



L'ORÉAL

SUSTAINABILITY-LINKED FINANCING FRAMEWORK

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INTRODUCTION

1.1. About us

L'Oréal Group ("L'Oréal, the "Group", the "Company") is the world leader in beauty, with operations in over 150 countries across Europe, North and Latin America, North Asia and South Asia and the Middle East/North Africa Zone.

The Group has been operating for over a century, building a rich and diverse portfolio of global brands driving long-term sustainable growth. Our portfolio is divided into four divisions showing a strong cohesion including: L'Oréal Luxe, Consumer Products, Active Cosmetics and Professional Products.

Professional products	Consumer products	L'Oréal Luxe		Active cosmetics
L'ORÉAL PROFESSIONNEL PARIS	L'ORÉAL PARIS	LANCÔME PARIS	YVES SAINT LAURENT BEAUTÉ	LA ROCHE-POSAY LABORATOIRE PHARMACEUTIQUE
REDKEN	GARNIER	GIORGIO ARMANI	Kiehl's SINCE 1851	VICHY LABORATOIRES
KÉRASTASE PARIS	MAYBELLINE NEW YORK	BIOHERM	UD URBAN DECAY	SKINCEUTICALS
MATRIX PROFESSIONNEL	NYX PROFESSIONNEL MAKEUP	shu uemura	IT COSMETICS	CeraVe
PUREOLOGY serious colour care	essie	HR PARIS	RALPH LAUREN FRAGRANCES	
PULPRIOT	Mixa	VIKTOR@ROLF	cacharel	
	DARK & LOVELY	PRADA	AZZARO	
		MUGLER	VALENTINO	
		DIESEL		

1.2. Our vision and purpose

For over a century, we have served the desire for beauty as a universal aspiration through time, countries and culture. Our goal is to offer each and every person around the world the best of beauty in terms of quality, efficacy, safety, sincerity and responsibility to satisfy all beauty needs and desires. With such strong foundations, we conceive and build an infinite diversity of beauty products and services – in order to share the best of beauty with everyone, everywhere.

For L'Oréal, the economic and financial performance is not sufficient. Because there will be no economic growth without sustainability in the future, we have set a dual goal for economic and corporate excellence. It will be the condition for our success and long-term existence. Because L'Oréal is the global leader in beauty, we have the duty to

contribute to the beauty of the planet and be the champion in Corporate Social Responsibility (CSR). And it is because L'Oréal is an environmental, social and ethical leader that the Group 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.

Our *raison d'être* can be summed up in one sentence: "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, to respecting biodiversity and preserving natural resources, and to championing the cause of women.

1.3. Our Sustainability Strategy

For years, we have undertaken an in-depth transformation to reduce our negative environmental impact. In 2009 already, we pledged to reduce greenhouse gas ("GHG") emissions, waste generation and water consumption at our production sites and distribution centres by 50% by 2015, compared to 2005. At the end of 2013, we defined renewed sustainable development commitments in a global sustainability programme called "*Sharing Beauty with All*", with tangible and ambitious 2020 goals.

In seven years, we have achieved the majority of our goals, even exceeding some of them, proving that decoupling impact and growth is definitely possible. For example, in 2021, GHG emissions from plants and distribution centres decreased by 35% versus 2019 (87% reduction versus 2005), while the production decreased by 0.4% versus 2019 (37% growth versus 2005).

Other key achievements of the programme "*Sharing Beauty with All*" include:

- 96% of products launched or renewed in 2021 had an improved social and environmental profile. Each time a product is created or renovated, its contribution to sustainability is now taken into account, in addition to its performance and profitability
- 100,905 people of underprivileged communities have gained access to employment through one of our Group's programmes
- 100% of our brands have conducted an assessment of their environmental and social impact

Details of the programme are available in the 2013 - 2020 Closing Report "*Sharing Beauty With All*"¹

In 2020, we pushed further our sustainability journey by announcing the launch of the "*L'Oréal for the Future*" programme, setting new and stronger ambitions for 2030. The program embodies the two complementary dimensions of what corporate responsibility means to us: transforming our company towards an increasingly sustainable business model and contributing to solving the challenges facing the world.

Transforming our activities to respect the Planet's limits - today, "self-set" targets are no longer enough for companies to reduce their environmental impact. At L'Oréal, our commitment is to ensure that our activities are respectful of the so-called "Planetary Boundaries", which means what the planet can withstand, based on scientific facts. To reconcile our needs with the preservation of a resource-limited planet, we are raising the bar and implementing a new internal transformation.

Over the past years, expectations as to what the role of companies should be changed dramatically. At L'Oréal, we want to take on greater responsibility, go beyond the transformation of our own business model by involving our suppliers, customers and suppliers in the transformation process. We also want to demonstrate that companies can be part of the solution to some of today's most pressing environmental and social challenges. For this reason, we are allocating 100 million euros to impact investing dedicated to the regeneration of ecosystems and the development of the circular economy, and 50 million euros to a charitable endowment fund to support highly vulnerable women².

L'Oréal for the Future is built on the following three pillars:

- Transforming ourselves and respecting planetary boundaries
- Empowering our business ecosystem helping it transition to a more sustainable world
- Contributing to solving the challenges of the world by supporting urgent social and environmental needs

¹ See [here](#).

² L'Oréal for the Future booklet.

Transforming ourselves

The first pillar of our strategy relies on stepping up our internal transformation process and ensuring that our activities are compatible with the planet boundaries. We have set 2030 targets on climate, water, biodiversity and natural resources in accordance with what scientific experts demand and what our planet needs. Some of these targets have been retained for the purpose of this Sustainability-Linked Financing Framework, as further detailed in section 2.2 of the present document.

Fighting climate change

In 2015, L'Oréal was among the first hundred companies to join the Science-Based Targets initiative (SBTi), and to commit to reducing its GHG emissions across its entire value chain over the long term, in accordance with the Paris Climate Change Agreement. In December 2017, L'Oréal's proposal has been approved by SBTi.

We commit to:

- reducing our absolute Scopes 1, 2 and 3 GHG emissions by 25% by 2030, from a 2016 base year.
- reducing our absolute Scopes 1 and 2 GHG emissions at our operated sites by 100% by 2025, from a 2016 base year.

In addition, 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 our leadership on climate action. The Group has committed to net zero GHG emissions by 2050, contributing in this way to limiting the increase in global temperature to 1.5°C above preindustrial levels, a necessary condition for limiting the worst impacts of climate change according to the latest conclusions of climate science.

In support to these commitments, we have set numerical targets for every aspect of our activities to include not only our operated sites, but also the raw material and packaging material supply chain, the downstream transportation of our products, and the indirect impacts associated with the use of our products by consumers:

- By 2025, all of the Group's sites will achieve carbon neutrality by improving energy efficiency and using 100% renewable energy.
- By 2030, the Group will innovate to enable our consumers to reduce their GHG emissions resulting from the use of our products by 25% compared to 2016 per finished product.
- By 2030, the Group will reduce by 50 % on average and per finished product, the

GHG emissions linked to the transport of its products compared to 2016.

- By 2030, the Group's strategic suppliers will reduce their GHG direct emissions (Scopes 1 and 2) by 50% in absolute terms compared to 2016.

Managing water sustainably

- By 2030, all formulas will be evaluated thanks to our environmental test platform to guarantee they are respectful of all aquatic ecosystems, whether continental or coastal.
- By 2030, we will also 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.
- In 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop.
- In 2030, all our strategic suppliers will use water sustainably in the areas where they operate.

Respecting 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.
- To limit our impact on natural habitats, we are committing to holding flat, by 2030, the total land occupancy vital to the sourcing of our ingredients, compared to 2019.
- Furthermore, by 2030, 100% of our industrial sites and all our operated buildings will have a positive impact on biodiversity, compared to 2019.

Preserving natural resources

- By 2030, 95% of all the 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).
- By 2030, we will reduce by 20% in intensity the quantity of packaging used in our products, compared to 2019.
- By 2025, 100% of our plastic packaging will be refillable, reusable, recyclable or compostable.
- By 2025, 100% of our new displays will be ecodesigned, taking into account circular

economy principles for end-of-life management, and 100% of our new Free-Standing Stores will be designed and built following our sustainability principles.

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

Empowering our business ecosystem

We have set targets with the aim to involve our consumers, suppliers and the communities we work with in our transformation process.

Building a more inclusive society

Hence, by 2030:

- We will ensure that 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.
- We will help 100,000 people from disadvantaged communities gain access to employment.
- 3 million people will benefit from our brands' social engagement programs.

Informing consumers so they can take action

- By 2022, the Product Impact Labelling system, to inform consumers on the environmental and social impact of their product, will apply to all the Group's rinse-off products.
- By 2030, 100% of our products will be ecodesigned.

Contributing to solving the challenges of the world

We are committed to having a positive impact on society. We have set targets to further contribute to supporting vulnerable women and to the regeneration of nature and promoting the circular economy:

Supporting highly vulnerable women

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

Contributing to the regeneration of nature

- By 2030, the L'Oréal Fund for Nature Regeneration will have invested 50 million euros to help restore one million hectares of degraded ecosystems.
- By 2030, the Fund will have helped capture 15 to 20 million tons of GHG and we will have created hundreds of job opportunities

Taking our commitment to promote a circular economy to a new level

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

We are committed to reporting regularly on our progress against each goal, our efforts, internally and externally. Through this in-depth transformation, we hope to be a catalyst of change in our own category and beyond, and to inspire our customers and all people to take action with us.

In addition to the "L'Oréal for the Future" programme, in 2013 L'Oréal has initiated a large-scale social programme: L'Oréal Share&Care. It consists of commitments revolving around four pillars put in place in all countries: social protection, healthcare, parenthood and quality of life at work. Renewed in 2021, the programme strengthens the existing while adapting to the changing world. It offers new perspectives, particularly in terms of personal ecology and flexibility at work, with actions in line with the changing needs of employees.

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 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. 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 its 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 the respective scope of the member. The Executive Committee works with the CEO to implement strategic directions in 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 climate-related risks and opportunities Group wide through the action plans of the sustainability programmes (*Sharing Beauty with All* and now, *L'Oréal for the Future*).

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.

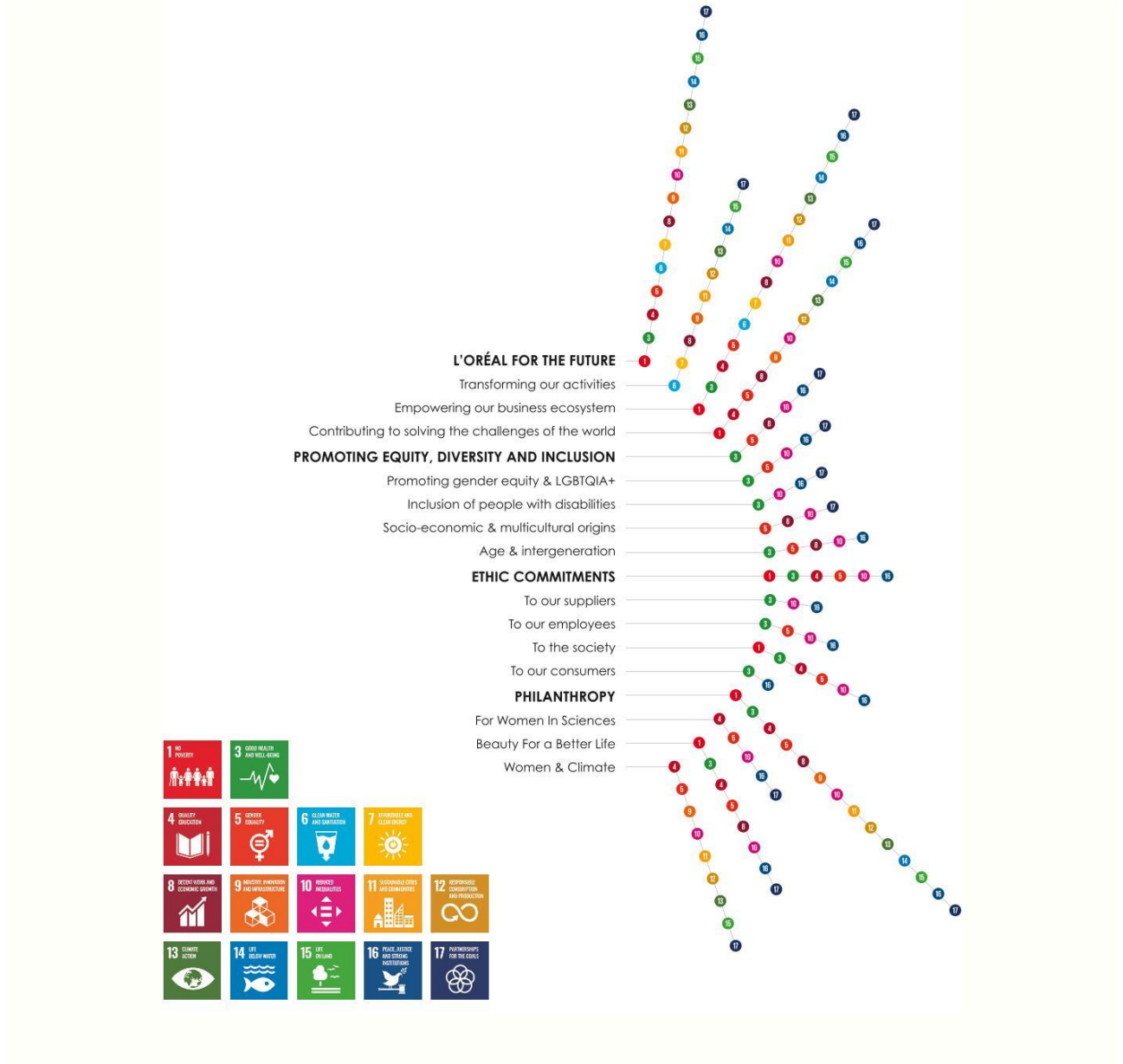
All L'Oréal employees are encouraged to receive training in sustainable development issues through a full range of online courses that are delivered as part of the *L'Oréal for the Future* programme, which is available in 15 languages. In 2021 over 41,400 employees completed the Green Steps or Green 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. Moreover, beginning in 2016, non-financial objectives in line with the Group's goals for sustainability, were included in the variable remuneration of the top management, including international brand managers and country managers.

Alignment to the United Nations Sustainable Development Goal (UN SDGs)

As a signatory to the United Nations Global Compact since 2003, L'Oréal reaffirms its

commitment to advance the UN SDGs, and these have served as blueprint in the establishment of our Sustainability Strategy. L'Oréal considers that our strategy is mainly contributing to 16 of the 17 UN SDGs:



Furthermore, in 2021, L'Oréal was named one of the 38 LEAD companies of the United Nations Global Compact, reserved for the most advanced companies in responsible business conduct and those that contribute to the United Nations Sustainable Development Goals.

1.4. External extra-financial ratings

Our solid Sustainability Strategy and performance have been recognised by best-in-class extra-financial ratings, including a score of A by CDP for Climate, Water and Forest in 2021. L'Oréal is the only

company to have achieved an "A" in all three environmental themes for six years running. The full list of our extra-financial ratings can be found in our annual Universal Registration Document (URD)³.

³ See [here](#).

OUR SUSTAINABILITY-LINKED FINANCING FRAMEWORK

2.1. Rationale for establishing a Sustainability-Linked Financing Framework

By establishing this Sustainability-Linked Financing Framework (the "Framework"), L'Oréal aims to further emphasize its commitments to sustainability, and explicitly commits to address relevant, core and material sustainability issues.

The Framework aims at covering bonds, loans, and any other financing instruments whose characteristics are linked to sustainability performance targets (together the "Sustainability-Linked Financing Instruments"). The economic terms of Sustainability-Linked Financing Instruments can vary depending on whether the issuer achieves predefined sustainability performance targets, defined in section 2.3. Unless otherwise stated, the proceeds of such Sustainability-Linked Financing Instruments are intended to be used for general corporate purposes.

This Framework has been established in accordance with the Sustainability-Linked Bond Principles 2020 ("SLBP 2020") as administered by the ICMA and the Sustainability-Linked Loan Principles 2021 ("SLLP 2021") as administered by the LMA, and their five core components:

- I. Selection of Key Performance Indicators (KPIs)
- II. Calibration of Sustainability Performance Targets (SPTs)
- III. Financial Characteristics
- IV. Reporting
- V. External Verification

2.2. Selection of Key Performance Indicators (KPIs)

L'Oréal has selected the following Key Performance Indicators (the "KPIs"), which are core, relevant, and material to our business and industry:

- **KPI #1:** GHG emissions

In support of its Science-Based Targets validated in 2017, L'Oréal includes the two following KPIs in that Framework:

- **KPI #1a:** Absolute Scopes 1 and 2 GHG emissions at operated sites (ktCO_{2e})
- **KPI #1b:** GHG emissions on a "cradle-to-shelf" scope (Scopes 1 & 2 and selected Scope 3 GHG emissions) per sold product (gCO_{2e}/sold product)

- **KPI #2:** Share of plastics used in packaging either from recycled or biobased sources (%)

KPI #1a: Absolute Scopes 1 and 2 GHG emissions at all operated sites (ktCO_{2e})

Definition and Scope

Scopes 1 and 2 GHG emissions are defined according to the GHG protocol as follows:

- Scope 1 emissions: L'Oréal's direct GHG emissions arising from the gas and fuel oil consumption at all the Group's operated sites - factories, distribution centres, as well as administrative and research centres. It also includes GHG emissions related to potential cooling gas leaks.
- Scope 2 emissions: L'Oréal's indirect GHG emissions arising from electricity and heat, cooling, steam purchased by all of the Group's operated sites - factories, distribution centres, administrative and research centres.

L'Oréal's definition of carbon neutrality at sites is the following:

- Direct GHG emissions (in CO_{2e}) equal to zero, with direct emissions including Scope 1 GHG emissions as defined by the GHG Protocol. Only emissions related to the gas used for catering, the fuel oil used for sprinkler tests, the fossil energy consumptions used during the maintenance of on-site renewable installations, and cooling gas leaks if they are lower than 130 tons CO_{2e}/year are excluded and
- Indirect GHG emissions (in CO_{2e}) equal to zero, with indirect emissions including Scope 2 GHG emissions as defined by the GHG Protocol.

The KPI includes all of L'Oréal's operated sites, both industrial sites (plants & distribution centres) and administrative & research centres.

Rationale and Materiality

Climate Change is the most pressing challenge of the century with unlimited and irreversible impacts on the world. For years now, L'Oréal has realized the urgent need to significantly reduce our GHG emissions to align with the Paris Climate Agreement and limit Global Warming to a 1.5°C increase compared to pre-industrial temperature.

Increasing sites' carbon neutrality by increasing the share of energy from renewable sources has been a cornerstone of L'Oréal's climate change strategy since 2013.

In 2021, 80% of the energy consumed by the plants and distribution centres and 82% of the energy consumed by the administrative sites and research centres were renewable.

L'Oréal has been able to significantly reduce our Scopes 1 and 2 GHG emissions:

- having reduced the GHG emissions of the plants and distribution centres by 35% in 2021 compared to 2019 (-87% compared to 2005) in absolute terms, with the same level of production volume (-0.4%) in that period (+37% compared to 2005); and
- having reduced the GHG emissions of the administrative sites and research centres by 77% in 2021 compared to 2019 (-83% compared to 2016).

As a result, Scopes 1 and 2 GHG emissions amounted to 38.3 ktCO_{2e} in 2021, representing less than 1% of L'Oréal's total carbon footprint, and 100 sites reached carbon neutrality.

Baseline

The baseline in 2021, which corresponds to 58% of carbon neutral operated sites in the financial year (100 carbon neutral sites) or 38.249 kt CO_{2e} remaining in 2021⁴.

The year 2021, as well as historical data below, has been audited as part of our Universal Registration Document reporting.

⁴ For reference, 15 L'Oréal sites were carbon neutral in 2016.

Historical Performance

	2019	2020	2021
Scopes 1 and 2 emissions of operated sites (tCO₂e)	80 288	55 778	38 249
Number of carbon neutral sites	51	72	100
% of total number of sites	29% of sites: 40% of industrial sites & 19% of administrative sites and research centres	43% of sites: 60% of industrial sites & 26% of administrative sites and research centres	58% of sites: 71% of industrial sites & 46% of administrative sites and research centres

Sources: 2021 Universal Registration Document

Alignment to the UN SDGs

KPI #1a contributes to UN SDG 13 –Climate Action- and UN SDG 7 – Affordable and Clean Energy

Alignment to the environmental objectives defined by the EU Taxonomy Regulation

Objective 1: Climate Change Mitigation

KPI #1b: GHG emissions on a “cradle-to-shelf” scope (Scopes 1 & 2 and selected Scope 3 GHG emissions) per sold product (gCO₂e/sold product)

Definition and Scope

KPI #1b refers to a “cradle-to-shelf” scope, which includes raw materials and packaging materials purchased, Scopes 1 and 2 of L'Oréal operated sites, and products transportation to the first delivery point to clients.

The Scopes 1, 2 and 3 GHG emissions of this KPI 1b cover 42% of L'Oréal's total GHG footprint in 2021 (excluding emissions linked to products indirect use phase).

Scopes 1, 2 and 3 GHG emissions of KPI #1b, as defined by the GHG Protocol, includes specifically:

GHG emissions categories	Definition
Scope 1	L'Oréal's direct GHG emissions arising from the gas and fuel oil consumption of all the Group's operated sites including factories, distribution centers as well as administrative and research centers. It also includes GHG emissions related to potential cooling gas leaks.
Scope 2	L'Oréal's indirect GHG emissions arising from electricity and heat, cooling, steam purchased of all the Group's operated sites - factories, distribution centres, administrative and research centres
Scope 3	
Purchased goods and services, limited to raw materials and packaging materials	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.
Downstream transport and distribution	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.

Rationale and Materiality

With 6 777 thousand tons of GHG emissions (in CO₂e), Scope 3 GHG emissions represented ~99% of L'Oréal's total GHG emissions in 2021 (excluding emissions linked to products indirect use phase).

GHG emissions directly associated to the cradle-to-shelf perimeter - meaning from the purchase of raw materials for formula and materials for packaging, to manufacturing and finally downstream transportation to clients - account for 42% of our Scopes 1, 2 and 3 in 2021 (excluding indirect use phase of our products). In a perspective to 2025, it

is where both our product ecodesign initiatives and our work with our suppliers can be the most direct and impactful at a near term to reduce Scope 3 GHG emissions.

Baseline

The baseline is 2021, which corresponds to 446 gCO₂e per sold product.

The year 2021, as well as historical data below, has been audited as part of our Universal Registration Document reporting.

Historical Performance

	2019	2020	2021
Cradle-to-shelf GHG emissions (g of CO₂e per sold product)	440	480	446

Sources : 2021 Universal Registration Document – L'Oréal

Alignment to the UN SDGs

KPI #1b contributes to UN SDG 13 – Climate Action- and UN SDG 7 – Affordable and Clean Energy

Alignment to the environmental objectives defined by the EU Taxonomy Regulation

Objective 1: Climate Change Mitigation

Details of L'Oréal's Scope 3 GHG emissions in 2021

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 suppliers in the Group's transformation" of this document)	3932
	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)	5737
	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

Source: 2021 Universal Registration Document

KPI #2: Share of plastics used in packaging either from recycled or biobased sources(%)

Definition and Scope

The KPI is defined as the percentage of plastics used in L'Oréal's packaging either from recycled or biobased sources, in accordance with the following definitions:

- A recycled material is a material which would otherwise become municipal waste. A post-consumer material is collected, sorted, and reprocessed into a recycled material by mechanical or chemical means. In order to be used as an alternative to virgin plastic in our packaging, the life cycle analysis of such a recycled material must show a better environmental profile (SPOT score – Sustainable Product Optimization Tool) than its virgin version.
- A biobased material is a material that contains substances derived from living organisms, with the following conditions:
 - can come from the plant, or protist/eukaryote kingdoms (excluding animal origin)
 - contains biobased carbon
 - is renewable

In a similar way as for recycled plastic, the life cycle analysis of such a biobased material must show a

Rationale and Materiality

Circularity, and in particular for our packaging, is one of the sustainability priorities of L'Oréal.

We have been aware of the environmental impact of the plastics we use in our packaging for many years. In 2017, L'Oréal joined the New Plastics Economy (NPEC) initiative of the Ellen MacArthur Foundation and became a partner the following year. The objective of NPEC is to tackle the issue of plastic pollution by rethinking the full 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.

better environmental profile (SPOT score) than the virgin plastic it should replace in order to be used in our packaging.

The KPI is calculated as per the formula below:

$$\frac{(\text{Mass of plastic in packaging made of recycled materials} + \text{Mass of plastic in packaging made of biobased materials})}{\text{Total mass of plastic in packaging}}$$

The figures for recycled or biobased plastic used in the finished goods are traced thanks to our central packaging data and finished good production systems and aggregated at global level by data management teams (Power BI L'OREAL DGO). The rate of recycled plastic is a real physical rate in the packaging, it is not coming from a mass balance certificate scheme.

The perimeter of this indicator is plastic in packaging for finished goods being produced out of all our factories, and includes primary, secondary and tertiary packaging⁵, with the exception of a few products for which data are not connected yet to our central packaging data system (it is the case for products from the plants of Migdal (Israël), Nairobi (Kenya), Funza (Colombia) or Salzhelmendorf (Germany) for sub-contracted products of recent acquisitions; and specific Travel Retail packaging).

Along with the recyclability, reusability, refillability and compostability of plastic packaging, using recycled or biobased plastic material enables to close the loop of circularity, away from fossil sources and towards more renewable sources.

Baseline

The baseline is 2021, which corresponds to 21% of recycled or biobased plastics used in packaging for full financial year 2021.

The 2021 year, as well as historical data below, has been audited as part of our Universal Registration Document reporting.

⁵ Primary packaging is the packaging in direct contact with the product (retail or consumer packaging).

Secondary packaging is used for branding, display and logistics. Tertiary packaging allows for the protection, handling and transportation of the products

Historical Performance



Source : L'Oréal Universal Registration Document 2021

Alignment to the UN SDGs

KPI #2 contributes to UN SDG 12 – Responsible Production and Consumption

Alignment to the environmental objectives defined by the EU Taxonomy Regulation

Objective 4: Transition to a circular economy

2.3. Calibration of Sustainability Performance Target(s) (SPTs)

KPI #1a: Absolute Scopes 1 and 2 GHG emissions at all operated sites (ktCO_{2e})

SPT #1a: Scopes 1 and 2 GHG emissions of all our operated sites reaching zero by 31st December 2025 (excluding residual emissions⁵).

This target is aligned with our SBTi commitment and our carbon neutral trajectory for operated sites.

Metric	Unit	Target	Target Observation date	Baseline
Scopes 1 and 2 GHG emissions at operated sites	ktCO _{2e}	0 ⁵	31 st December 2025	38.3 thousand tons of CO _{2e} as of full financial year 2021

⁵ excluding, as per L'Oréal sites' carbon neutrality definition outlined in section 2.2 of this Framework, the emissions linked to the gas used, the fuel oil used for sprinkler tests, the fossil energy consumptions used during the maintenance of on-site renewable installation, and cooling gas leaks if they are lower than 130 tons CO_{2e}/year.

Ambition of the target

This objective has been approved by the SBTi as aligned with a 1.5°C scenario. This commitment exceeds the minimum ambition defined by SBTi at the time, demonstrating our ambitiousness against a science-based threshold.

Means for achieving the target

The key means for achieving the target are:

- Improving energy efficiency for equipment, processes and buildings. Since 2018 our sustainable building policy requires all new construction projects to be certified LEED Gold Level minimum (or equivalent). This allows to

work on energy efficiency from the design phase of the buildings.

Furthermore, a dedicated tool for energy management (EnergyScan) has been deployed in all our plants in 2017 in order to map, analyze and manage sites' energy consumptions and uses in a standardized way. The EnergyScan tool, enriched in 2021, drives investments and decisions about energy and allows to set clear energy efficiency roadmaps for our plants. Finally, all our plants must be certified ISO 50001.

- Sourcing 100% renewable energy for Scopes 1 and 2 (on-site production, power purchase agreements, and renewable energy certificates procurement).

L'Oréal has designed a strategy involving the use of renewable energies, based on the potentialities offered by each local context. In recent years, many projects have been implemented that allow sites to use locally produced renewable energy, or to directly produce their own renewable energy. For example, the Belgian plant in Libramont covers almost all its energy needs through biomethanisation, also using local resources, which allows for the combined production of renewable heat and power. The energy mix of the Settimo plant in Italy consists of several locally produced renewable energies: solar panels installed on the roof of the plant and a biomass plant which supply power, and the town's heating network. Other projects are either starting (ex: biomethanisation in Saint Quentin plant)

or will be developed in the coming years (on-site solar PV panels in France).

Factors that may affect the achievement of our target

- I. Macroeconomic risk driven by the transition to a low carbon economy may include increased regulation and legislation, which may cause changes in market conditions
- II. Like many other production-based organizations, there may be lack of feasible technologies in the short- to mid- term for replacing fossil fuels
- III. L'Oréal states our willingness to reach carbon neutrality over sites without recourse to carbon offsetting, limiting the compensation of residual hard to abate emissions

KPI #1b: GHG emissions on a “cradle-to-shelf” scope (Scopes 1 & 2 and selected Scope 3 GHG emissions) per sold product (gCO₂e/sold product)

SPT #1b: Reduction of Scopes 1, 2 and 3 GHG emissions on a “cradle-to-shelf” scope by 14% per sold product by 31st December 2025 from a 2021 base year

Metric	Unit	Target	Target Observation date	Baseline
% of reduction of Scopes 1, 2 and 3 GHG emissions on a “cradle-to-shelf” scope, per sold product	(gCO ₂ e/sold product)	14%	31 st December 2025	446 gCO ₂ e / sold product in full financial year 2021 (based on 2 873 kt CO ₂ e in 2021)

Ambition of the target

At L'Oréal, we are committed to increasing further our commitment to reduce GHG emissions beyond our own operations by involving our strategic suppliers to set ambitious goals and reducing emissions through the whole value chain, as well as ecodesigning our formulas and products.

This objective is embedded in L'Oréal's Scopes 1, 2 and 3 GHG emission reduction, as approved by SBTi: Considering our 2021 GHG balance, the remaining effort we have to make in alignment with our SBTi commitment, on a “cradle-to-shelf” perimeter, is a 1.3% annual decrease of absolute CO₂ emissions until 2030, corresponding to a 3,7% intensity (gCO₂e/sold product) annual decrease (excluding the products indirect use phase, and with constant emission factor).

The -14% intensity target set as SPT#1b is a 4-year linear projection of this SBTi pathway.

Means for achieving the target

In order to reach this ambitious target, L'Oréal will set a number of initiatives such as:

- **Green Sciences initiatives**

Through a set of scientific disciplines grouped together under the term “Green Sciences”, our processes for the preparation and production of cosmetics will evolve significantly over the next ten years. Major progress in environmental sciences, agronomy and biotechnology allow the launch of producing assets from environmentally friendly and high-performance renewable raw materials by drawing on the full power of living organisms to open the way to unprecedented

performances. This transformation will be made progressively within our products by firstly combining ingredients coming from traditional chemistry with ingredients born from Green Sciences within the same formula. This passage through hybrid products will only be one step while waiting to benefit from renewable resources for all cosmetics categories.

- **3R sustainable packaging roadmap**

Packaging is a significant part of the environmental impact of cosmetic products. Reducing their environmental footprint is therefore part of the commitments of the new *L'Oréal for the Future* program.

In 2007, L'Oréal set up a Packaging and Environment Policy that included respect for consumers, the environment and biodiversity. The new program highlights three major challenges for improving the environmental profile of packaging:

- **Reduction:** designing packaging items and finished products that are smaller in size and weight than their contents, thus consuming fewer resources.
- **Replacement:** substituting alternative materials with a reduced environmental footprint, such as recycled materials and materials of natural and renewable origin, for materials that have an impact; and
- **Recyclability:** to ensure that packaging can move towards circularity by integrating it into recycling channels.

These pillars 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.

- **Product ecodesign program and SPOT Tool**

Since 2017, the Sustainable Product Optimisation Tool (SPOT), based on a rigorous scientific methodology for assessing environmental impacts, has been rolled out to all Group brands (excluding recent acquisitions). This tool calculates the complete environmental and social footprint of a product in accordance with the European Commission's recommendation (Product Environmental Footprint) on the use of common methods to measure and communicate the environmental performance of products and organizations. SPOT is embedded in L'Oréal's product launch

processes, making sustainable innovation a key part of 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 tool also includes a methodology for measuring the social impact of products that was co-developed with internal expertise (formula, packaging, factory, stakeholders) and nine international experts in social life cycle assessment.

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.

The environmental and social profile of all products developed in 2021 has been evaluated using this tool.

In order to classify products according to the benefits offered to the consumer, all 19 types of products manufactured by the Group (shampoos, hair care, shower gels, skin care, cleansers, hair coloring, styling, deodorants, sunscreens, make-up, fragrances, etc.) were analyzed. After defining about 150 product categories that meet consumer benefits and screening more than 40,000 formulas between 2014 and 2015, the performance of each consumer benefit category was established to enable eco-design of products using the SPOT tool to ensure that all new formulas are developed with the aim of having, for the same consumer benefit, an improved environmental profile.

- **Programmes to reduce the GHG emissions from product transportation** (reduction of airfreight, green deliveries, hydrogen engines)

L'Oréal's sustainable transport strategy mainly focuses on 4 pillars:

- Improve air freight reduction and monitoring process, with the implementation of the Global Freight Cockpit.
- The Greener lanes programme, focused on long-distance road transport (excluding air transport) with new solutions gradually being rolled out (biogas vehicles as an alternative to diesel; multimodal transport using river or rail freight, as an alternative to road, etc.)
- The GLAM (Green Last Mile) programme, which targets the implementation of solutions to reduce CO₂ emissions from urban transport.
- Digitalization of transport CO₂ monitoring

Factors that may affect the achievement of our target

There may be lack of feasible technologies and feedstock in the short- to mid-term for sourcing PCR materials for our packaging or replacing petro-based by bio-based raw materials

There may be lack of feasible technologies in the short- to mid-term for replacing fossil fuels by local renewable energies in some countries where L'Oréal operates

L'Oréal states its willingness to reach carbon neutrality over sites without recourse to carbon offsetting, limiting the compensation of residual hard to abate emissions

Low carbon fuels (such as Hydrogen) for transport could not be mature enough by 2025 to impact significantly our products transportation decarbonization.

KPI #2: Share of plastics used in packaging either from recycled or biobased sources (%)

SPT #2: 50% of the Group's plastics used in packaging will be from recycled or biobased source by 31st December 2025, and 100% by 31st December 2030*

Metric	Unit	Target	Target Observation date	Baseline
Percentage of Group's plastic packaging from recycled or biobased source	%	50 %	31 st December 2025	21% for full financial year 2021
		100%	31 st December 2030	

Ambition of the target

Our aim to increase the share of plastics in packaging from recycled or biobased sources to 50% by 2025, which is our intermediary goal on the way to achieve 100% by 2030.

This target contributes to the Group's global packaging 3R eco-design strategy (Reduce, Replace, Recycle). This strategy is about awareness and enforcement at conception stage of these 3 eco-design principles: Reducing packaging intensity (by light weighting, eliminating non necessary parts, reusing/refilling concepts) by redesign, resize or reuse; Replacing impactful materials by materials with a better environmental footprint and Recycling by creating packaging that contributes to the circular economy.

Means for achieving the target

L'Oréal has defined a packaging Masterplan to roll-out the way to its objectives: priority brands and ranges were defined to focus on using available recycled plastic feedstocks. Guidance on how to handle the main recycled resins (r-PET, r-PE and r-PP) were defined for impact, in line with their availability for use. This availability is monitored by our Sourcing Center which secure long term contracts with recycled plastics providers.

L'Oréal has put in place numerous initiatives and partnerships in order to contribute to the development of a portfolio of fossil free plastics:

- L'Oréal has created a consortium with Carbios to develop a biorecycling process using very specific enzymes that will recycle Polyethylene terephthalate ("PET") plastics and polyester fibers more broadly. This innovative process will produce a recycled

PET equivalent to virgin PET. In April 2019, Suntory, Nestlé Waters and Pepsi- Co joined this consortium.

- In 2018, L'Oréal signed a partnership with LOOP Industries® to produce food quality PET through chemical recycling.
- L'Oréal signed a partnership with PURECYCLE in July 2019 in order to produce recycled food quality Polypropylene (PP).
- In November 2020, L'Oréal also signed a partnership with Lanzatech and Total to develop a very innovative process to convert captured carbon from the waste of industrial sites (steel mills) into packaging materials.

L'Oréal is working to reduce our packaging intensity with a path towards a reduction of 20% of packaging intensity by 2030. These efforts are reducing the need of materials per product, including plastics, thereby helping to lower the need for plastics.

2.4. Financial characteristics

Sustainability Linked Financing Instruments will incorporate one or several of the KPIs outlined in the "Selection of Key Performance Indicators" section, as specified in each Sustainability Linked Financing Instruments legal documentation.

All financing issued under this Framework have a sustainability-linked feature that will result in a coupon or margin adjustment, or a premium payment, as the case may be, if a Trigger Event occurs.

A Trigger Event occurs if:

- One or more of the selected KPIs have not achieved the SPT(s) on the target observation date, or
- The verification of the SPTs at the target observation date has not been provided

2.5. Reporting

L'Oréal will publish and keep readily available and easily accessible an annual Sustainability-Linked Financing Progress Report within our Universal Registration Document ("URD"), or within another document published on our website, that will include:

- up-to-date information on the performance of each KPI included in the Framework,
- any additional relevant information enabling investors to monitor the progress of each KPI towards the SPT(s)

Factors that may affect the achievement of our target

- Market availability for recycled plastics
- Price volatility for recycled plastics

Factors that may trigger the achievement of our target

- Industry's and authorities' engagement in recycled plastic flows quicker development
- Market Deployment of innovative and diverse replacement solutions phasing out need for virgin plastics

and made public as set out in the External Verification section of this Framework

The relevant KPIs, SPTs, coupon or margin step-up amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g., Final Terms of the relevant SLB).

For the avoidance of doubt, if the KPI(s) has achieved its SPT(s) and reporting and verification for the SPT have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of any Sustainability Linked Bond issued by L'Oréal under this Framework shall remain unchanged.

Reporting will be conducted on the following basis:

- 2021 serves as a baseline
- Cradle-to-shelf includes
 - Purchases of raw materials and packaging materials used for the products manufactured by the Group,
 - Scopes 1 and 2 emissions of sites operated by L'Oréal (plants, distribution centres, administrative sites and research centres)

- o Downstream transportation of products from production or distribution centres to the first customer delivery point.
- The GHG emissions of the above “cradle-to-shelf” perimeter (KPI 1b) will be calculated with constant emission factors for Scope 3
- any re-assessments of KPIs due to any changes to the calculation methodology for a KPI or significant changes in data due to better data accessibility, if relevant;
- any adjustments of baselines or KPI scope, if relevant; and/or
- updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

Reporting may also include:

- qualitative or quantitative explanation of the contribution of the main factors, including M&A activity, behind the evolution of each selected KPI on an annual basis;
- illustration of the positive sustainability impact of the performance improvement; and/or

When relevant, L'Oréal may also provide information on changes to our sustainability strategy or governance.

Such Sustainability-Linked Financing Progress Report shall be published annually (within a period of time defined in the specific documentation of each Sustainability-Linked Financing Instrument and at the latest by the end of the first half of the following year).

2.6. External verification

Pre-issuance verification

A Second Party Opinion has been provided by Sustainalytics to ensure that this Framework is respecting every principle of the SLBP 2020 and SLLP 2021. It will be made publicly available on L'Oréal's website: [link](#)

Post-issuance verification

The annual performance of each selected KPI included in the Sustainability-Linked Financing Progress Report will be subject to external verification by a qualified external auditor within a period of time defined in the specific documentation of each Sustainability-Linked Financing Instrument.

Verification of KPI performance will be conducted on an annual basis, published in the Sustainability-Linked Financing Progress Report and at on a “Limited Assurance” standard.

Recalculation Policy

The KPI(s) (including when used as a baseline, on the 2021 base year in respect of the Cradle-to-Shelf GHG Emissions KPI) and/or the SPT(s) may be recalculated in good faith by L'Oréal to reflect any material change in:

- (i) the methodology of any KPI,
- (ii) a regulation which is relevant to the determination of any KPI,
- (iii) the data due to better data accessibility or discovery of data errors, or
- (iv) the perimeter of the Group as a result of any acquisition, amalgamation, demerger, merger, corporate reconstruction, divestiture or disposal, where any such change, taken individually or in aggregate, has a significant impact on the levels of the SPT.

Such recalculation may be performed provided that:

- (a) in the opinion of L'Oréal, such change has no material adverse effect on the interests of the bondholders or lenders, and
- (b) an External Verifier has independently confirmed that the proposed revision:
 - (i) is consistent with L'Oréal's sustainable strategy; and
 - (ii) is in line with the initial level of ambition of the SPT(s),

all as described in the specific documentation of each Sustainability Linked Financing Instrument and in the Framework.

Any such change will be communicated and notified as soon as reasonably practicable by L'Oréal in accordance with the conditions detailed in the specific documentation of each Sustainability Linked Financing Instrument.

Amendments to this Framework

L'Oréal may review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when available in the market. Any major update will be subject to the prior approval of Sustainalytics or any such other qualified provider of a Second Party Opinion.

