882.6**	**-2,117.6**
Cash acquired or sold in the period (complete transfer of assets and liabilities)		26.3	25.7	69.8
Change in cash and cash equivalents		**-3,789.7**	**1,327.0**	**966.7**
Net cash and cash equivalents at beginning of the year	27	3,790.3	2,463.3	1,496.6
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**27**	**0.6**	**3,790.3**	**2,463.3**

(1) In 2019, mainly consisted of the merger bonus from the universal transfer of the assets and liabilities of Lancôme Parfums et Beauté & Cie and, in 2020, of the merger bonus from L'Oréal Produits de Luxe France.

6.5. NOTES TO THE FINANCIAL STATEMENTS OF L'ORÉAL SA

Note contents

Highlights of the financial year

On 7 December 2021, the L'Oréal Board of Directors approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. The total price paid to Nestlé was €8.904 billion. This transaction led the Group to take out a bridging loan of €1.9 billion and issue commercial paper for €2.3 billion, with the balance financed by the cash available at 31 December 2021.

NOTE 1. Accounting principles

The Company's annual financial statements are prepared in accordance with French law and regulations (French Chart of Accounts) and generally accepted accounting principles.

1.1. Sales

These are comprised of sales of goods (net of returns from distributors and rebates and discounts) and services (including technological assistance fees).

1.2. Advertising and promotion expenses

Expenses relating to the advertisement and promotion of products to customers and consumers are recognised as expenses for the year in which the advertisement or promotional initiative takes place.

1.3. Research and innovation costs

Research and innovation costs are recognised in expenses in the period in which they are incurred.

1.4. Income tax

The Company has opted for the French tax group regime. French companies included in the scope of tax consolidation recognise an income tax charge in their own accounts on the basis of their own taxable profits and losses.

L'Oréal, as the parent company of the tax group, recognises as tax income the difference between the aggregate tax charges recognised by the subsidiaries and the tax due on the basis of consolidated taxable profit or loss of the tax group.

1.5. Intangible assets

Intangible assets are recorded in the balance sheet at purchase cost, including acquisition costs.

Technical merger losses are allocated to the corresponding underlying assets and amortised where appropriate.

The value of newly acquired trademarks is calculated based on a multi-criteria approach taking into consideration their reputation and their future contribution to profits.

In accordance with regulation No. 2004-06 on assets, certain trademarks have been identified as amortisable regarding their estimated useful life.

Non-amortisable trademarks are tested for impairment at least once a year on the basis of the valuation model used at the time of their acquisition. An impairment is recorded where appropriate. Initial trademark registration costs are recorded as expenses.

Patents are amortised over a period ranging from 2 to 10 years.

Business goodwill is not amortised. It is impaired whenever the present value of future cash flows is less than the book value. Business goodwill is subject to impairment tests at least once a year, even when there is no evidence of an impairment loss.

Software of material value is amortised using the straight-line method over its probable useful life, generally between five and eight years. It is also subject to accelerated tax-driven amortisation, which is recognised over a 12-month period.

Other intangible assets are usually amortised over periods not exceeding 20 years.

1.6. Tangible assets

Tangible assets are recognised at purchase cost, including acquisition expenses.

The useful lives of tangible assets are as follows:

	Length
Buildings	20-50 years
Fixtures and fittings	5-10 years
Industrial machinery and equipment	10 years
Other tangible assets	3-10 years

Both straight-line and declining-balance depreciation is calculated over the actual useful lives of the assets concerned. Exceptionally, industrial machinery and equipment is depreciated using the straight-line method over a period of 10 years, with all additional depreciation classified as accelerated tax-driven depreciation.

1.7. Financial assets

1.7.1. Investments

These items are recognised in the balance sheet at purchase cost excluding incidental expenses.

Their value is assessed annually by reference to their value in use, which is mainly based on the current and forecast profitability of the subsidiary concerned and the share of equity owned. If the value in use falls below the net book value, an impairment is recognised.

1.7.2. Other financial assets

Loans and other receivables are valued at their nominal amount. Loans and other receivables denominated in foreign currencies are translated at the exchange rate prevailing at the end of the financial year. If necessary, impairments are recognised against these items to reflect their value in use at the end of the financial year.

Treasury shares acquired in connection with buyback programmes to be cancelled is recognised in other long-term investments.

At the end of the financial year, other long-term investments are compared with their probable sale price and a provision for impairment recognised where appropriate.

1.8. Inventories

Inventories are valued using the weighted average cost method.

An impairment is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

1.9. Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recorded at their nominal value. Where appropriate, an impairment is recognised based on an assessment of the risk of non-recovery.

1.10. Marketable securities cash and cash equivalents

Marketable securities are recognised at purchase cost and are valued at the end of the financial year at their probable sale price.

Treasury shares held that is specifically allocated to employee stock option and free shares plans recognised in marketable securities.

No discount is granted on the exercise price of the options. Provided that the shares are purchased at a lower price than the exercise price, no impairment is required. However, an impairment is recognised in the event of a decline in the market price, representing the difference between the book value of the treasury shares and the average share price in the month preceding the reporting date.

A provision for liabilities and charges in respect of shares of Treasury shares allocated to free share plans for L'Oréal S.A. parent company employees is recognised over the period during which the rights to the free shares vest. Shares of Treasury shares allocated to free share plans for employees of Group subsidiaries are written down in full. However, the subsidiaries concerned will bear most of the cost of granting these free shares.

1.11. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised to cover probable outflows of resources to third parties, without receipt of equivalent consideration by the Company. They relate mainly to commercial and financial contingencies and litigation (subsidiaries…) and to Administration and employee-related contingencies.

These provisions are estimated on the basis of the most likely assumptions or by using statistical methods, depending on their type.

1.12. Accounting for foreign currency transactions and exchange rate hedges

All receivables and payables denominated in foreign currencies are translated at the exchange rates prevailing at the end of the financial year.

Exchange rate hedging instruments are contracted to hedge commercial transactions recognised in the balance sheet and future transactions that are considered to be highly probable. Gains and losses generated by these instruments are recognised symmetrically with the gains and losses arising on the hedged items, in the same aggregate as profit and loss. Option premium income/discounts are recognised in profit and loss when the hedged item is recognised.

Derivatives that are not designated as hedges are classified as isolated open positions. These are recognised at their fair value in the balance sheet, and offset an "Unrealised exchange gains or losses" account.

Translation differences on operating assets and liabilities and related hedging instruments are also recognised in the balance sheet as "Unrealised exchange gains or losses".

A provision is recognised if the sum of these unrealised exchange gains and losses shows a potential exchange loss based on the overall exchange position, calculated on a currency-by-currency basis. The overall foreign exchange position excludes translation differences of hedging instruments and hedged items.

In accordance with French accounting standards, the potential gain resulting from the overall foreign exchange position is not recognised as income in the income statement.

Hedges have already been taken out in respect of forecasted operating transactions for the next financial year. The impact of such hedges on profit or loss will be recorded during the same accounting period as the transactions hedged.

1.13. Accounting for interest rate instruments

In the case of interest-rate hedges, for gains and losses arising on interest rate swaps and caps, hedging financial liabilities are recorded on a pro rata basis symmetrically with the gains and losses on the items hedged.

1.14. Employee retirement obligations and related benefits

The L'Oréal parent company operates pension, early retirement and other benefit schemes for employees and retirees depending on local legislation and regulations. Directors and corporate officers are regarded as employees for all additional benefits relating to their remuneration, and are therefore covered by the same employee benefit schemes.

These obligations are partially funded by an external scheme where the funds are gradually built up through contributions paid. The contributions are expensed as incurred under the Other purchases and external charges item.

The related obligations are measured using an actuarial valuation method based on final salaries. The method takes account of length of service, life expectancy, turnover by category of personnel and economic assumptions such as inflation and discount rates. The company has opted for the new method provided by recommendation ANC 2013-02 on the accounting treatment of pension obligations and similar benefits as amended on 5 November 2021. That is to say, the increase in the obligation for each employee is no longer recognised on a straight-line basis over his or her term of employment but straight-line only over the vesting period for his or her benefit rights.

No provision is recognised in the balance sheet for net unfunded obligations, which are shown in off-balance sheet commitments.

Only obligations in respect of long-service awards are no longer recognised as an off-balance sheet commitment; instead, a provision is recognised in the balance sheet based on an actuarial valuation of the obligation.

NOTE 2. Sales

€ millions	31.12.2021	31.12.2020	31.12.2019
Sales of goods[1]	2,351.2	2,199.3	1,547.9
Services[2]	2,795.7	2,506.6	2,424.2
Other revenue	108.5	131.9	158.9
TOTAL	**5,255.4**	**4,837.8**	**4,131.0**

(1) On 1 January 2020, L'Oréal Produits de Luxe France and Cosmétique Active France transferred all of their assets to L'Oréal, in consideration for taking on all of their debt.
(2) Including invoicing of technological assistance.

The Company generated €3,093.6 million of its net sales in France in 2021, compared with €2,901.5 million in 2020 and €2,263.9 million in 2019.

NOTE 3. Other revenue

This account mainly includes trademark royalties as well as foreign exchange gains on operations, booked under *Other revenue* since 1 January 2017 pursuant to ANC Regulation No. 2015-05.

NOTE 4. Average headcount

Average headcount can be broken down as follows:

	2021	2020[1]	2019
Executives	6,001	5,671	4,923
Supervisors	2,119	2,160	1,975
Administrative staff	148	171	180
Manual workers	326	332	227
Sales representatives	540	566	387
TOTAL	**9,134**	**8,900**	**7,692**
Apprentices	410	278	232

(1) Including a change in 2020 in Cosmetique Active France and L'Oréal Produits de Luxe France personnel, following their merger with L'Oréal on 1 January 2020.

NOTE 5. Depreciation, amortisation and charges to provisions

Depreciation, amortisation and charges to provisions can be broken down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Depreciation and amortisation	-152.2	-136.4	-119.0
Impairment of non-current assets	-18.9	-73.2	-67.9
Impairment of current assets	-9.8	-12.2	-4.5
Provisions for liabilities and charges	-107.8	-107.4	-92.2
TOTAL	**-288.7**	**-329.2**	**-283.6**

NOTE 6. Net financial income

Net financial income amounts include the following items:

€ millions	31.12.2021	31.12.2020	31.12.2019
Dividends received	3,549.2	3,940.9	3,967.0
Revenues on other receivables and marketable securities	0.1	0.1	0.2
Interest expense on borrowings and financial debt	-21.9	-21.6	-9.8
Other[1]	-10.3	-7.0	129.1
TOTAL	**3,517.1**	**3,912.4**	**4,086.5**

(1) In 2019, this mainly included the merger bonus related to the universal transfer of the assets and liabilities of Lancôme Parfums and Beauté & Cie.

Additions to provisions net of reversals and expense transfers chiefly concern:

€ millions	31.12.2021	31.12.2020	31.12.2019
Financial investments[1]	-40.4	-79.8	-181.4
Impairment of other financial assets	-	-	-
Impairment of Treasury shares	-	-	-
Provisions for liabilities and charges relating to financial items[2]	-143.0	2.7	-17.2
Other	-	-	-
TOTAL	**-183.4**	**-77.1**	**-198.6**

(1) In 2020, this mainly related to the impairment of shares in Cosmeurop and Elebelle Limited.
In 2019, this mainly related to the impairment of shares in Magic Holdings.
(2) In 2021, this mainly related to provisions for currency risk amounting to -€150.7 million.

NOTE 7. Exceptional items

Exceptional items represented €2.1 million in 2021, compared to -€156.4 million in 2020 and €22.5 million in 2019.

NOTE 8. Income tax

The income tax breaks down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Tax on profit before tax and exceptional items	-82.3	-39.8	-87.6
Tax on exceptional items and employee Profit Sharing	80.6	17.0	4.9
INCOME TAX	**-1.7**	**-22.8**	**-82.7**

In 2021, the tax charge recognised by L'Oréal reflected €53.3 million in savings resulting from tax consolidation.

In 2020, the tax charge recognised by L'Oréal included a tax consolidation loss of €0.3 million.

In 2019, the tax charge recorded by L'Oréal included a tax consolidation loss of €4.1 million and €55.5 million for the agreement with the French Tax Administration regarding the disagreement over which French business products fall under the tax base for 2014 to 2018.

NOTE 9. Increases or reductions in future tax liabilities

	31.12.2019		31.12.2020		Changes		31.12.2021	
€ millions	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Temporary differences								
Regulated provisions	-	15.9	-	10.2	3.7	1.1	-	7.6
Temporarily non-deductible charges	95.3	-	116.3	-	40.9	24.4	132.8	-
Charges deducted (or revenue taxed) for tax purposes but not yet recognised	-	16.1	-	0.2	-	43.7	-	43.8
Temporarily non-taxable revenue	-	-	-	-	-	-	-	-
Deductible items								
Tax losses, deferred items	-	-	-	-	-	-	-	-
Potentially taxable items								
Special reserve for long-term capital gains	-	169.9	-	150.7	13.7	-	-	137.0

These figures factor in the social contribution of 3.3% which is added to corporate income tax, both at normal and reduced rates, and the reduction in the tax rate in 2022.

NOTE 10. Research costs

Expenses booked for Research activities in 2021 totalled €1,040.7 million, compared with €976.6 million in 2020 and €1,015.8 million in 2019.

NOTE 11. Intangible assets

€ millions	31.12.2019	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2021
Patents and trademarks(1)	943.6	1,003.0	10.1	-8.0	142.5	1,147.6
Business goodwill(2)	1,786.7	2,860.4	129.0	-7.7		2,981.7
Software	519.4	559.1	28.5	-19.4	34.6	602.8
Other intangible assets	250.4	551.0				551.0
Tangible assets in progress	217.9	259.3	217.6	-31.3	-184.8	260.8
Gross value	**3,718.0**	**5,232.9**	**385.2**	**-66.4**	**-7.7**	**5,543.9**
Patents and trademarks	140.3	181.6	19.8	-8.0		193.4
Business goodwill	1.5	2.0	0.6	-0.1		2.5
Software	359.0	388.5	69.0	-19.4		438.1
Other intangible assets	63.4	69.0	3.3			72.3
Amortisation	**564.2**	**641.1**	**92.7**	**-27.5**		**706.3**
Patents and trademarks(3)	51.4	69.9	6.7	-1.9		74.7
Business goodwill	137.4	149.7	7.2	-6.8		150.1
Other intangible assets	27.5	6.2	1.9	-2.7		5.4
Impairment	**216.3**	**225.8**	**15.8**	**-11.4**		**230.2**
NET VALUE	**2,937.5**	**4,366.0**	**276.7**	**-27.5**	**-7.7**	**4,607.4**

(1) In 2021, other movements mainly related to the PRADA licence.
(2) In 2021, the increase in business goodwill was related to the acquisition of Youth to the People.
In 2020, the increase in business goodwill was due to the acquisitions of Thayers and Azzaro Mugler.
(3) In 2020, the increase in impairment of patents and trademarks mainly related to the Clarisonic brand.

NOTE 12. Tangible assets

€ millions	31.12.2019	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2021
Land	77.5	81.1	0.1		0.1	81.3
Buildings	670.5	727.4	24.0	-3.9	21.8	769.3
Industrial machinery and equipment	208.7	220.5	9.6	-13.1	1.7	218.7
Other tangible assets	241.9	303.1	16.6	-28.4	5.9	297.2
Tangible assets in progress	61.0	40.5	36.7	-0.1	-29.0	48.1
Advances and prepayments	2.3	2.1	1.0			3.1
Gross value	**1,261.9**	**1,374.7**	**88.0**	**-45.5**	**0.5**	**1,417.7**
Land	1.5	1.8	0.3			2.1
Buildings	407.8	430.4	28.4	-3.9		454.9
Industrial machinery and equipment	163.5	174.8	10.4	-13.0	-	172.2
Other tangible assets	155.0	205.8	31.0	-28.0		208.8
Amortisation	**727.8**	**812.8**	**70.1**	**-44.9**		**838.0**
Land	-	0.2		-0.2		
Industrial machinery and equipment	3.2	5.8	3.1	-2.6		6.3
Impairment	**3.2**	**6.0**	**3.1**	**-2.8**		**6.3**
NET VALUE	**530.9**	**555.9**	**14.8**	**2.2**	**0.5**	**573.4**

Depreciation and amortisation recognised in 2021 for tangible assets and intangible assets included:

- €152.1 million on a straight-line basis;
- €0.3 million on a declining-balance basis;
- €10.4 million relating to exceptional depreciation and amortisation.

NOTE 13. Non-current assets held under finance leases

€ millions **Balance sheet captions**	Non-current assets under finance leases at 31.12.2021				Balance sheet including assets under finance leases		
	Cost on initial recognition(1)	Depreciation and amortisation(2)					
		Period	Accumulated	Net value	Gross value	Depreciation	Net value
Land and buildings	-	-	-	-			
TOTAL AT 31.12.2021	**-**	**-**	**-**	**-**	**850.6**	**-457.0**	**393.6**
Total at 31.12.2020	-	-	-	-	808.6	-432.4	376.2
Total at 31.12.2019	-	-	-	-	747.9	-409.3	338.6

(1) *Value of the assets on the date the leases were signed.*

(2) *Depreciation charge for the year and accumulated depreciation that would have been recognised for these assets had they been purchased outright – Depreciation method on a straight-line basis over 20 years.*

The finance lease option was exercised on 30 June 2019.

€ millions **Balance sheet captions**	Finance lease commitments						
	Lease payments made		Lease payments outstanding at year-end				
	Period	Accumulated	Less than 1 year	1 to 5 years	More than 5 years	Total payable	Residual purchase price under the lease
Land and buildings			-	-	-	-	-
TOTAL AT 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	-	-	-	-	-	-	-
Total at 31.12.2019	0.5	10.6	-	-	-	-	-

The finance lease option was exercised on 30 June 2019.

NOTE 14. Financial assets

€ millions	**31.12.2019**	**31.12.2020**	Allocation of technical merger losses(1)	Acquisitions/ Subscriptions	Disposals/ Reductions(2)	Other movements(3)	31.12.2021
Investments	11,586.8	11,530.0	133.1	35.0	-65.9	-566.1	11,066.1
Loans and other receivables	48.7	39.0	-	27.7	-3.3	-29.8	33.6
L'Oréal shares(4)	-	-	-	10,005.9	-	-1,101.9	8,904.0
Other	4.4	4.8	-	1.9	-1.3	-	5.4
Gross value	**11,639.9**	**11,573.8**	**133.1**	**10,070.5**	**-70.5**	**-1,697.8**	**20,009.1**
Investments	1,005.2	1,085.0	-	135.4	-58.1	-425.9	736.4
Loans and other receivables	0.7	0.5	-	0.4	-0.5	-	0.4
Other	0.2	0.2	-	-	-	-	0.2
Impairment	**1,006.1**	**1,085.7**	**-**	**135.8**	**-58.6**	**-425.9**	**737.0**
NET VALUE	**10,633.8**	**10,488.1**	**133.1**	**9,934.7**	**-11.9**	**-1,271.9**	**19,272.1**

(1) *The allocation of technical merger losses stems from the universal transfer of the assets and liabilities of Magic Holdings International to L'Oréal S.A.*

(2) *The amount of -€65.9 million corresponds to the disposal of Cosmeurop.*

(3) *Other movements mainly relate to the universal transfer of the assets and liabilities of Magic Holdings International to L'Oréal S.A. and the capital reduction following the cancellation of treasury shares by L'Oréal S.A.*

(4) *At its meeting of 20 April 2021, the Board of Directors approved the repurchase of L'Oréal shares for a maximum amount of €22,394.9 million. A total of 3,000,000 shares acquired under the buyback programme were cancelled in accordance with the decision of the Board of Directors on 29 July 2021. On 7 December 2021, the Board of Directors approved L'Oréal S.A.'s repurchase of its own shares from Nestlé for a total amount of €8,904.0 million.*

At the end of 2021, the total market value of the treasury shares amounted to €9,256.0 million based on the average share price in December and €9,281.3 million based on the closing share price on 31 December.

The detailing subsidiaries and affiliates is presented at the end of the present notes.

NOTE 15. Marketable securities

This item breaks down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
L'Oréal shares	-	-	-
Financial instruments/Premiums paid on options	33.4	63.9	22.6
Gross value	**33.4**	**63.9**	**22.6**
L'Oréal shares	-	-	-
Financial instruments/Premiums paid on options	-	-	-
Impairment	**-**	**-**	**-**
NET VALUE	**33.4**	**63.9**	**22.6**

Since 31 December 2019, there are no longer any unclaimed treasury shares.

NOTE 16. Maturity of receivables

€ millions	1 year or less	More than 1 year	Gross	Impairment	Net
Loans and other receivables	**30.5**	**3.1**	**33.6**	**-0.4**	**33.2**
Other financial assets	**5.2**	**-**	**5.2**	**-**	**5.2**
Trade accounts receivable	**773.5**	**-**	**773.5**	**-3.3**	**770.2**
Other current assets, of which	**516.8**	**-**	**516.8**	**-1.8**	**515.0**
Tax and employee-related receivables(1)	442.3	-	442.3	-	442.3
Other receivables	74.5	-	74.5	-1.8	72.7
Prepaid expenses	**84.4**	**-**	**84.4**	**-**	**84.4**

(1) Including a corporate income tax receivable in the amount of €100.9 million and a fine of €189.5 million paid to the French competition authority on 28 April 2015.

Accrual accounts included in receivables amounts are as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Trade accounts receivable	**2.0**	**1.2**	**1.5**
Other receivables	**23.1**	**19.1**	**14.1**
TOTAL	**25.1**	**20.3**	**15.6**

NOTE 17. Stock purchase or subscription options – Free shares

17.1. Share subscription or purchase options

As at 31 December 2021, there were no more stock options plans in force.

17.2. Free shares

The table below summarises data relating to the free share plan.

Grant date					
Stock subscription plans	**Stock purchase plans**	**Vesting date**	**Number of shares granted**	**Number of shares issued/allotted**	**Number of shares not finally vested**
22.04.2015		23.04.2019	860,150	706,937	-
20.04.2016		21.04.2020	906,100	835,725	-
20.04.2017		21.04.2021	906,000	742,276	-
17.04.2018		18.04.2022	931,000	350	885,625
18.04.2019		19.04.2023	843,075	200	823,900
14.10.2020		15.10.2024	713,660	200	712,515
07.10.2021		08.10.2025	588,750	-	588,750

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions concern:

- For the 07 October 2021, 14 October 2020, 18 April 2019, and 17 April 2018 plans:
  - for 50% of shares granted, the increase in comparable Cosmetics net sales for the 2022, 2023 and 2024 financial years under the 2021 plan; for the 2021, 2022 and 2023 financial years under the 2020 plan; for the 2020, 2021 and 2022 financial years under the 2019 plan; and the 2019, 2020 and 2021 financial years under the 2018 plan in relation to the growth in net sales for a panel of competitors;
  - for 50% of shares granted, the increase over the same period in the Group’s consolidated operating profit.

The calculation will be based on the mean of the performance in the 2022, 2023 and 2024 financial years under the 2021 plan; in the 2021, 2022 and 2023 financial years under the 2020 plan; in the 2020, 2021 and 2022 financial years under the 2019 plan; and in the 2019, 2020 and 2021 financial years under the 2018 plan; and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

The plans of 22 April 2015, 20 April 2016 and 20 April 2017 were finally granted by the allocation of, respectively, 706,262 shares on 23 April 2019, 835,600 shares on 21 April 2020 and 742,276 shares on 21 April 2021.

As at 31 December 2021, the performance conditions were deemed achieved.

In September 2020, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €223.25, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 17 September to 2 October 2020 during which 417,966 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, with the final number of shares subscribed determined at 5,327 in June 2021.

For French employees, free shares were offered upon subscription in proportion to their personal contribution to the plan with a maximum of 4 shares offered for 10 shares subscribed.

For employees in other countries, shares were offered under a free share plan with a continued employment condition for the employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 3 November 2025 provided they are still with the Group on that date.

The capital was increased on 3 November 2020 by 452,967 shares.

NOTE 18. Provisions for liabilities and charges

€ millions	**31.12.2019**	**31.12.2020**	**Charges**	**Reversals (used)**	**Reversals (not used)**	**Other**	**31.12.2021**
Provisions for litigation[1]	192.9	193.0	1.7	-1.1	-0.6	0.4	193.4
Provisions for foreign exchange losses	52.0	24.9	176.4	-24.9	-	-	176.4
Provisions for expenses	112.7	169.4	97.4	-50.8	-45.5	1.3	171.8
Other provisions for liabilities[2]	252.9	403.3	116.1	-48.9	-133.8	-	336.7
TOTAL	**610.5**	**790.6**	**391.6**	**-125.7**	**-179.9**	**1.7**	**878.3**

(1) L’Oréal S.A. was ordered to pay a fine of €189.5 million following the decision handed down in the first instance by the French competition authority on 18 December 2014. L’Oréal appealed against this decision. On 27 October 2016, the Paris Court of Appeal upheld the first instance decision. L’Oréal lodged an appeal in cassation. On 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L’Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L’Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision is expected in the first half of 2022. The provision was maintained in liabilities and the payment recognised in “Other current assets” (see note 16).

(2) This section mainly includes provisions set aside to cover risks related to government bodies, commercial and financial risks.

The changes in provisions for liabilities and charges impact the 2021 income statement as follows:

€ millions	**Charges**	**Reversals (used)**	**Reversals (not used)**
Operating profit	107.9	-56.7	-37.1
Net financial income	187.7	-23.8	-20.7
Exceptional items	96.0	-45.2	-122.1
TOTAL	**391.6**	**-125.7**	**-179.9**

NOTE 19. Borrowings and debt

L'Oréal obtains financing through medium-term bank loans and issues short-term marketable instruments in France and the United States. The amounts of the programmes are €5,000 million and $5,000 million respectively. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

Liquidity on the short-term marketable instruments issues is provided by confirmed undrawn short-term credit facilities with banks, which amounted to €5,000 million at 31 December 2021, compared to €5,363 million at 31 December 2020 and €3,801 million at 31 December 2019.

Issuance costs of borrowings are expensed immediately in the year in which they are incurred.

All borrowings and debt are denominated in euros and can be broken down as follows:

BREAKDOWN BY TYPE OF DEBT

€ millions	31.12.2021	31.12.2020	31.12.2019
Bonds	-	-	-
Short-term marketable instruments(1)	2,507.0	360.0	200.0
Bank overdrafts and financing with the Group's cash pool	-	-	-
Other borrowings and debt(2)	2,439.5	9.3	7.5
TOTAL	**4,946.50**	**369.3**	**207.5**

To finance the repurchase of its own shares from Nestlé, the Group:
(1) issued commercial paper (€2,300 million) and
(2) took out a bridging loan (€1,904 million).

BREAKDOWN BY MATURITY DATE

€ millions	31.12.2021	31.12.2020	31.12.2019
Less than 1 year	4,939.8	361.7	200.9
1 to 5 years	6.7	7.6	6.6
More than 5 years	-	-	-
TOTAL	**4,946.50**	**369.3**	**207.5**

EFFECTIVE INTEREST RATE AND AVERAGE INTEREST RATE ON BORROWINGS AND DEBT

The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

The average interest rate on short-term marketable instruments denominated in euros was -0.51% in 2021, compared with -0.31% in 2020 and -0.45% in 2019.

NOTE 20. Maturity of payables

€ millions	1 year or less	More than 1 year	Total
Trade accounts payable	**994.7**		**994.7**
Other current liabilities, of which	**1,096.2**	**138.6**	**1,234.8**
Tax and employee-related payables	572.5	-	572.5
Payables related to non-current assets(1)	77.4	138.6	216.0
Other payables	446.3	-	446.3

(1) Non-current payables relate to earn-out clauses on acquisitions.

Accrual accounts included in trade accounts payable and other current liabilities are as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Trade accounts payable	**542.4**	**482.0**	**369.3**
Payables related to non-current assets	**168.1**	**230.2**	**315.4**
Tax and employee-related payables, of which	**486.9**	**442.4**	**391.2**
Provision for employee Profit Sharing	29.2	28.5	45.5
Provision for incentives	135.2	122.1	103.6
Other payables	**199.9**	**179.6**	**64.6**
TOTAL	**1,397.3**	**1,334.2**	**1,140.5**

NOTE 21. Unrealised exchange gains and losses

The revaluation of foreign currency receivables and payables at the exchange rates prevailing at 31 December, taking account of hedging instruments, led to the recognition of the following unrealised exchange gains and losses:

	Assets			Liabilities		
€ millions	**31.12.2021**	**31.12.2020**	**31.12.2019**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Financial receivables	-	-	-	-	-	-
Trade accounts receivable	1.9	1.0	0.7	0.1	0.2	-
Borrowings and debt	-	-	-	-	-	-
Trade accounts payable	0.1	-	-	-	0.2	-
Derivative financial instruments	186.2	44.8	59.6	18.4	44.8	9.9
TOTAL	**188.2**	**45.8**	**60.3**	**18.5**	**45.2**	**9.9**

The overall foreign exchange position, calculated on a currency-per-currency basis at 31 December 2021, is an unrealised loss of €176.4 million. This loss is recognised as a provision for risk. At 31 December 2020, the overall foreign exchange position was an unrealised loss of €24.9 million, compared with an unrealised loss of €52.0 million at 31 December 2019.

NOTE 22. Derivative financial instruments

Derivative financial instruments can be broken down as follows:

	Notional			Market value		
€ millions	**31.12.2021**	**31.12.2020**	**31.12.2019**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Currency futures						
Purchase of EURO against foreign currencies						
EUR/CNY	1,455.3	1,015.3	785.0	-130.9	1.0	-8.9
EUR/RUB	276.3	205.8	296.2	-10.2	12.4	-15.7
EUR/USD	162.4	155.5	114.2	-7.8	8.7	-5.2
EUR/BRL	106.8	69.4	81.1	-1.8	1.1	-0.1
EUR/KRW	61.3	54.2	57.8	-0.7	-0.5	-1.2
EUR/TWD	55.2	55.5	48.1	-1.4	3.6	-1.2
EUR/THB	51.8	45.0	45.1	-0.7	0.8	-2.3
EUR/IDR	45.4	35.6	42.7	-3.7	-0.6	-3.4
EUR/GBP	44.2	36.5	36.6	-1.0	0.0	-1.8
EUR/INR	26.7	23.2	19.1	-1.6	0.5	-0.7
EUR/ZAR	20.7	25.7	26.9	0.2	-2.3	-2.2
EUR/AUD	19.6	18.3	19.6	-0.4	-0.8	-0.4
EUR/CAD	16.6	16.1	25.0	-0.5	0.2	-0.8
EUR/DKK	15.9	14.8	4.3	0.0	0.0	0.0
EUR/PEN	11.0	8.1	10.4	-0.7	0.7	-0.3
EUR/TRY	1.1	60.6	61.5	0.3	-0.5	-3.8
EUR/Other currencies	65.0	53.0	74.0	-0.8	-0.4	-1.2
Sale of EUR against foreign currencies						
EUR/SGD	98.3	21.3	22.4	3.6	-0.4	0.3
EUR/PLN	36.2	32.2	37.8	-0.6	-0.5	0.6
EUR/JPY	8.7	15.2	22.7	0.1	-0.6	-0.1
EUR/HKD	0.0	16.5	9.7	0.0	-1.2	0.0
EUR/Other currencies	5.6	3.9	0.0	0.2	0.1	0.0
Purchase of USD against foreign currencies						
USD/CNY	256.6	179.4	153.8	-11.8	-11.2	-1.1
USD/BRL	46.3	26.6	56.4	1.3	-1.4	0.2
USD/THB	31.0	33.9	34.4	0.9	-1.7	-1.4
USD/KRW	15.5	15.4	15.7	0.6	-1.3	-0.1
USD/PEN	12.9	11.8	12.7	0.1	0.2	-0.2
USD/TWD	11.2	13.1	15.1	0.2	-0.1	-0.3
USD/PHP	9.6	20.4	9.2	0.3	-0.5	-0.3
USD/Other currencies	9.0	16.8	29.3	0.0	-0.7	-1.8
Sale of USD against foreign currencies						
USD/IDR	22.4	25.6	23.2	0.7	1.5	1.3
USD/Other currencies	0.6	0.0	0.0	-0.2	0.0	0.0

	Notional			Market value		
€ millions	31.12.2021	31.12.2020	31.12.2019	31.12.2021	31.12.2020	31.12.2019
Purchase of CNY against foreign currencies						
CNY/IDR	28.4	18.9	32.4	-0.2	-0.3	-2.1
CNY/THB	21.8	21.1	27.8	1.1	0.3	-0.8
CNY/INR	21.4	23.5	24.8	0.1	0.8	-0.7
CNY/PHP	9.1	3.4	17.7	0.3	0.1	-0.7
CNY/Other currencies	6.3	7.9	8.4	0.3	0.4	-0.2
Other currencies pairs						
JPY/CNY	95.6	48.9	45.2	-7.0	-1.5	-1.0
KRW/CNY	31.8	44.5	11.5	-2.7	0.6	0.0
PLN/RUB	5.7	10.6	7.9	-0.4	0.3	-0.5
Other	33.8	27.5	30.8	-1.0	-0.6	-0.8
Currency futures total	**3,253.11**	**2,531.0**	**2,396.5**	**-175.8**	**6.2**	**-58.9**
Currency options						
EUR/CNY	0.0	101.1	63.5	0.0	3.6	1.7
EUR/RUB	0.0	62.2	0.0	0.0	7.4	0.0
EUR/BRL	11.1	26.0	9.9	0.1	2.1	0.8
USD/BRL	0.0	18.6	7.8	0.0	0.6	0.6
EUR/USD	28.2	13.6	15.7	0.0	1.1	0.3
EUR/TRY	0.0	9.4	19.7	0.0	1.5	1.3
Other currencies	0.0	0.0	3.0	0.0	0.0	0.0
Currencies options total	**39.3**	**230.9**	**119.6**	**0.1**	**16.3**	**4.7**
Of which total options purchased	39.3	230.9	119.6	0.1	16.3	4.7
Of which total options sold	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INSTRUMENTS	**3,292.4**	**2,761.9**	**2,516.1**	**-175.7**	**22.5**	**-54.2**

NOTE 23. Transactions and balances with related entities and parties

All material related-party transactions were entered into on an arm's length basis.

NOTE 24. Off-balance sheet commitments

24.1. Lease commitments

Operating lease commitments amounted to €83.6 million due in less than one year, €216.0 million due between one and five years and €28.2 million due after five years.

The breakdown of finance lease commitments is provided in note 13.

24.2. Other off-balance sheet commitments

Confirmed credit facilities are set out in note 19.

Other off-balance sheet commitments can be broken down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Commitments in connection with employee retirement obligations and related benefits(1)	111.2	499.4	246.1
Commitments to buy out non-controlling interests	10.6	8.5	9.9
Guarantees given(2)	4,579.0	4,235.6	1,865.6
Guarantees received	1.6	3.3	3.7
Capital expenditure orders	154.0	74.2	95.1
Documentary credits	-	-	-

(1) *The discount rate used in 2021 to measure commitments was 0.80% for plans providing for the payment of capital and 1.10% for annuity plans, compared with 0.30% and 0.60% respectively in 2020, and 0.70% and 1.10% in 2019.*

An agreement for the pooling of employee-related liabilities was set up in 2004. Pursuant to this agreement, commitments are allocated among the French companies in the Group and their financing is organised in proportion to their respective payroll costs (customised for each plan) so that the companies are joint and severally liable for meeting the aforementioned commitments within the limit of the collective funds built up.

(2) *This line includes miscellaneous guarantees and warranties, including €4,434.4 million at 31 December 2021 on behalf of the Group's direct and indirect subsidiaries, compared with €4,100.5 million at 31 December 2020 and €1,798.5 million at 31 December 2019. Seller's warranties are also included in this amount as appropriate. This line also includes a commitment to pay towards the Notre Dame Cathedral Reconstruction fund.*

24.3. Contingent liabilities

In the ordinary course of its operations, L'Oréal is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Company sets aside a provision when a risk is found to exist and the related cost can be reliably estimated.

No exceptional event or dispute is highly likely to have a material impact on the Company's earnings, financial position, assets or operations.

NOTE 25. Changes in working capital

Changes in working capital can be broken down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Inventories	7.1	-11.9	6.5
Accounts Receivable	-233.3	79.7	-15.7
Accounts Payable	271.2	117.2	-221.8
TOTAL	**45.0**	**185.0**	**-231.0**

NOTE 26. Changes in other financial assets

This line primarily includes cash flows relating to financial instruments, classified as *Marketable Securities*.

NOTE 27. Net cash and cash equivalents at the end of the year

Cash and cash equivalents can be broken down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Cash and cash equivalents	0.6	3,791.3	2,463.5
Accrued interest receivable	-	-	-
Bank overdrafts and financing with the Group's cash pool (see note 19)	-	-	-
Accrued interest payable	-	-1	-0.2
NET CASH AND CASH EQUIVALENTS	**0.6**	**3,790.3**	**2,463.3**

NOTE 28. Other information

Statutory audit fees are presented in note 16 to the Consolidated Financial Statements.

NOTE 29. Subsequent events

No significant events took place between the balance sheet date and the date of issue of the financial statements by the Board of Directors.

NOTE 30. Table of subsidiaries and holdings

DETAILED INFORMATION

	Share capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation)		Profit or loss in last year	Dividends[1] booked during the year
					Gross	Net		
A. Main French subsidiaries (Holdings of over 50%)								
Azzaro Mugler Beauté France	78,723	549	100.00	78,723	78,723	78,723	2,418	1,214
Beauté, Recherche & Industries	1,069	16,227	100.00	9,495	9,495	9,495	5,164	7,483
Cosmétique Active International	19	13,947	88.97	15,100	15,100	15,100	75,565	56,995
Cosmétique Active Production	186	21,635	80.13	5,049	5,081	5,081	10,351	5,019
EpiSkin	13,609	10,458	99.92	17,999	18,000	17,999	656	0
Fapagau & Cie	15	3,924	79.00	12	12	12	8,346	7,667
Faproreal	11,944	5,273	100.00	11,953	11,954	11,953	5,107	4,499
Finval	19,516	142,683	100.00	75,677	75,678	75,677	27,654	50,648
Gemey Paris - Maybelline New York	35	8,168	99.96	46	46	46	4,513	3,164
Holdial	1	1,202	98.00	1	1	1	1,666	0
L & J Ré	1,500	14,518	100.00	1,500	1,500	1,500	3,928	0
La Roche-Posay Laboratoire Pharmaceutique	380	4,437	99.98	27,579	27,579	27,579	29,830	36,016
Noveal	1,958	10,184	100.00	19,955	21,501	21,501	4,643	4,073
Nutricos Technologies	535	72	50.00	38,125	38,125	0	-70	0
Laboratoire Sanoflore	10	1,147	100.00	5,197	5,197	1,697	749	801
L'Oréal Fund For Nature Regeneration	7,500	0	100.00	20,000	20,000	20,000	0	0
L'Oréal Produits de Luxe International	98	56,024	99.85	75,350	75,350	75,350	38,274	0
LOA3	90,402	-36,393	100.00	90,400	90,400	90,400	-1,348	0
BOLD (Business Opportunities for L'Oréal Development)	49,253	23,133	100.00	83,603	83,603	83,603	-338	0
LOA7	838	-5,140	100.00	1,129	1,129	29	1,042	0
Real Campus by L'Oréal	7,205	-2,815	100.00	7,205	7,205	7,205	-1,805	0
LOA10	5	-4	100.00	5	5	5	-1,471	0
LOA11	50	0	100.00	50	50	50	-5	0
Retail Excellence 4	508	402	100.00	825	825	825	843	882
Prestige & Collections International	78	7,617	99.81	98,364	98,364	98,364	407,048	328,927
Magic Holdings International Limited	33	31,782	100.00	63,411	63,411	11	8,904	0
Sicôs & Cie	375	10,117	100.00	386	1,076	1,076	11,982	12,703
Soprocos	8,250	9,863	100.00	8,521	11,904	11,904	9,994	9,192
Soproréal	15	2,489	99.90	15	15	15	7,370	1,896
Sparlys	5,477	2,309	100.00	8,553	8,553	8,553	3,778	2,885
Thermes De Saint Gervais Les Bains Le Fayet	1,047	4,722	100.00	22,942	22,942	16,942	-1,480	0
B. Main French investments (Holdings of under 50%)								
Sanofi[2]	2,527,121		9.36	423,887	423,887	423,887		378,327

(1) Including profits distributed by the SNCs (general partnership), and Sociétés civiles (non trading companies), that are not tax consolidated.
(2) Listed company. At the end of the year, L'Oréal owned 118,227,307 shares. Their market value at 31 December 2021 amounted to €10,472,575 thousand.

					Book value of shares held gross (after revaluation)			
	Share capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Gross	Net	Profit or loss in last year	Dividends[1] booked during the year
A. Main French subsidiaries (Holdings of over 50%)								
Atelier Cologne (Luxembourg)	1,210	13,377	100.00	92,943	92,943	590	-87	0
Beautycos International Co. Ltd (China)	52,482	38,176	73.46	46,195	46,195	46,195	14,071	11,968
Beautylux International Cosmetics (Shanghai) Co. Ltd (China)	5,629	202	100.00	16,871	16,871	4,871	92	0
Biotherm (Monaco)	152	16	99.80	3,505	3,545	3,545	7,597	7,187
Canan Kozmetik Sanayi Ve Ticaret A.S. (Turkey)	6,451	-1,159	100.00	30,290	30,290	21,290	816	1,949
Cosmelor Ltd (Japan)	548	18,180	100.00	35,810	35,810	24,810	6,088	4,408
Cosmephil Holdings Corporation (Philippines)	171	-120	100.00	400	400	14	0	0
Egyptelor LLC (Egypt)	6	12	99.80	7	7	7	-51	518
Elebelle (Proprietary) Ltd (South Africa)	806	25,019	100.00	61,123	61,123	13,123	0	0
Erwiton S.A. (Uruguay)	147	386	100.00	3	3	3	10,981	8,557
Interbeauty Cosmetics Ltd (Israel)	4,137	16,082	92.97	38,497	38,497	38,497	2,727	8,447
Kosmepol Sp. z.o.o. (Poland)	38,844	55,892	99.73	48,965	48,965	48,965	5,387	6,302
L'Oréal Adria d.o.o. (Croatia)	131	3,874	100.00	1,503	1,503	1,503	8,417	5,140
L'Oréal Argentina S.A.	53,481	28,292	96.19	161,555	161,555	39,655	16,450	0
L'Oréal Australia Pty Ltd	2,711	18,088	100.00	33,516	33,867	33,867	57,513	54,830
L'Oréal Balkan d.o.o. (Serbia)	1,283	-314	100.00	1,285	1,285	1,285	2,610	2,929
L'Oréal Baltic SIA (Lithuania)	387	419	100.00	529	529	529	4,643	2,444
L'Oréal Bangladesh Ltd (Bangladesh)	2,700	-2,242	100.00	2,635	2,635	635	-8	0
L'Oréal Brasil	315,720	-141,840	90.82	287,835	287,835	287,835	19,931	1,789
L'Oréal Belgilux S.A. (Belgium)	16,124	17,221	98.93	59,871	77,150	77,150	26,451	15,607
L'Oréal Brasil Pesquisas e Inovacao Ltda	45,887	-15,786	99.99	45,654	45,654	45,654	523	0
L'Oréal Bulgaria EOOD	102	713	100.00	102	102	102	4,708	1,923
L'Oréal Canada Inc.	3,979	94,871	100.00	146,517	146,517	146,517	94,892	59,190
L'Oréal Central America (Panama)	8	-451	100.00	8	8	8	214	0
L'Oréal Central West Africa (Nigeria)	3,443	-3,436	99.91	18,106	18,106	106	0	0
L'Oréal Ceska Republika s.r.o (Czech Republic)	2,268	3,353	100.00	4,983	4,983	4,983	27,189	21,026
L'Oréal Chile S.A. (Chile)	6,173	10,025	100.00	43,784	43,784	43,784	30,428	20,436
L'Oréal China Co Ltd (China)	43,498	149,435	100.00	345,733	345,733	345,733	732,100	614,814
L'Oréal Colombia S.A. (Colombia)	11,658	33,506	100.00	80,419	80,419	49,419	940	0
L'Oréal Cosmetics Industry S.A.E. (Egypt)	58,382	-32,316	100.00	58,363	58,363	23,363	4,232	0
L'Oréal Côte d'Ivoire	99	-4,614	100.00	599	599	0	-5,849	0
L'Oréal Danmark A/S (Denmark)	270	5,926	100.00	7,929	8,336	8,336	48,774	33,591
L'Oréal Deutschland Gmbh (Germany)	12,647	290,094	100.00	72,259	76,855	76,855	119,854	235,859
L'Oréal East Africa Ltd (Kenya)	202	16,679	99.96	53,850	53,850	8,850	-5,907	0
L'Oréal Ecuador	9	-0	99.99	9	9	9	0	0
L'Oréal Espana S.A. (Spain) (incl. Oomes merger)	59,911	20,598	100.00	361,454	361,454	361,454	70,630	53,320
L'Oréal Finland Oy (Finland)	673	37	100.00	1,280	1,280	1,280	3,003	3,029
L'Oréal Guatemala S.A.	1,044	1,262	100.00	2,162	2,162	2,162	1,363	230
L'Oréal Hellas S.A. (Greece)	9,736	1,949	100.00	34,821	35,307	35,307	17,125	12,799
L'Oréal Hong Kong Ltd	-77	24,244	99.97	24,276	24,276	24,276	19,018	371,909
L'Oréal India Private Ltd (India)	48,691	-24,729	100.00	75,987	75,987	75,987	41,001	27,531
L'Oréal Italia Spa	1,680	48,534	100.00	226,469	226,469	226,469	72,855	25,419
L'Oréal Kazakhstan Llp (Kazakhstan)	422	437	100.00	422	422	422	1,432	586
L'Oréal Korea Ltd (South Korea)	1,991	18,663	100.00	20,794	20,794	20,794	4,474	3,131

	Share capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation)		Profit or loss in last year	Dividends[1] booked during the year
					Gross	Net		
L'Oréal Liban SAL	-428	3,195	100.00	4,136	4,136	1,136	-4,764	0
L'Oréal Magyarorszag Kosmetikai Kft (Hungary)	428	-207	100.00	787	787	787	2,437	3,009
L'Oréal Malaysia SDN BHD	3,268	6,833	100.00	6,762	6,762	6,762	-538	0
L'Oréal Mexico S.A. de C.V. (Mexico)	2,349	99,501	100.00	8,443	8,443	8,443	23,938	23,762
L'Oréal Middle East (United Arab Emirates)	7,761	-525	100.00	54,379	54,379	44,379	30,675	0
L'Oréal Nederland B.V. (The Netherlands)	1,178	148	100.00	18,869	22,014	22,014	26,446	25,134
L'Oréal New Zealand Ltd (New Zealand)	44	3,019	100.00	6,110	6,110	6,110	8,763	8,075
L'Oréal Norge A/S (Norway)	1,384	2,270	100.00	4,050	4,050	4,050	3,152	7,307
L'Oréal Osterreich Gmbh (Austria)	2,915	1,943	100.00	3,417	3,818	3,818	60,660	6,945
L'Oréal Pakistan Private Ltd	17,313	-30,565	100.00	17,534	17,534	0	-626	0
L'Oréal Panama S.A.	159	61	100.00	168	168	168	-317	0
L'Oréal Peru S.A. (Peru)	2,322	305	100.00	3,739	3,739	3,739	891	502
L'Oréal Philippines Inc.	3,696	3,244	99.53	39,107	39,107	4,907	-6,191	0
L'Oréal Polska Sp. Z.O.O. (Poland)	405	-11	100.00	707	707	707	36,268	38,982
L'Oréal Portugal Lda	495	420	100.00	6,289	6,459	6,459	8,798	11,106
L'Oréal Romania SRL (Romania)	799	-163	100.00	974	974	974	13,027	10,815
L'Oréal Saudi Arabia	5,682	2,546	74.63	4,260	4,260	4,260	3,650	2,260
L'Oréal Singapore Pte Ltd (Singapore)	1,165	11,312	100.00	18,991	18,991	18,991	9,160	4,963
L'Oréal Slovensko s.r.o. (Slovakia)	98	698	100.00	173	173	173	12,834	2,114
L'Oréal Suisse S.A.	346	14,374	100.00	160,173	160,311	160,311	24,787	23,916
L'Oréal Sverige AB (Sweden)	2,038	3,123	100.00	2,247	2,247	2,247	6,063	5,260
L'Oréal Taiwan Co Ltd	187	1,267	100.00	17,881	17,881	17,881	25,973	31,055
L'Oréal Thailand Ltd	3,992	1,839	100.00	5,238	5,238	5,238	10,731	16,605
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	39,142	-30,758	100.00	55,093	55,093	40,093	2,710	6,055
L'OREAL UAE General Trading LLC (United Arab Emirates)	21,638	11,781	100.00	34,523	34,523	34,523	6,039	4,117
L'Oréal UK Ltd (United Kingdom)	121,150	22,984	100.00	139,351	145,573	145,573	145,942	100,307
L'Oréal Ukraine	3,033	-251	100.00	2,990	2,990	2,990	14,894	12,885
L'Oréal Uruguay S.A.	244	2,764	100.00	2,718	2,718	2,718	-3,020	1,353
L'Oréal USA Inc.[2]	647,731	3,701,231	100.00	4,851,879	4,851,879	4,851,879	845,510	643,041
L'Oréal Venezuela C.A.	0	0	100.00	26,953	26,953	0	0	0
L'Oréal Vietnam Co Ltd	13,537	-6,459	100.00	13,646	13,646	10,246	5,730	0
L'Oréal West Africa Ltd (Ghana)	18,872	-20,278	100.00	21,760	21,760	2,500	-2,162	0
Masrelor LLC (Egypt)	17,686	-9,613	100.00	17,573	17,573	2,073	550	0
Nanda CO Ltd. (Korea)	-705	43,627	100.00	500,230	500,230	500,230	17,760	22,516
Nihon L'Oréal KK (Japan)	-17,697	149,696	100.00	351,452	351,504	351,504	-4,101	489
L'Oréal Travel Retail Americas Inc. (USA)	40	-11,287	100.00	100,317	100,317	100,317	9,292	0
Procosa Productos de Beleza Ltda (Brazil)	154,665	-29,092	100.00	223,938	223,938	223,938	8,508	2,733
P.T. L'Oréal Indonesia	1,510	1,563	99.00	2,305	2,305	2,305	3,795	0
P.T. Yasulor Indonesia	73,931	72	99.99	110,022	110,022	79,022	6,073	2,163
Scental Limited (Hong-Kong)	5	194	100.00	8	8	8	0	0
Venprobel (Venezuela)	0	0	100.00	2,722	2,722	0	0	0
B. Main French investments (Holdings of under 50%)								
LIPP Distribution (Tunisia)	3,561	3,443	49.00	9,009	9,009	9,009	1,155	1,970

(1) For foreign subsidiaries and investments, the capital, reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchange rates, while profits and losses have been translated at average rate.

It is specified that the list above is not exclusive.

(2) Data from the sub-consolidation of subsidiary L'OREAL USA INC

GLOBAL INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

	Subsidiaries		Other investments	
	French	Foreign	French	Foreign
Book value of shares held:				
● Gross (after revaluation)	792,837	9,424,518	436,351	9,009
● Net	696,112	8,819,711	436,351	9,009
Amount of loans and advances granted		17,939		
Amount of guarantees and security granted	7,122	4,427,229		
Amount of dividends booked	534,096	2,634,339	378,838	1,971

6.6. OTHER INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF L'ORÉAL S.A.

6.6.1. Expenses and charges falling under Article 223 quater of the French Tax Code

The total amount of expenses and charges falling under Article 223 quater of the French General Tax Code and the amount of tax applicable to such expenses and charges are as follows:

Expenses and charges	€3.9 million
Corresponding tax	€1.1 million

6.6.2. Invoices issued and received but not paid at the end of the financial year and in arrears

In accordance with the French law on the Modernisation of the Economy of 4 August 2008 and Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, invoices issued and received but not paid at 31 December 2021 and in arrears are broken down as follows:

	Article D. 441 I-1°: Invoices received but not paid at the end of the financial year and in arrears						**Article D. 441 I-2°: Invoices issued but not paid at the end of the financial year and in arrears**					
In €	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days or more	Total (1 day or more)	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days or more	Total (1 day or more)
(A) Late payment tranches												
Number of invoices concerned	23					552	2,991					15,764
Total amount of invoices concerned, including taxes	-125,664	1,347,059	-45,396	29,687	91,952	1,423,302	5,394,846	21,563,381	8,054,057	4,633,984	36,432,488	70,683,910
Percentage of total amount of purchases (including taxes) for the financial year	0.00	0.03	0.00	0.00	0.00	0.03						
Percentage of total sales (including taxes) for the financial year							0.09	0.34	0.13	0.07	0.58	1.12
(B) Invoices excluded from (A) because of disputed or unrecognised payables and receivables												
Number of invoices	3,199						670					
Value	10,803,249						1,359,752					
(C) Benchmark payment terms used (contractual or statutory term, Article L. 441 or L. 443 of the French Commercial Code)												
Benchmark payment terms used to calculate late payments	Statutory payment terms: 45 days from end of month											

6.6.3. Sales (excluding taxes)

€ millions **Sales**	**2021**	**2020**	**% change**
1st quarter	1,319.7	1,268.9	4.00%
2th quarter	1,280.9	1,147.7	11.61%
3th quarter	1,274.0	1,179.5	8.01%
4th quarter	1,380.8	1,241.7	11.20%
TOTAL	**5,255.4**	**4,837.8**	**8.63%**

N.B. : This includes sales of goods net of any rebates and discounts granted, along with services provided and technology royalties.

6.7. FIVE-YEAR FINANCIAL SUMMARY

L'ORÉAL COMPANY (EXCLUDING SUBSIDIARIES)

€ millions (except for earnings per share, shown in €)	2017	2018	2019	2020	2021
I. Financial situation at financial year-end					
a) Share capital	112.1	112.1	111.6	112.0	111.5
b) Number of shares	560,519,088	560,396,652	558,117,205	559,871,580	557,672,360[1]
c) Number of convertible bonds					
II. Overall results of operations					
a) Net pre-tax sales	3,613.5	3,888.4	4,131.0	4,837.8	5,255.4
b) Pre-tax profit before depreciation, amortisation, provisions and reversals of provisions (including provision for investment activities and profit-sharing reserve)	2,917.8	4,017.1	4,658.7	4,570.7	4,174.1
c) Income tax	166.0	6.9	-82.7	-22.8	-1.7
d) Net profit	3,051.7	3,594.9	4,105.8	4,158.8	3,860.5
e) Amount of distributed profits	2,006.6	2,176.7	2,172.6	2,264.4	2,596.7[2]
III. Results of operations per share					
a) Profit after tax and profit-sharing, but before depreciation, amortisation and provisions	5.47	7.14	8.12	8.07	7.43
b) Net profit	5.44	6.41	7.36	7.43	6.92
c) Dividend paid on each share (not including tax credit)	3.55	3.85	3.85	4.00	4.80[2]
IV. Personnel					
a) Number of employees	7,060	7,510	7,692	8,900	9,134
b) Total salaries	612.2	667.4	692.3	804.6	860.9
c) Amount paid for welfare benefits (social security, provident schemes, etc.)	286.4	312.0	346.2	408.6	415.8

(1) The share capital comprises 557,672,360 shares with a par value of €0.2 following the subscription of 52,397 shares through the exercise of options, the issue of 5,357 shares under the employee shareholding plan, the grant of 743,026 free shares and the cancellation of 3 million shares.

(2) The dividend will be proposed to the Annual General Meeting of 21 April 2022.

6.8. INVESTMENTS (MAIN CHANGES INCLUDING SHAREHOLDING THRESHOLD CHANGES)

INVESTMENTS

(Main changes including shareholding threshold changes >5%)

€ millions	At 31.12.2020 Including revaluation		Acquisitions		Subscriptions		Other		At 31.12.2021	
Headings	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Atelier Cologne Luxembourg	107.0	100.0					-14.0		92.9	100.0
Bold	63.6	100.0			20.0				83.6	100.0
Cosmeurop	65.8	100.0					-65.8	(1)	0.0	-
LOA11	0.0	-			50.0				50.0	100.0
L'Oréal Bangladesh	0.2	99.99					2.5		2.7	99.99
L'Oréal East Africa	46.8	99.93					7.0		53.8	99.96
L'Oréal Fund For Nature Regeneration	7.5	100.0	12.5						20.0	100.0
L'Oréal Investments	0.0	100.0					0.0	(1)	0.0	100.0
L'Oréal UAE General Trading	18.7	100.0					15.8		34.5	100.0
L'Oréal West Africa	17.3	100.0					4.5		21.8	100.0
Magic Holdings Group LTD	0.0	-					63.4	(2)	63.4	100.0
Magic Holdings International	615.2	100.0					-615.2	(2)	0.0	-
Nanda Co LTD	530.3	100.0					-30.1		500.2	100.0
Raise	10.0	2.97	2.5						12.5	3.15

(1) Sale.
(2) Universal transfer of assets and liabilities

6.9. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Statutory Auditors' reporton the financial statements

(For the year ended 31 December 2021)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'Oréal
14, rue Royale
75008 Paris, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of L'Oréal for the year ended 31 December 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from 1 January 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014

Justification of assessments – Key audit matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Description of risk	How our audit addressed this risk
Measurement of investments and intangible assets (excluding software and intangible assets in progress)	
See Accounting principles Notes 1.5 - Intangible assets and 1.7.1 - Investments, Note 11 – Intangible assets, Note 14 – Financial assets and Note 30 – Table of subsidiaries and holdings, to the parent company financial statements	
At 31 December 2021, the net carrying amount of investments and intangible assets (excluding software and intangible assets in progress) recognised in the balance sheet amounted to €10.3 billion and €4.2 billion, respectively, representing 55% of total assets. Investments and intangible assets are recognised at purchase cost. An impairment loss is recognised if the value in use of a given item falls below its net carrying amount. ● As described in Notes 1.5 and 1.7 to the financial statements, the value of these items is assessed annually by reference to their value in use, which is based on: ● for investments: the current and forecast profitability of the subsidiary concerned and the share of equity owned; ● for intangible assets: discounted future cash flows. In order to estimate the value in use of these items, Management must use judgement to project future cash flows and determine the main assumptions to be used. Given the materiality of investments and intangible assets in the balance sheet and the inherent uncertainty of certain components of the calculations, including the forecasts used to calculate value in use, we deemed the measurement of these items to be a key audit matter, carrying a risk of material misstatement.	We examined the methodology employed by Management to estimate the value in use of investments and intangible assets (excluding software and intangible assets in progress). Our audit work consisted primarily in verifying, on the basis of the information provided to us, that the estimated values determined by Management were based on an appropriate measurement method, and in assessing the quality of these estimates by taking into consideration the data, assumptions and calculations used. We primarily focused our audit work on the investments and intangible assets with a value in use close to their net carrying amount. We assessed the reasonableness of the main estimates and, more specifically: ● the consistency of projected sales and margin rates with past performance and the economic and financial context; ● the corroboration of the growth rates used with analyses of the performance of the global cosmetics market, taking into account specific features of the local markets and distribution channels in which the Group operates; ● the discount rates applied to future cash flows, by comparing their inputs with external references, with the guidance of our valuation experts.
Measurement of provisions for liabilities and charges and contingent liabilities	
See Accounting principles Note 1.11 – Provisions for liabilities and charges, Note 18 – Provisions for liabilities and charges (excluding subsidiaries and holdings) and Note 24.3 – Contingent liabilities, to the parent company financial statements	
L'Oréal is subject to legal proceedings and tax, customs and administrative audits arising in the ordinary course of its business. Provisions are recorded so that L'Oréal can meet its likely payment obligations to third parties with no corresponding consideration for the Company in return. They mainly relate to business and financial risks and disputes, as well as risks with authorities and staff-related risks. These provisions are estimated by taking into account the most likely assumptions or by using statistical methods based on their nature. Material provisions mainly concern the dispute with the antitrust authority and the risks with the authorities mentioned in Note 18. Provisions for liabilities and charges amounted to €878 million at 31 December 2021. We deemed the determination and measurement of these items to be a key audit matter given: the high degree of judgement required from Management to determine which risks should be provisioned and measure with sufficient reliability the amounts of these provisions;	In order to identify and gain an understanding of all of the existing disputes and liabilities as well as the corresponding judgements made, we made inquiries with General Management and the Legal and Tax Departments. We corroborated the list of identified disputes with the Group's risk mapping, as presented by the Legal Department to the Audit Committee, and the information provided by the principal law firms acting for L'Oréal SA, which we interviewed on the matters. Regarding the most significant disputes for which a provision was recorded, we assessed the quality of Management's estimates by taking into consideration the data, assumptions and calculations used. We carried out a retrospective review by comparing the amounts paid out with the provisions recorded in recent years. With the guidance of our experts in the field where applicable, we carried out the following procedures: ● we examined the procedural aspects and/or the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the decision to record a provision; ● on the basis of the information provided to us, we critically assessed the estimated ranges of risk level and verified that the measurements used by Management fall within these ranges; ● when appropriate, we verified the consistency of the methods used for these assessments. Regarding contingent liablilities, with the guidance of our experts in the field where applicable, we assessed the merits of the decision not to record a provision.

Description of risk	*How our audit addressed this risk*
Recognition of sales - estimation of items to be deducted from sales	
See Accounting principles Note 1.1 –– Sales and Note 2 – Sales, to the parent company financial statements	
Sales incentives, discounts and product returns are deducted from sales of goods. These various deductions are recorded simultaneously to the recognition of sales, based mainly on statistics compiled from past experience and contractual conditions. We deemed estimating these amounts at the reporting date to be both difficult (due to the range of contracts and contractual conditions prevalent in the Group's different markets) and sensitive (sales are a key indicator in the assessment of the performance of the Company and its Management), and to have a material impact in the financial statements. Accordingly, these estimates constitute a key audit matter given the risk that sales incentives, discounts and other incentives granted to customers (distributors or consumers) are not fully catalogued and/or properly measured and thus that net sales are not accounted for correctly and/or in the appropriate reporting period.	We assessed the appropriateness of the accounting policies applied by the Company with respect to the recognition of product returns, sales incentives, discounts and other incentives granted to customers, with respect to French accounting principles. We familiarised ourselves with the internal control systems implemented within the Company, with a view to measuring and accounting for items deducted from sales, and we tested the proper application of the main controls of this system. We also carried out substantive tests on representative samples in order to ascertain whether product returns, sales incentives, discounts and other incentives granted to customers were estimated correctly. Our tests consisted primarily in: ● assessing the appropriateness of valuation methods, in particular through a critical assessment of the assumptions used, verification of the consistency of the methods, and analysis of the unwinding of provisions from the previous year; ● reconciling the statistics compiled from past experience and contractual conditions with the data contained in the IT systems dedicated to the management of commercial conditions; ● verifying the calculation of the corresponding expenses (including the residual commitment at the end of the reporting period) and how they are recorded in the accounting system and presented in the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in Article D.441-6 of the French Commercial Code.

Report on corporate governance

We attest that the corporate governance section of the Board of Directors' management report sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code relating to remuneration and benefits paid or awarded to corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from controlled companies within its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.22-10-11 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other verifications and information pursuant to legal and regulatory requirements

Format of presentation of the financial statements to be included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and prepared under the Chief Executive Officer's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements to be included by the Company in the annual financial report filed with the French Financial Markets Authority - AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of L'Oréal by the Annual General Meeting of 29 April 2004.

At 31 December 2021, PricewaterhouseCoopers Audit and Deloitte & Associés were in the eighteenth consecutive year of their engagement.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management and the related disclosures in the notes to the financial statements;

- assess the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2022
The Statutory Auditors

PricewaterhouseCoopers Audit
Anne-Claire FERRIÉ

Deloitte & Associés
David DUPONT-NOEL

7

STOCK MARKET INFORMATION SHARE CAPITAL *

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

L'Oréal is a French société anonyme (limited company) listed in Paris.

This chapter sets out the information relating to its share capital and the main details of its legal form and its Articles of Association.

All the information on the L'Oréal share and L'Oréal share market are also included in this chapter.

7.1. INFORMATION RELATING TO THE COMPANY

7.1.1. Legal form

L'Oréal is incorporated in France as a société anonyme (limited company).

7.1.2. Law governing the issuer

French law.

7.1.3. Business activity

L'Oréal S.A. is a French company, with its head office in France. It performs a domestic sales activity in France and an export sales activity in its operating territory. At the same time, L'Oréal S.A. also acts as the holding company and provides on the one hand strategic coordination, and scientific and technical coordination for the L'Oréal Group throughout the world on the other hand.

The subsidiaries operate the Group's business activities in the country or region in which they are located. To do so, they define the development strategy specific to their market, make the most suitable choices in terms of consumer targets and distribution channels, and manufacture, directly or indirectly, and market the brands they decide to sell on their market.

Almost all of the subsidiaries are owned by L'Oréal S.A., which has a holding or control percentage equal or close to 100%. The detailed list of these subsidiaries is set out in the notes to the consolidated and parent company financial statements.

7.1.4. Date of incorporation and term of the Company (Article 5 of the Articles of Association)

"The Company's term shall be ninety-nine years, which began to run on January 1st 1963 and which shall thus expire on December 31st 2061, except in the event of early dissolution or of extension, as provided for in these Articles of Association."

7.1.5. Corporate purpose (excerpts from Article 2 of the Articles of Association)

The Company's corporate purpose, both in France and/or at any other location anywhere throughout the entire world, shall be as follows:

- the manufacturing and the sale of cosmetic products in general; of all devices intended for the same uses as the products listed above; of all household maintenance products; of all products and articles relating to feminine and/or child hygiene and to the embellishment of human beings; the demonstration and advertising of such products; the manufacturing of packaging articles;
- the filing and the acquisition of all patents, licences, processes and manufacturing trademarks, their exploitation, assignment and/or contribution;
- all diversification transactions and all commercial, industrial, financial, movable property and/or real property transactions, made in the Company's interest, under any form whatsoever;
- the direct or indirect involvement in all transactions such as those listed above, in particular by means of the creation of companies, the contribution to pre-existing companies, merger or alliance with such companies.

7.1.6. Company Registration

Paris Trade and Companies Registry no. 632 012 100.

LEI (Legal Entity Identifier) Code: 529900JI1GG6F7RKVI53.

7.1.7. Consultation of documents relating to the Company

The Articles of Association, financial statements, reports and information for shareholders can be consulted, in the conditions provided for by law, at 41, rue Martre, 92117 Clichy Cedex, France, preferably by appointment. See also the www.loreal-finance.com website, the information of which is not an integral part of this document.

7.1.8. General Management (Article 11 of the Articles of Association)

1. "In accordance with legal provisions, the General Management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer.

   The choice between these two modes of exercising General Management is made by the Board of Directors each time a Chairman of the Board of Directors or a Chief Executive Officer is appointed or has his tenure renewed. The Board of Directors must inform shareholders and third parties of this choice in accordance with the statutory provisions.

   The choice of the Board of Directors concerning the mode of exercise of the General Management is made on the basis of a majority vote of the Directors present or represented.

Changing the mode of exercise of the General Management does not involve a modification of the Articles of Association.

2. Depending on the choice made by the Board of Directors in accordance with the provisions of section 1 above, the General Management is carried out either by the Chairman, or by a natural person, appointed by the Board of Directors and bearing the title of Chief Executive Officer[1].
3. The Chief Executive Officer is granted the most extensive powers to act in all circumstances on behalf of the Company. He exercises these powers within the limitations of the object of the Company, and subject to the powers expressly granted by law to Shareholders' Meetings.

   The Chief Executive Officer represents the Company in its relations with third parties. The Company is bound even by actions of the Chief Executive Officer which are outside the object of the Company, unless the Company can prove that the third party was aware that the action was outside the object of the Company, or that the third party could not be unaware of this in view of the circumstances, it being stated however that the mere publication of the Articles of Association does not constitute such proof.
4. On the proposal of the Chief Executive Officer, whether this office is assumed by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more natural persons in charge of assisting the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

   In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to the Deputy Chief Executive Officers." "

7.1.9. Financial year (Article 14 of the Articles of Association)

"Each fiscal year shall have a duration of twelve (12) months, to begin on January 1st and to end on December 31st of each year."

7.1.10. Statutory distribution of profits (Article 15 of the Articles of Association)

A. "From the distributable profits, the following amounts shall be withheld, in the following order:

1. The amount required to pay the "primary dividend" to the shareholders equal to five percent (5%) of the amounts paid up on the unredeemed securities in accordance with calls for funds, provided however that (where the profits for a given year do not allow such dividend to be paid) the shareholders shall not be entitled to claim such dividend from out of the profits of subsequent years.
2. From the available remainder, the Ordinary General Meeting, upon a proposal by the Board of Directors, shall have the authority to resolve to withhold the amounts that it deems appropriate (and even the entire amount of such available remainder), either to be carried forward to the next fiscal year, or to be paid into a "prudential fund" or into one or more ordinary, extraordinary or special reserve funds. Such reserve fund(s), which shall not bear any interest, may be distributed to the shareholders, or allocated to complete the 5% primary dividend for the shareholders, in the event of insufficient results during one or more fiscal years, or to acquire and to cancel shares in the Company, or to redeem in whole or in part such shares.
3. The remaining balance (if any) shall be divided up among all the shareholders, without any discrimination, and each share shall entitle its holder to receive the same income.

   However, any shareholder who can prove at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of payment of the dividend paid for such financial year, will be entitled to a preferential dividend on the shares that are thus registered, equal to 10% of the dividend (initial dividend and additional dividend) paid on the other shares, including in the event of payment of the dividend in new shares, the preferential dividend thus paid being rounded down to the nearest lower cent, if necessary.

   Similarly, any shareholder who can prove, at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of completion of an increase in capital carried out through capitalisation of reserves, profits or share premiums by the distribution of bonus shares, shall be entitled to an increase in the number of bonus shares to be distributed to him, equal to 10%; this number being rounded down to the nearest lower unit in the event of fractional share rights.

   The new shares created in this manner will be identical, for the purposes of calculating the rights to the preferential dividend and to the increased share allocations, to the old shares from which they result.
4. The number of shares eligible for these preferential dividends may not exceed 0.5% of the share capital at the closing date of the past fiscal year, for the same shareholder.

B. The losses (if any) shall be charged to the retained earnings from preceding financial years or to the reserve funds, and the balance shall be booked into a special 'carry forward' account." "

7.1.11. Annual General Meeting

Annual General Meetings are governed by all the legal provisions and regulations laid down in this connection. It is specified that, in accordance with Article 12 of the Company's Articles of Association, if the Board of Directors so decides when the General Meeting is called, any shareholder may take part in the meeting by videoconference or by any other telecommunication or remote transmission means including the Internet, under the conditions stipulated by the applicable regulations at the time it is used. If this decision is taken, it is communicated in the meeting notice published in the *Bulletin des Annonces Légales Obligatoires* (B.A.L.O).

Since the Annual General Meeting of 29 April 2004, double voting rights have been eliminated. Applying the provisions of French law No. 2014-384 of 29 March 2014, the Annual General Meeting of 22 April 2015 confirmed that each share entitles the holder to only one vote at General Meetings.

In the exceptional context related to the Covid-19 health crisis, L'Oréal's Ordinary and Extraordinary General Meeting was held on 20 April 2021 behind closed doors, *i.e.* without the physical presence of shareholders and persons entitled to attend, at the Company's administrative headquarters, within

---

[1] *In the absence of an express provision in the Articles of Association, the role of General Management may not be performed on or after the age of 65.*

the framework of the regulations then in force(1). Shareholders were convened and informed of the specific procedures for holding the Annual General Meeting specifically via the notice of meeting published in the *Bulletin des Annonces Légales Obligatoires* on 15 March 2021 and a press release issued on 16 March 2021. This press release also specified the identity of two companies as scrutineers (Téthys and Nestlé S.A.), which are the two shareholders holding the largest number of votes and having accepted this duty, as they would have been under ordinary law(2). In this context, shareholders were invited to vote by correspondence using the voting form or via the Internet on the Votaccess secure voting platform, or to give a proxy to the Chairman of the Annual General Meeting or to any other individual or legal entity of their choice.

The Annual General Meeting was broadcast live on the website www.loreal-finance.com. It can be replayed on this site. In order to promote dialogue with shareholders, and in addition to the legal process for written questions, shareholders also had the opportunity to ask questions which were not assimilated to written questions, between Saturday 17 April and Monday 19 April at 3 p.m. at a dedicated email address, and to ask their questions by telephone during the Annual General Meeting via a dedicated number. These questions were answered during the Annual General Meeting on the basis of a representative selection of topics that attracted shareholders' attention.

7.1.12. Statutory share ownership thresholds (extracts from Article 7 of the Articles of Association)

"Any person, acting alone or in concert, who comes to hold, directly or indirectly, a number of shares or voting rights representing a fraction of the share capital or voting rights, taking into account equivalent securities under the meaning of Article L. 233-9 of the French Commercial Code, equal to 1% or a multiple of this percentage, and lower than 5%, must inform the Company of the total number of shares, voting rights and securities giving access to the share capital that it holds, as well as of equivalent securities under the meaning of Article L. 233-9 of the French Commercial Code, within a period of five trading days, from the date of the threshold crossing, pursuant to the notification and content conditions stipulated by the legal and regulatory provisions applicable to declarations of legal threshold crossings, and, notably by declaring the information that must be provided when a legal threshold is crossed to the French Financial Markets Authority - AMF, in accordance with its General Regulations. Such notice must also be given to the Company when a shareholder's ownership falls below one of the thresholds set forth above."

This provision of the Articles of Association supplements the legal requirements covering disclosures concerning the crossing, upwards or downwards, of thresholds relating to one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, three-tenths, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of share capital or of voting rights.

"If not disclosed in accordance with the conditions stipulated by law or by the Articles of Association, the shares of the offending shareholder exceeding the fraction which should have been disclosed are deprived of voting rights, in accordance with the conditions stipulated in the French Commercial Code, if during a General Meeting, the failure to disclose is noted and if one or more shareholders together holding at least 5% of the share capital so request during said meeting."

See the full Articles of Association of the Company on www.loreal-finance.com, under the heading "Regulated information".

7.2. INFORMATION CONCERNING THE SHARE CAPITAL*

7.2.1. Statutory requirements governing changes in the share capital and shareholders' rights

None.

7.2.2. Issued share capital and authorised unissued share capital

The share capital amounted to €111,534,472 at 31 December 2021. It was divided into 557,672,360 shares with a par value of €0.20 each, all of the same class and with the same dividend rights.

The table set out below summarises (particularly in application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code) the currently valid authorisations granted to the Board of Directors by the Annual General Meeting of shareholders concerning the capital. It shows the use made of such authorisations over the financial year and presents the authorisations which are to be put to the vote at the Annual General Meeting on 21 April 2022.

---

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

(1) *French Order No. 2020-321 of 25 March 2020 as amended by French Order No. 2020-1497 of 2 December 2020 and extended by Decree No. 2021-255 of 9 March 2021, and Decree No. 2020-418 as amended by Decree No. 2020-1614 of 18 December 2020.*

(2) *Pursuant to Article R.225-101 of the French Commercial Code.*

	Authorisations in force				Authorisations proposed to the Annual General Meeting of 21 April 2022		
	Date of the Annual General Meeting (resolution number)	Duration (date of expiry)	Maximum authorised amount	Use of the authorisation in 2021	Resolution No.	Length	Maximum calling
Share capital increases							
Capital increase through the issue of shares with maintenance of preferential subscription rights	20 April 2021 (17)	26 months (19 June 2023)	Increase the share capital to €156,764,042.40(1)	None			
Capital increase via the capitalisation of premiums, reserves, profits or other amounts	20 April 2021 (18)	26 months (19 June 2023)	Increase the share capital to €156,764,042.40(1)	None			
Capital increase reserved for L'Oréal employees participating in the Company Savings Plan (PEE)	20 April 2021 (20)	26 months (19 June 2023)	1% of the share capital on the date of the Annual General Meeting (i.e. as an indication, 5,598,715 shares at 31 December 2020)(2)	None	20	26 months (20 June 2024)	1% of the share capital on the date of the Annual General Meeting (i.e. as an indication, 5,576,723 shares at 31 December 2021)(2)
Capital increase reserved for employees of foreign subsidiaries	20 April 2021 (21)	18 months (19 October 2022)	1% of the share capital on the date of the Annual General Meeting (i.e. as an indication, 5,598,715 shares at 31 December 2020)(2)	5,327 (3)	21	18 months (20 October 2023)	1% of the share capital on the date of the Annual General Meeting (i.e. as an indication, 5,576,723 shares at 31 December 2021)(2)
Share capital increase in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies.	20 April 2021 (19)	26 months (19 June 2023)	2% of the share capital on the date of the decision to increase the capital (i.e. as an indication, 11,197,430 shares at 31 December 2020)(2)	None			
Buyback by the Company of its own shares							
Buyback by the Company of its own shares	20 April 2021 (16)	18 months (19 October 2022)	10% of the share capital on the date of the buybacks (i.e. as in indication, 55,987,158 shares at 31 December 2020)	25,260,000 (4)	17	18 months (20 October 2023)	10% of the share capital on the date of the buybacks (i.e. as an indication, 55,767,236 shares at 31 December 2021)
Reduction in the share capital via cancellation of shares							
Cancellation of shares purchased by the Company under Article L.22-10-62 of the French Commercial Code	30 June 2020 (12)	26 months (29 August 2022)	10% of the share capital on the date of cancellation per 24-month period (i.e. as an indication, 55,811,720 shares at 31 December 2019)	3,000,000	18	26 months (20 June 2024)	10% of the share capital on the date of the buybacks (i.e. as an indication, 55,767,236 shares at 31 December 2021)
Free grants of shares							
Grant of existing free shares or shares to be issued to the employees	30 June 2020 (13)	26 months (29 August 2022)	0.6% of the share capital on the grant decision date (i.e. as an indication, 3,348,703 shares at 31 December 2019)	588,750	19	26 months (20 June 2024)	0.6% of the share capital on the grant decision date (i.e. as an indication, 3,346,034 shares at 31 December 2021)

(1) *Total ceiling on capital increases, for all authorisations combined. It corresponds to maximum increases of 40% of the capital.*

(2) *The cumulative amount of increases in share capital that may be carried out pursuant to the 22nd and 23rd resolutions submitted for a vote of the Annual General Meeting on 21 April 2022 may not exceed the total amount of 1% of the share capital, which constitutes a ceiling that applies jointly to these two resolutions, a ceiling that was also common to the 20th and 21st resolutions adopted by the Annual General Meeting of 20 April 2021.*

(3) *These new shares resulted in a capital increase of €1,065.40 and the recognition of an issue premium of €1,472,489.34.*

(4) *Repurchase of 3,000,000 L'Oréal shares between 3 May 2021 and 18 June 2021, and repurchase of 22,260,000 shares from Nestlé (press release of 7 December 2021; see also section 7.3.5. "Shareholders' agreements relating to shares in the Company's share capital" of this document).*

Since 22 June 2013, the Board of Directors no longer has authority to allot stock options to purchase or subscribe to shares.

As at 31 December 2021, no subscription options had been granted or exercised as the most recent L'Oréal stock options plan expired on 22 April 2021 (see section 7.4.2.1. "Stock option plans for L'Oréal S.A. shares" of this document). Furthermore, 3,010,790 conditional shares had been granted to Group employees subject to performance conditions, not yet met. These 3,010,790 shares will be created when necessary and, where applicable, by the capitalisation of reserves. Accordingly, the potential share capital of the Company would amount to €112,136,630, divided into 560,683,150 shares with a par value of €0.20.

The Company has not issued any securities that grant direct rights to shares in the capital.

7.2.3. Changes in share capital over the last five years

Date	Nature of transaction	Amount of the change in share capital	Share premiums	Amount of share capital on completion of the transaction	Number of shares created or cancelled	Number of shares after the transaction
31.12.2016				€112,371,148.20		
01.01.2017 to 02.05.2017	Exercise of share subscription options	€136,585.00	€49,890,155.95	€112,507,733.20	682,925	562,538,666
03.05.2017	Conditional grant of shares	€25.00		€112,507,758.20	125	562,538,791
03.05.2017 to 31.05.2017	Exercise of share subscription options	€38,323.60	€16,191,514.77	€112,546,081.80	191,618	562,730,409
31.05.2017	Cancellation of shares	-€569,320.80		€111,976,761.00	-2,846,604	559,883,805
01.06.2017 to 30.06.2017	Exercise of share subscription options	€16,641.00	€6,033,441.35	€111,993,402.00	83,205	559,967,010
30.06.2017	Conditional grant of shares	€50.00		€111,993,452.00	250	559,967,260
01.07.2017 to 31.12.2017	Exercise of share subscription options	€110,365.60	€45,927,808.87	€112,103,817.60	551,828	560,519,088
01.01.2018 to 17.04.2018	Exercise of share subscription options	€57,369.20	€21,158,193.70	€112,161,186.80	286,846	560,805,934
18.04.2018	Conditional grant of shares	€198,753.00		€112,359,939.80	993,765	561,799,699
19.04.2018 to 23.07.2018	Exercise of share subscription options	€64,937.80	€22,727,703.99	€112,424,877.60	324,689	562,124,388
26.04.2018	Cancellation of shares	-€499,562.80		€112,016,437.40	-2,497,814	560,082,187
24.07.2018	Employee shareholding plan	€91,122.60	€68,810,045.12	€112,516,000.20	455,613	562,580,001
26.07.2018 to 10.10.2018	Exercise of share subscription options	€45,549.40	€17,689,229.85	€112,061,986.80	227,747	560,309,934
11.10.2018	Employee shareholding plan	€0.40		€112,061,987.20	2	560,309,936
11.10.2018 to 14.11.2018	Exercise of share subscription options	€5,018.00	€1,919,400.30	€112,067,005.20	25,090	560,335,026
15.11.2018	Employee shareholding plan	€1,304.80	€1,340,421.04	€112,068,310.00	6,524	560,341,550
16.11.2018 to 30.11.2018	Exercise of share subscription options	€2,764.80	€830,879.04	€112,071,074.80	13,824	560,355,374
01.12.2018 to 31.12.2018	Exercise of share subscription options	€8,255.60	€2,909,254.74	€112,079,330.40	41,278	560,396,652
01.01.2019 to 26.02.2019	Exercise of share subscription options	€57,499.20	€21,553,333.36	€112,136,829.60	287,496	560,684,148
26.02.2019	Employee shareholding plan	€0.80		€112,136,830.40	4	560,684,152
27.02.2019 to 22.04.2019	Exercise of share subscription options	€31,104.00	€10,717,971.48	€112,167,934.40	155,520	560,839,672
23.04.2019	Conditional grant of shares	€141,252.40		€112,309,186.80	706,262	561,545,934
23.04.2019 to 22.10.2019	Exercise of share subscription options	€56,523.60	€22,792,564.74	€112,365,710.40	282,618	561,828,552
22.10.2019	Employee shareholding plan	€0.80		€112,365,711.20	4	561,828,556
22.10.2019 to 31.10.2019	Exercise of share subscription options	€2,883.00	€1,163,389.45	€112,368,594.20	14,415	561,842,971
31.10.2019	Cancellation of shares	-€754,225.00		€111,614,369.20	-3,771,125	558,071,846
01.11.2019 to 30.11.2019	Exercise of share subscription options	€3,504.00	€1,416,001.60	€111,617,873.20	17,520	558,089,366
01.12.2019 to 31.12.2019	Exercise of share subscription options	€5,567.80	€2,224,836.37	€111,623,441.00	27,839	558,117,205
01.01.2020 to 21.04.2020	Exercise of share subscription options	€65,159.60	26,407,167.34	€111,688,600.60	325,798	558,443,003
21.04.2020	Employee shareholding plan	€1.60		€111,688,602.20	8	558,443,011
21.04.2020	Conditional grant of shares	€167,120		€111,855,722.20	835,600	559,278,611
22.04.2020 to 03.11.2020	Exercise of share subscription options	€24,999.60	€10,338,492.22	€111,880,721.80	124,998	559,403,609
03.11.2020	Employee shareholding plan	€90,593.40	€93,227,093.25	€111,971,315.20	452,967	559,856,576
03.11.2020 to 21.12.2020	Exercise of share subscription options	€3,000	€1,244,850.00	€111,974,315.20	15,000	559,871,576
21.12.2020 to 31.12.2020	Employee shareholding plan	€0.80		€111,974,316.00	4	559,871,580
01.01.2021 to 13.01.2021	Exercise of share subscription options	€40.00	€16,598.00	€111,974,356.00	200	559,871,780
14.01.2021 to 21.02.2021	Conditional grant of shares	€30.00		€111,974,386.00	150	559,871,930
22.02.2021 to 28.02.2021	Exercise of share subscription options	€94.00	€39,005.30	€111,974,480.00	470	559,872,400
01.03.2021 to 03.03.2021	Employee shareholding plan	€2.40		€111,974,482.40	12	559,872,412
04.03.2021 to 20.04.2021	Exercise of share subscription options	€10,345.40	€4,292,823.73	€111,984,827.80	51,727	559,924,139
21.04.2021	Conditional grant of shares	€148,455.20		€112,133,283.00	742,276	560,666,415
22.04.2021 to 29.07.2021	Employee shareholding plan	€1,066.60	€1,472,489.34	€112,134,349.60	5,333	560,671,748
30.07.2021	Cancellation of shares	-€600,000.00		€111,534,349.60	-3,000,000	557,671,748
31.07.2021 to 12.09.2021	Employee shareholding plan	€1.60		€111,534,351.20	8	557,671,756
13.09.2021 to 17.11.2021	Conditional grant of shares	€120.00		€111,534,471.20	600	557,672,356
18.11.2021 to 31.12.2021	Employee shareholding plan	€0.80		€111,534,472.00	4	557,672,360

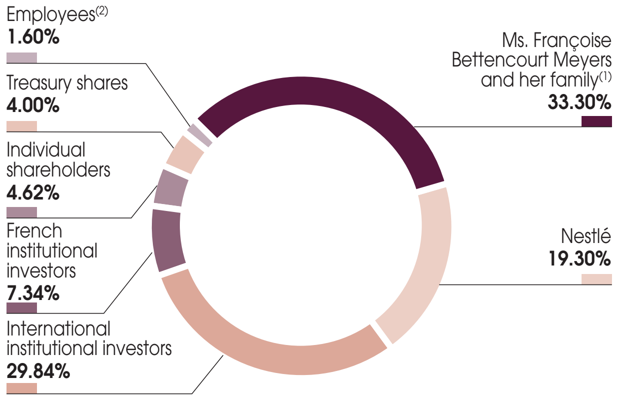
It should be noted that on 9 February 2022 the Board of Directors(1) *cancelled, effective as of 10 February 2022, 22,260,000 shares repurchased by L'Oréal from Nestlé as part of the agreement between L'Oréal and Nestlé, with a view to L'Oréal's purchase of 4% of its own shares held by Nestlé.*

---

(1) See press release of 9 February 2022.

7.3. SHAREHOLDER STRUCTURE*

STRUCTURE OF SHARE OWNERSHIP AS AT 31 DECEMBER 2021



(1) Consisting, in addition of Ms Françoise Bettencourt Meyers, of Mr Jean-Pierre Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers, along with Téthys SAS.

(2) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the free shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 0.89% as part of the L'Oréal Employee Savings Plan and employee investment funds as defined by Article L. 225-102 of the French Commercial Code.

7.3.1. Legal entities or individuals acting in concert to the Company's knowledge

The Bettencourt Meyers family consists of Ms Françoise Bettencourt Meyers, Mr Jean-Pierre Meyers, Mr Jean–Victor Meyers and Mr Nicolas Meyers, along with Téthys SAS. As a reminder, following the expiry of the agreement concluded in 2004 between the Bettencourt Meyers family on the one hand and Nestlé S.A. on the other, these two shareholders have not acted in concert since 21 March 2018.

7.3.2. Changes in allocation of the share capital and voting rights over the last three years

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

	31.12.2021			31.12.2020			31.12.2019		
	Number of shares	**% of capital**	**% of voting rights(3)**	**Number of shares**	**% of capital**	**% of voting rights(3)**	**Number of shares**	**% of capital**	**% of voting rights(3)**
Ms Françoise Bettencourt Meyers and her family(1)	185,715,079	33.30	33.30	185,715,079	33.17	33.17	185,715,079	33.27	33.27
Nestlé S.A.	107,621,021	19.30	19.30	129,881,021	23.20	23.20	129,881,021	23.27	23.27
Employees(2)	8,933,867	1.60	1.60	8,787,341	1.57	1.57	8,124,383	1.46	1.46
Public	233,142,393	41.80	41.80	235,488,139	42.06	42.06	234,396,722	42.00	42.00
Treasury shares	22,260,000	4.00	4.00	0	0.00	0.00	0	0.00	0.00
TOTAL	**557,672,360**	**100**	**100**	**559,871,580**	**100**	**100**	**558,117,205**	**100**	**100**

(1) Including, at 31 December 2021, 152,514,292 L'Oréal shares held in absolute ownership by Téthys SAS, a company controlled by Ms Françoise Bettencourt Meyers and her family, 33,182,455 shares held in absolute ownership by Ms Françoise Bettencourt Meyers, 15,332 shares held in absolute ownership by Mr Jean-Pierre Meyers, 1,500 held in absolute ownership by Mr Jean-Victor Meyers and 1,500 held in absolute ownership by Mr Nicolas Meyers.

(2) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 0.89% in the L'Oréal Employee Savings Plan (PEE) as defined by Article L. 225-102 of the French Commercial Code.

(3) Calculated in accordance with Article 223-11 of the General Regulations of the AMF.

The number of shares held by each member of the Board of Directors is detailed in Chapter 2, section 2.2.2. "List of corporate offices and directorships of the Directors exercised at 31 December 2021".

The Company is authorised to trade in its own shares on or off the Stock Exchange in accordance with Articles L. 22-10-62 et seq. and L. 225-210 to L. 225-217 of the French Commercial Code, within the limits and in accordance with the purposes defined by the authorisations granted to it by its Annual General Meeting.

As of 31 December 2021, the Company held 22,260,000 of its own shares following the repurchase by L'Oréal of 4% of its own shares held by Nestlé.

---

* This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.

STRUCTURE OF SHARE OWNERSHIP AS AT 10 FEBRUARY 2022

On 9 February 2022, the Board of Directors cancelled the 22,260,000 shares repurchased by L'Oréal from Nestlé, effective as of 10 February 2022.

Following this cancellation, the stake held by Ms Françoise Bettencourt Meyers and her family was 34.69% of the share capital, while Nestlé's stake was 20.10%. As at 10 February 2022, the Company no longer holds any of its own shares (see section 7.3.2. "Changes in allocation of the share capital and voting rights over the last three years" of this document).

Following this cancellation, the distribution of capital and voting rights is as follows on 10 February 2022:

	10.02.2022		
	Number of shares	% of capital	% of voting rights 4)
Ms Françoise Bettencourt Meyers and her family(1)	185,715,079	34.69	34.69(2)
Nestlé S.A.	107,621,021	20.10	20.10
Employees(3)	8,933,198	1.67	1,67
Public	233,143,074	43.54	43.54
Treasury shares	0	0	0
TOTAL	**535,412,372**	**100**	**100**

(1) Including, at 10 February 2022, 152,514,292 L'Oréal shares held in absolute ownership by Téthys SAS, a company controlled by Ms Françoise Bettencourt Meyers and her family, 33,182,455 shares held in absolute ownership by Ms Françoise Bettencourt Meyers, 15,332 shares held in absolute ownership by Mr Jean-Pierre Meyers, 1,500 held in absolute ownership by Mr Jean-Victor Meyers and 1,500 held in absolute ownership by Mr Nicolas Meyers.

(2) On 8 December 2021, the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) granted the Bettencourt Meyers family a waiver from the obligation to file a draft public offer for the L'Oréal shares (AMF decision no. 221C3388). Accordingly, the Bettencourt Meyers family has undertaken, for a period expiring at the end of the Annual General Meeting of L'Oréal called in 2025 to approve the financial statements for the financial year ending 31 December 2024, in particular to refrain from exercising the proportion of voting rights in excess of 33.33% of L'Oréal's voting rights.

(3) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 0.93% in the L'Oréal Employee Savings Plan (PEE) as defined by Article L. 225-102 of the French Commercial Code.

(4) Calculated in accordance with Article 223-11 of the General Regulations of the AMF.

7.3.3. Employee share ownership

The employees and former employees of L'Oréal and its affiliates held 8,933,867 shares at 31 December 2021 representing 1.60%(1) of the share capital, 0.89% of which is held in the Employee Savings Scheme (PEE) and the employee investment fund. At that date, this stake in the capital was held by 12,343 employees participating in the PEE as defined by Article L. 225-102 of the French Commercial Code, and 19,564 employees in Employee Mutual Funds (Fonds Commun de Placement Entreprise – FCPE) participating in the Group's Employee Shareholding Plan.

7.3.4. Disclosures to the Company of legal thresholds crossed and if applicable, declarations of intent made to the Company during the financial year

Nestlé declared that on 15 December 2021 it fell below the threshold of 20% of the Company's capital and voting rights and that it held 107,621,021 shares in the Company, representing the same number of voting rights on the day the threshold was crossed, i.e. 19.30% of the capital and voting rights.

This threshold was crossed as a result of the Company's purchase of 22,260,000 L'Oréal shares from Nestlé.

Note that, after the end of the 2021 financial year and taking into account the cancellation of the 22,260,000 L'Oréal shares purchased by the Company from Nestlé:

- Nestlé declared (AMF declaration D&I No. 222C0344) that on 10 February 2022 it exceeded the thresholds of 20% of the share capital and voting rights of the Company and that it held 107,621,021 shares in the Company, representing the same number of voting rights, i.e. 20.10% of the share capital and voting rights. Nestlé made a declaration of intent, which stated, notably, that it did not plan to buy more shares in the Company or take control of it, that it supported the strategy implemented by the issuer's management team and Board of Directors and had no intention of changing its own strategy towards the issuer, and that it did not intend to request a third seat on the L'Oréal Board of Directors;
- the Bettencourt Meyers family declared (AMF declaration D&I No. 222C0345) that on 10 February 2022 it exceeded the thresholds of one third of the Company's share capital and voting rights and that it held 185,715,079 shares in the Company, representing the same number of voting rights, *i.e.* 34.69% of the share capital and voting rights (see also section 7.3.5. of this document).

7.3.5. Shareholders' agreements relating to the securities comprising the Company's share capital

Collective lock-up agreements within the scope of Articles 787 B and 885 I *bis* of the French General Tax Code

L'Oréal was informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr. Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

---

(1) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code.

The lock-up agreements were concluded in application of Articles 787 B and 885 I bis of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action vis-à-vis the Company.

Commitments of the Bettencourt Meyers family associated with their waiver granted by the AMF from the obligation to file a draft public offer for the L'Oréal shares(1)

Following the repurchase by L'Oréal of 4% of its own shares held by Nestlé, and the consequent cancellation in February 2022 of the 22,260,000 shares thus repurchased by L'Oréal, the Bettencourt Meyers family crossed the thresholds of one third of the Company's share capital and voting rights. The AMF granted the Bettencourt Meyers family a waiver from the obligation to file a draft public offer for the L'Oréal shares. Accordingly, the Bettencourt Meyers family has undertaken(2), for a period expiring at the end of the Annual General Meeting of L'Oréal called in 2025 to approve the financial statements for the financial year ending 31 December 2024:

- not to acquire shares in L'Oréal beyond those they currently hold;
- to refrain from participating in decisions of L'Oréal's governance bodies that could lead to a passive increase in the capital and voting rights of L'Oréal; and
- to refrain from exercising the proportion of its voting rights in excess of 33.33% of the voting rights of L'Oréal.

The Company is not aware of any shareholders' agreements affecting shares and its capital other than those described above.

---

(1) AMF Decision No. 221C3388.

(2) These commitments could be lifted early if there are significant changes to L'Oréal's environment, situation or shareholding, provided that the Bettencourt Meyers family submits to the AMF in advance their intention to do so.

7.3.6. Buyback by the Company of its own shares

7.3.6.1. Information concerning share buybacks during the 2021 financial year

During the 2021 financial year, the Company redeemed 25,260,000 of its own shares, in accordance with the authorisation approved by the Annual General Meeting of 20 April 2021.

The table below summarises by purpose the transactions carried out in this context and the use made of the securities redeemed:

Date of authorisation of the Annual General Meeting	16th resolution of 20 April 2021
Authorisation expiry date	19 October 2022
Maximum amount of authorised buybacks	10% of the share capital on the date of the buybacks (i.e. as in indication, 55,987,158 shares at 31 December 2020)
Maximum purchase price per share (excluding costs)	€400
Authorised purposes	Cancellation Employee shareholding Free grants of shares Liquidity and market stabilisation External growth
Board of Directors' meeting that decided on the buybacks	20 April 2021and 7 December 2021
Purpose of buybacks	Cancellation
Period of buybacks made	From 3 May 2021 to 18 June 2021and 15 December 2021
Number of shares bought back	3,000,000* and 22,260,000**
Average purchase price per share	€367.28*** and €400***
Use of shares bought back	Cancellation of 3,000,000 shares 22,260,000 shares redeemed for cancellation****

* *These shares were cancelled on 30 July 2021.*

** *Buyback by L'Oréal of 4% of its own shares held by Nestlé.*

*** *Excluding expenses.*

**** *These shares were cancelled after the end of the 2021 financial year on 9 February 2022 once the Board of Directors had decided on this cancellation, with effect from 10 February 2022.*

7.3.6.2. Transactions carried out by L'Oréal with respect to its shares in 2021

Percentage of directly and indirectly self-held capital as at 31 December 2021, of which:	4.0%
● backed by stock option plans	0.0%
● backed by conditional shares	0.0%
● intended for cancellation	4.0%
Number of shares cancelled over the previous 24 months	3,000,000
Number of securities held in the portfolio as at 31.12.2021	22,260,000
Net book value of the portfolio as at 31.12.2021	€8,904,000,000
Market value of the portfolio as at 31.12.2021	€9,281,307,000

	Gross cumulative flows	
	Purchases	**Sales/Transfers***
Number of securities	N/A	N/A
Average transaction price	N/A	N/A
Average exercise price	N/A	N/A
Amounts	N/A	N/A

**Exercise and cancellation of stock options granted to employees and corporate officers of Group companies.*

No use was made of derivatives to make the share buybacks. There was no open purchase or sale position at 31 December 2021.

7.3.6.3. Renewal by the Annual General Meeting of the authorisation given to the Board to trade in the Company's shares

By voting a new resolution, the Annual General Meeting could give the Board of Directors the means to enable it to continue with the buyback policy.

This authorisation would be given for a maximum period of 18 months as from the date of the Annual General Meeting and the purchase price per share could not exceed €600 (excluding expenses); provided that in the event a public offer is filed for the shares of the Company by a third party, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy its own shares for the following purposes:

- cancelling them;
- selling them within the scope of employee share ownership programmes and allocating them to free grants of shares for the benefit of employees, directors and corporate officers of the Group;
- market-making under a liquidity agreement; and
- retaining the shares and subsequently using them as payment in connection with external growth, merger, demerger or contribution transactions.

The authorisation would concern up to 10% of the share capital, i.e., as an indication, 55,767,236 shares for a maximum amount of €33,460,341,600 at 31 December 2021; it being specified that the Company may not at any time hold more than 10% of its own share capital.

The purchase, sale, exchange or transfer of these shares may be carried out by any means on one or more occasions, on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include the use of all financial instruments and derivatives (see Resolution 17 presented in Chapter 8).

7.4. LONG-TERM INCENTIVE PLANS*

7.4.1. Presentation of the stock option Plans for the purchase or subscription of shares and Plans for Conditional Grants of Shares to employees (ACAs)

Policy

For several years L'Oréal has set up long-term incentive plans in favour of its employees and corporate officers in an international context, in the form of grants of performance shares.

These grants serve a dual purpose:

- motivate and associate those who make significant contributions to future increases in the Group's results; and
- strengthen involvement and the sense of belonging of its beneficiaries by fostering long-term loyalty in a context of increased competition for talent.

Within the context of the 19th resolution submitted for the approval of the Annual General Meeting of 21 April 2022, the Board of Directors, at its meeting of 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, decided to introduce new criteria to assess the extra financial performance in addition to the financial performance within the long-term incentive plans, in order to align them with L'Oréal's strategy in which economic and social performance go hand-in-hand (see section 7.4.4. of this document).

History

Until 2009, L'Oréal's Board of Directors exclusively granted stock options to the senior managers and corporate officers whom L'Oréal wished to reward for their performance and their important role in business development and in the Group's current and future projects, wherever they might be geographically located.

In 2009, L'Oréal's Board of Directors enlarged its policy by introducing a mechanism for the conditional grants of shares to employees (ACAs).

The objective was:

- to provide a long-term incentive offering greater motivation to all those who received stock options only occasionally or in limited numbers; and
- to reach out to a broader population of potential beneficiaries, particularly internationally, in a context of increased competition for talent.

In 2011, L'Oréal's Board of Directors decided to make ACAs the primary instrument for its long-term incentive policy by extending the grant of shares to the main senior managers of the Group who until then had only received stock options: In 2012, at the suggestion of the Human Resources and Remuneration Committee, the Board of Directors went one step further in this policy and decided to replace the grant of stock options with conditional grants of shares for all beneficiaries as of the 2013 Plan.

Grant process

The plans are proposed by General Management to the Board of Directors which decides, after receiving the opinion of the Human Resources and Remuneration Committee, the principle of these plans and the applicable conditions and rules.

In accordance with the AFEP-MEDEF recommendation, these grants are made over the same period each year: between 2009 and 2019 they were put in place following the approval of the financial accounts for the previous financial year by the Annual General Meeting and since 2020 they have been put in place at the end of the year, provided that the first year the performance conditions are assessed is the financial year following the year of grant.

The decision with regard to each individual grant is, in every case, contingent upon the quality of the performance rendered at the time of implementation of the plan with particular attention being paid to the main talents for the future. According to the eligibility criteria linked to the position held by the beneficiary and the size of the entity or the country in which the beneficiary works, to ensure worldwide fairness, these grants are made every year, on a recurring basis every two to three years, or more regularly.

The General Management and the Board of Directors reiterate the importance that is given to bringing together the interests of the beneficiaries of conditional grants of shares and those of the shareholders themselves.

The beneficiaries (employees and executive corporate officers) share with the shareholders the same confidence in the strong steady growth of the Company with a medium and long-term vision. This is why stock options were granted for a period of 10 years including a 5 year vesting period, and conditional grants of shares for a period of 4 years followed, for France up until the 2015 Plan, by a 2-year holding period during which these shares cannot be transferred.

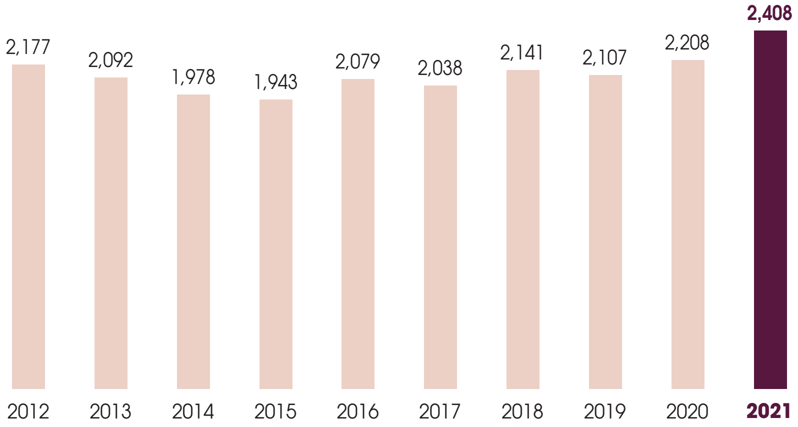
The attention of the beneficiaries of conditional grants of shares is drawn to the regulations in force concerning persons holding "inside information". The beneficiaries of conditional grants of shares undertake to read the Stock Market Code of Ethics included when settling the conditional grants of shares plans that they benefit from and to comply with the provisions thereof.

Number of beneficiaries

53% of the beneficiaries of the 7 October 2021 Plan are women. More than 3,600 employees, representing approximately 9.5% of the managers around the world, nearly 58% of whom are in international subsidiaries, benefit or have benefited from at least one conditional grant of shares plan since 2017 and were still employees of the Company on 31 December 2021.

This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.

CHANGE IN THE NUMBER OF BENEFICIARIES OF ACAS SINCE 2012



7.4.2. Stock option plans for the subscription and purchase of L'Oréal S.A. shares

No stock options for the purchase or subscription of shares were granted in 2021, as the Board of Directors has decided since 2012, on the proposal of the Human Resources and Remuneration Committee, to replace the grant of stock options by ACAs for all beneficiaries including the Chief Executive Officer.

7.4.2.1. Stock option plans for L'Oréal S.A. shares(1)

As at 31 December 2021, no stock option plans for L'Oréal S.A. were in progress; the previous plan, decided by the Board of Directors on 22 April 2011, expired on 22 April 2021.

Information about the stock option plan of 22 April 2011, which expired on 22 April 2021, is shown in the table below.

ANNUAL GENERAL MEETING AUTHORISATION DATE	22.04.2011
Date of Board of Directors' Meeting	**22.04.2011**
Total number of beneficiaries	89
Total number of shares that may be subscribed or purchased	1,470,000
Including the number that may be subscribed or purchased by corporate officers(1): ● Mr Jean-Paul Agon	*200,000* (2)
Start date of exercising the options	23.04.2016
Date of expiry	22.04.2021
Subscription or acquisition price (€)	83.19
Number of stock options exercised at 31.12.2021	1,231,000
Total number of stock options or stock purchases that have been cancelled or expired	239,000
Number of share subscription or purchase options remaining at the end of the financial year	0

(1) This is the number of stock options granted to corporate officers during their term of office within the context of each of the above-mentioned plans.

(2) The Board of Directors' Meeting of 22 April 2011 had allotted 400,000 share subscription options to Mr Jean-Paul Agon. Mr Jean-Paul Agon waived 200,000 of these options. He therefore benefited from 200,000 stock options under the plan decided by the Board of Directors on 22 April 2011.

---

(1) L'Oréal does not have any plans for stock options in L'Oréal subsidiaries.

7.4.2.2. Share subscription or purchase options granted to employees other than directors or corporate officers of L'Oréal or exercised by them during the 2021 financial year

	Total number of options granted	Weighted average price
Options granted, by L'Oréal S.A., to the ten employees(1) to whom the largest number of stock options was granted	No stock options granted in 2021	N/A

(1) *Employees other than corporate officers of L'Oréal S.A. or employees of companies included in the scope of granting the stock options.*

	Total number of shares subscribed or purchased as part of the Plan of 22.04.2011	Weighted average price
Options held with regard to L'Oréal S.A. exercised by the ten employees(1) with the highest number of options purchased or subscribed to in this manner	18,453	€83.19

(1) *Employees other than corporate officers of L'Oréal S.A. or employees of companies included in the scope of granting the stock options. In 2021, only five employees exercised ongoing options.*

7.4.3. Plan for the Conditional Grants of Shares (ACAs)

7.4.3.1. Authorisation of the Ordinary and Extraordinary General Meeting of 30 June 2020

The Ordinary and Extraordinary General Meeting of 30 June 2020 gave the Board of Directors the authorisation to carry out free grants of existing shares and/or shares to be issued to employees and corporate officers of the Company and of its French or foreign subsidiaries under the conditions of Article L. 225-197-2 of the French Commercial Code.

The Annual General Meeting set the period of validity of the authorisation, which may be used on one or more occasions, at 26 months.

The total number of free shares thus granted may not represent more than 0.6% of the share capital recorded on the date of the Board of Directors' decision.

The number of free shares granted to the Company's corporate officers may not represent more than 10% of the total number of free shares granted during a financial year pursuant to this resolution.

The Board of Directors will determine the identity of the beneficiaries of the free grants of shares and the number of free shares granted to each of them as well as the conditions to be met in order for the shares to finally vest, and in particular the performance conditions.

These performance conditions will take into account:

- partly, growth in L'Oréal's comparable cosmetics sales as compared to those of a panel of its biggest direct competitors; and
- partly, growth in L'Oréal's consolidated operating profit.

The Board of Directors indeed considers that these two criteria, assessed over a long period of 3 financial years and applied to several plans, are complementary, in line with the Group's objectives and its specificities and likely to promote balanced, continuing growth over the long term. They are demanding but remain a source of motivation for the beneficiaries. The grant of such shares to their beneficiaries, for all or part of the shares granted, will become final provided that the other conditions set at the time of grant are met, at the end of a minimum vesting period of 4 years.

Pursuant to the criterion relating to sales, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors over the period, no share will be allocated for this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, a level of growth defined by the Board of Directors, but not made public for confidentiality reasons, must be achieved or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The grant of these shares to their beneficiaries will become final prior to the expiry of the above-mentioned vesting periods in the event of disability of the beneficiary corresponding to classification in the second or third categories provided for in Article L. 341-4 of the French Social Security Code ("Code de la sécurité sociale"), and such shares will be freely transferable in the event of disability of the beneficiary corresponding to classification in the above-mentioned categories under Article L. 341-4 of the French Social Security Code. Pursuant to Article L. 225-197-3 of the French Commercial Code, in the event of the death of the beneficiary, his/her heirs may request the allocation of the shares within six months from the date of death. These shares are freely transferable.

The Board of Directors will be able to provide for vesting and holding periods which are longer than the minimum periods set above.

The mechanism for the Conditional Grant of Shares to employees complies with the AFEP-MEDEF Code of Corporate Governance and in particular:

- any conditional grants of shares to the corporate officers will be decided by the Board of Directors after assessment of their performance;
- final vesting of all or some of the shares will be linked to performance conditions to be met that are set by the Board of Directors;
- corporate officers will be obliged to keep 50% of the shares that are definitively granted to them at the end of the vesting period in registered form until the termination of their corporate office; and
- An executive corporate officer may not be granted any shares at the time of their departure.

7.4.3.2. Conditional Grants of Shares granted within the framework of the authorisation of 30 June 2020 (ACAs Plan of 7 October 2021)

On the basis of the proposals made by the General Management and examined by the Human Resources and Remuneration Committee, the Board of Directors decided, at its meeting on 7 October 2021, to make a Conditional Grant of Shares within the scope of the authorisation granted by the Annual General Meeting on 30 June 2020.

The share capital at 7 October 2021 was composed of 557,671,748 shares, and 3,346,030 shares could therefore be issued.

The Board of Directors used this authorisation at its meeting of 7 October 2021 by granting 588,750 shares to 2,408 beneficiaries.

This is a free grant of shares to be issued.

Vesting of the shares is subject to a dual condition:

- presence: the shares granted will only vest after a period of 4 years at the end of which the beneficiary must still be an employee of the Group (except in the cases provided by the law or the Plan rules); and
- performance:
  - vesting of all or part of 50% of the shares granted will depend on the growth in comparable cosmetics sales for financial years 2022, 2023 and 2024 compared with those of a panel of L'Oréal's biggest direct competitors made of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty, and
  - vesting of all or part of 50% of the shares granted will depend on growth in the Group's consolidated operating profit, over the same period.

The calculation will be made on the basis of the arithmetic average of the performances for 2022, 2023 and 2024.

Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors over the period, no share will be allocated for this criterion. The Board of Directors defines a threshold, not made public for confidentiality reasons, below which no share will finally vest pursuant to this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, a level of growth defined by the Board of Directors, but not made public for confidentiality reasons, must be met or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The Human Resources and Remuneration Committee is responsible for communicating to the Board of Directors the level of indicators recorded for the years to be used for the calculation of the performance conditions. The Board of Directors records, at the appropriate time, the level of performance achieved on which the number of shares that finally vests depends.

The figures recorded each year to determine the levels of performance achieved are published in sections 7.4.3.5. "Shares finally vested under the 17 April 2018 ACAs plan" and 7.4.3.6. "Tables monitoring performance conditions for the ACAs plans that are currently in progress".

The vesting of the first 200 conditional grants of shares is not subject to fulfilment of the performance conditions except for beneficiaries who were members of the Executive Committee on the date they were granted, including the Chief Executive Officer.

7.4.3.3. Shares granted to the ten employees other than directors or corporate officers to whom the largest number of shares have been granted

The total number of shares granted in 2021 to the ten employees other than directors or corporate officers who received the largest number of shares was 72,400 shares.

7.4.3.4. Existing Conditional Grants of Shares at 31 December 2021

Date of authorisation by the Extraordinary General Meeting	**20.04.2016**	**17.04.2018**	**30.06.2020**	**30.06.2020**
Date of grant by the Board of Directors	17.04.2018	18.04.2019	14.10.2020	07.10.2021
Total number of shares conditionally granted	931,000	843,075	713,660	588,750
Of which the ten employees other than corporate officers granted the largest number of shares[1]	*141,000*	*128,000*	*111,250*	*72,400*
Number of beneficiaries	2,141	2,107	2,208	2,408
Performance conditions	• 50% growth in like-for-like cosmetics sales as compared to a panel of competitors[2] • 50% growth in L'Oréal Group's consolidated operating profit			
Date of final vesting	18.04.2022	19.04.2023	15.10.2024	08.10.2025
End of lock-in period	N/A	N/A	N/A	N/A

(1) *Employees who are not corporate officers of L'Oréal or employees of companies included within the scope of the grant of shares.*
(2) *The panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

7.4.3.5. Shares finally vested under the 17 April 2018 ACAs plan

The Board of Directors, at its meeting on 9 February 2022 found that 100% of the performance conditions were achieved during the three years taken into consideration by the 17 April 2018 ACAs plan, namely 2019, 2020 and 2021. Accordingly, the beneficiaries who fulfil the conditions under the plan of 17 April 2022 and, in particular, that relating to the condition of presence in the Company, will receive 100% of the shares that were granted to them.

For information purposes, 30,000 shares were granted to the corporate officer, under the Plan of 17 April 2018. After application of the performance conditions, Mr Jean-Paul Agon will finally receive 30,000 shares.

TABLE MONITORING THE PERFORMANCE CONDITIONS OF THE ACAS PLAN OF 17 APRIL 2018

ACAs plan of 17 April 2018	2019	2020	2021	Arithmetic average of performances for 2019, 2020 and 2021
50% growth in like-for-like sales compared to a panel of competitors*	**+ 2.8 points** (+8.0%/+5.2%)	**+ 4.0 points** (-4.1%/-8.1%)	**+ 6.9 points** (+16.1%/+9.2%)	**+ 4.6 points**
50% growth in the Group's operating profit	**+12.71%** (4,922.0/5,547.5)	**- 6.10%** (5,547.5/5,209.0)	**+18.30%** (5,209.0/6,160.3)	**+ 8.30 %**

** Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

7.4.3.6. Tables monitoring performance conditions for the ACAs plans that are currently in progress

ACAs plan of 18 April 2019	2020	2021	2022
50% growth in like-for-like sales compared to a panel of competitors*	**4.0 points** (-4.1%/-8.1%)	**+ 6.9 points** (+16.1%/+9.2%)	pending
50% growth in the Group's operating profit	**- 6.10%** (5,547.5/5,209.0)	**+ 18.30%** (5,209.0/6,160.3)	pending

ACAs plan of 14 October 2020	2021	2022	2023
50% growth in like-for-like sales compared to a panel of competitors*	**+ 6.9 points** (+16.1%/+9.2%)	pending	pending
50% growth in the Group's operating profit	**+ 18.30%** (5,209.0/6,160.3)	pending	pending

ACAs plan of 07 October 2021	2022	2023	2024
50% growth in like-for-like sales compared to a panel of competitors*	pending	pending	pending
50% growth in the Group's operating profit	pending	pending	pending

** The panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

7.4.4. Renewal of the Conditional Grant of Shares (ACAs) authorisation submitted to the Ordinary and Extraordinary General Meeting of 21 April 2022

The authorisation given to the Board of Directors by the Annual General Meeting on 30 June 2020 to carry out free grants of shares to Group employees and certain executive corporate officers is set to expire in 2022. A new authorisation will be submitted to the Annual General Meeting on 21 April 2022.

The Board of Directors, at its meeting of 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, decided to introduce new criteria to assess the extra-financial performance in addition to the financial performance within the long-term incentive plans, in order to align them with L'Oréal's strategy in which economic and social performance go hand-in-hand.

These performance conditions will take into account:

- in part, **criteria for financial performance** based on:
  - growth in L'Oréal's comparable cosmetics sales versus those of a panel of its major direct competitors; and
  - growth in L'Oréal's consolidated operating profit;
- in part, **criteria for extra-financial performance** based on:
  - fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (% of sites that are "carbon neutral"; % of formula ingredients that are biobased, traceable and come from sustainable sources; % of plastic packaging that comes from either recycled or biobased sources; number of people benefitting from the Group's brands' social commitment programmes); and
  - gender balance within management bodies (strategic positions such as on the Executive Committee, hereinafter the "Management Bodies").

See Resolution 19 presented in chapter 8 of this document.

7.5. THE L'ORÉAL SHARE/THE SHARE MARKET

7.5.1. The L'Oréal share

7.5.1.1. Information on the L'Oréal share

ISIN code: FR0000120321.

Loyalty bonus codes:

- Shares that already benefit from preferential dividend rights: FR0011149590.
- Dividend +10% in 2022: FR0013459336.
- Dividend +10% in 2023: FR0014000RC4.
- Dividend +10% in 2024: FR0014007103.

Quantity: 1 share.

Par value: €0.20.

Trading on the spot market of Euronext Paris.

Eligible for the Deferred Settlement Service (SRD).

Unsponsored American Depositary Receipts are freely traded in the United States through certain banks operating in the United States.

7.5.1.2. Stock market data

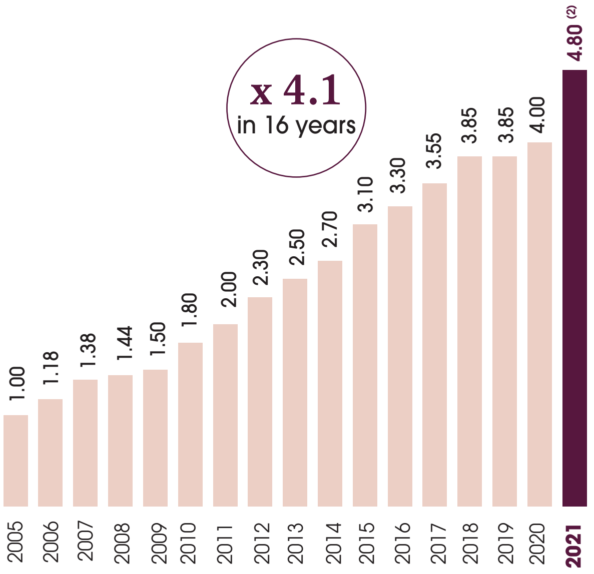
Share price at 31 December 2021	**€416.95**
Average of closing share prices for the last 30 trading days of 2021	€414.10
Low	€290.10 on 29.01.2021
High	€433.65 on 08.12.2021
Annual share price increase at 31 December 2021	
● L'Oréal	+34.15%
● CAC 40	+28.85%
● Euronext 100	+23.39%
● DJ Euro Stoxx 50	+20.99%
● Stoxx Europe 600 Personal and Household Goods	25.73%
Market capitalisation at 31 December 2021	€232.5 billion[1]
At 31 December 2021, the L'Oréal share weighed:	
● in the CAC 40	6.31%
● in the DJ Euro Stoxx 50	3.10%
● in the Stoxx Europe 600 Personal and Household Goods	10.25%

(1) Out of the number of shares at 31 December 2021, i.e. 557,672,360 shares.

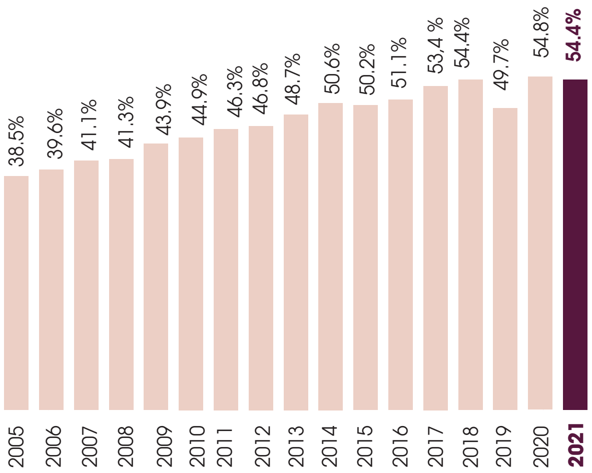
7.5.1.3. Dynamic shareholder return policy

- Earnings per share: 8.82 euros[1]
- Dividend per share: 4.80 euros[2]

STEADY INCREASE IN DIVIDEND PER SHARE (€)



SHARE OF PROFITS DEDICATED TO DIVIDENDS (AS %): 54.4%



---

(1) Diluted net earnings per share attributable to owners of the Company excluding non-recurring items.
(2) Proposed dividend at the Annual General Meeting of 21 April 2022.

7.5.2. Share market

7.5.2.1. Trading volumes and change in the price of the Company's share

According to Euronext data, the only stock market for which reliable retrospective statistics could be collected.

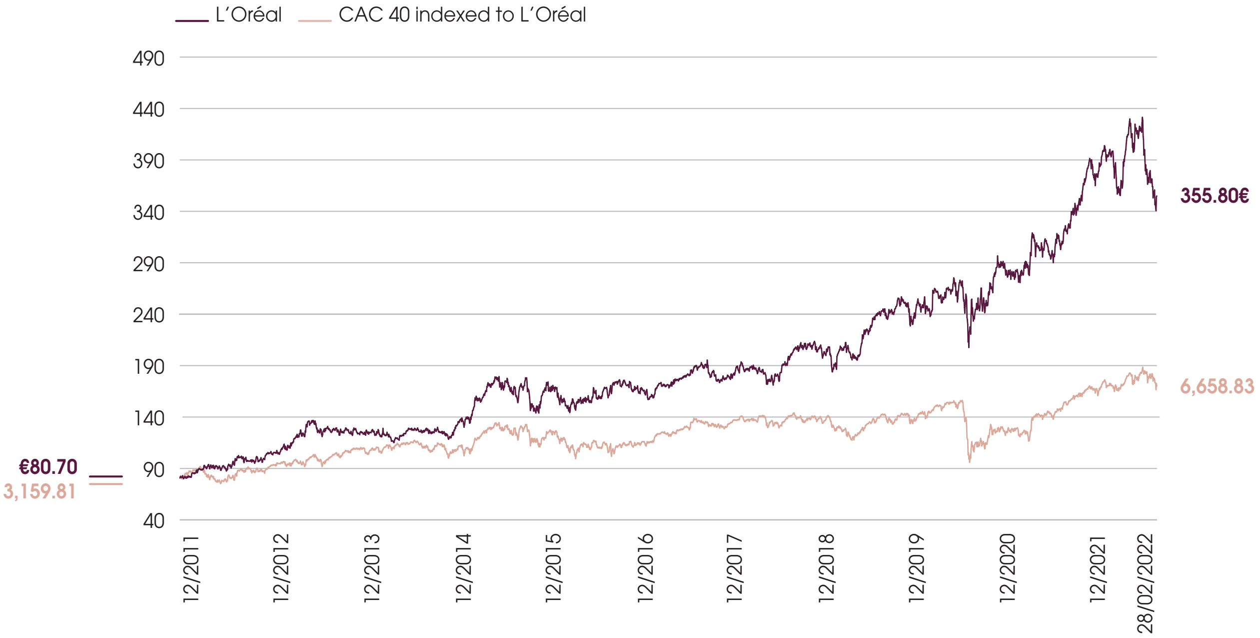
	Price (€)			Average daily trading volume (€ millions)
Date	**High**	**Low**	**Average**	
2019				
January	210.10	194.55	199.74	92.35
February	226.70	209.60	220.98	113.99
March	240.30	221.30	231.32	104.80
April	245.80	237.20	241.03	117.39
May	245.70	233.10	240.43	105.83
June	257.30	238.10	247.79	113.36
July	257.80	235.30	251.27	98.03
August	251.10	226.40	237.00	138.50
September	257.40	241.40	248.79	126.70
October	266.60	235.50	245.97	128.10
November	265.50	254.00	260.51	97.26
December	267.60	248.30	257.79	110.61

	Price (€)			Average daily trading volume (€ millions)
Date	**High**	**Low**	**Average**	
2020				
January	276.20	251.90	264.74	120.55
February	278.50	235.20	263.14	174.09
March	263.10	196.00	236.42	311.80
April	265.30	229.00	245.98	146.41
May	263.50	239.10	250.20	131.00
June	287.60	255.10	272.29	168.14
July	297.20	279.50	288.10	139.07
August	286.50	272.30	279.18	113.46
September	285.40	269.30	278.15	127.18
October	295.00	275.10	284.23	120.11
November	321.40	276.80	306.99	177.19
December	314.10	294.20	305.11	119.92

	Price (€)			Average daily trading volume (€ millions)
Date	**High**	**Low**	**Average**	
2021				
January	316.10	290.10	300.54	117.79
February	320.00	292.40	308.61	126.93
March	329.10	304.00	318.50	127.93
April	350.65	322.45	338.72	125.10
May	372.40	340.70	355.23	122.41
June	395.95	367.00	382.72	155.30
July	388.75	360.45	377.23	130.22
August	406.25	381.55	396.34	114.68
September	402.65	356.85	385.89	147.22
October	394.95	351.00	370.41	147.63
November	430.45	392.75	413.21	162.73
December	433.65	395.55	415.82	132.42

	Price (€)			Average daily trading volume (€ millions)
Date	**High**	**Low**	**Average**	
2022				
January	431.95	361.45	389.93	162.86
February	385.25	328.80	360.53	189.65

CHANGE IN THE L'ORÉAL SHARE PRICE COMPARED TO THE CAC 40 INDEX FROM 31 DECEMBER 2011 TO 28 FEBRUARY 2022



7.5.2.2. Total shareholder return

Amongst the various economic and financial indicators used to measure value creation, L'Oréal has chosen to apply the criterion of Total Shareholder Return: (TSR). This indicator is a synthetic measurement that takes into account not only the value of the share but also the dividend income received (excluding tax credits before 1 January 2005).

7.5.2.2.1. Five-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
31.12.2016	Purchase of 87 shares at €173.40	15,085.80		87
03.05.2017	Dividend: €3.30 per share		287.10	87
	Reinvestment: purchase of 2 shares at €184.55	369.10		89
27.04.2018	Dividend: €3.55 per share		315.95	89
	Reinvestment: purchase of 2 shares at €196.90	393.80		91
30.04.2019	Dividend: €3.85 per share		350.35	91
	Reinvestment: purchase of 2 shares at €245.10	490.20		93
07.07.2020	Dividend: €3.85 per share		358.05	93
	Reinvestment: purchase of 2 shares at €288.30	576.60		95
29.04.2021	Dividend: €4.00 per share		380.00	95
	Reinvestment: purchase of 2 shares at €343.10	686.20		97
TOTAL		**17,601.70**	**1,691.45**	
TOTAL NET INVESTMENT		**15,910.25**		

Portfolio value at 31 December 2021 (97 shares at €416.95, price at 31 December 2021): €40,444.15.

The initial capital has thus been multiplied by 2.7 over 5 years (5-year inflation rate = 5.47% – Source: INSEE) and the final capital is 2.5 times the total net investment.

The Total Shareholder Return of the investment is thus 21.0% per year (assuming that the shares are sold on 31 December 2021, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.2.2. 10-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
31.12.2011	Purchase of 186 shares at €80.70	15,010.20		186
03.05.2012	Dividend: €2.00 per share		372.00	186
	Reinvestment: purchase of 5 shares at €92.84	464.20		191
10.05.2013	Dividend: €2.30 per share		439.30	191
	Reinvestment: purchase of 4 shares at €134.05	536.20		195
05.05.2014	Dividend: €2.50 per share		487.50	195
	Reinvestment: purchase of 4 shares at €123.90	495.60		199
07.05.2015	Dividend: €2.70 per share		537.30	199
	Reinvestment: purchase of 4 shares at €168.60	674.40		203
03.05.2016	Dividend: €3.10 per share		629.30	203
	Reinvestment: purchase of 4 shares at €157.80	631.20		207
03.05.2017	Dividend: €3.30 per share		683.10	207
	Reinvestment: purchase of 4 shares at €184.55	738.20		211
27.04.2018	Dividend: €3.55 per share		749.05	211
	Reinvestment: purchase of 4 shares at €196.90	787.60		215
30.04.2019	Dividend: €3.85 per share		827.75	215
	Reinvestment: purchase of 4 shares at €245.10	980.40		219
07.07.2020	Dividend: €3.85 per share		843.15	219
	Reinvestment: purchase of 3 shares at €288.30	864.90		222
29.04.2021	Dividend: €4.00 per share		888.00	222
	Reinvestment: purchase of 3 shares at €343.10	1,029.30		225
TOTAL		**22,212.20**	**6,456.45**	
TOTAL NET INVESTMENT		**15,755.75**		

Portfolio value at 31 December 2021 (225 shares at €416.95, price at 31 December 2021): €93,813.75.

The initial capital has thus been multiplied by 6.3 over 10 years (10-year inflation rate = 8.98% – Source: INSEE) and the final capital is 6 times the total net investment.

The Total Shareholder Return of the investment is thus 19.8% per year (assuming that the shares are sold on 31 December 2021, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.2.3. 20-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends and share attribution rights

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
31.12.2001	Purchase of 185 shares at €80.90	14,966.50		185
04.06.2002	Dividend: €0.54 per share		99.90	185
	Reinvestment: purchase of 2 shares at €74.95	149.90		187
27.05.2003	Dividend: €0.64 per share		119.68	187
	Reinvestment: purchase of 2 shares at €61.10	122.20		189
14.05.2004	Dividend: €0.73 per share		137.97	189
	Reinvestment: purchase of 3 shares at €63.65	190.95		192
11.05.2005	Dividend: €0.82 per share		157.44	192
	Reinvestment: purchase of 3 shares at €56.50	169.50		195
10.05.2006	Dividend: €1.00 per share		195.00	195
	Reinvestment: purchase of 3 shares at €72.65	217.95		198
03.05.2007	Dividend: €1.18 per share		233.64	198
	Reinvestment: purchase of 3 shares at €86.67	260.01		201
30.04.2008	Dividend: €1.38 per share		277.38	201
	Reinvestment: purchase of 4 shares at €76.21	304.84		205
24.04.2009	Dividend: €1.44 per share		295.20	205
	Reinvestment: purchase of 6 shares at €52.02	312.09		211
05.05.2010	Dividend: €1.50 per share		316.50	211
	Reinvestment: purchase of 4 shares at €76.77	383.85		216
04.05.2011	Dividend: €1.80 per share		388.80	216
	Reinvestment: purchase of 5 shares at €85.79	428.95		221
03.05.2012	Dividend: €2.00 per share		442.00	221
	Reinvestment: purchase of 5 shares at €92.84	464.20		226
10.05.2013	Dividend: €2.30 per share		519.80	226
	Reinvestment: purchase of 4 shares at €134.05	536.20		230
05.05.2014	Dividend: €2.50 per share		575.00	230
	Reinvestment: purchase of 5 shares at €123.90	619.50		235
07.05.2015	Dividend: €2.70 per share		634.50	235
	Reinvestment: purchase of 4 shares at €168.60	674.40		239
03.05.2016	Dividend: €3.10 per share		740.90	239
	Reinvestment: purchase of 5 shares at €157.80	789.00		244
03.05.2017	Dividend: €3.30 per share		805.20	244
	Reinvestment: purchase of 5 shares at €184.55	922.75		249
27.04.2018	Dividend: €3.55 per share		883.95	249
	Reinvestment: purchase of 5 shares at €196.90	984.50		254
30.04.2019	Dividend: €3.85 per share		977.90	254
	Reinvestment: purchase of 4 shares at €245.10	980.40		258
07.07.2020	Dividend: €3.85 per share		993.30	258
	Reinvestment: purchase of 4 shares at €288.30	1,153.20		262
29.04.2021	Dividend: €4.00 per share		1,048.00	262
	Reinvestment: purchase of 4 shares at €343.10	1,372.40		266
TOTAL		**26,003.29**	**9,842.06**	
TOTAL NET INVESTMENT		**16,161.22**		

Portfolio value at 31 December 2021 (266 shares at €416.95, price at 31 December 2021): €110,908.70.

The initial capital has thus been multiplied by 7.4 over 20 years (20-year inflation rate = 27.4% – Source: INSEE) and the final capital is 6.9 times the total net investment.

The Total Shareholder Return of the investment is thus 10.4% per year (assuming that the shares are sold on 31 December 2021, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.3. Dividends

The limitation period for dividends is five years. Any dividends for which payment has not been requested are paid to the French Deposits and Consignments Fund *(La Caisse des Dépôts et Consignations).*

7.6. INFORMATION POLICY

L'Oréal is committed to improving the quality of its financial information and takes steps to ensure it maintains a regular dialogue with its shareholders and with French and international investors. Beyond its legal obligations, it has a whole range of information and communication tools: printed and digital media on the L'Oréal Finance website, shareholder events and meetings either organised physically or virtually, investor conferences and roadshows, which are made available to all stakeholders to give them a better understanding of L'Oréal's business model and the potential of the beauty market.

7.6.1. Additional communication tools

Keen on transparency and accessibility of information, in 2021, in the context of the ongoing Covid-19 health crisis, L'Oréal's Financial Communication Department shared a wealth of complete financial and non-financial information with the entire financial community via communication tools, with a high emphasis on digital:

- L'Oréal makes two exhaustive and complementary annual publications available: the Annual Report and the Universal Registration Document can be consulted and downloaded at www.loreal-finance.com.
- The www.loreal-finance.com website contains a complete set of all financial and non-financial information. Its content and ergonomics evolve regularly to provide quicker and easier access to information.
- The L'Oréal Finance mobile app, available on the App Store and Google Play, makes it possible to keep L'Oréal Finance news close to hand. Downloaded more than 64,000 times since it was created, it is highly appreciated by professionals and individual shareholders.
- The Letter to Shareholders and e-newsletters make it possible to keep shareholders and subscribers regularly informed of all major events in the life of the Group.
- The shareholder brochure "Take part in the L'Oréal adventure" describes the Company's business model and explains the advantages of registered shares to answer questions that shareholders may have about this shareholding method.
- Testifying to the loyalty of the shareholders who support the Group's development over the long term, more and more shareholders are showing an interest in becoming registered shareholders. Thanks to preferential dividends and the numerous advantages related to this method of shareholding, becoming a registered shareholder enables the Group's shareholders to be known to the Group, to have systematic and regular access to information, and to be closely involved in the Company's development.

7.6.2. A large number of shareholder events for regular and detailed dialogue

In 2021, in the context of the Covid-19 health crisis and to protect the health of all our stakeholders, shareholders and investors, as well as employees of L'Oréal, all events were organised and some were transformed to digital format to maintain the relationship and dialogue. Thus:

- The Financial Communications Department and the Investor Relations Department organised a financial information meeting and telephone conferences intended for analysts and institutional investors, to which journalists specialising in the cosmetics sector were invited. The presentations of the Group's financial results and the business activities of the Operational Divisions were broadcast live online on the financial website www.loreal-finance.com. All the information presented was made available on this site, on the day of its publication, when the annual and half-yearly results were published, as well as at investor conferences.
- The Annual General Meeting was broadcast live, then on replay, in French and English, on the L'Oréal Finance website. For several years, shareholders have had the option to vote remotely via the Votaccess platform. This year, in order to respect shareholder democracy and encourage dialogue with shareholders, and in addition to the legal process for written questions, L'Oréal set up a dedicated email address to receive, in the days preceding the Annual General Meeting(1), all their questions to be made directly to Management. Shareholders also had the opportunity to ask questions by telephone via a dedicated number during the Annual General Meeting. This broadcast was viewed by around 3,000 shareholders.
- L'Oréal participated as a preferred partner at Boursorama's first digital e-show, Bourso'Live, on 28, 29 and 30 June 2021. The L'Oréal virtual stand welcomed more than 800 visitors who were able to download documents and publications, and to interact with the Group's Individual Shareholders department. Mr Christophe Babule, Chief Financial Officer of L'Oréal, presented the L'Oréal model during a web conference and answered questions from web users; the presentation was attended by many shareholders and recorded around 15,000 views.
- L'Oréal participated in the hybrid 2021 edition of Investir Day, in digital from 15–22 November and in person at the Palais Brongniart in Paris on 23 November 2021. This edition was attended by nearly 15,000 participants, 3,000 of whom attended the Palais Brongniart. Mr Christophe Babule, Chief Financial Officer of L'Oréal, and Mr Laurent Gilbert, Director of Environmental Research and Sustainable Development, talked respectively about the Group's strategy and the theme "L'Oréal: *GreenSciences* for sustainable innovation".

---

(1) Within the framework of the Annual General Meeting held behind closed doors (for more information see section 7.1.11. "Annual General Meeting" of this document).

- Mr Nicolas Hieronimus, Chief Executive Officer of L'Oréal, presented the Group, its strategy, its commitments as part of the L'Oréal for the Future programme and its shareholder policy, during a web conference on Boursorama on 17 November 2021, viewed more than 22,000 times in replay.
- In total, the various conferences organised in 2021 received close to 100,000 views in replay.
- The Individual Shareholder Consultation Committee is a true body for consultation and dialogue with individual shareholders, and consists of 12 shareholders appointed for three years. As a representative of L'Oréal's individual shareholders, this Committee actively participates, through its reflections and work, in the development and enhancement of the Group's financial communication and acts as an ambassador. For the first time since early 2020, the Consultation Committee met again in person on 29 September 2021 at the Eugène Schueller Centre in Clichy for its third meeting of the year.
- The Investor Relations Department (IRD) organises numerous meetings throughout the year with institutional investors of the main international financial marketplaces. In 2021, they met with a total of more than 600 investors.
- Finally, a free phone service is available to L'Oréal shareholders calling from France (0 800 66 66 66) or other countries (+33 1 40 14 80 50). An interactive voice server gives shareholders 24/7 access to information on share prices, key dates or a summary of the latest press release. The Shareholder Services Department can also be contacted using this number during business hours (8:45am – 6:00pm Paris time).

7.6.3. 2022 Financial Calendar

09.02.2022	**2021 Annual results**
19.04.2022	1st quarter 2022 sales
21.04.2022	Ordinary and Extraordinary General Meeting
July 2022*	First-half 2022 sales and results
October 2022*	Sales at 30 September 2022

* *The precise date will be detailed on the website www.loreal-finance.com.*

7.6.4. Financial press releases published in 2021

01.02.2021	L'Oréal finalises its acquisition of Takami Co
11.02.2021	**2020 Annual results**
16.03.2021	Ordinary and Extraordinary General Meeting of 20 April 2021 / 2020 Universal Registration Document
15.04.2021	First quarter 2021 sales
20.04.2021	Ordinary and Extraordinary General Meeting and Board of Directors' Meeting of 20 April 2021
23.06.2021	L'Oréal announces the creation of a new Europe Zone led by Vianney Derville
29.07.2021	2021 Half-Year Results
02.08.2021	Availability of the 2021 Half-Year Financial Report
21.10.2021	Sales at 30 September 2021
07.12.2021	Strategic transaction approved by the Board of Directors of L'Oréal. Agreement between L'Oréal and Nestlé for the buyback by L'Oréal of 4% of its own shares held by Nestlé.
08.12.2021	L'Oréal signed an agreement to acquire Youth To The People, a Californian skincare brand inspired by superfood

8 ANNUAL GENERAL MEETING

8.1. Draft resolutions and Report of the Board of Directors to the Ordinary and Extraordinary General Meeting to be held on Thursday 21 April 2022

Agenda

Ordinary part

1. Approval of the 2021 parent company financial statements
2. Approval of the 2021 consolidated financial statements
3. Allocation of the Company's net profit for 2021 and setting of the dividend
4. Renewal of the term of office of Mr Jean-Paul Agon as Director
5. Renewal of the term of office of Mr Patrice Caine as Director
6. Renewal of the term of office of Ms Belén Garijo as Director
7. Renewal of the appointment of Deloitte & Associés as Statutory Auditor
8. Appointment of Ernst & Young as Statutory Auditor
9. Approval of the information on the remuneration of each of the corporate officers required by Article L. 22-10-9, I of the French Commercial Code
10. Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to Mr Jean-Paul Agon, in his capacity as Chairman and Chief Executive Officer (from 1 January 2021 to 30 April 2021)
11. Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to Mr Jean-Paul Agon, in his capacity as Chairman of the Board of Directors (from 1 May 2021 to 31 December 2021)
12. Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to Mr Nicolas Hieronimus, in his capacity as Chief Executive Officer (from 1 May 2021 to 31 December 2021)
13. Approval of the remuneration policy for Directors
14. Approval of the remuneration policy for the Chairman of the Board of Directors
15. Approval of the remuneration policy for the Chief Executive Officer
16. Approval of the repurchase agreement for L'Oréal's acquisition from Nestlé of 22,260,000 L'Oréal shares, representing 4% of the capital, as part of the procedure for related-party agreements
17. Authorisation for the Company to buy back its own shares

Extraordinary part

18. Authorisation given to the Board of Directors to reduce the share capital by cancelling the shares acquired by the Company under article L. 22-10-62 of the French Commercial Code
19. Authorisation granted to the Board of Directors to carry out free grants of existing shares and/or shares to be issued with cancellation of shareholders' preferential subscription right to employees and executive officers
20. Delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of the shareholders' preferential subscription rights
21. Delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the framework of an employee share ownership plan
22. Amendment of Article 9 of the Company's Articles of Association in order to change the age limit for holding the office of Chairman of the Board of Directors
23. Amendment of Article 11 of the Company's Articles of Association in order to specify the age limit for holding the position of Chief Executive Officer
24. Amendment of Articles 2 and 7 of the Company's Articles of Association in the context of legislative or regulatory changes (Order no. 2000-1223 of 14 December 2000 and Law no. 2019-486 of 22 May 2019)
25. Amendment of Article 8 of the Company's Articles of Association in order to remove the requirement for Directors to own five shares in the Company
26. Powers for formalities

8.1.1. Ordinary part

Resolutions 1, 2 and 3: Approval of the annual (parent company and consolidated) financial statements for 2021, allocating the company's net income and setting the dividend

| Explanatory statement

Having reviewed the Reports of the Board of Directors and the Statutory Auditors, the Annual General Meeting is called on to approve:

- the parent company financial statements for 2021, with an income statement showing net income of €3,860,498,991.57 compared with €4,158,826,992.71 for 2020; and
- the 2021 consolidated financial statements.

  The details of these financial statements are set out in the 2021 Annual Financial Report and the main data included in the package containing the convening notice to the Annual General Meeting.

The Board of Directors proposes to the Annual General Meeting:

- an ordinary dividend of €4.80 per share, representing an increase of 20% over the dividend for the previous year.

  The rate of distribution of the ordinary dividend (ordinary dividend paid/net income diluted per share excluding non-recurring items, attributable to owners of the Company) would be 54.4% in 2021. Over the last five financial years, this rate was:

Year	2016	2017	2018	2019	2020
Rate of distribution	51.1%	53.4%	54.4%	49.7%	54.8%

- a preferential dividend per share of €5.28, corresponding to a 10% increase over the ordinary dividend.

  The preferential dividend will be granted to the shares held in registered form since 31 December 2019 at the latest, and which have continuously remained in registered form until the dividend payment date in 2022. The number of shares eligible for this preferential dividend may not exceed, for the same shareholder, 0.5% of the share capital at the closing date of the previous financial year.

If the Annual General Meeting approves this proposal, the ex-dividend date for the dividends (both ordinary and preferential) will be 27 April 2022 at midnight, Paris time, and they will be paid on 29 April 2022.

The amount of the ordinary dividend and the preferential dividend is eligible for the tax deduction provided for in Article 158, 3.2° of the French General Tax Code, which is applicable in the event that an individual beneficiary opts to tax his or her income from movable assets on the progressive scale of income tax.

First resolution: approval of the 2021 parent company financial statements

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, approves the Report of the Board of Directors and the 2021 parent company financial statements, as presented, and the transactions reported in these financial statements and summarised in these Reports, showing net income of €3,860,498,991.57, versus €4,158,826,992.71 for 2020.

Second resolution: approval of the 2021 consolidated financial statements

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, approves the 2021 consolidated financial statements and the transactions included in these financial statements and summarised in these Reports.

Third resolution: allocation of the Company's net income for 2021 and setting of the dividend

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, on the proposal of the Board of Directors, decides to allocate the net income for the 2021 financial year, amounting to €3,860,498,991.57 as follows:

No allocation to the legal reserve which already represents over one-tenth of the share capital	–
Amount allocated to shareholders as dividend* (including preferential dividend)	**€2,596,707,105.60**
Balance that will be allocated to the "Other reserves" item	**€1,263,791,885.97**

* *Including a primary dividend equal to 5% of the amounts paid up on shares, i.e. the total amount of the share capital.*

This amount is calculated on the basis of the number of shares forming the capital at 10 February 2022 and will be adjusted to reflect:

- the number of shares issued between 10 February 2022 and the date of payment of this dividend following the full vesting of new free shares granted and giving rights to said dividend; and
- the final number of shares eligible for the preferential dividend, taking into account sales or transfers to a bearer account between 10 February 2022 and the date of payment of the dividend.

The Annual General Meeting therefore sets the ordinary dividend at €4.80 per share and the preferential dividend at €5.28 per share. The preferential dividend will be granted to the shares held in registered form since 31 December 2019 at the latest, and which have continuously remained in registered form until the dividend payment date, it being specified that the number of shares giving entitlement to such a preferential dividend cannot exceed 0.5% of share capital for any one shareholder. The ex-dividend date for the dividends (both ordinary and preferential) will be 27 April 2022 at midnight (Paris time) and they will be paid on 29 April 2022.

In the event that, at the time of payment of the dividend, the Company holds treasury shares, the distributable profit corresponding to the unpaid dividend due to the holding of such shares would be allocated to the "Other reserves" item.

For individuals domiciled in France, the dividend is subject to income tax at a flat rate but may be taxed, at the shareholder's option, at a progressive rate. In such a case, the dividend is eligible for the tax deduction provided for in Article 158, 3.2° of the French General Tax Code.

The table below shows the amount of the dividends distributed that were fully eligible for the tax deduction provided for in Article 158, 3.2° of the French General Tax Code, for the last three financial years:

	2018	2019	2020
Ordinary dividend per share	€3.85	€3.85	€4
Preferential dividend per share	€0.38	€0.38	€0.40

Resolutions 4, 5 and 6: Offices of Directors

| Explanatory statement

1. Composition of L'Oréal's Board of Directors at 31 December 2021

The Directors of L'Oréal come from different backgrounds. They complement one another due to their different professional experience, skills and nationalities. They have good knowledge of the Company. The Directors are present, active and closely involved. These are all assets that contribute to the quality of the Board of Directors' deliberations in the context of the decisions it is called on to make.

The Directors are attentive and vigilant and carry out their duties with complete freedom of judgement. This freedom of judgement enables them in particular to participate, in complete independence, in the decisions or work of the Board of Directors and its Committees.

Jean-Paul Agon, 65, joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, General Manager of the Asia Zone, Chairman and Chief Executive Officer of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006, and finally Chairman and Chief Executive Officer in 2011. Since 1 May 2021, Jean-Paul Agon has been the Chairman of the Board of Directors without assuming the functions of Chief Executive Officer. A Director of L'Oréal since 2006, he is also the Chairman of the Strategy and Sustainability Committee. Jean-Paul Agon is also the Chairman of the L'Oréal Corporate Foundation and Director of Air Liquide.

Nicolas Hieronimus, 57, joined the L'Oréal Group in 1987. Nicolas Hieronimus was appointed Marketing Director for Laboratoires Garnier in 1993. After an international career as Director of the Garnier Maybelline Division in the United Kingdom, General Manager in France, then International General Manager of L'Oréal Paris and General Manager of L'Oréal Mexico, Nicolas Hieronimus was appointed as the General Manager of the L'Oréal Professional Products Division and joined the Executive Committee in 2008. In 2011, he was appointed President of L'Oréal Luxe, a role that he held until the end of 2018. In 2013, Nicolas Hieronimus became the General Manager of Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was appointed Deputy CEO in charge of Divisions in May 2017. Nicolas Hieronimus was appointed Chief Executive Officer of L'Oréal on 1 May 2021. He has been a Director of L'Oréal since April 2021.

Françoise Bettencourt Meyers, 68, daughter of Liliane Bettencourt and granddaughter of the founder of L'Oréal, Eugène Schueller, has been the Chairwoman of the family-owned holding company Téthys since 31 January 2012, and is the Chairwoman of the Supervisory Board of the investment subsidiary Téthys Invest, Chairwoman of the Bettencourt Schueller Foundation, and Honorary President of the Pour l'Audition Foundation. Françoise Bettencourt Meyers has been a Director of L'Oréal since 1997. Vice-Chairwoman of the Board of Directors since 2020, Françoise Bettencourt Meyers is also a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee and the Human Resources and Remuneration Committee.

Paul Bulcke, 67, of Belgian and Swiss nationality, after pursuing an international career at the highest level within the Nestlé group, holding various positions in Europe and Latin America, was in 2004 appointed Executive Vice President and Zone Director for zone Americas of Nestlé S.A., before becoming Chief Executive Officer of Nestlé S.A. from 2008 to 2016. Paul Bulcke has served as the Chairman of the Board of Directors of Nestlé since 2017. Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017. Paul Bulcke is the Vice-Chairman of the Board of Directors, and is a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee, and the Human Resources and Remuneration Committee. He is also a Director of Roche Holding Ltd (Switzerland).

Ana Sofia Amaral, 56, of Portuguese nationality, is the Scientific and Technical Affairs Director for L'Oréal Portugal. Ana Sofia Amaral was appointed in 2014 by L'Oréal's *Instance Européenne de Dialogue Social* (European Works Council) as a Director representing the employees; her tenure was renewed for a period of four years in 2018. She is a member of the Human Resources and Remuneration Committee.

Sophie Bellon, 60, is Chairwoman of the Board of Directors and Chief Executive Officer of Sodexo. After a career in finance in the United States, she joined Sodexo in 1994, where she held various positions, including Chief Executive Officer of the Corporate Services business unit of Sodexo France and as Research, Development and Innovation strategy Manager of Sodexo. Sophie Bellon has been a Director of L'Oréal since 2015. She is the Chairwoman of the Nominations and Governance Committee and of the Human Resources and Remuneration Committee, and a member of the Audit Committee.

Patrice Caine, 51, has been Chairman and Chief Executive Officer of the Thales group since December 2014, after holding management positions in various operating units (Aviation and Naval, Communication, Navigation and Identification, Air Systems, Radio-Communication Products, Network and Infrastructure Systems, and Protection Systems) from 2002 to 2013. Patrice Caine has been a Director of L'Oréal since 2018 and is a member of the Strategy and Sustainability Committee and the Nominations and Governance Committee.

Fabienne Dulac, 54, is Chairwoman and Chief Executive Officer of Orange France and Deputy Chief Executive Officer of the Orange group, which she joined in 1997. She has held various positions in marketing, business development, communication and digital. She joined the Executive Committee of the Orange group in 2015 as Chief Executive Officer of Orange France. She is also a Director of Willa (an incubator dedicated to female entrepreneurship). Fabienne Dulac has been a Director of L'Oréal since 2019 and is a member of the Audit Committee and the Human Resources and Remuneration Committee.

Belén Garijo, 61, of Spanish nationality, has served as Chairwoman of the Management Board and Chief Executive Officer of the Merck group since 1 May 2021. Belén Garijo previously served as Chairwoman and Chief Executive Officer of Merck Healthcare, an entity encompassing all the pharmaceutical activities of the Merck group. Belén Garijo has been a Director of L'Oréal since 2014 and is a member of the Human Resources and Remuneration Committee. She is also a Director of BBVA (Spain).

Béatrice Guillaume-Grabisch, 57, has been Executive Vice President and Global Head of Human Resources & Business Services of the Nestlé group, which she joined in 2013. She was formerly Chief Executive Officer of Nestlé Germany after a career in various consumer goods groups (Colgate-Palmolive, Beiersdorf, Johnson & Johnson, L'Oréal, Coca-Cola). Béatrice Guillaume-Grabisch has been a Director of L'Oréal since 2016 and is a member of the Audit Committee.

Ilham Kadri, 53, of French and Moroccan nationality, has served as Chairwoman of the Executive Committee and CEO of Solvay, which she joined in March 2019. She was CEO and Chairwoman of the American company Diversey since 2013. Ilham Kadri has international experience acquired in leading industrial companies (Shell, UCB, Dow, Sealed Air, etc.) where she performed roles in research & development, sales, marketing, strategy, business management and digital technology. She is also a Director of A.O. Smith Corporation. Ilham Kadri has been a Director of L'Oréal since June 2020.

Georges Liarokapis, 59, of French and Greek nationality, is Coordinator of Corporate Sustainable Responsibility for L'Oréal Europe. Georges Liarokapis was appointed by the CFE-CGC union as a Director representing the employees in 2014, his term of office was then renewed for a period of four years in 2018. He is a member of the Audit Committee.

Jean-Victor Meyers, 35, has been a member of the Supervisory Board of the family holding company Téthys since January 2011 and is a member of the Supervisory Board of the investment subsidiary Téthys Invest. Jean-Victor Meyers has been a Director of L'Oréal since 2012 and is a member of the Strategy and Sustainability Committee.

Nicolas Meyers, 33, has been a member of the Supervisory Board of the family holding company Téthys since 2011 and a member of the Supervisory Board of the investment subsidiary Téthys Invest since 2016. He has also been a Director of the Bettencourt Schueller Foundation since 2012. Nicolas Meyers has been a Director of L'Oréal since 2020 and Member of the Audit Committee.

Virginie Morgon, 52, is Chairwoman of the Management Board of Eurazeo, which she joined in 2008 after working for sixteen years at Lazard, as well as Chairwoman of Eurazeo North America Inc. (USA). She is also Co-Chair of the Paris Committee of the Human Rights Watch and Chairwoman of the Board of Directors of the Eurazeo endowment fund. Virginie Morgon has been a Director of L'Oréal since 2013 and is the Chairwoman of the Audit Committee.

Alexandre Ricard, 49, has served as Chairman and Chief Executive Officer of Pernod Ricard since February 2015. He joined Pernod Ricard in 2003 after seven years as a strategy consultant at Accenture and as an M&A consultant at Morgan Stanley. In 2004, he was appointed Director of Finance and Administration of Irish Distillers, and then appointed Chief Executive Officer of Pernod Ricard Asia Duty Free in 2006. In 2008, Alexandre Ricard was appointed Chairman and Chief Executive Officer of Irish Distillers and joined the Executive Committee of Pernod Ricard. In 2011, he joined the General Management of Pernod Ricard as Deputy Chief Executive Officer in charge of the distribution network. Alexandre Ricard has been a Director of L'Oréal since April 2021.

2. Resolutions submitted for approval to the Annual General Meeting of 21 April 2022

The renewal of the term of office of three Directors is subject to the vote of the Annual General Meeting: Mr Jean-Paul Agon, Mr Patrice Caine and Ms Belén Garijo.

Renewal of the term of office of Mr Jean-Paul Agon as Director

As the term of office of Mr Jean-Paul Agon as Director expires in 2022, the renewal of his term for four years is submitted to the Annual General Meeting.

Mr Jean-Paul Agon joined the Group in 1978 and has been a Director since 2006. He was Chairman and Chief Executive Officer of L'Oréal from 2011 until the end of April 2021. The Board of Directors appointed Mr Jean-Paul Agon as Chairman of the Board of Directors as from 1 May 2021.

Mr Jean-Paul Agon is also Chairman of the L'Oréal Foundation.

The Board of Directors will be able to count on his commitment, experience and skills, as well as his expertise in matters of governance, to meet the growing expectations of stakeholders.

Mr Jean-Paul Agon has been committed to the success and reputation of the Company for over 43 years. His in-depth knowledge of the Company, its environment and the beauty market represent a major asset for the Board of Directors in their discussions and decisions relating to the definition of L'Oréal's strategy and the monitoring of its implementation.

Mr Jean-Paul Agon is also deeply committed to the values of L'Oréal and the embedding of its culture.

Over the four years of his tenure as Director, Mr Jean-Paul Agon's attendance rate at meetings of the Board of Directors has been 100%; at the Strategy and Sustainability Committee, which he chairs, it has also been 100%.

Renewal of the term of office of Mr Patrice Caine as Director

As the term of office of Mr Patrice Caine as Director is set to expire, the renewal of his term of office for four years is submitted to the Annual General Meeting.

Mr Patrice Caine has been Chairman and Chief Executive Officer of the Thales group since 2014.

Mr Patrice Caine is an independent Director who is deeply involved in the work of the Committees and discussions of the Board of Directors. Of particular note was his active participation in the succession planning for General Management in 2020 and 2021, as a member of the Nominations and Governance Committee.

The Board of Directors benefits from Mr Caine's expertise in the area of governance, his experience as an executive in a leading international company, his strategic vision, his industrial expertise, as well as his in-depth knowledge of new technologies and cyber security.

Over the four years of his directorship, his attendance rate was 90% for meetings of the Board of Directors (100% over the last three years) and 92% for meetings of the Nominations and Governance Committee (100% over the last three years). Mr Caine joined the Strategy and Sustainability Committee in June 2020. Since that date, he has participated in all meetings except one in 2020 (100% attendance in 2021).

Renewal of the term of office of Ms Belén Garijo as Director

As the term of office of Ms Belén Garijo as Director is set to expire, the renewal of her term of office for four years is submitted to the Annual General Meeting.

Ms Belén Garijo, of Spanish nationality, has been Chairwoman of the Management Board and Chief Executive Officer of Merck, the German science and technology group, since 1 May 2021. She previously served as Chief Executive Officer of Merck Healthcare, an entity pooling all the pharmaceuticals activities held by the Merck group.

Belén Garijo assumes her term of office as independent director with great commitment and great freedom of judgement. The Board of Directors benefits from her experience as a Director of a large international group. Her scientific skills and expertise in research and innovation acquired during a career in the pharmaceutical industry represent valuable assets for the Board of Directors.

Over the four years of her term of office as Director, her attendance rate has been 97% for meetings of the Board of Directors and 86% for meetings of the Human Resources and Remuneration Committee.

3. Composition of the Board of Directors after the Annual General Meeting of 21 April 2022

If the Annual General Meeting approves the renewals submitted to it in 2022, the expiry dates of the terms of office of the 16 Directors of L'Oréal would be as follows.

Please note that the terms of office of Ms Ana Sofia Amaral and Mr Georges Liarokapis expire at the end of the Annual General Meeting of 21 April 2022.

The relevant bodies have appointed two new directors representing employees:

Mr Thierry Hamel has been appointed by the CFE-CGC union. He is a Sales Regional Manager for the Professional Products Division in France.

Mr Benny de Vlieger has been appointed by the *Instance Européenne de Dialogue Social*/European Works Council (IEDS/EWC). He is a Sales Representative for the Consumer Products Division in Belgium.

COMPOSITION OF THE BOARD						**Board Committees**			
(post-AGM 2022)		**Age**	**W/M**	**Nationality**	**Expiry of term of office**	**S&S**	**Audit**	**Gov.**	**Rem.**
Executive corporate officers	**Mr Jean-Paul Agon** – Chairman of the Board	65	M	French	2026	C			
	Mr Nicolas Hieronimus – Chief Executive Officer	58	M	French	2025				
F. Bettencourt Meyers and her family	**Ms F. Bettencourt Meyers** - Vice-Chairwoman	68	W	French	2025	●		●	●
	Mr Jean-Victor Meyers	35	M	French	2024	●			
	Mr Nicolas Meyers	33	M	French	2024		●		
Directors linked to Nestlé	**Mr Paul Bulcke** – Vice-Chairman	67	M	Belgian-Swiss	2025	●		●	●
	Ms Béatrice Guillaume-Grabisch	57	W	French	2024		●		
Independent Directors■	**Ms Sophie Bellon**	60	W	French	2023			C	C
	Mr Patrice Caine	52	M	French	2026	●		●	
	Ms Fabienne Dulac	54	W	French	2023		●		●
	Ms Belén Garijo	61	W	Spanish	2026				●
	Ms Ilham Kadri	53	W	French-Moroccan	2024		●		
	Ms Virginie Morgon	52	W	French	2025		C		
	Mr Alexandre Ricard	49	M	French	2025	●			
Directors representing employees	**Mr Benny de Vlieger**	57	M	Belgian	2026				
	Mr Thierry Hamel	67	M	French	2026				

■ Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.
C Chairman/Chairwoman of the Committee.
● Committee Member.

3.1. Independence of Directors

Every year the Nominations and Governance Committee proposes to the Board of Directors that the situation of each of the Directors with regard to their independence be reviewed on a case-by-case basis according to the criteria set out in the AFEP-MEDEF Code.

The review of the independence of these Directors was carried out by the Board of Directors on the basis, in particular, of a study of the relationships existing between the Company and the companies in which the Directors hold offices.

If the Annual General Meeting approves the appointments and renewals that are proposed by the Board of Directors, the number of Independent Directors would be 7 out of 14, *i.e.* an independence rate of 50% (the two Directors representing the employees are not taken into account pursuant to the AFEP-MEDEF Code).

3.2. Balanced gender representation in the Board of Directors

If the Annual General Meeting approves the appointments and renewals submitted to it, the number of women in the Board of Directors would be 7 out of the 14 Directors appointed by the Annual General Meeting, *i.e.* a percentage representation of women of 50% (the two Directors representing the employees are not taken into account pursuant to the French Commercial Code).

3.3. Length of office and minimum number of shares held

The term of office of the Directors appointed by the L'Oréal Annual General Meeting is four years or less to allow a scheduled renewal of the terms of office of Directors. The term of office of a Director who is not appointed by the Annual General Meeting is four years.

Directors appointed by the Annual General Meeting must each hold a minimum of 250 L'Oréal shares: at least 125 shares on the date of their appointment by the Annual General Meeting, and the balance no later than 24 months after their appointment. The complete list of the duties of the Directors is provided in section 2.2.2. of the 2021 Universal Registration Document.

Fourth resolution: renewal of the term of office of Mr Jean-Paul Agon as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews Mr Jean-Paul Agon's term of office as a Director for a term of four years.

His term of office will expire at the end of the Annual General Meeting to be held in 2026 and called to approve the financial statements for the previous financial year.

Fifth resolution: renewal of the term of office of Mr Patrice Caine as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews Mr Patrice Caine's term of office as a Director for a term of four years.

His term of office will expire at the end of the Annual General Meeting to be held in 2026 and called to approve the financial statements for the previous financial year.

Sixth resolution: renewal of the term of office of Ms Belén Garijo as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews the term of office as Director of Ms Belén Garijo for a term of four years.

Her term of office will expire at the end of the Annual General Meeting to be held in 2026 and called to approve the financial statements for the previous financial year.

Resolutions 7 and 8: Appointments of Statutory Auditors

| Explanatory statement

The terms of office of Deloitte & Associés and PricewaterhouseCoopers Audit, Statutory Auditors of the Company, are due to expire at the close of this Annual General Meeting.

It should be noted that, since the reform of the statutory audit, the maximum term of office for Statutory Auditors is twenty-four consecutive years.

In view of the term limit that would be reached for the two Statutory Auditors at the end of the certification of the financial statements for the 2027 financial year, the Audit Committee examined the situation, particularly with the objective of ensuring continuity of the audit and robust quality control mechanisms.

As a result, the Audit Committee recommended to the Board of Directors the early appointment in 2022 of a new Statutory Auditor that will work alongside one of the Statutory Auditors that has been engaged in this work since 2004, thus facilitating the transition.

The Audit Committee conducted a tender procedure during financial year 2020 to comply with the one-year period prior to the appointment of a new Statutory Auditor during which it may not perform certain services. An internal validation committee, set up by the General Management, reviewed the written applications, interviewed the various candidates, and carried out additional checks in consultation with the Audit Committee. This transparent and equitably organised selection procedure enabled the Audit Committee, after examining several proposals, to make a recommendation to the Board of Directors at its meetings on 14 October and 3 December 2020.

The Audit Committee thus recommended to the Board of Directors that it renew the tenure of Deloitte & Associés as Statutory Auditor. It also recommended the appointment of Ernst & Young, particularly in view of its practical approach based on specific examples that demonstrate a solid understanding of the Group's activities, its centralised and digital approach, and the expertise of its teams. The term of offices would be for a period of six (6) financial years expiring at the close of the Annual General Meeting called to approve the financial statements for the 2027 financial year.

It is also noted that, since the entry into force of Law no. 2016-1691 of 9 December 2016 on transparency, fight against corruption and modernisation of economic life (the "Sapin 2" law), the appointment of a substitute Statutory Auditor is required only if the Statutory Auditor is a natural person or a sole proprietorship (Article L. 823-1, I of the French Commercial Code).

As a result, the Annual General Meeting is asked to note that the terms of office of the Beas company and of Mr Jean-Christophe Georghiou, the substitute Statutory Auditors of the Company, have expired and, in view of the proposed renewal of the term of office of Deloitte & Associés and the appointment of Ernst & Young, to decide not to renew the terms of the substitute Statutory Auditors or replace them.

Seventh resolution: renewal of the term of office of Deloitte & Associés as Statutory Auditor

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors and having noted the expiration of the term of Deloitte & Associés as Statutory Auditor at the end of this General Meeting, renews its term for a period of six years. Its term will expire at the end of the Annual Ordinary General Meeting called to approve the financial statements for the financial year ending on 31 December 2027.

The Annual General Meeting notes that the term of the Beas company as substitute Statutory Auditor has expired, and votes not to renew or replace the substitute Statutory Auditor.

Eighth resolution: appointment of Ernst & Young as Statutory Auditor

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, approves the appointment of Ernst & Young as Statutory Auditor for a period of six financial years to replace PricewaterhouseCoopers Audit whose term expires at the end of this Annual General Meeting. Its term will expire at the end of the Annual Ordinary General Meeting called to approve the financial statements for the financial year ending on 31 December 2027.

The Annual General Meeting notes that the term of Mr Jean-Christophe Georghiou as substitute Statutory Auditor has expired, and votes not to renew or replace the substitute Statutory Auditor.

Resolutions 9, 10, 11, 12, 13, 14 and 15: Remuneration of directors and corporate officers of the Company

| Explanatory statement

The Annual General Meeting is called to approve the remunerations of L'Oréal's directors and corporate officers for 2021 (***ex post*** vote).

The Annual General Meeting must vote every year on the remuneration granted or paid during the financial year ended to directors and corporate officers of the Company.

This "***ex-post***" vote covers two series of resolutions: one concerning all directors and corporate officers, *i.e.* for L'Oréal, the Directors, the Chairman and Chief Executive Officer up to 30 April 2021 then, from 1 May 2021 onwards, the Chairman of the Board of Directors and the Chief Executive Officer; and the other concerning only the corporate officers of the Company, *i.e.* for L'Oréal, the Chairman and Chief Executive Officer up to 30 April 2021 then, from 1 May 2021 onwards, Mr Jean-Paul Agon, Chairman of the Board of Directors, and Mr Nicolas Hieronimus, Chief Executive Officer.

Therefore, the shareholders are called, by the vote on the **ninth resolution**, to approve the information on the remuneration of each of the aforementioned directors and corporate officers of L'Oréal for 2021 as required by Article L. 22-10-9, I of the French Commercial Code. This information is provided in section 2.4.2. of the 2021 Universal Registration Document.

They are also called, by the vote on the **tenth resolution**, to approve the fixed and variable components of the total remuneration and benefits of any kind paid during 2021 or allocated for that year to Mr Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal, for the period from 1 January 2021 to 30 April 2021, pursuant to Article L. 22-10-34, II of the French Commercial Code. This information is provided in section 2.4.2.2. of the 2021 Universal Registration Document and is summarised in the following table ("Summary table of the components of remuneration paid in 2021 or allocated for that year to Mr Jean-Paul Agon, Chairman and Chief Executive Officer, for the period from 1 January 2021 to 30 April 2021").

By the vote on the **eleventh resolution**, they are called to approve the fixed and variable components of the total remuneration and benefits of any kind paid during 2021 or allocated for that year to Mr Jean-Paul Agon, Chairman of the Board of Directors of L'Oréal, for the period from 1 May 2021 to 31 December 2021, pursuant to Article L. 22-10-34, II of the French Commercial Code. This information is provided in section 2.4.2.4. of the 2021 Universal Registration Document and is summarised in the following table ("Summary table of the components of remuneration paid in 2021 or allocated for that year to Mr Jean-Paul Agon, Chairman, as from 1 May 2021").

By the vote on the **twelfth resolution**, they are called to approve the fixed and variable components of the total remuneration and benefits of any kind paid in 2021 or allocated for that year to Mr Nicolas Hieronimus, Chief Executive Officer of L'Oréal, for the period from 1 May 2021 to 31 December 2021, pursuant to Article L. 22-10-34, II of the French Commercial Code. This information is provided in section 2.4.2.3. of the 2021 Universal Registration Document and is summarised in the following table ("Summary table of the components of remuneration paid in 2021 or allocated for that year to Mr Nicolas Hieronimus, Chief Executive Officer as from 1 May 2021").

The Annual General Meeting is called to approve the remuneration policy for L'Oréal's directors and corporate officers (***ex ante*** vote).

In the **thirteenth to fifteenth resolutions**, the Annual General Meeting is asked to approve, pursuant to the provisions of Article L. 22-10-8, II of the French Commercial Code, the remuneration policies for the directors and corporate officers of L'Oréal. These policies shall apply as from financial year 2022 until the Annual General Meeting approves a new remuneration policy.

The provisions of these remuneration policies established by the Board of Directors are set out in section 2.4.1. of the 2021 Universal Registration Document. Shareholders are called to approve separately:

- by the vote on the **thirteenth resolution**, the remuneration policy for the Directors of L'Oréal established by the Board of Directors as provided in section 2.4.1.1. of the 2021 Universal Registration Document;
- by the vote on the **fourteenth resolution**, the remuneration policy for the Chairman of the Board of Directors presented in the Report of the Board of Directors as set out in section 2.4.1.2.2. of the 2021 Universal Registration Document;
- by the vote on the **fifteenth resolution**, the remuneration policy for the Chief Executive Officer provided in section 2.4.1.2.1. of the 2021 Universal Registration Document.

8

SUMMARY TABLE OF THE COMPONENTS OF REMUNERATION PAID IN 2021 OR ALLOCATED FOR THAT YEAR TO MR JEAN-PAUL AGON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, FOR THE PERIOD FROM 1 JANUARY 2021 TO 30 APRIL 2021

Remuneration components submitted for a vote	Amounts allocated for the 2021 financial year or accounting valuation	Amounts paid in 2021 or accounting valuation	Description
Fixed remuneration	**€733,333** Prorated portion of the annual €2,200,000, over the period from 01/01/2021 to 30/04/2021		At its meeting of 11 February 2021, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to maintain the amount of Mr Jean-Paul Agon's fixed remuneration at the gross amount of €2,200,000 on an annual basis. This amount has not changed since 2014. A prorated portion of €733,333 (gross) for the period from 1 January 2021 to 30 April 2021 was paid.
Annual variable remuneration	**€730,400** *i.e.* 99.6% out of €733,333 (€733,333 is the prorated portion of the €2,200,000 maximum annual variable remuneration over the period from 01/01/2021 to 30/04/2021)		The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year. Annual variable remuneration can amount to a maximum of 100% of the fixed remuneration. A prorated portion for the period from 1 January 2021 to 30 April 2021 will be paid. **CRITERIA FOR ASSESSMENT OF PERFORMANCE FOR 2021** ● **Financial criteria** **60%** • Evolution in like-for-like sales as compared to the budget 15% • Evolution in market share as compared to the main competitors 15% • Evolution in operating profit as compared to the budget 10% • Evolution in net earnings per share as compared to the budget 10% • Evolution in cash flow as compared to the budget 10% ● **Non-financial and qualitative criteria** **40%** • Quantifiable criteria: 25% - L'Oréal for the Future: sustainable development commitments for 2030 10% - Human Resources: gender parity, development of talented employees, access to training 7.5% - Digital development 7.5% • Individual qualitative performance: 15% - Management 7.5% - Image, company reputation, dialogue with stakeholders 7.5% The assessment is carried out on a criterion-by-criterion basis without offsetting among the criteria. A summary of the achievements for 2021 is available in section 2.4.2.2. of Chapter 2 of this document. **ASSESSMENT FOR 2021 BY THE BOARD OF DIRECTORS' MEETING OF 9 FEBRUARY 2022** On the basis of the aforementioned assessment criteria, the Board of Directors decided, on the recommendation of the Human Resources and Remuneration Committee, to award gross variable remuneration of €730,400 for 2021, or 99.6% of the maximum target, given the level of achievement of the financial criteria and the qualitative and non-financial criteria of 100% and 99%, respectively. The assessment elements are detailed in section 2.4.2.2. of Chapter 2 of this document.
		€859,831 97.71% out of a maximum target of 40% of the fixed remuneration, *i.e.* €880,000	As a reminder, following the approval by the Annual General Meeting of 20 April 2021 of the tenth resolution, an annual variable remuneration was paid for the 2020 financial year amounting to a total of €859,831, since the Board of Directors decided on 11 February 2021, as proposed by the Human Resources and Remuneration Committee, that 97.71% of the maximum objective had been achieved. It should be noted that Mr Jean-Paul Agon had informed the Board of Directors, which accepted it, that he would waive all remuneration for 2020 relating to the financial targets for his annual variable remuneration, which could have reached up to 40% of the fixed remuneration if non-financial and qualitative targets were achieved (instead of a maximum of 100% for which he was eligible under the remuneration policy detailed in section 2.4.1. of Chapter 2 of the 2020 Universal Registration Document).

Remuneration components submitted for a vote	Amounts allocated for the 2021 financial year or accounting valuation	Amounts paid in 2021 or accounting valuation	Description
Performance shares	**N/A**		The Board of Directors decided not to grant any performance shares to Mr Jean-Paul Agon for the period from 1 January to 30 April 2021, insofar as his position as Chairman and Chief Executive Officer ended at the end of this period.
Remuneration of Directors	**€0**		Mr Jean-Paul Agon does not receive any remuneration as Director.
Benefits in addition to remuneration	**€0** **€3,517**		● **Benefits in kind** Mr Jean-Paul Agon benefited from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes: defined contribution pension, employee benefit and healthcare schemes** Mr Jean-Paul Agon continued to be treated in the same way as a senior manager during the term of his corporate office, which allowed him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension, employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme. The continuation of this treatment was approved by the Annual General Meeting on 27 April 2010. The amount of the employer's contributions to the employee benefit and healthcare schemes for the period from 1 January to 30 April 2021 amounted to €1,392 (gross), and the amount of the employer's contribution to the defined contribution pension scheme amounted to €2,125 (gross).

SUMMARY TABLE OF THE COMPONENTS OF REMUNERATION PAID IN 2021 OR ALLOCATED FOR THAT YEAR TO MR JEAN-PAUL AGON, CHAIRMAN, AS FROM 1 MAY 2021

Remuneration components submitted for a vote	Amounts allocated for the 2021 financial year or accounting valuation	Amounts paid in 2021 or accounting valuation	Description
Fixed remuneration	**€1,066,666** Prorated portion of the annual €1,600,000, over the period from 01/05/2021 to 31/12/2021		At its meeting of 11 February 2021, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors set the amount of Mr Jean-Paul Agon's fixed remuneration at the gross amount of €1,600,000 on an annual basis. A prorated portion for the period from 1 May to 31 December 2021 was paid, *i.e.* a gross amount €1,066,666.
Benefits in addition to remuneration	**€0** **€2,289**		● **Benefits in kind** Mr Jean-Paul Agon benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Employee benefit scheme** Mr Jeant-Paul Agon benefits from the same employee benefit scheme as the senior managers of the Company.

SUMMARY TABLE OF THE COMPONENTS OF REMUNERATION PAID IN 2021 OR ALLOCATED FOR THAT YEAR TO MR NICOLAS HIERONIMUS, CHIEF EXECUTIVE OFFICER, AS FROM 1 MAY 2021

Remuneration components submitted for a vote	Amounts allocated for the 2021 financial year or accounting valuation	Amounts paid in 2021 or accounting valuation	Description
Fixed remuneration	**€1,333,333** Prorated portion of the annual €2,000,000, over the period from 01/05/2021 to 31/12/2021		At its meeting of 11 February 2021, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors set the amount of the fixed remuneration of Mr Nicolas Hieronimus at the gross amount of €2,000,000 on an annual basis. A prorated portion for the period from 1 May to 31 December 2021 was paid, i.e. a gross amount of €1,333,333.
Annual variable remuneration	**€1,552,667** *i.e.* 116.45% out of €1,333,333 (€1,333,333 is the prorated portion of the €2,000,000 target annual variable remuneration over the period from 01/05/2021 to 31/12/2021)		The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year. The target is set at 100% of the fixed remuneration (or €2,000,000 gross); the annual variable remuneration may reach up to 120% of the fixed remuneration (€2,400,000 gross) if there is outperformance on the objectives. A prorated portion for the period from 1 May 2021 to 31 December 2021 will be paid. **CRITERIA FOR ASSESSMENT OF PERFORMANCE FOR 2021** ● **Financial criteria** **60%** • Evolution in like-for-like sales as compared to the budget 15% • Evolution in market share as compared to the main competitors 15% • Evolution in operating profit as compared to the budget 10% • Evolution in net earnings per share as compared to the budget 10% • Evolution in cash flow as compared to the budget 10% ● **Non-financial and qualitative criteria** **40%** • Quantifiable criteria: 25% - L'Oréal for the Future: sustainable development commitments for 2030 10% - Human Resources: gender parity, development of talented employees, access to training 7.5% - Digital development 7.5% • Individual qualitative performance: 15% - Management 7.5% - Image, company reputation, dialogue with stakeholders 7.5% The assessment is carried out on a criterion-by-criterion basis without offsetting among the criteria. A summary of the achievements for 2021 is available in section 2.4.2.3. of Chapter 2 of this document. **ASSESSMENT FOR 2021 BY THE BOARD OF DIRECTORS' MEETING OF 9 FEBRUARY 2022**
			On the basis of the aforementioned assessment criteria, the Board of Directors decided, on the recommendation of the Human Resources and Remuneration Committee, to award gross variable remuneration of €1,552,667 for 2021, or 116.45% of the maximum target, given the level of achievement of the financial criteria and the qualitative and non-financial criteria of 119.3% and 112.1%, respectively. The assessment elements are detailed in section 2.4.2.3. of Chapter 2 of this document.

Remuneration components submitted for a vote	Amounts allocated for the 2021 financial year or accounting valuation	Amounts paid in 2021 or accounting valuation	Description
Performance shares	17,000 performance shares valued at €5,768,780 (estimated fair value according to the IFRS applied for the preparation of the consolidated financial statements)	N/A	Pursuant to the authorisation of the Extraordinary General Meeting of 30 June 2020 (thirteenth resolution), the Board of Directors decided on 7 October 2021, on the recommendation of the Human Resources and Remuneration Committee, to conditionally grant 17,000 shares (ACAs) to Mr Nicolas Hieronimus. This grant is in accordance with the 2021 remuneration policy defined by the Board of Directors on 11 February 2021 and approved by the Annual General Meeting of 20 April 2021. The fair value of one ACA in the Plan of 7 October 2021, measured according to the IFRS applied for the preparation of the consolidated financial statements, is €339.34, representing, for the 17,000 ACAs granted in 2021 to Mr Nicolas Hieronimus, a fair value of €5,768,780. Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a four-year vesting period as from the grant date. Half of the number of fully vested shares will depend on the growth in comparable cosmetics sales compared to the growth of a panel of L'Oréal's competitors, which consists of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, and Coty; the other half will depend on the growth in L'Oréal Group's consolidated operating profit. The calculation will be based on the arithmetical average for the three full financial years of the vesting period. The first full year taken into account for assessment of the performance conditions relating to this grant is 2022. Tracking the performance conditions year after year is detailed in section 7.4.3.6. of Chapter 7 of the 2021 Universal Registration Document. Concerning the sales criterion, in order for all the performance shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors, no share will be allocated for this criterion. Concerning the criterion related to operating profit, a level of growth, defined by the Board of Directors, but not made public for confidentiality reasons, must be met or exceeded in order for all the performance shares granted to finally vest for the beneficiaries at the end of the vesting period. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion. The grant of shares to Mr Nicolas Hieronimus in 2021 represents 0.003% of the total number of ACAs granted to the 2,408 beneficiaries of this same Plan. In accordance with the authorisation of the Annual General Meeting of 30 June 2020, this grant of shares does not represent more than 0.6% of the share capital, it being understood that the maximum amount granted to executive corporate officers may not represent more than 10% of the total amount of free shares that may be granted. No share subscription or purchase options or other long-term incentives have been granted to Mr Nicolas Hieronimus in 2021.
Remuneration of Directors (formerly known as "attendance fees")	**€0**		Mr Nicolas Hieronimus does not receive any remuneration as Director.
Benefits in addition to remuneration	**€0** **€7,047**		● **Benefits in kind** Mr Nicolas Hieronimus benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes: defined contribution pension, employee benefit and healthcare schemes** Mr Nicolas Hieronimus continues to be treated in the same way as a senior manager during the term of his office, which will allow him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme. The amount of the employer's contributions to the employee benefit and healthcare schemes for the period from 1 May to 31 December 2021 amounted to €2,796 (gross), and the amount of the employer's contribution to the defined contribution pension scheme amounted to €4,251 (gross). The continuation of this treatment was approved by the Annual General Meeting on 20 April 2021.

Ninth resolution: approval of the information on the remuneration of each of the directors and corporate officers required by Article L. 22-10-9, I of the French Commercial Code

Pursuant to Article L. 22-10-34 of the French Commercial Code, the Annual General Meeting, voting with the quorum and majority required for Ordinary General Meetings, approves the information described in section I of Article L. 22-10-9 of the French Commercial Code as presented in section 2.4.2. of the 2021 Universal Registration Document.

Tenth resolution: approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to Mr Jean-Paul Agon, in his capacity as Chairman and Chief Executive Officer (from 1 January 2021 to 30 April 2021)

Pursuant to Article L. 22-10-34, II of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to the Chairman and Chief Executive Officer, Mr Jean-Paul Agon, for the period from 1 January 2021 to 30 April 2021, as presented in section 2.4.2.2. of the 2021 Universal Registration Document.

Eleventh resolution: approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to Mr Jean-Paul Agon, in his capacity as Chairman of the Board of Directors (from 1 May 2021 to 31 December 2021)

Pursuant to Article L. 22-10-34, II of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to the Chairman of the Board of Directors, Mr Jean-Paul Agon, for the period from 1 May 2021 to 31 December 2021, as presented in section 2.4.2.4. of the 2021 Universal Registration Document.

Twelfth resolution: approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to Mr Nicolas Hieronimus, in his capacity as Chief Executive Officer (from 1 May 2021 to 3 December 2021)

Pursuant to Article L. 22-10-34, II of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2021 or allocated for that year to the Chief Executive Officer, Mr Nicolas Hieronimus, for the period from 1 May 2021 to 31 December 2021, as presented in section 2.4.2.3. of the 2021 Universal Registration Document.

Thirteenth resolution: approval of the remuneration policy for Directors

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 of the French Commercial Code, approves the remuneration policy for Directors as presented in the aforementioned report and restated in section 2.4.1.1. of the 2021 Universal Registration Document.

Fourteenth resolution: approval of the remuneration policy for the Chairman of the Board of Directors

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 of the French Commercial Code, approves the remuneration policy for the Chairman of the Board of Directors as presented in the aforementioned report and restated in section 2.4.1.2.2. of the 2021 Universal Registration Document.

Fifteenth resolution: approval of the remuneration policy for the Chief Executive Officer

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 of the French Commercial Code, approves the remuneration policy for the Chief Executive Officer as presented in the aforementioned report and restated in section 2.4.1.2.1. of the 2021 Universal Registration Document.

Resolution 16: Approval of the repurchase agreement for L'Oréal's acquisition of 22,260,000 L'Oréal shares representing 4% of the capital as part of the procedure for related-party agreements

Explanatory statement

The Annual General Meeting is asked to vote on an agreement falling within the scope of Articles L. 225-38 *et seq.* of the French Commercial Code concerning the Company's acquisition of L'Oréal shares from Nestlé.

This agreement was signed on 7 December 2021 following the authorisation of the Board of Directors, and concerns the buyback from Nestlé of 22,260,000 L'Oréal shares, representing 4% of its capital and voting rights as at 30 November 2021. The unit price per L'Oréal share bought back is €400, for a total price of €8,904,000,000.

This agreement was entered into in the following context.

On 5 November 2021, the Board of Directors of L'Oréal decided, on the recommendation of a *ad hoc* committee, with a majority composed of independent Directors, to voluntarily designate the Ledouble firm represented by Ms Agnès Piniot as an independent expert.

The independent expert concluded that from a financial standpoint, the buyback price was fair for the Company and its shareholders, that the transaction would not affect the financial balance and the investment capacity of the Company and that the transaction, carried in the Company's interest, would be accretive for its shareholders and treated as a related-party transaction. The *ad hoc* committee reported the expert's work to the Board of Directors and presented its recommendations to the Board.

At its meeting of 7 December 2021 and pursuant to the provisions of Article L. 225-38 of the French Commercial Code, the Board of Directors, after reviewing the findings of the independent expert's report, authorised the conclusion of a share repurchase agreement between L'Oréal and Nestlé; the Directors having an interest did not participate in the deliberations or in the vote(1).

Nestlé, which holds a proportion of L'Oréal voting rights greater than 10% and which signed the repurchase agreement with L'Oréal, is considered to be an interested party within the meaning of the applicable regulation.

Mr Paul Bulcke did not participate in the deliberations and vote of the Board of Directors given that he is a Director of both L'Oréal and Nestlé and is, therefore, considered to be an interested party. Ms Béatrice Guillaume-Grabisch, a Nestlé employee, did not participate in the deliberations and vote because of a potential conflict of interest within the meaning of the AFEP-MEDEF Code and the Internal Rules of the Board of Directors.

The share repurchase transaction was carried out, pursuant to the sixteenth resolution approved by the Annual General Meeting of 20 April 2021, *via* the acquisition of an off-market block. The shares bought back were cancelled on 10 February 2022 by decision of the Board of Directors on 9 February 2022.

The buyback was funded using €4.5 billion in available cash from L'Oréal and through bank financing for the balance.

This transaction with Nestlé constitutes a further strategic step in strengthening L'Oréal's shareholder stability, in the interests of the Company and of all its shareholders.

The transaction helps optimise L'Oréal's balance sheet benefitting from excellent financing conditions, while retaining a significant financial flexibility to ensure the Group's future development. The transaction will also have an accretive effect on L'Oréal's earnings per share of more than 4% in a full year.

Inasmuch as this agreement falls within the scope of Article L. 225-38 of the French Commercial Code, it is subject to the approval of the Annual General Meeting.

Sixteenth resolution: approval of the repurchase agreement for L'Oréal's acquisition from Nestlé of 22,260,000 L'Oréal shares representing 4% of the capital as part of the procedure for related party agreements

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Special Report of the Statutory Auditors on the agreements covered by Articles L. 225-38 *et seq.* of the French Commercial Code, approves the agreement mentioned therein regarding the Company's repurchase of a block of 22,260,000 L'Oréal shares held by Nestlé.

---

(1) *Moreover, Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers did not attend the meetings of the Board of Directors and, as a result, did not participate in discussions or votes on any deliberation concerning this share repurchase transaction followed by cancellation of the shares.*

Resolution 17: Authorisation for the Company to buy back its own shares

| Explanatory statement

As the existing authorisation is due to expire in October 2022, it is proposed that the Annual General Meeting give the Board of Directors a new authorisation, it being specified that in the event of a public offer being filed by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy its own shares for the following purposes:

- cancelling them by a reduction in its capital;
- selling them within the scope of employee share ownership programmes and their allocation to free grants of shares for the benefit of employees, directors and corporate officers of the Group;
- market-making under a liquidity agreement entered into with an investment services provider in accordance with the ethics charter recognised by the French Financial Markets Authority (AMF); and
- retaining the shares and subsequently using them as payment in connection with external growth, merger, demerger or contribution.

The purchase, sale, exchange or transfer of these shares may be carried out by any means, on one or more occasions, in particular on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

This authorisation would take effect on the date of this Annual General Meeting and would expire at the end of a period of 18 months from the date of this Annual General Meeting. It would render ineffective from that day onwards any previous authorisation for the unused portion with the same purpose.

The purchase price per share may not exceed €600 (excluding expenses). The authorisation would cover a maximum of 10% of the capital – a maximum of 5% of the capital for the shares acquired to be retained and subsequently remitted (for payment, exchange, or other purposes) in the context of transactions for external growth, merger, demerger or contribution – which is, as an indication at 31 December 2021, 55,767,236 shares for a maximum of €33,460,341,600, it being understood that the Company may not, at any time, hold more than 10% of its own capital.

Seventeenth resolution: Authorisation for the Company to repurchase its own shares

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, authorises the Board of Directors, with the option to delegate to the Chief Executive Officer, to purchase shares of the Company in accordance with Articles L. 225-210 *et seq.* and L. 22-10-62 *et seq.* of the French Commercial Code, and EU Regulation No 596/2014 of the European Parliament and of the Council of 16 April 2014, and subject to the following conditions.

The Company may buy back its own shares under the conditions defined by the laws and regulations in force, and notably with a view to:

- cancelling them by a reduction in its capital;
- allocating or selling them to employees, directors and corporate officers of the Company and affiliates, under the terms and conditions provided for by French or foreign law, and in particular within the scope of employee profit sharing schemes, free grants of shares or all employee share ownership programmes as well as for the purpose of carrying out any transaction to cover the above-mentioned employee share ownership programmes;
- market-making under a liquidity agreement entered into with an investment services provider, in accordance with the ethics charter recognised by the French Financial Markets Authority (AMF); and
- retaining the shares and subsequently using them (as payment, in an exchange or otherwise) in connection with external growth, merger, demerger or contribution.

The purchase price per share may not exceed €600 (excluding expenses).

The number of shares that the Company may acquire may not exceed:

- for shares acquired to be retained and subsequently remitted (for payment, exchange, or other purposes) in connection with transactions for external growth, merger, demerger, or contribution: 5% of the number of shares making up the Company's capital on the date of completion of these buybacks, *i.e.* as an indication at 31 December 2021, 27,883,618 shares for a maximum amount of €16,730,170,800;
- for shares acquired for another purpose: 10% of the number of shares making up the Company's share capital on the date of completion of these repurchases, *i.e.* as an indication at 31 December 2021, 55,767,236 shares for a maximum amount of €33,460,341,600; and
- it being understood that the Company may not, at any time, hold more than 10% of its own capital.

The purchase, sale, exchange or transfer of these shares may be carried out by any means on one or more occasions, on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

These transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned, it being specified that in the event of a public offer being filed by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Annual General Meeting decides that this authorisation will take effect on the date of this Annual General Meeting and will expire at the end of a period of 18 months from the date of this Annual General Meeting. It renders ineffective from this day onwards any previous authorisation for the unused portion with the same purpose.

The Board of Directors will have the option of allocating and reassigning to any of these objectives all the treasury shares currently held by the Company. Full powers are granted to the Board of Directors, with the option for it to delegate, for the implementation of this resolution and, more generally, to do anything that may be necessary.

8.1.2. Extraordinary part

Resolution 18: Authorisation given to the Board of Directors to reduce the share capital by cancelling the shares acquired by the Company under article L. 22-10-62 of the French Commercial Code

| Explanatory statement

The authorisation granted to the Board of Directors in 2020 to cancel shares purchased by the Company within the scope of Article L. 22-10-62 of the French Commercial Code is due to expire.

It is proposed that the Annual General Meeting give the Board a new authorisation allowing it to cancel shares, subject to the statutory limits, namely 10% of the existing share capital on the date of the cancellation, per twenty-four month period.

This authorisation would be granted for a duration of twenty-six months from the date of this Annual General Meeting and would render ineffective, as from this date, for the unused portion, any prior authorisation for the same purpose.

Eighteenth resolution: authorisation given to the Board of Directors to reduce the share capital by cancelling the shares acquired by the Company under Article L. 22-10-62 of the French Commercial Code

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, authorises the Board of Directors, in accordance with Article L. 22-10-62 of the French Commercial Code, to cancel, on one or more occasions, all or some of the shares held by the Company under Article L. 22-10-62 of the French Commercial Code, subject to a limit of 10% of the share capital existing on the date of cancellation per twenty-four month periods.

Full powers are granted to the Board of Directors, with the ability to delegate, to:

- carry out a reduction in share capital by a cancellation of shares;
- determine the final amount of the capital reduction;
- set the terms and conditions and record completion;
- deduce the difference between the book value of the shares cancelled and their nominal amount from the available reserves and premiums;
- amend the articles of association accordingly; and
- more generally, carry out all formalities and do everything necessary for the implementation of this resolution.

The Annual General Meeting decides that this authorisation will take effect on the date of this Annual General Meeting and will expire at the end of a period of twenty-six months from the date of this Annual General Meeting. It renders ineffective from this day onwards any previous authorisation for the unused portion with the same purpose.

Resolution 19: Authorisation granted to the Board of Directors to carry out free grants of existing shares and/or shares to be issued with cancellation of shareholders’ preferential subscription right to employees and corporate officers

| Explanatory statement

It is proposed that the Annual General Meeting renew its authorisation to carry out free grants of shares to Group employees and certain corporate officers which will expire in August 2022.

Under the scope of this authorisation, the number of free shares that may be granted may not exceed 0.6% of the share capital on the date of the Board of Directors’ decision.

The total number of free shares granted to the executive officers during a financial year may not represent more than 10% of the total number of free shares granted during this same financial year.

Pursuant to Article L. 225-197-1 of the French Commercial Code, the free grant of shares to their beneficiaries will become final and binding subject to the satisfaction of the other conditions set at the time of the grant, and specifically the employment condition, for all or part of the shares granted:

- either after a minimum vesting period of two years, and in this case, without a minimum holding period;
- or after a minimum vesting period of one year, it being stated that the beneficiaries must then hold these shares for a minimum of one year from their final allocation.

In all cases, the Board of Directors proposes that the vesting and holding periods should be a minimum of four years. The Board of Directors shall have the power, in all cases, to provide for vesting periods which are longer than the minimum periods set above or to provide for a holding period.

If the Annual General Meeting approves this resolution, any free grant of shares shall be decided by the Board of Directors on the basis of the proposals made by the General

Management and examined by the Human Resources and Remuneration Committee.

The Board of Directors will decide the identity of the beneficiaries of the grants, the number of shares allocated to each one and the performance conditions to be met for the final vesting of all or part of the shares.

The Board of Directors, at its meeting of 9 February 2022 and on the recommendation of the Human Resources and Remuneration Committee, has now decided to introduce criteria for non-financial performance in addition to financial performance within the long-term remuneration plan, in order to correlate them with L'Oréal's strategy in which economic performance and environmental and social performance go hand-in-hand.

These performance conditions will take into account:

- in part, **financial performance criteria** on the basis of:
  - growth in comparable cosmetics sales of L'Oréal as compared to a panel of L'Oréal's major direct competitors; and
  - growth in L'Oréal's consolidated operating profit;
- in part, **non-financial performance criteria** on the basis of:
  - fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (% of sites that are "carbon neutral"; % of ingredients of biobased formulas that are traceable and come from sustainable source; % of plastic packaging that is recycled or biobased; number of people benefitting from our brands' social engagement programmes), hereinafter "L'Oréal for the Future Committements"; and
  - gender balance within management bodies (strategic positions including the Executive Committee, hereinafter the Management Bodies).

The figures recorded each year to determine the levels of performance achieved are published in the Annual Financial Report.

The Board of Directors considers that both of these types of criteria, assessed over a long period of three full financial years, are complementary, in line with the Group's objectives and its specificities, and should make it possible to promote balanced, continuing and sustainable growth over the long term. They are demanding but remain a source of motivation for the beneficiaries.

Pursuant to the criterion relating to sales, in order for all free shares granted to be fully vested by the beneficiaries at the end of the vesting period, L'Oréal's comparable growth in sales must outperform the average growth in sales of the panel of competitors. This panel comprises Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, and Coty. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors, no share will be allocated for this criterion.

Pursuant to the criterion related to operating profit, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all free shares granted to be finally vested by the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares is in decline. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

Pursuant to the criterion related to the fulfilment of made as L'Oréal for the Future Commitments, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, a certain average level of achievement of the L'Oréal for the Future Committements, defined by the Board and made public, must be reached over the period. Below this level, the grant decreases. No shares will vest if the average of the results for the L'Oréal for the Future Committements falls below the minimum level defined by the Board and made public.

Pursuant to the criterion relating to gender balance within Management Bodies, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, the average representation of one of the sexes must account for at least 40% of employees on the Management Bodies. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.

These performance conditions will apply, for all individual grants greater than 100 free shares per plan, to all shares above the hundredth share, with the exception of grants to the directors and corporate officers and members of the Executive Committee, for which they will apply in total.

The free grant of shares may be carried out for all Group staff without performance conditions, or for shares allocated on the basis of cash subscriptions carried out as part of an increase in share capital reserved for Group employees pursuant to the twentieth and twenty-first resolutions.

Any allocations of shares to the directors and corporate officers will be decided by the Board of Directors on the basis of the proposals of the Human Resources and Remuneration Committee after assessment of their performance.

The executive corporate officers of L'Oréal will be required to hold 50% of their fully vested shares in registered form until they cease to hold office.

Nineteenth resolution: authorisation granted to the Board of Directors to carry out free grants of existing shares and/or shares to be issued, with cancellation of shareholders' preferential subscription rights, to employees and corporate officers

The Annual General Meeting, voting in accordance with the quorum and majority required for Extraordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, and acting in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code:

1. authorises the Board of Directors to carry out, on one or several occasions, free grants of existing L'Oréal shares or L'Oréal shares to be issued in L'Oréal to employees and executive officers of the Company and of its French or foreign affiliates under the conditions of Article L. 225-197-2 of the French Commercial Code, or to certain categories of such affiliates;
2. sets the validity period of this authorisation, which may be used on one or several occasions, at twenty-six months from the date of the Annual General Meeting, and notes that this authorisation renders ineffective the unused portion of any prior authorisation for the same purpose;
3. decides that the number of free shares granted may not represent more than 0.6% of the share capital recorded on the date of the Board of Directors' decision, it being specified that this maximum number of shares, existing or to be issued, does not include the number of additional shares that may be allocated as the result of an adjustment in the number of shares initially granted following a transaction on the Company's share capital;
4. decides that the amount of the increases in capital that may be carried out pursuant to this resolution will be charged against the total ceiling stipulated in the seventeenth resolution of the Annual General Meeting of 20 April 2021 or, as applicable, against the ceiling stipulated by a similar resolution that may potentially succeed this seventeenth resolution during the valid period of this delegation;
5. decides that the number of free shares granted to the Company's executive officers during a financial year under this resolution may not represent more than 10% of the total number of free shares granted during the same financial year;
6. decides that the Board of Directors shall determine the identity of the beneficiaries of the allocations and the number of free shares granted to each one as well as the conditions to be met in order for the allocation to become binding, and notably the performance conditions, it being stated that the free grant of shares may be carried out without performance conditions as part of an allocation made (i) for the benefit of all employees and corporate officers of L'Oréal and, if applicable, of its French and foreign affiliates, or (ii) for the benefit of employees and corporate officers of foreign companies subscribing to a capital increase carried out pursuant to the twentieth and twenty-first resolutions put before this Annual General Meeting or taking part in an employee shareholder transaction through the disposal of existing shares, or (iii) for the benefit of employees that are not members of the Executive Committee for a maximum of 100 free shares allocated as part of each of the plans decided by the Board of Directors;
7. decides (i) that the grant of such shares to their beneficiaries, for all or part of the shares granted, will become final and binding subject to satisfying the other conditions set at the time of the grant, at the end of a minimum vesting period of four years, and (ii) that the Board of Directors may set, and if applicable decide the duration of, a holding period for the vested shares;
8. decides that the grant of these shares to their beneficiaries will become final and binding prior to the expiry of the above-mentioned vesting periods in the event of disability of the beneficiary corresponding to a classification in the second or third categories provided for in Article L. 341-4 of the French Social Security Code (*Code de la sécurité sociale*) and that such shares will be freely transferable in the event of disability of the beneficiary corresponding to a classification in the abovementioned categories under the French Social Security Code;
9. authorises the Board of Directors to carry out, where applicable, during the vesting period, adjustments to the number of shares associated with any possible transactions on the Company's share capital under the meaning of Article L. 225-181 of the French Commercial Code, so as to preserve the rights of the beneficiaries;
10. duly notes that this authorisation automatically entails, for the benefit of the beneficiaries of the free shares, the waiver by shareholders of their preferential subscription rights and of the portion of the reserves, profits or share premiums which, where applicable, are necessary for the issue of new shares; and
11. delegates full powers to the Board of Directors, with the ability to delegate within the legal limits, to implement this authorisation.

Resolutions 20 and 21: Delegations of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees and certain categories of employees internationally, with cancellation of the shareholders' preferential subscription rights

Explanatory statement

It is proposed to the Annual General Meeting, pursuant to the twentieth resolution, to delegate the Board of Directors with the authority to decide on a capital increase in favour of the Group's employees who are members of an Employee Savings Scheme.

This delegation, granted for a period of twenty-six months, would enable the employees of Group companies to subscribe to L'Oréal shares, in France, by registering for the Employee Savings Schemes.

The issue price may not be higher than the average of the trading prices recorded on the Euronext Paris market for the twenty trading days prior to the date of the decision setting the opening date of the subscription period, nor may it exceed the legal maximum of 30% of this average, it being specified that the Board of Directors, or its delegated agent, is expressly authorised, if he deems wise, to reduce or remove the discount.

In order for the Board of Directors to be able to implement, where applicable, a global employee share ownership programme under the best possible conditions, it is also proposed to the Annual General Meeting in the twenty-first resolution to delegate to the Board of Directors the authority to decide a share capital increase in favour of Group employees or categories of Group employees outside France.

This delegation, granted for a period of eighteen months, would make it possible to propose the subscription of L'Oréal shares to Group employees or categories of Group employees outside France, by adapting the conditions of the offering to local specificities.

The issue price would be determined under terms and conditions similar to those set for the twentieth resolution, and could also be set taking into account the specific regime of an offering of shares in the Company that would be carried out within the framework of a share ownership scheme governed by foreign law.

The Annual General Meeting is therefore asked, under the twentieth and twenty-first resolutions, to delegate to the Board of Directors the authority to decide to increase the share capital of the Company, on one or more occasions, within the limit of 1% of the share capital, which is, for information purposes at 31 December 2021 through the issue of 5,576,723 new shares; this ceiling being applicable jointly to the twentieth and twenty-first resolutions.

Twentieth resolution: delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of shareholders' preferential subscription rights

The Annual General Meeting, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings and acting in accordance with the provisions of Articles L. 225-129–2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labour Code:

1. delegates to the Board of Directors the authority to decide to carry out, on one or more occasions, on its own decisions alone, in the proportions and at the times it may consider appropriate, the issuance of ordinary shares or securities giving access to the Company's capital reserved for employees, directors and corporate officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are subscribers of an Employee Savings Scheme;
2. decides to cancel, in favour of the employees, directors, corporate officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are subscribers of an Employee Savings Scheme, the shareholders' preferential subscription rights to the shares or securities giving access to the Company's capital; it being specified that the subscription of the shares or securities giving access to the Company's capital issued on the basis of this resolution may be carried out through any employee investment fund and, in particular, a "structured" employee investment fund within the meaning of the regulations of the French financial markets authority (*Autorité des Marchés Financiers*), or any other collective body authorised by the regulations;
3. sets the period of validity of this delegation of authority at twenty-six months as from the date of this Annual General Meeting, and notes that this delegation renders ineffective the unused portion of any prior delegation for the same purpose; it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without prior authorisation of the General Meeting;
4. decides to set at 1% of the share capital existing at the date of this Annual General Meeting, the capital increase that could thus be carried out (namely, for information purposes, as at 31 December 2021, an increase in the share capital by a nominal amount of €1,115,344.60 by issuing 5,576,723 new shares); it being specified that the cumulative amount of the share capital increases that may be carried out under this resolution and the twenty-first resolution may not exceed the maximum amount of 1% of the share capital existing at the date of this Annual General Meeting, which constitutes a ceiling applicable jointly to the twentieth and twenty-first resolutions;

5. decides that the amount of the share capital increases that may be carried out pursuant to this resolution will be charged against the total ceiling stipulated in the seventeenth resolution of the Annual General Meeting of 20 April 2021 or, as applicable, against the ceiling stipulated by a similar resolution that may potentially succeed this seventeenth resolution during the valid period of this delegation;
6. decides that the subscription price may include a discount to the average of the trading prices on the Euronext Paris market for the 20 trading days prior to the date of the decision setting the opening date of the subscription period. Such discount may not exceed the legal maximum of 30% of this average, it being specified that the Board of Directors, or its delegated agent, if it deems appropriate, is expressly authorised to reduce or eliminate the discount, in particular to take into account market practices, legal and tax regimes applicable in the countries of residence of the beneficiaries of the capital increase;
7. decides, pursuant to Article L. 3332-21 of the French Labour Code, that the Board of Directors will be able to provide for the free grant to the beneficiaries specified above of shares that have already been issued or are to be issued, for the employer contribution that may be paid pursuant to the Employee Savings Scheme regulations, and/or in respect of the discount, provided that, after taking into account their equivalent monetary value, valued at the subscription price, this does not have the effect of exceeding the limits provided for in Articles L. 3332-11 and L. 3332-19 of the French Labour Code; and
8. decides that the Board of Directors will have full powers with the ability to delegate further under the conditions provided for by law, to implement this delegation of authority within the limits and under the conditions specified above, in particular in order to:
   - set the conditions that must be met by the employees and eligible former employees to be able to subscribe, individually or through an employee investment fund, to the shares issued pursuant to this delegation,
   - decide on the list of companies whose employees may benefit from the issue,
   - decide on the amount to be issued, the features, where applicable, of the securities giving rights to the Company's capital, the issue price, the dates of the subscription period and the terms and conditions of each issue,
   - set the time period allotted to the beneficiaries to pay up their securities and the payment terms,
   - set the date, even with retrospective effect, as of which the new shares will carry dividend rights,
   - deduct, where applicable, the costs, taxes and fees of such issues from the amount of the share premiums and deduct, where applicable, from the amounts of the share premiums, the amounts required to increase the legal reserve to the level required by French legislation and regulations in force, and, in the event of an issue of new free shares granted in respect of the employer contribution and/or discount, to deduct, where applicable, the sums necessary for paying up such shares from the reserves, profits or share premiums of its choice, and
   - in general, carry out all acts and formalities, take any decisions and enter into any agreement that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly.

Twenty-first resolution: delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the scope of an employee share ownership plan

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, and acting in accordance with the provisions of Articles L. 225-129-2 and L. 225-138 of the French Commercial Code:

1. delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or more occasions, in the proportions and at the times it may consider appropriate, through the issue of shares or securities giving access to the Company's capital with cancellation of shareholders' preferential subscription rights in favour of the beneficiaries defined below;
2. decides to cancel shareholders' preferential subscription rights to the shares and securities giving access to the Company's capital issued within the scope of this delegation of authority and to reserve the right to subscribe them to one or several categories of beneficiaries meeting the following characteristics: (i) employees, directors and corporate officers of affiliates of the Company under the conditions of Article L. 225-180 of the French Commercial Code and Article L. 3341-1 of the French Labour Code and which have their headquarters outside France and/or (ii) for UCITS or other entities governed by French or foreign law, whether or not they constitute a legal person, of employee share ownership schemes invested in shares of the Company whose unitholders or shareholders will consist of the persons mentioned in paragraph (i) or enabling the persons mentioned in paragraph (i) to benefit, either directly or indirectly, from a Company employee share ownership plan or employee share savings scheme;
3. sets the period of validity of this delegation of authority at eighteen months as from the date of this Annual General Meeting, and notes that this delegation renders ineffective the unused portion of any prior delegation for the same purpose; it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without prior authorisation of the Annual General Meeting;
4. decides that the issue price of the new shares, to be issued pursuant to this delegation of authority, will be set, (i) on the basis of an average of the trading prices on the Euronext Paris market for the 20 trading days prior to the date of the decision of the Board of Directors or the Chief Executive Officer, setting the opening date of the subscription period, with a maximum discount of 30%, and/or (ii) at the same price as decided at the time of a simultaneous transaction, and/or (iii) in accordance with the terms and conditions for setting the subscription price for the Company's shares taking into account the specific regime of an offering of shares in the Company that would be carried out within the framework of a share ownership scheme governed by foreign law, and in particular within the scope of a Share Incentive Plan in the United Kingdom or a 401k or 423 plan in the United States;

5. decides to set at 1% of the share capital existing at the date of this Annual General Meeting, the capital increase that could thus be carried out (namely, for information purposes, as at 31 December 2021, an increase in the share capital by a nominal amount of €1,115,344.60 by issuing 5,576,723 new shares); it being specified that the cumulative amount of the share capital increases that may be carried out under this resolution and the twentieth resolution may not exceed the maximum amount of 1% of the share capital existing at the date of this Annual General Meeting, which constitutes a ceiling applicable jointly to the twentieth and twenty-first resolutions;
6. decides that the amount of the share capital increases that may be carried out pursuant to this resolution will be charged against the total ceiling stipulated in the seventeenth resolution of the Annual General Meeting of 20 April 2021 or, as applicable, against the ceiling stipulated by a similar resolution that may potentially succeed this seventeenth resolution during the valid period of this delegation; and
7. decides that the Board of Directors will have full powers, to delegate further under the conditions provided for by law, with the ability to delegate authority on one or more occasions, in particular in order to:
   - set a list of beneficiaries, from one or more categories defined above, or the categories of employees who will be beneficiaries of each issue and the number of shares to be subscribed to by each of them,
   - determine the formulas and methods of subscription which will be presented to the employees in each country concerned, in light, where applicable, of the local legal constraints that apply, and select the countries chosen from those in which the Group has subsidiaries as well as such subsidiaries whose employees will be able to participate in the transaction,
   - decide on the maximum number of shares to be issued, within the limits set by this resolution and record the final amount of each capital increase and amend the Articles of Association accordingly,
   - decide on the dates and any other terms and conditions of such a share capital increase under the conditions provided for by law,
   - deduct the costs of such an increase in capital from the amount of the related share premiums and take from this amount the amounts necessary to increase the legal reserve to one-tenth of the new amount of the share capital resulting from such an increase, and
   - in general, carry out all acts and formalities, take any decisions and enter into any agreement that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly.

Resolutions 22, 23, 24 and 25: Amendment of Articles 9, 11, 2, 7 and 8 of the Company's Articles of Association

| Explanatory statement

The Annual General Meeting is being asked to amend:

- Article 9 of the Company's Articles of Association ("Deliberations of the Board of Directors) in order to raise the age limit for serving as Chairman of the Board of Directors until the end of the Ordinary Annual General Meeting following the 73rd birthday (instead of the 71st birthday). The proposed amendment is aimed at instituting an age limit for serving as Chairman of the Board of Directors identical to the limit applied in principle to Directors under the Board of Director's Internal Rules;
- Article 11 of the Company's Articles of Association ("General Management") to provide that the Chief Executive Officer shall cease to hold office at the end of the Ordinary Annual General Meeting that follows his 65th birthday. Pursuant to the French Commercial Code, in the absence of a relevant provision in the current Articles of Association, the age limit applicable to the Chief Executive Officer is 65 years and is assessed on the basis of the birthday of the person concerned. The proposed amendment is intended to specify that the Chief Executive Officer who reaches the age limit may continue to serve until the Ordinary Annual General Meeting following his 65th birthday;
- Article 2 of the Company's Articles of Association ("Corporate purpose") to remove the reference to the Banking Law of 1966 which has been codified in the French Monetary and Financial Code since Order no. 2000-1223 of 14 December 2000;
- Article 7 of the Company's Articles of Association ("Shares") in order to remove the provisions that have heretofore allowed identification of shareholders. Since French Law no. 2019-486 of 22 May 2019 on the growth and transformation of companies (the "Pacte Law"), these provisions are automatic and no longer require express stipulation in the Articles of Association (Article L. 228-2 of the French Commercial Code); and
- Article 8 of the Company's Articles of Association ("Board of Directors") to remove mention of the requirement for directors to own 5 shares in the Company. In fact, the Internal Rules of the Board of Directors provide that each Director named by the Annual General Meeting must own at least 250 shares in the Company: at least 125 shares on the date of their election by the Annual General Meeting, and the balance no later than 24 months after their election.

Twenty-second resolution: amendment of Article 9 of the Company's Articles of Association to change the age limit for serving as Chairman of the Board of Directors

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors, approves the amendment of § 1 of Article 9 of the Company's Articles of Association to change the age limit for serving as Chairman of the Board of Directors. The rest of the provisions of Article 9 of the Company's Articles of Association remain unchanged.

Current version of § 1 of Article 9 of the Articles of Association	New version of § 1 of Article 9 of the Articles of Association
Article 9 – Deliberations of the Board of Directors	Article 9 – Deliberations of the Board of Directors
§ 1 – The Board of Directors appoints from amongst its members a Chairman, who is a natural person, who may be elected for the whole period of his tenure as director, and who may be re-elected indefinitely, subject to the application of the cases of tenure termination stipulated by the French Commercial code and the application of the age limit set below.	§ 1 – The Board of Directors appoints from amongst its members a Chairman, who is a natural person, who may be elected for the whole period of his tenure as director, and who may be re-elected indefinitely, subject to the application of the cases of tenure termination stipulated by the French Commercial code and the application of the age limit set below.
The Chairman must be no more than 65 years old. He must cease to carry out his duties at the end of the Ordinary General Meeting to be held to review the financial statements of the year in which he reaches his 65th birthday.	The Chairman ~~**must be no more than 65 years old. He**~~ must cease to carry out his duties **at the latest** at the end of the Ordinary General Meeting ~~**to be held to review the financial statements of the year in which he reaches**~~ **that follows** his ~~**65th**~~**73rd** birthday.
However, the Board may renew or extend his tenure for one or two periods of a maximum of three years each, with the final date for cessation of duties being in all cases the end of the Ordinary General Meeting to be held to review the financial statements of the year in which he reaches his 71st birthday.	~~**However, the Board may renew or extend his tenure for one or two periods of a maximum of three years each, with the final date for cessation of duties being in all cases the end of the Ordinary General Meeting to be held to review the financial statements of the year in which he reaches his 71st birthday.**~~
(…)	(…)

Twenty-third resolution: amendment of Article 11 of the Company's Articles of Association in order to specify the age limit for serving as Chief Executive Officer

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors, resolves to amend § 1 of Article 11 of the Company's Articles of Association to change the age limit for serving as Chief Executive Officer. The rest of the provisions of Article 11 of the Company's Articles of Association remain unchanged.

Current version of § 1 of Article 11 of the Articles of Association	New version of § 1 of Article 11 of the Articles of Association
Article 11 – General Management	Article 11 – General Management
§ 1 – In accordance with legal provisions, the General Management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer.	§ 1 – In accordance with legal provisions, the General Management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer..
(…)	(…)
Changing the mode of exercise of the General Management does not involve a modification of the Articles of Association.	Changing the mode of exercise of the General Management does not involve a modification of the Articles of Association.
	The Chief Executive Officer must leave office no later than the end of the Ordinary Annual General Meeting that follows his 65th birthday.

Twenty-fourth resolution: amendment of Articles 2 and 7 of the Company's Articles of Association in the context of legislative or regulatory changes (Order no. 2000-1223 of 14 December 2000 and Law no. 2019-486 of 22 May 2019)

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary Annual General Meetings, having reviewed the Report of the Board of Directors, decides to amend Articles 2 and 7 of the Company's Articles of Association in order to take into account certain legislative or regulatory changes. The rest of the provisions of Articles 2 and 7 of the Company's Articles of Association remain unchanged.

Amendment of Article 2 of the Articles of Association: removal of the reference to the Banking Law since codified in the French Monetary and Financial Code:

Current version of Article 2 of the Articles of Association	Proposed new version of Article 2 of the Articles of Association
Article 2 – Corporate purpose	Article 2 – Corporate purpose
The Company's corporate purpose, both in France and/or at any other location anywhere throughout the entire world, without any territorial restrictions whatsoever on its business activity, shall be as follows:	The Company's corporate purpose, both in France and/or at any other location anywhere throughout the entire world, without any territorial restrictions whatsoever on its business activity, shall be as follows:
(…)	(…)
● the participation, pursuant to group policy, in cash management operations in accordance with Article 12-3 of the loi bancaire (Banking Law of 1984) whether as chef de file (manager) or not, either under the form of centralised cash management, centralised management of exchange rate risk, payments clearing within the group (netting), or by any other means authorised by applicable laws;	● the participation~~**, pursuant to group policy, in cash management operations in accordance with Article 12-3 of the loi bancaire (Banking Law of 1984) whether as chef de file (manager) or not, either under the form of centralised cash management, centralised management of exchange rate risk, payments clearing within the group (netting), or by any other means authorised by applicable laws**~~ **in all financing and treasury transactions with companies of the Group**;
● and the Company's direct or indirect involvement in all transactions such as those listed above, by means of the creation of companies, the contribution to pre-existing companies, the merger or the alliance with such companies, the conveyance or the lease to companies and/or to any and all other persons, of all or part of its assets and rights (involving either movable property or real property), the subscription, the purchase or the sale of corporate securities and rights, interests in limited partnerships, advances, loans or otherwise.	● and the Company's direct or indirect involvement in all transactions such as those listed above, by means of the creation of companies, the contribution to pre-existing companies, the merger or the alliance with such companies, the conveyance or the lease to companies and/or to any and all other persons, of all or part of its assets and rights (involving either movable property or real property), the subscription, the purchase or the sale of corporate securities and rights, interests in limited partnerships, advances, loans or otherwise.

Amendment of Article 7 of the Articles of Association: identification of shareholders:

Current version of Article 7 of the Articles of Association	Proposed new version of Article 7 of the Articles of Association
Article 7 – Shares	Article 7 – Shares
The Company is entitled, subject to the legal and statutory requirements in force, to ask at any time, in exchange for remuneration at its expense, the organisation in charge of clearing the securities to indicate, as the case may be, the name or company name, the nationality, the year of birth or year of incorporation and the address of holders of shares which immediately or ultimately confer on them a voting right in its own Shareholders' Meetings, and the type of securities held by them, and if applicable the restrictions which may apply to the securities.	~~The Company is entitled, subject to the legal and statutory requirements in force, to ask at any time, in exchange for remuneration at its expense, the organisation in charge of clearing the securities to indicate, as the case may be, the name or company name, the nationality, the year of birth or year of incorporation and the address of holders of shares which immediately or ultimately confer on them a voting right in its own Shareholders' Meetings, and the type of securities held by them, and if applicable the restrictions which may apply to the securities.~~
(…)	(…)

Twenty-fifth resolution: amendment of Article 8 of the Company's Articles of Association in order to remove the requirement for Directors to own five shares in the Company

The Annual General Meeting, voting with the quorum and majority required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors, hereby amends Article 8 of the Company's Articles of Association to eliminate mention of the requirement for Directors to own five shares in the Company. The rest of the provisions of Article 8 of the Company's Articles of Association remain unchanged.

Current version of Article 8 of the Articles of Association	Proposed new version of Article 8 of the Articles of Association
Article 8 – Board of Directors	Article 8 – Board of Directors
The Company is administered by a Board of Directors. The Board of Directors consists of at most eighteen members appointed by the Annual General Meeting.	The Company is administered by a Board of Directors. The Board of Directors consists of at most eighteen members appointed by the Annual General Meeting.
(…)	(…)
Each director appointed by the Annual General Meeting must own five shares in the Company.	~~Each director appointed by the Annual General Meeting must own five shares in the Company.~~

Resolution 26: Powers for formalities

| Explanatory statement

This resolution is intended to grant the powers necessary to carry out all formalities resulting from the Annual General Meeting.

Twenty-sixth resolution: Powers for formalities

The Annual General Meeting grants full powers to the bearer of an original, copy or extract of these minutes to accomplish all legal and administrative formalities, and to make all filings and announcements prescribed by law.

8.2. STATUTORY AUDITORS' REPORTS

8.2.1. Statutory Auditor's report on the share capital reduction

(Ordinary and Extraordinary Annual General Meeting of April 21, 2022 – Eighteenth resolution)

This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France

To the Shareholders,
L'ORÉAL
14, rue Royale
75008 Paris

In our capacity as Statutory Auditors of your Company and in accordance with article L.22-10-62 of the French Commercial Code (Code de commerce), which applies in the event of a share capital reduction by cancellation of shares purchased by a company, we hereby report to you on our assessment of the reasons for and terms and conditions of the planned share capital reduction.

The Board of Directors invites you to delegate, for a period of 26 months as from the date of this Annual General Meeting, the authority to cancel, on one or more occasions, up to a maximum limit of 10% of the share capital as of the date of the cancellation, and within a given period of 24 months, shares purchased pursuant to an authorization for the Company to purchase its own shares in accordance with the aforementioned article.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. Those standards require that we ensure that the reasons for and terms and conditions of the planned share capital reductions, which are not considered to affect shareholder equality, comply with the applicable legal provisions.

We have no matters to report on the reasons for and the terms and conditions of the proposed share capital reduction.

Neuilly-sur-Seine and Paris-La Défense, February 18, 2022
The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire FERRIÉ	David DUPONT-NOEL

8.2.2. Statutory Auditor's report on the authorisation of free grants of existing shares and/or shares to be issued

(Ordinary and Extraordinary Annual General Meeting of April 21, 2022 – Nineteenth resolution)

This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France.

To the Shareholders
L'ORÉAL
14, rue Royale
75008 Paris

In our capacity as the Statutory Auditors of your Company and in accordance with article L.225-197-1 of the French Commercial Code (Code de commerce), we hereby report to you on the proposed authorization of free grants of existing and/or newly issued shares to employees and corporate officers of L'Oréal and French or non-French entities related to your Company, within the meaning of article L.225-197-2 of the French Commercial Code, or to certain categories of said employees and corporate officers, a matter submitted for your approval.

The total number of shares likely to be granted under this authorization may not represent more than 0.6% of the Company's share capital as of the date of the Board of Directors' decision, it being specified that the aggregate amount of any share capital increases that may be carried out under this resolution will count towards the maximum limit for share capital increases set in the seventeenth resolution approved by the Annual General Meeting of April 20, 2021.

On the basis of its report, the Board of Directors invites you to authorize it, for a period of 26 months as from the date of this Annual General Meeting, to grant existing and/or newly issued shares on one or more occasions.

It is the role of the Board of Directors to prepare a report on the proposed transaction. It is our responsibility to provide you with our observations, if any, on the information provided to you on the proposed transaction.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying in particular that the proposed terms and conditions of the transaction described in the Board of Directors' report comply with applicable legal provisions.

We have no matters to report on the information provided in the Board of Directors' report, with respect to the proposed authorization to grant free shares.

Neuilly-sur-Seine and Paris-La Défense, February 18, 2022
The Statutory Auditors

PricewaterhouseCoopers Audit
Anne-Claire FERRIÉ

Deloitte & Associés
David DUPONT-NOEL

8.2.3. Statutory Auditors' report on the issue of shares and securities granting access to the Company's share capital reserved for members of an employee savings scheme

(Ordinary and Extraordinary Annual General Meeting of April 21, 2022 - Twentieth resolution)

This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France.

To the Shareholders
L'ORÉAL
14, rue Royale
75008 Paris

In our capacity as the Statutory Auditors of your Company and in accordance with articles L.228-92 and L.225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report to you on the proposed delegation of authority to the Board of Directors to issue shares or securities granting access to the Company's share capital, with cancelation of preferential subscription rights, reserved for employees, corporate officers and eligible former employees of your Company and of French and non-French entities related to your Company within the meaning of article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labour Code (Code du travail), who are members of a Company employee savings scheme, a matter submitted for your approval.

This transaction is submitted for your approval in accordance with the provisions of article L.225-129-6 of the French Commercial Code and articles L.3332-18 et seq. of the French Labour Code.

The total number of shares that may be issued, on one or more occasions, under this delegation, may not exceed 1% of the Company's share capital as at the date of this Annual General Meeting, it being specified that:

- the aggregate amount of the share capital increases that may be carried out under this resolution and the twenty first resolution may not exceed the maximum amount of 1% of the share capital as at the date of this Annual General Meeting, and
- the amount of any share capital increases that may be carried out, either immediately or in the future, under this resolution, will count towards the maximum limit for share capital increases set in the seventeenth resolution approved by the Annual General Meeting of April 20, 2021.

On the basis of its report, the Board of Directors invites you to delegate, for a period of twenty-six months as from the date of this Annual General Meeting, the authority to decide to undertake one or more share capital increases and to cancel your preferential subscription rights to the shares or securities to be issued. The Board of Directors would be responsible for setting the final terms and conditions of any such issue.

It is the role of the Board of Directors to prepare a report in accordance with articles R.225-113 et seq. of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the information taken from the financial statements, on the proposed cancelation of preferential subscription rights and on certain other information relating to the issue, presented in this report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying the information disclosed in the Board of Directors' report relating to the transaction and the terms and conditions for setting the issue price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of each proposed issue, we have no matters to report as regards to the methods used to set the issue price of the securities to be issued as set out in the Board of Directors' report.

Since the final terms and conditions of the issue(s) have not been set, we do not express an opinion in this respect or, consequently, on the proposed cancelation of shareholders' preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code, we will prepare an additional report if and when the Board of Directors uses this delegation of authority to issue shares or securities granting access to other securities, or issue securities granting access to securities to be issued.

Neuilly-sur-Seine and Paris-La Défense, February 18, 2022
The Statutory Auditors

PricewaterhouseCoopers Audit
Anne-Claire FERRIÉ

Deloitte & Associés
David DUPONT-NOEL

8.2.4. Statutory Auditors' report on the issue of shares and securities granting access to the Company's share capital reserved for categories of beneficiaries consisting of employees of foreign subsidiaries within the scope of an employee share ownership program

(Ordinary and Extraordinary Annual General Meeting of April 21, 2022 – Twenty first resolution)

This is a free translation into English of the Statutory Auditors' 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 auditing standards applicable in France.

To the Shareholders
L'ORÉAL
14, rue Royale
75008 Paris

In our capacity as the Statutory Auditors of your Company and in accordance with articles L.228-92 and L.225-135 et seq. of the French Commercial Code (Code de commerce), we hereby report to you on the proposed delegation of authority to the Board of Directors to issue shares or securities granting access to the Company's share capital, with cancelation of preferential subscription rights, reserved for one or more categories of beneficiaries meeting the following characteristics: (i) employees and corporate officers of entities related to the Company within the meaning of article L.225-180 of the French Commercial Code and article L.3341-1 of the French Labour Code (Code du travail), which have their registered office outside France and/or (ii) UCITS or other entities governed by French or non-French law, whether or not they have legal personality, established for the purposes of employee share ownership programs invested in shares of the Company whose unitholders or shareholders will consist of the persons defined in (i) or enabling the persons defined in (i) to benefit, either directly or indirectly, from an employee share ownership or Company employee share savings program, a matter submitted for your approval.

The total number of shares that may be issued, on one or more occasions, under this delegation, may not exceed 1% of the Company's share capital as at the date of this Annual General Meeting, it being specified that:

- the aggregate amount of the share capital increases that may be carried out under this resolution and the twentieth resolution may not exceed the maximum amount of 1% of the share capital as at the date of this Annual General Meeting,
- the amount of any share capital increases that may be carried out, either immediately or in the future, under this resolution, will count towards the maximum limit for share capital increases set in the seventeenth resolution approved by the Annual General Meeting of April 20, 2021.

On the basis of its report, the Board of Directors invites you to delegate, for a period of eighteen months as from the date of this Annual General Meeting, the authority to decide to undertake one or more share capital increases and to cancel your preferential subscription rights to the shares or securities to be issued. The Board of Directors would be responsible for setting the final terms and conditions of any such issue.

It is the role of the Board of Directors to prepare a report in accordance with articles R.225-113 et seq. of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the information taken from the financial statements, on the proposed cancelation of preferential subscription rights and on certain other information relating to the issue, presented in this report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying the information disclosed in the Board of Directors' report relating to the transaction and the terms and conditions for setting the issue price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of each proposed issue, we have no matters to report as regards the methods used to set the issue price of the securities to be issued as set out in the Board of Directors' report.

Since the final terms and conditions of the issue(s) have not been set, we do not express an opinion in this respect or, consequently, on the proposed cancelation of shareholders' preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code, we will prepare an additional report if and when the Board of Directors uses this delegation of authority to issue shares or securities granting access to other securities, or issue securities granting access to securities to be issued.

Neuilly-sur-Seine and Paris-La Défense, February 18, 2022
The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire FERRIÉ	David DUPONT-NOEL

9 APPENDICES

9.1. STATUTORY AUDITORS

9.1.1. Auditors

	Current appointments			
	Date of first appointment	Date of appointment	Term of office	Expiry date
Auditors				
PricewaterhouseCoopers Audit Auditor, member of the Compagnie Régionale de Versailles, represented by Anne-Claire Ferrié 63, rue de Villiers92200 Neuilly-sur-Seine (France)	29 April 2004	20 April 2016	6 years	AGM reviewing the financial statements for 2021 to be held in 2022
Deloitte & Associés Auditor, member of the Compagnie Régionale de Versailles, represented by Frédéric Moulin 6, place de la Pyramide 92908 Paris-La Défense Cedex (France)	29 April 2004	20 April 2016	6 years	AGM reviewing the financial statements for 2021 to be held in 2022
Substitute auditors				
Mr Georghiou Jean-Christophe 63, rue de Villiers 92200 Neuilly-sur-Seine (France)	20 April 2016	20 April 2016	6 years	
Société BEAS 6, place de la Pyramide 92908 Paris-La Défense Cedex (France)	27 April 2010	20 April 2016	6 years	

9.1.2. Fees accruing to auditors and members of their networks payable by the Group

See note 15 of the Consolidated financial statements in chapter 5 of this document.

9.2. HISTORICAL FINANCIAL INFORMATION INCLUDED BY REFERENCE

In accordance with Article 19 of European regulation EU No. 2017/1129 of 14 June 2017, this 2021 Universal Registration Document contains the following information by reference:

- the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRS and the accompanying Statutory Auditors' Report presented on pages 312 to 315 of the 2020 Registration Document, filed with the French Financial Markets Authority (AMF) on 16 March 2021 under number D.21-0125, and the information extracted from the 2020 Management Report presented on pages 33 to 42 of the 2020 Registration Document;
- the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS and the accompanying Statutory Auditors' Report presented on pages 302 to 305 of the 2019 Registration Document, filed with the French Financial Markets Authority (AMF) on 17 March 2020 under number D.20-0133, and the information extracted from the 2019 Management Report presented on pages 32 to 41 of the 2019 Registration Document.

9.3. PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr Christophe Babule, Chief Financial Officer, on the authority of L'Oréal's Chief Executive Officer, Mr Nicolas Hieronimus.

9.4. DECLARATION BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

"I hereby declare that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to alter its scope.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all its consolidated subsidiaries, and that the elements of the Management Report included in this document, as detailed in the cross-reference table available in section 9.8., present a true and fair review of the development and performance of the business and the position of the Company and all its consolidated subsidiaries, together with a description of the main risks and uncertainties that they face."

Clichy, 15 March 2022
On the authority of the Chief Executive Officer,
Christophe Babule,
Chief Financial Officer

9.5. CROSS-REFERENCE TABLE WITH THE UNIVERSAL REGISTRATION DOCUMENT

In order to facilitate the reading of this Universal Registration Document, the following table provides the page references of the main information required by Annex 1 of European delegated regulation No. 2019/980, completing the European regulation No. 2017/1129.

Schedule based on annex 1 European delegated regulation No. 2019/980	Pages
1. Persons responsible	
1.1. Name and function of the persons responsible	430
1.2. Declaration of the persons responsible	431
1.3. Expert statements	N/A
1.4. Information from third parties	22-24
1.5. Declaration without approval of the competent authority	1
2. Statutory Auditors	430
3. Risk factors	158-167
4. Information about the issuer	378-380
4.1. Corporate name	378
4.2. Place and number of incorporation and ID of legal entity	378
4.3. Creation date and duration	378
4.4. Headquarters, legal form, applicable law, country of origin, address and phone number of headquarters, and website	378, fourth cover
5. Business overview	
5.1. Principal activities	14-17
5.2. Principal markets	22-24
5.3. Important factors	43-45, 339, 399
5.4. Strategy and objectives	2-3, 14-17, 48-49
5.5. Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	26-29, 166
5.6. Basis for any statements made by the issuer regarding its competitive position	22-24
5.7. Investing activities	
5.7.1. Important investments completed	35, 46
5.7.2. Important investments being completed or contemplated	338
5.7.3. Participation in joint ventures and undertakings	340-342, 365-367
5.7.4. Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	47-49, 164-165, 178, 179 - 228, 337
6. Organisational structure	
6.1. Brief description of the Group	14-17, 40-41
6.2. List of the significant subsidiaries	340-342, 365-367
7. Operating and financial review	
7.1. Financial condition	
7.1.1. Review of the development and performance of the issuer's business and its financial position in historical interim periods	14-18, 36-46, 285-290, 348-351
7.1.2. The issuer's future development and its activities in the field of research and development	26-29
7.2. Operating profit	40-46, 285, 348
8. Capital resources	
8.1. Information concerning the issuer's capital resources	287-289, 349-350
8.2. Sources and amounts of cash flows	290, 351
8.3. Information on the borrowing requirements and funding structure	22, 45, 322-324, 334
8.4. Restrictions on the use of capital resources that have materially affected or could materially affect the Company's operations	322-323, 334
8.5. Anticipated sources of funds needed to fulfil investments on which the management bodies have already made firm commitments and planned material tangible fixed assets	42
9. Regulatory environment	28, 31, 37, 160, 165-166, 178
10. Trend information	
10.1. Main trends and change in the financial performance since year end	45
10.2. Event likely to impact perspectives	45
11. Profit forecasts or estimates	N/A

Schedule based on annex 1 European delegated regulation No. 2019/980	Pages
12. Board of Directors and General Management	
12.1. Information about the Board of Directors and the General Management	8-12, 54-55, 64-72
12.2. Conflicts of interests	56, 62-63
13. Remuneration and benefits	
13.1. Amount of remuneration paid and benefits in kind	110-119, 410-413
13.2. Amount set aside or accrued to provide pension, retirement or similar benefits	303-306
14. Board practices	
14.1. Date of expiration of the current tenure	10, 64-72
14.2. Service contracts with the Board of Directors members	63
14.3. Information about the committees	10, 79-83
14.4. Statement of compliance with the regime of corporate governance	54
14.5. Potential material impacts on the corporate governance	55-56, 73-74
15. Employees	
15.1. Number of employees	14, 230-231
15.2. Shareholdings and stock options of the directors and corporate officers	64-72, 383, 389
15.3. Arrangement involving the employees in the issuer's capital	384, 420-422
16. Major shareholders	
16.1. Shareholders having more than a 5% interest in the issuer's capital or voting rights	383-384
16.2. Existence of different voting rights	379
16.3. Control of the issuer	N/A
16.4. Arrangement, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	N/A
17. Related party transactions	128-130, 338
18. Financial information concerning the Company's assets and liabilities, financial position and profits and losses	
18.1. Historical financial information	36-43, 370, 430
18.2. Interim and other financial information	N/A
18.3. Auditing of historical annual financial information	343-346, 372-376
18.4. Pro forma financial information	N/A
18.5. Dividend policy and amount	15, 21, 393
18.6. Legal and arbitration proceedings	165-166, 334-336
18.7. Significant change in the issuer's financial or trading position (or negative statement)	45
19. Additional information	
19.1. Share capital	
19.1.1. Subscribed and authorised share capital	380-382
19.1.2. Shares not representing capital	N/A
19.1.3. Treasury shares	383-384
19.1.4. Convertible, tradable securities or securities bearing rights of subscription	N/A
19.1.5. Acquisition rights and/or bonds attached to subscribed not liberated capital or to any capital increase	N/A
19.1.6. Options on share capital	N/A
19.1.7. Historical information on share capital	382-383
19.2. Memorandum and Articles of Association	378-380
19.2.1. Business activity	378
19.2.2. Rights, privileges and restrictions applying to shares	N/A
19.2.3. Provisions likely to defer, delay or prevent a change in control	N/A
20. Material contracts	N/A
21. Documents on display	378

9.6. ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

In order to facilitate the reading of Annual Financial Report (Rapport Financier Annuel), the following table provides the page references of the main information required by Article L. 451-1-2 of the French Monetary and Financial Code and by Article 222–3 of the General Regulation of the Autorité des Marchés Financiers.

Schedule based on Article L. 451-1-2 of the French Monetary and Financial Code and on Article 222–3 of the General Regulation of the AMF	Pages
1. 2021 Annual Financial Statements	347-371
2. 2021 Consolidated Financial Statements	283-342
3. 2021 Management Report of the Board of Directors of L'Oréal	435-436
4. Declaration by the person responsible for the 2021 Annual Financial Report	431
5. Statutory Auditors' Report on the 2021 financial statements	372-376
6. Statutory Auditors' Report on the 2021 consolidated financial statements	343-346
7. Fees of Auditors	339

9.7. CROSS-REFERENCE TABLE WITH THE AMF TABLES ON THE REMUNERATION OF DIRECTORS AND CORPORATE OFFICERS

The following thematic table has been prepared in order to make it possible to look at the information provided on remuneration from the perspective of the presentation in the form of 11 tables recommended by the AMF in its guide for preparing universal registration documents published on 5 January 2022 (see also AFEP-MEDEF Code).

Tables with regard to Remuneration provided for in the AMF's recommendations	Pages
Table No 1. Summary of the remuneration, stock options and performance shares granted to each corporate officer	124 3rd table 126 2nd table
Table No 2. Summary of the remuneration of each corporate officer	124 2nd table 126 1st table
Table No 3. Remunerations granted to Directors and other remuneration received by directors	110
Table No 4. Stock options for the subscription or purchase of shares granted during the financial year to each corporate officer by the issuer and by any Group company	N/A
Table No 5. Stock options for the subscription or purchase of shares exercised during the financial year by each corporate officer	125 126
Table No 6. Performance shares granted to each corporate officer	125 1st table 126 3rd table
Table No 7. Performance shares that have vested for each corporate officer	125 126
Table No 8. History of grants of stock options for the subscription or purchase of shares	125 126
Table No 9. Stock options for the subscription or purchase of shares granted to the ten employees who are not directors or corporate officers receiving the largest number of options and options exercised by them	390
Table No 10. Historical information on free grants of shares	391
Table No 11. Commitments related to the termination of the functions of corporate officer.	124 1st table

9.8. MANAGEMENT REPORT CROSS-REFERENCE TABLE

In order to review the elements of the Management Report, the following thematic table makes it possible to identify the main information provided for by Articles L. 225-100 et seq., L. 22-10-35 et L. 22-10-36, L. 232-1 and R. 225-102 et seq. of the French Commercial Code and the specific section of the Annual Report related to the corporate governance pursuant to Articles L. 225-37, paragraph 6 et seq., L. 22-10-8 et seq. of the French Commercial Code.

Elements of the 2021 Management Report	**References**	**Pages**
Group situation and activity on 2021		
Situation of the Company during the past fiscal year and objective and exhaustive analysis of the business development, results and financial situation of the Company and the Group, in particular its debt situation, in relation to the volume and complexity of business	L. 225-100-1, I-1°, L. 232-1, II, L. 233-6 and L. 233-26 of the French Commercial Code	36-43
Key financial performance indicators	L. 225-100-1, I-2° of the French Commercial Code	14-18, 21-22
Key non-financial performance indicators relating to the Company and the Group's specific activity	L. 225-100-1, I-2° of the French Commercial Code	14-18, 20, 47-49, 179-259
Significant events since the beginning of the current fiscal year	L. 232-1, II and L. 233-26 of the French Commercial Code	45
Company and Group foreseeable trends and outlooks	L. 232-1, II and L. 233-26 of the French Commercial Code	45
Identity of the main shareholders and voting rights holders in the General Meeting, and modifications during the fiscal year	L .233-13 of the French Commercial Code	383-384
Existing branch offices ("*succursales*")	L. 232-1, II of the French Commercial Code	50
Significant acquisitions during the fiscal year of equity interests in companies which have their registered office in France	Article L. 233-6 paragraph 1 of the French Commercial Code	371
Disposal of cross-shareholdings	L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code	N/A
Research and Development activities (and operations)	L. 232-1, II and L. 233-26 of the French Commercial Code	26-35
Table of Company results over the past five fiscal years	R. 225-102 of the French Commercial Code	370
Information on suppliers and customers payment terms	D. 441-6 of the French Commercial Code	369
Intragroup loans granted and auditors declaration	L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code	N/A
Risks factors, internal control and risk management		
Description of the main risks and uncertainties faced by the Company	L. 225-100-1, I-3° and 4° of the French Commercial Code	158-167
Description of the financial risks related to the effects of climate change and of the measures taken by the Company to reduce them through a low-carbon strategy in all components of its business	L. 22-10-35, 1° of the French Commercial Code	164-165, 178, 188-194, 202-208, 213-227, 337
Internal control and risk management procedures implemented by the Company and the Groupe, related to preparation and processing of financial and accounting information	L. 22-10-35, 2° of the French Commercial Code	141-142
Information on the objectives and policy regarding the hedging of each main category of transactions and on the exposure to price, credit, liquidity and treasury risks, including the use of financial instruments	L. 225-100-1., 4° of the French Commercial Code	326-329
Anti-corruption policy	Loi n° 2016-1691 of December 9, 2016 called « Sapin 2 »	254-255
Vigilance Plan and update on its effective implementation	L. 225-102-4 of the French Commercial Code	144-157
Corporate governance		
Information on remuneration		
Remuneration policy for directors and corporate officers	L. 22-10-8, I, paragraph 2 of the French Commercial Code	96-109
Remuneration and benefits of any kind paid during or awarded in respect of the fiscal year to each Director and Corporate Officer	L. 22-10-9, I-1° of the French Commercial Code	110-119
Relative proportion of the fixed and variable remuneration	L. 22-10-9, I-2° of the French Commercial Code	99
Use of the "claw back" possibility to claim the return of variable remuneration	L. 22-10-9, I-3° of the French Commercial Code	N/A
Commitments of any kind made by the Company for the benefit of its Directors and Corporate Officers, corresponding to elements of remuneration, indemnities or benefits due or likely to be due as a result of the assumption, termination or change in their duties, or thereafter	L. 22-10-9, I-4° of the French Commercial Code	120-124
Remuneration paid or granted by a company included in the scope of consolidation pursuant to Article L. 233-16 of the French Commercial Code	L. 22-10-9, I-5° of the French Commercial Code	N/A
Remuneration ratios between the remuneration of each Corporate Officer and the average and median remunerations of the Company employees	L. 22-10-9, I-6° of the French Commercial Code	119

Elements of the 2021 Management Report	References	Pages
Annual change in the remuneration, the Company's performances, the average remuneration of the Company employees and the abovementioned ratios over the five past fiscal years	L. 22-10-9, I-7° of the French Commercial Code	119
Explanation on how the total remuneration complies with the remuneration policy adopted, including the way it contributes to long term performances of the Company and the way the performance criteria has been applied	L. 22-10-9, I-8° of the French Commercial Code	97-98, 111-117
Manner in which the vote of the last ordinary general meeting provided for by I of article L. 22-10-34 of the French Commercial Code has been taken into account	L. 22-10-9 I-9° of the French Commercial Code	96
Derogation from the remuneration policy and any other derogations	L. 22-10-9, I-10° of the French Commercial Code	108
Application of Article L. 225-45 al. 2 of the French Commercial Code (suspension of payment of directors' remuneration in the event of failure to comply with the Board of Directors' gender diversity)	L. 22-10-9, I-11° of the French Commercial Code	N/A
Attribution and retention of stock options by Directors and Corporate Officers	L. 225-185of the French Commercial Code	124-126
Attribution and retention of free share grants to Corporate Officers	L. 225-197-1 and L. 22-10-59 of the French Commercial Code	125-126
Information on governance		
List of all terms of office and functions held in any company by each Director and Corporate Officer during the fiscal year	L. 225-37-4, 1° of the French Commercial Code	64-72
Agreements between an Executive Officer or a major shareholder and a subsidiary	L. 225-37-4, 2° of the French Commercial Code	N/A
Table summarizing the authorisations in force granted by the Annual General Meeting	L. 225-37-4, 3° of the French Commercial Code	380-381
Procedures for exercising the General Management	L. 225-37-4, 4° of the French Commercial Code	54-55
Composition, preparation and modus operandi of the work of the Board of Directors	L. 22-10-10, 1° of the French Commercial Code	57, 75-80
Description of the diversity policy, objectives and results applied to Board members (including gender diversity)	L. 22-10-10, 2° of the French Commercial Code	58-60
Limits provided by the Board of Directors on Chief Executive Officer's powers	L. 22-10-10, 3° of the French Commercial Code	90
Reference to of the AFEP-MEDEF Corporate Governance Code and application of the comply or explain principle	L. 22-10-10, 4° of the French Commercial Code	54, 127
Specific conditions related to shareholders' attendance at the Annual General meeting	L. 22-10-10, 5° of the French Commercial Code	379-380
Description and implementation of the evaluation procedure of non-regulated agreements	L. 22-10-10, 6° of the French Commercial Code	78, 82, 94
Information that may have an impact in the event of a takeover bid or exchange offer Shareholders' agreements relating to the securities comprising the Company's share capital	L. 22-10-11 of the French Commercial Code	383-385
Share ownership and capital		
Structure and change in Company capital and threshold notifications	L. 233-13 of the French Commercial Code	383-384
Acquisition and disposal by the Company of treasury shares	L. 225-211of the French Commercial Code	386
Employee share ownership	Article L. 225-102, paragraph 1 of the French Commercial Code	383-384
Possible adjustments for securities giving access to share capital in case of buybacks of shares or financial transactions	R. 228-90 and R. 228-91 of the French Commercial Code	N/A
Information on trading by directors and corporate officers and related persons in shares of the Company	L. 621-18-2 of the French Monetary and Financial Code	128
Amount of dividends paid out in respect of the three previous fiscal years	243 *bis* of the French Tax Code	21, 393
Non-financial statement	L. 225-102-1, L.22-10-38, R. 225-105 of the French Commercial Code	See Cross-reference table, 267-269
Other information		
Additional tax information	223 *quater* and 223 *quinquies* of the French Tax Code	368
Injunctions or financial penalties in respect of anti-competitive practices	L. 464-2 of the French Commercial Code	335

Design &production: côtécorp.

Photograph credits : Thomas Laisné/L'Oréal, Stéphane de Bourgies/L'Oréal, Thomas Gogny/Divergence/L'Oréal,
L'Oréal, Merck Group, Harald Schnauder/L'Oréal, Emmanuel Crooy, Antoine Doyen/Pernod Ricard, Julien Mignot/
Studio J'Adore Paris/L'Oréal, L'Oréal USA, Shtrak!Boyz/Studio J'Adore Paris/L'Oréal, Lester John/Studio J'Adore Paris/L'Oréal

Cover: Willow Smith/Txema Yeste/Mugler

For the full version of the 2021 Annual Report

visit lorealannualreport2021.com
or the L’Oréal Finance app

L’ORÉAL

Incorporated in France as a
“Société Anonyme” with
registered capital of
€107,082,474.40
632 012 100 R.C.S. Parisl

Headquarters:
41, rue Martre 92117 Clichy Cedex
– France
Tel.: +33 1 47 56 70 00

Registered office:
14, rue Royale 75008 Paris –
France

www.loreal.com
www.loreal-finance.com