

# Second-Party Opinion

## L'Oréal Sustainability-Linked Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the L'Oréal Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs)** L'Oréal's Sustainability-Linked Financing Framework includes three KPIs: (1a) absolute scope 1 and 2 GHG emissions, (1b) cradle-to-shelf GHG emissions, per sold product, and (2) share of recycled or biobased plastics used in packaging (see Table 1). Sustainalytics considers KPI 1a to be very strong, and KPIs 1b and 2 to be strong.
- Calibration of Sustainability Performance Targets (SPTs)** Sustainalytics considers the SPTs to be aligned with L'Oréal's sustainability strategy. Sustainalytics further considers SPT 1a to be highly ambitious, and SPTs 1b and 2 to be ambitious.
- Bond or Loan Characteristics** L'Oréal will link the debt instruments' financial characteristics to the occurrence of a Trigger Event, namely a coupon step-up, margin adjustment, or premium payment in case: 1) an SPT is not met at the target observation date, or 2) the verification of the SPTs at the target observation date has not been provided and made public as set out in the External Verification section of this Framework.
- Reporting** L'Oréal commits to publish an annual Sustainability-Linked Financing Progress Report on its website. The report will include up-to-date performance of the KPIs. The reporting commitments are aligned with market expectations.
- Verification** L'Oréal commits to have external limited assurance conducted by an external auditor for each KPI against each SPT at least once a year, which is aligned with market expectations.

<b>Evaluation Date</b>	March 16, 2022
<b>Issuer Location</b>	Paris, France

The SPTs contribute to the following SDGs:



### Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
KPI 1a: Absolute scopes 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	2021	SPT 1a: Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025.	Very Strong	Highly Ambitious
KPI 1b: Cradle-to-shelf GHG emissions per sold product (gCO <sub>2</sub> e/sold unit)	2021	SPT 1b: Achieve 14% reduction of "cradle-to-shelf" scopes 1, 2 and 3 GHG emissions per unit of sold product by 2025	Strong	Ambitious
KPI 2: Share of recycled or biobased plastics used in packaging (%)	2021	SPT 2: Achieve 50% of recycled or biobased plastics used in packaging by 2025, and 100% by 2030	Strong	Ambitious

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## Scope of Work and Limitations

L'Oréal Group has engaged Sustainalytics to review the Sustainability-Linked Financing (SLF) Framework and provide an opinion on the alignment of the notes the Sustainability-Linked Bond Principles (SLBP)<sup>1</sup> and Sustainability-Linked Loan Principles (SLLP).<sup>2</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA, and the Sustainability-Linked Loan Principles 2021, as administered by APLMA, LMA, and LSTA.

As part of this engagement, Sustainalytics exchanges information with various members of L'Oréal Group's management team to understand the sustainability impact of their business processes and SPTs, as well as reporting and verification processes of aspects of the SLB Framework. L'Oréal Group's representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Bond Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and L'Oréal Group. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance.<sup>4</sup> The measurement and reporting of the KPIs is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that L'Oréal Group. has made available to Sustainalytics for the purpose of this Second-Party Opinion. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>5</sup> against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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<sup>1</sup> The Sustainability Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

<sup>2</sup> The Sustainability-Linked Loan Principles (SLLP) were launched by LSTA in May 2021. They are administered by the LSTA and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>.

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

<sup>4</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>5</sup> Benchmarks refers to science based benchmarks

## Introduction

L'Oréal Group ("L'Oréal", the "Group" or the "Company") is a global beauty company 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 Company is split into the divisions of L'Oréal Luxe, Consumer Products, Active Cosmetics and Professional Products, each of which has a specific vision of beauty, consumer universe and distribution channels. The Company has developed a portfolio of 35 diverse and complementary brands. The Company is headquartered in Paris, France and employs more than 85,000 employees.

L'Oréal intends to issue Sustainability-Linked Bonds (SLB) and Sustainability-Linked Loans (SLLs) where the achievement of the SPTs for up to three KPIs will be tied to variable financial characteristics as described in the documentation for the specific transaction. The three KPIs refer to (i) absolute scopes 1 and 2 GHG emissions, (ii) cradle-to-shelf GHG emissions per sold product, and (iii) share of plastics used in packaging either from recycled or biobased sources.

L'Oréal has engaged Sustainalytics to review the SLF Framework and provide an opinion on the alignment of the framework with the Sustainability-Linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP).

The KPIs and SPTs used by L'Oréal are defined in Tables 1 and 2 below.

**Table 1: KPI Definitions**

KPI	Definition
KPI 1a. Absolute scopes 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	KPI 1a measures absolute scopes 1 and 2 GHG emissions, in ktCO <sub>2</sub> e, from all of L'Oréal's operated sites. <sup>6</sup> For calculating scopes 1 and 2 GHG emissions, L'Oréal follows the GHG Protocol. <sup>7</sup> The KPI covers 100% of the Group's scopes 1 and 2 GHG emissions.
KPI 1b. Cradle-to-shelf GHG emissions per sold product (gCO <sub>2</sub> e/sold unit)	Cradle-to-shelf GHG emissions include scopes 1 and 2 emissions from L'Oréal operated sites <sup>6</sup> , and scope 3 emissions from the purchase of raw materials and packaging materials, as well as products' transportation to the first delivery point to clients. KPI 1b measures cradle-to-shelf GHG emissions, in gCO <sub>2</sub> e, in relation to the total number of sold units in the particular financial year. For calculating cradle-to-shelf GHG emissions, L'Oréal follows the GHG Protocol. The KPI covers 42% of L'Oréal's total GHG emissions.
KPI 2. Share of recycled or biobased plastics used in packaging (%)	KPI 2 is calculated as the mass of plastic in packaging made of recycled materials plus the mass of plastic in packaging made of biobased <sup>8</sup> plastic divided by the total mass of plastic in packaging. Within the scope of this KPI, L'Oréal includes the plastic packaging for finished goods, including primary, secondary, and tertiary packaging.

**Table 2: SPTs and Past Performance**

KPI	2019	2020	2021 (baseline)	SPT 2025	SPT 2030
KPI 1a: Absolute scopes 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	80.29	55.78	38.25	0	-
KPI 1b: Cradle-to-shelf GHG emissions per sold product (gCO <sub>2</sub> e/sold unit)	440	480	446	383.56 <sup>9</sup>	-
KPI 2: Share of recycled or biobased plastics used in packaging (%)	-	15%	21%	50%	100%

<sup>6</sup> Operated sites include industrial sites such as plants and distribution centres, as well as administrative and research centres.

<sup>7</sup> The Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard revised edition", (2015) at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>8</sup> L'Oréal defines biobased material that contains substances obtained from living organisms that meet the following criteria: (i) can originate in the plant, protist, or eukaryote kingdoms (excluding animal origin), (ii) contains biobased carbon, and (iii) is renewable. L'Oréal has confirmed to Sustainalytics that it will only such biobased materials that are derived from sustainably certified sources.

<sup>9</sup> Reduction of 14% from 2021 baseline.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the L'Oréal Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Sustainalytics is of the opinion that the L'Oréal Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles. For detailed information please refer to Appendix 1: Sustainability Linked Bond External Review Form. Sustainalytics highlights the following elements of L'Oréal's Framework.



#### Selection of Key Performance Indicators (KPIs)

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers i) whether an indicator speaks to a material impact of the issuer's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers KPI 1a - Absolute scopes 1 and 2 GHG emissions (ktCO<sub>2</sub>e) and KPI 1b - Cradle-to-shelf GHG emissions per sold product (gCO<sub>2</sub>e/sold product in the financial year) to be material and relevant based on:

- Sustainalytics' ESG Risk Rating identifies "Carbon-Own Operations"<sup>10,11</sup> as a material ESG issue and L'Oréal has identified 'Product environmental footprint' and 'Energy efficiency and carbon footprint' as a material issue in its materiality matrix developed using a methodology aligned with the ISO 26000 standard.<sup>12</sup>
- Sustainalytics notes the applicability of the KPI as high given that it accounts for 100% of L'Oréal's total Scope 1 and 2 emissions, and 42% of L'Oréal's Scope 3 emissions (excluding emissions linked to products indirect use phase). Currently, the Company's Scope 3 emissions in KPI 1b cover GHG emissions directly associated to the cradle-to-shelf perimeter,<sup>13</sup> calculated from the categories of purchased goods and services, limited to raw materials and packaging materials, and downstream transport and distribution.

Sustainalytics considers KPI 2 - Share of recycled or biobased plastics used in packaging (%) to be material and relevant based on:

- Sustainalytics' ESG Risk Rating identifies "E&S Impact of Products and Services" as a Material Risk Issue for L'Oréal due to the increasing environmental concerns and consumer preference for sustainable packaging. Furthermore, the Sustainability Accounting Standard Board (SASB) identifies product design and lifecycle management as a material topic for the household and personal products industry, which can be supported by addressing the lifecycle impacts of products and services, such as those associated

<sup>10</sup> According to Sustainalytics DEI, Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

<sup>11</sup> In Sustainalytics' ESG Risk Rating, the Household Products industry is composed of two subindustries: Household Products (33% of the industry) and Personal Products (67%). More information on ESG Risk Rating for this sub-industry is available at: <https://globalaccess.sustainalytics.com/#/research/riskIndustry>

<sup>12</sup> ISO 26000 is an international standard that provides a framework for corporate social responsibility, to identify and discuss with the stakeholders. The standard incorporates guidelines to understanding "relevance" and "significance" of ESG issues in determining priority for attention and action.

<sup>13</sup> Cradle-to-shelf perimeter encompasses the climate footprint of a food product from the natural resource stage to refinement, packaging, and distribution; essentially, the calculation includes the life cycle of the product up to the shelves of the store.

with packaging, distribution, and use-phase. In its materiality analysis for 2020, L'Oréal identified "the use and end of life of products" as a material issue for the Group.<sup>14</sup>

- Sustainalytics notes the applicability of the KPI as high given that it relates to the large share of the Group's plastic packaging for finished goods, including primary, secondary, and tertiary packaging, apart from a few products for which data is not connected to the Group's central packaging data system.

### KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.<sup>15</sup>

KPI 1a - Absolute scopes 1 and 2 GHG emissions (ktCO<sub>2</sub>e) and KPI 1b - Cradle-to-shelf GHG emissions per sold product (gCO<sub>2</sub>e/sold unit)

- Sustainalytics considers L'Oréal's definition and methodology to calculate KPI 1a performance to be clear and consistent as it is in accordance with the GHG Protocol Corporate Standard, which supports benchmarking against external standards such as science-based climate targets and scenarios. Additionally, KPI 1a targets emissions reduction activities that are directly under the operational control of L'Oréal, which Sustainalytics views as a direct measure of performance.
- In the case of KPI 1b, Sustainalytics notes that while it is clear and consistent based on the GHG Protocol Corporate Standard, it does not lend itself well to be benchmarked against contextual science-based absolute GHG emissions targets, as the KPI is an ad-hoc intensity metric in which the denominator is the number of units of L'Oréal's product sold annually. Sustainalytics notes that L'Oréal has a large variety of different products of varying sizes and characteristics, and therefore using number of products sold in the denominator of the KPI substantially limits its reliability and comparability. Sustainalytics notes that the KPI captures the indirect GHG emissions on which the Company has little or no direct control.

KPI 2 - Share of recycled or biobased plastics used in packaging (%)

- Sustainalytics considers L'Oréal's definition and methodology to calculate KPI 2 performance to be clear, consistent and replicable. While Sustainalytics notes that there are no external benchmarks available for assessing performance against KPI 2, L'Oréal has established its internal methodology and contextual targets for minimizing the plastic footprint of its packaging. The Group traces the amount of recycled or bio-based plastic used in the packaging of finished goods through its central packaging data and finished good production systems. L'Oréal has communicated to Sustainalytics that the Group's present strategy is to enhance the use of recycled materials but may consider increasing the use of bio-based solutions in the future, provided that they over-perform other solutions based on L'Oréal's internal methodology. As such, Sustainalytics considers KPI 2 to be a direct measure of L'Oréal's performance on material environmental issues.

### Overall Assessment

Sustainalytics considers KPI 1a - Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025 to be very strong given that the KPI (i) speaks to material environmental issue directly related the Issuer's environmental performance, (ii) has a high scope of applicability, (iii) follows clear and consistent methodology; and (iv) supports benchmarking against external emission reduction trajectories.

Sustainalytics considers KPI 1b - Cradle-to-shelf GHG emissions per sold product (gCO<sub>2</sub>e/sold product in the financial year) - to be strong given that it: (i) has a direct relationship to performance, (ii) is of high relevance to the material issue of GHG emissions reduction, and (iii) has a high scope of applicability. Additionally, the KPI is a Company defined emission intensity metric that includes indirect emissions, some of which the Company has little or no direct control. Sustainalytics views positively these efforts to influence emissions and environmental

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<sup>14</sup> L'Oréal, "Universal Registration Document 2020", at: [https://www.loreal-finance.com/system/files/2021%2003/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021%2003/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>15</sup> External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

performance beyond the Company's direct control. However, the KPI does not support benchmarking against external science-based emissions reduction trajectories.

Sustainalytics considers KPI 2 - Share of recycled or biobased plastics used in packaging (%) to be strong given that it follows a clear and consistent methodology and covers the majority of the Group's plastic packaging, nonetheless Sustainalytics notes that there are no external benchmarks available for assessing performance against this KPI.

<b>Absolute scopes 1 and 2 GHG emissions (ktCO<sub>2</sub>e)</b>	Not Aligned	Adequate	Strong	Very strong
<b>Cradle-to-shelf GHG emissions per sold product (gCO<sub>2</sub>e/sold product in the financial year)</b>	Not Aligned	Adequate	Strong	Very strong
<b>Share of recycled or biobased plastics used in packaging (%)</b>	Not Aligned	Adequate	Strong	Very strong



## Calibration of Sustainability Performance Targets (SPTs)

### Alignment with Issuer's Sustainability Strategy

L'Oréal has set the following SPTs for its KPIs:

- Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025.
- Achieve 14% reduction of "cradle-to-shelf" scopes 1, 2 and 3 GHG emissions per sold product by 2025
- Achieve 50% of recycled or biobased plastics used in packaging by 2025, and 100% by 2030

Sustainalytics considers the SPTs to be aligned with L'Oréal's sustainability strategy (please refer to Section 2 for analysis of the credibility of L'Oréal's sustainability strategy).

- Regarding SPT 1, L'Oréal has committed to reduce GHG emissions as part of its *L'Oréal For The Future* Programme by 50% per sold product by 2030 compared to 2016. L'Oréal aims to: (i) achieve carbon neutrality in all its operated sites by 2025 by improving energy efficiency and using 100% renewable energy, (ii) reduce its consumers' GHG emissions from the use of L'Oréal's products by 25% by 2030 compared to 2016, (iii) reduce GHG emissions linked to the transport of its products by 50%<sup>16</sup> by 2030 compared to 2016, and (iv) reduce the Group's strategic suppliers absolute scopes 1 and 2 GHG emissions by 50% by 2030, compared to 2016.
- Regarding SPT 2, L'Oréal established responsible packaging goals as part of its commitment to preserve natural resources under the *L'Oréal For The Future* Programme.<sup>17</sup> These goals include: (i) achieving 100% of the Group's plastic packaging to be refillable, reusable, recyclable or compostable by 2025, and (ii) achieving 100% of the Group's plastic packaging to be recycled or bio-sourced by 2030, with the intermediary target of 50% by 2025. In order to achieve these targets, L'Oréal became a partner of the Ellen MacArthur Foundation in 2018 and collaborated with LanzaTech and Total in 2020 to develop the first sustainable packaging from captured and recycled carbon emissions.<sup>18</sup> In addition, L'Oréal continues to invest in biotechnology in the field of plastic recycling.<sup>19</sup>

<sup>16</sup> On average per finished product.

<sup>17</sup> L'Oréal, "Universal Registration Document 2020", at: [https://www.loreal-finance.com/system/files/2021/03/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021/03/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>18</sup> L'Oréal, "Universal Registration Document 2020", at: [https://www.loreal-finance.com/system/files/2021/03/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021/03/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>19</sup> Ibid.

### Strategy to Achieve the SPTs

L'Oréal intends to achieve the SPT through the following strategy:

#### SPT 1a : Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025.

L'Oréal intends to achieve the SPT 1a through the following strategy:

- The Company has set a target of achieving carbon neutrality across all its sites by improving energy efficiency and using 100% renewable energy by 2025.<sup>20</sup>
- The Company has set a requirement of achieving a minimum of LEED "Gold" (or equivalent) certification for all new buildings constructed, enabling improved energy efficiency and emissions reduction. Additionally, the Company has developed and deployed "EnergyScan", an energy management tool, across its plants to manage and make informed decisions related to energy consumption. The Company also aims to certify all its plants with ISO 50001 for energy management systems.
- The Company relies on renewable energy adoption to drive reduction of scopes 1 and 2 emissions. By the end of 2020, L'Oréal had 100 carbon neutral sites (using 100% renewable energy such as solar, wind, biomass etc), including 25 factories. The Company aims to make the best of use of various business models related to renewable energy sourcing - on-site production, power purchase agreements, green supply agreement and renewable energy certificates procurement.

#### SPT 1b - Achieve 14% reduction of "cradle-to-shelf" scopes 1, 2 and 3 GHG emissions per sold product by 2025

L'Oréal intends to achieve SPT 1b through the following strategy:

- To reduce emissions arising from the transportation of its products, the Company's sustainable transport strategy focuses on switching from air freight to less polluting alternatives such as sea and rail freight, use of less GHG emitting vehicles powered using biogas or hydrogen and digitalization of emissions monitoring.<sup>21</sup>
- The Company has developed a Sustainable Product Optimisation Tool (SPOT) to estimate the environmental footprint of its products in accordance with the European Commission's Product Environmental Footprint guidelines on the use of common methods to measure and communicate the environmental performance of products and organizations. The Company leverages SPOT to integrate sustainable innovation even from the product development stage.
- Since 2007, the Company reduces the environmental footprint arising due to the packaging used in its products through its packaging and environment policy that incorporates the 3R waste management strategy – Reduce, Replace and Recycle. Reducing the environmental impact of packaging is one of the major commitments in the "L'Oréal for the Future" program.
- The Company has set up "Green Sciences", a multi-disciplinary research and development program through which it drives sustainable innovation across its product portfolio. This includes use of natural and bio-based materials that are safer to the environment compared to conventional chemicals used in personal products.

#### SPT 2 - Achieve 50% of recycled or biobased plastics used in packaging by 2025, and 100% by 2030

L'Oréal intends to achieve SPT 2 through the following strategy:

- L'Oréal has developed a packaging masterplan to identify priority brands and product lines for which a greater emphasis will be placed on the use of recycled plastic feedstocks. Additionally, the Group will provide guidance on the proper handling of key recycled resins, as they become available for use. This availability will be monitored by the Sourcing Center, which will ensure long-term contracts with providers of recycled plastics.

<sup>20</sup> L'Oréal, "Fighting Climate Change", at: <https://www.loreal.com/en/commitments-and-responsibilities/for-the-planet/fighting-climate-change/>

<sup>21</sup> L'Oréal, "Green Transportation Commitments", at: HYPERLINK "https://www.loreal.com/en/articles/commitments/green-transportation/#:~:text=Set%20up%20by%20L'Or%C3%A9al,lower%20delivery%2Drelated%20GHG%20emissions" https://www.loreal.com/en/articles/commitments/green-transportation/#:~:text=Set%20up%20by%20L'Or%C3%A9al,lower%20delivery%2Drelated%20GHG%20emissions.



- Additionally, L'Oréal has established a number of initiatives and collaborations to help in the development of a portfolio of virgin fossil-free plastics, including: (i) the Group formed a consortium with Carbios to develop a bio-recycling technology for PET plastics and polyester fibres, (ii) since 2018, the Group has partnered with LOOP Industries to produce food quality PET through chemical recycling, and (iii) in 2019, the Group partnered with PURECYCLE to produce recycled food quality PP, and (iv) in 2020, the Group signed a partnership with Lanzatech and Total to develop the first sustainable packaging from captured and recycled carbon emissions.

### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers whether the SPTs go beyond business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compares with science.<sup>22</sup>

SPT 1a - Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025, and

SPT 1b - Achieve 14% reduction of "cradle-to-shelf" scopes 1, 2 and 3 GHG emissions per sold product by 2025

L'Oréal has set the baseline for the SPT 1a and 1b at 2021, as that is the most recent comparable data available.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer analysis, and the Science Based Targets initiative (SBTi) pathways.

- For SPT 1a, the Company has continuously decreased its absolute scopes 1 and 2 emissions, with historical performance demonstrating an average annual decline of 26.18% between 2019 and 2021. Achieving SPT 1a by 2025 would imply an average annual reduction of approximately 25% between 2021 and 2025. Sustainalytics considers the SPT 1a to be aligned with L'Oréal's historical performance on scopes 1 and 2 emissions reduction. Sustainalytics notes that the annual linear reduction is aligned with the SBTi limiting warming to 1.5°C.<sup>23</sup>
- For SPT 1b, the Company has reduced its "cradle-to-shelf" scopes 1, 2 and 3 emissions by 0.7% annually, between 2019 and 2021. Achieving SPT 1b by 2025 would imply an average annual reduction of approximately 3.5% between 2021 and 2025. Sustainalytics considers SPT 1b to be above L'Oréal's historical performance on scopes 1, 2 and 3 emissions reduction on a "cradle-to-shelf" basis. While Sustainalytics acknowledges that the achievement of SPT 1b may have an impact on the realisation of SBTi commitments, it notes that SPT 1b is an intensity metric, compared to absolute contraction method used in the Company's verified SBTi targets but is still ambitious given past performance and peer analysis.
- An analysis conducted by Sustainalytics on L'Oréal's peer group, which included global personal product manufacturers that are acting on climate change, concluded that the SPT 1a and SPT 1b align with peers' targets. The Company is one of the leaders in the personal products sector, for having a climate target that is aligned with the 1.5°C global warming scenario along with net-zero commitments. Among the companies in SBTi's "Consumer Durables, Household and Personal Products" sector committing to taking action against climate change, approximately only 11% have near-term emissions reduction targets aligned with a 1.5°C warming scenario and net-zero commitments.

SPT 2 - Achieve 50% of recycled or biobased plastics used in packaging by 2025, and 100% by 2030

Regarding SPT 2, Sustainalytics was able to use past performance and peer performance to benchmark ambitiousness, given the absence of a recognised science-based external benchmarks on plastic.

- Between 2020 and 2021, L'Oréal demonstrated a 40% increase in the share of plastics used in packaging derived from recycled or biobased sources. To achieve SPT 2, L'Oréal must increase the share of recycled or biobased plastics by annual average of around 34.5% between 2021 and 2025 and 20% between 2025 and 2030. Sustainalytics notes that SPT 2 is aligned with the KPI's performance observed between 2020 and 2021.

<sup>22</sup> We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

<sup>23</sup> SBTi strongly encourages companies, particularly those in developed countries, to adopt targets with a 4.2% annual linear reduction to be aligned with limiting warming to 1.5°C. SBTi, "SBTi Corporate Manual", (2021), at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual-v1.0-2.pdf>

- With regards to comparison against peers, L'Oréal is aligned with respect to recycled or biobased plastic packaging targets, which based on Sustainalytics' assessment, are in the range of 25-50% increase by 2025.

**Overall Assessment**

Sustainalytics considers SPT 1a to be highly ambitious given that it is aligned with industry's best practices, historical performance, and SBTi-verified climate trajectory.

Sustainalytics considers SPT 1b to be ambitious given that it is aligned with industry's best practices and above historical performance. Despite the Company's efforts to reduce these emissions, Sustainalytics notes that there are no contextual science-based external benchmarks to compare the SPT against emissions reduction trajectories.

Sustainalytics considers L'Oréal's SPT 2 to be ambitious given that it presents a continued increase relative to past performance and achieving 100% recycled or bio-based packaging by 2030 will require a significant increase compared to 2021 level. Nonetheless, Sustainalytics notes that there are no science-based external benchmark available for assessing the performance against this SPT.

Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025 (ktCO <sub>2</sub> e)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
Achieve 14% reduction of "cradle-to-shelf" scopes 1, 2 and 3 GHG emissions per sold product by 2025 (gCO <sub>2</sub> e/sold product in the financial year)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
Achieve 50% of recycled or biobased plastics used in packaging by 2025, and 100% by 2030 (%)	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



**Bond Characteristics**

L'Oréal will link the debt instruments' financial characteristics to the occurrence of a Trigger Event, namely a coupon step-up, margin adjustment, or premium payment in case: 1) an SPT is not met at the target observation date, or 2) the verification of the SPTs at the target observation date has not been provided and made public as set out in the External Verification section of this Framework. Sustainalytics considers these levels of disclosure to be aligned with the SLBP, noting that it does not opine on the adequacy of the financial penalty.



**Reporting**

L'Oréal commits to publish an annual Sustainability-Linked Financing Progress Report on its website. The report will include up-to-date performance of the KPIs. L'Oréal further commits to disclose relevant information that enables investors to monitor the level of ambition of the SPT which will include: (i) 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; (ii) illustration of the positive sustainability impact of the performance improvement; and/or 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; (iii) 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. The reporting commitments are aligned with market expectations.



**Verification**

L'Oréal commits to obtain a limited assurance from an external auditor against each SPT for each KPI at least once a year, which is aligned with market expectations.

## Section 2: Assessment of L'Oréal's Sustainability Strategy

### Credibility of L'Oréal Sustainability Strategy

L'Oréal has demonstrated a commitment to sustainable development and has implemented sustainability initiatives for years. In 2009, L'Oréal already set targets to reduce GHG emissions, waste generation and water consumption at its production sites and distribution centres by 50% by 2015 (compared to 2005), and achieved the target in 2014.<sup>24</sup> In 2013, the Company initiated the global sustainability programme "Sharing Beauty with All", under which it defined sustainable development commitments and goals for L'Oréal to achieve by 2020. Under the programme, L'Oréal achieved an 81% reduction in GHG emissions from production and distribution sites in 2020 from the 2005 level, exceeding the original target of a 60% reduction.<sup>25</sup>

In 2020, the Company launched the "L'Oréal for the Future" programme which sets out renewed sustainability strategy and commitments for 2030,<sup>26</sup> including targets on climate, water, biodiversity and natural resources, which cover the impacts of its own operated sites, material supply chain, downstream transportation and use of products by consumers. In addition, L'Oréal joined the "Business Ambition for 1.5°C" initiative, a call to action launched by a coalition of businesses, civil society and UN agencies, and has committed to achieving net zero GHG emissions by 2050. The Company will also report regularly on its progress against each goal.

Furthermore, L'Oréal has established a governance structure to manage and oversee sustainability issues.<sup>27</sup> L'Oréal's Board of Directors is committed to integrating the challenges of climate change and broader sustainable development issues in the formulation of the Company's annual strategic directions. Furthermore, sustainability objectives, such as those set out in the "L'Oréal for the Future" programme and the Company's goals and targets, are incorporated in the variable portion of annual remuneration of the CEO and the top management.

Sustainalytics considers L'Oréal to have a strong sustainability strategy and considers that the bonds issued under the Framework will further support its implementation.

### L'Oréal's Environmental and Social Risk Management

Overall, Sustainalytics considers L'Oréal's ESG risk management as strong. Sustainalytics also recognizes that while the L'Oréal's defined targets are impactful, but acknowledges that achieving the SPTs bears environmental and social risks related to occupational health & safety, environmental impact including land use and biodiversity, stakeholder relations, business ethics, and supply chain.

In the following section Sustainalytics comments on L'Oréal's ability to mitigate such potential risks.

- L'Oréal has a management system in place to identify and manage the Group's main non-financial risks in compliance with the EU Directive on the disclosure of non-financial information.<sup>28</sup> An analysis of non-financial risks, including environmental, social, human rights and corruption risks, is carried out by the Group's experts and the Risk Management Department. The main risks identified will be validated by relevant management.<sup>29</sup> L'Oréal has established policies, programmes and initiatives to manage the specific risks identified.
- To address risks related to occupational safety and health, L'Oréal has adopted a work safety and health policy shared across the organization. The Company is committed to moving toward "zero accidents." The Company maintains a global reference manual that defines health and safety measures applied to facilities and activities. L'Oréal also provides health and safety trainings to all employees and carries out external audits regularly at its own sites and entities. Third-party safety and health audits have also been conducted on subcontracted manufacturing or logistics sites, in accordance with the criteria defined by L'Oréal and similar to those used for its own entities.<sup>30</sup>

<sup>24</sup> L'Oréal, "2020 Universal Registration Document", at:

[https://www.loreal-finance.com/system/files/2021-03/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021-03/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>25</sup> L'Oréal, "Sharing Beauty with All: The L'Oréal Sustainability Commitment – 2013-2020 Closing Report", at: <https://www.loreal.com/-/media/project/loreal/brand-sites/corp/master/lcorp/documents-media/publications/sbwa/sbwaprgroupe2020eng0.pdf>

<sup>26</sup> L'Oréal, "L'Oréal unveils its next generation of bold sustainability targets for 2030", at:

<https://www.loreal.com/en/nordics/pages/commitments/l-oreal-for-the-future/>

<sup>27</sup> L'Oréal, "2020 Universal Registration Document, at: [https://www.loreal-finance.com/system/files/2021-03/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021-03/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>28</sup> Official Journal of the European Union, Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

<sup>29</sup> L'Oréal, "2020 Universal Registration Document", at: <https://www.loreal-finance.com/eng/universal-registration-document>

<sup>30</sup> Ibid.

- To mitigate the impact on the environment, L'Oréal has implemented an environmental policy to reduce the environmental footprint from its own operations as well as throughout the product life cycle.<sup>31</sup> As part of the measures to control the environmental impact of its operations, L'Oréal has committed to conduct an environmental analysis at least every three years, consider biodiversity and soil use in the design and operation of sites, reduce waste, as well as monitor surface water, industrial effluents and air emissions. The Company is also committed to assessing the environmental impact of all its brands and avoiding or reducing the use of non-renewable or non-sustainably sourced materials in products.
- L'Oréal engages with key stakeholders and endeavors to integrate their expectations in the formulating of its corporate strategies. Stakeholders, including employees, suppliers, consumers, NGOs, experts and different organizations, were consulted in the process of developing the Company's sustainability programmes. Moreover, the Company has conducted ongoing dialogue with NGOs, associations and experts on a range of environmental and societal issues for reviewing its policies and action plans.<sup>32</sup>
- L'Oréal has been a signatory of the United Nations Global Compact since 2003. By joining the Global Compact, the Company is committed to respecting its principles focusing on business ethics. The Company commits to renew its commitment to the Global Compact and publish a detailed report on how L'Oréal implements the its principles every year.<sup>33</sup>
- L'Oréal has engaged with suppliers to reduce environmental and social impact of its supply chain.<sup>34</sup> To that end, the Company encourages strategic suppliers to disclose and reduce their GHG emissions, conduct self-assessments and social audits. L'Oréal has selected the majority of its strategic suppliers on the basis of an evaluation of their social and environmental performance.

Overall, Sustainalytics considers that L'Oréal has strong management programmes and policies to mitigate risks that could affect the achievement of the SPTs.

## Section 3: Impact of the SPTs Chosen

### Importance of reducing the impact of the cosmetics industry

Globally, the cosmetics industry is expected to grow at a 4.4% annual rate by 2025, which could lead to increased energy consumption and associated GHG emissions.<sup>35</sup> The use and disposal of the products and packaging is a significant environmental issue for the cosmetics industry, but there are other challenges for companies in this sector include reducing their environmental impact, in terms of emissions, water use, waste management, and energy consumption.<sup>36</sup> As such, about 90% of the sector's emissions lie in the value chain.<sup>37</sup> To maintain warming at below 2°C, consumer goods companies must reduce GHG emissions by more than 50% by 2050.<sup>38</sup> Therefore, many cosmetics manufacturers have increased the use of renewable energy in their energy mix and are focusing on improving energy efficiency, changing production processes, and balancing emissions through carbon offsets.<sup>39</sup>

<sup>31</sup> Ibid.

<sup>32</sup> L'Oréal, "2020 Universal Registration Document", at:

[https://www.loreal-finance.com/system/files/2021-03/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021-03/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>33</sup> L'Oréal 2020 Annual Report, "Ethics", at: <https://www.loreal-finance.com/en/annual-report-2020/ethics-1-3-0/>

<sup>34</sup> L'Oréal, "2020 Universal Registration Document", at: [https://www.loreal-finance.com/system/files/2021-03/LOREAL\\_2020\\_Universal\\_Registration\\_Document\\_en\\_0\\_0.pdf](https://www.loreal-finance.com/system/files/2021-03/LOREAL_2020_Universal_Registration_Document_en_0_0.pdf)

<sup>35</sup> PR Newswire, "Escalating Demand in Cosmetic Skincare Products Boosting Growth in Multi-billion Dollar Industry", at:

<https://www.prnewswire.com/news-releases/escalating-demand-in-cosmetic-skincare-products-boosting-growth-in-multi-billion-dollar-industry-301054587.html>

<sup>36</sup> Green Business Bureau, "Environmental Sustainability in the Beauty Industry: Key Areas for Beauty Brands to Tackle", at:

<https://greenbusinessbureau.com/industries/environmental-sustainability-in-the-beauty-industry-key-areas-for-beauty-brands-to-tackle/>

<sup>37</sup> CDP, "Fast Moving Consumers", at: [https://cdn.cdp.net/cdp-](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/150/original/CDP_Consumer_Goods_2019_Exec_summary.pdf?1551891654)

[production/cms/reports/documents/000/004/150/original/CDP\\_Consumer\\_Goods\\_2019\\_Exec\\_summary.pdf?1551891654](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/150/original/CDP_Consumer_Goods_2019_Exec_summary.pdf?1551891654)

<sup>38</sup> McKinsey & Company, "Starting at the source: Sustainability in supply chains", at:

<https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Sustainability/Our%20Insights/Starting%20at%20the%20source%20sustainability%20in%20the%20supply%20chain/Starting-at-the-source-Sustainability-in-supply-chains.pdf>

<sup>39</sup> Cosmetics Europe, "The European Cosmetics Industry's Contribution 2017-2019", at:

[https://www.cosmeticseurope.eu/files/3715/6023/8402/Environmental\\_Sustainability\\_Report\\_2019.pdf](https://www.cosmeticseurope.eu/files/3715/6023/8402/Environmental_Sustainability_Report_2019.pdf)

The cosmetics industry produces an estimated 120 billion units of plastic packaging per year, of which 70% ends up in landfills.<sup>40</sup> In addition, only 9% of the plastic waste ever produced by any industry has been recycled, according to the UNEP.<sup>41</sup> One study shows that the raw materials, production, distribution, and packaging of cosmetics account for less than a quarter of its products' total life cycle environmental impacts, where most of the environmental impacts associated with cosmetics are attributable to the use and disposal of the product.<sup>42</sup> In terms of packaging, attempts by companies to reduce their impacts through limiting single-use plastics and providing more sustainable packaging solutions, such as reducing the weight of the packaging, increasing recycled content, implementing recyclable and reusable designs, pursuing plastic alternatives, particularly bio-based materials, can have a significant positive impact on their carbon footprint.<sup>43</sup>

Based on the above context, Sustainalytics considers L'Oréal's efforts and commitments towards reducing GHG emissions from all its operated sites through adopting energy efficiency programs, increasing the share of renewable energy in the energy mix, and increasing the recycled and bio-based materials in its plastic packaging as positively contributing towards achieving sustainability in the cosmetics industry.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and part of an agenda to achieve sustainable development by the year 2030. This L'Oréal Sustainability-Linked Financing Framework is expected to help advance the following SDGs goals and targets:

KPI	SDG	SDG Target
Absolute scopes 1 and 2 GHG emissions (ktCO <sub>2</sub> e)	7. Affordable and clean energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.
Cradle-to-shelf GHG emissions per sold product (gCO <sub>2</sub> e/sold product in the financial year)	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Share of plastics used in packaging either from recycled or biobased sources (%)	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

**Conclusion**

L'Oréal Group. intends to issue sustainability-linked bonds or sustainability-linked loans which will tie the coupon or margin rate to the achievements of the following SPTs:

- SPT 1a: Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025, from a 2021 base year.
- SPT 1b: Achieve 14% reduction of "cradle-to-shelf" scopes 1, 2 and 3 GHG emissions by 2025 from a 2021 base year
- SPT 2: Achieve 50% share of recycled or biobased plastics used in packaging from recycled or biobased source by 2025, and 100% by 2030

Sustainalytics considers KPI 1a - Reach zero absolute scopes 1 and 2 GHG emissions at L'Oréal's operated sites by 2025, and KPI 1b - Cradle-to-shelf GHG emissions per sold product (gCO<sub>2</sub>e/sold product in the financial year) - to be very strong. KPI 2 - Share of recycled or biobased plastics used in packaging (%), is considered to be strong, based on its materiality, relevance, scope of applicability and adequacy to external benchmarking.

<sup>40</sup> University of Connecticut, "Sustainable Beauty", at: <https://sustainability.uconn.edu/2020/09/11/sustainable-beauty/#>

<sup>41</sup> UNEP, "Our planet is drowning in plastic pollution—it's time for change!", at: <https://www.unep.org/interactive/beat-plastic-pollution/>

<sup>42</sup> Cosmetics Europe, "The European Cosmetics Industry's Contribution 2017-2018", at: [https://www.cosmeticseurope.eu/files/9615/2872/3399/CE\\_Environmental\\_Sustainability\\_Report\\_2018.pdf](https://www.cosmeticseurope.eu/files/9615/2872/3399/CE_Environmental_Sustainability_Report_2018.pdf)

<sup>43</sup> Global Cosmetic Industry, "Envisioning Climate-positive Beauty", at: <https://www.gcimagazine.com/brands/products/news/article/21848960/envisioning-climate-positive-beauty>



Sustainalytics considers SPT 1a to be highly ambitious and SPT 1b and SPT 2 to be ambitious, based on L'Oréal's past performance, peer performance and alignment with the industry's best practices and science-based targets.

Based on the above, Sustainalytics considers the L'Oréal Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021, and the prospective achievement of the SPTs to be impactful.

## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** L'Oréal Group.

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** March 16, 2022

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

**Original completion date of post issuance verification [please fill this out for updates]:**

At the launch of the bond, the structure is:

- a step-up structure  a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review)  only some of them (partial review):
- Selection of Key Performance Indicators (KPIs)  Bond characteristics (acknowledgment of)
  - Calibration of Sustainability Performance Targets (SPTs)  Reporting
  - Verification
- and confirmed their alignment with the SLBP.

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- Second Party Opinion  Certification
- Verification  Scoring/Rating

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

#### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

**Section 3. Detailed pre-issuance review**

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

**3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)**

**Overall comment on the section (if applicable):**  
 L'Oréal Sustainability-Linked Financing Framework includes three KPIs: (i) absolute scopes 1 and 2 GHG emissions, (ii) cradle-to-shelf GHG emissions, per sold product, and (iii) share of recycled or biobased plastics used in packaging (see Table 1). Sustainalytics considers KPI 1a and 1b to be very strong, and KPI 2 to be strong.

**List of selected KPIs:**

- Absolute scopes 1 and 2 GHG emissions (ktCO2e)
- Cradle-to-shelf GHG emissions per sold product (gCO2e/sold product in the financial year)
- Share of plastics used in packaging either from recycled or biobased sources (%)

**Definition, Scope, and parameters**

- |                                     |  |                                     |                               |
|-------------------------------------|--|-------------------------------------|-------------------------------|
| <input checked="" type="checkbox"/> | Clear definition of each selected KPIs | <input checked="" type="checkbox"/> | Clear calculation methodology |
| <input type="checkbox"/>            | Other (please specify):                |                                     |                               |

**Relevance, robustness, and reliability of the selected KPIs**

- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <input checked="" type="checkbox"/> | Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy. | <input type="checkbox"/> | Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> | Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis                            | <input type="checkbox"/> | Evidence that the KPIs can be benchmarked        |
|                                     |  | <input type="checkbox"/> | Other (please specify):                          |

**3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)**

**Overall comment on the section (if applicable):**  
 Sustainalytics considers the SPTs to be aligned with L'Oréal's sustainability strategy. Sustainalytics further considers SPT 1a to be highly ambitious, and SPT 1b and 2 to be ambitious.

**Rationale and level of ambition**

- |                                     |  |                                     |   |
|-------------------------------------|--|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Evidence that the SPTs represent a material improvement                                  | <input checked="" type="checkbox"/> | Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> | Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> | Credentials that the SPTs are determined on a predefined timeline                 |
|                                     |  | <input type="checkbox"/>            | Other (please specify):   |

**Benchmarking approach**



- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Issuer own performance   | <input checked="" type="checkbox"/> Issuer's peers        |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other ( <i>please specify</i> ): |

**Additional disclosure**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description                       | <input checked="" type="checkbox"/> issuer's strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other ( <i>please specify</i> ):                    |

**3-3 BOND CHARACTERISTICS**

**Overall comment on the section (*if applicable*):**  
 L'Oréal will link the debt instruments' financial characteristics to the occurrence of a Trigger Event, namely a coupon step-up, margin adjustment, or premium payment in case: 1) an SPT is not met at the target observation date, or 2) the verification of the SPTs at the target observation date has not been provided and made public as set out in the External Verification section of this Framework.

**Financial impact:**

- variation of the coupon
- ...
- Other (*please specify*):

**Structural characteristic:**

- ...
- ...
- Other (*please specify*):

**3-4 REPORTING**

**Overall comment on the section (*if applicable*):** L'Oréal commits to publish an annual Sustainability-Linked Financing Progress Report on its website. The report will include up-to-date performance of the KPIs. The reporting commitments are aligned with market expectations.

**Information reported:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input type="checkbox"/> Other ( <i>please specify</i> ):         |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Means of Disclosure**

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): in its Universal Registration Document
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the "useful links" section.

**Level of Assurance on Reporting**

- limited assurance
- reasonable assurance
- Other (please specify):

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**Section 4. Post-issuance verification**

**Overall comment on the section (if applicable):**

L'Oréal commits to have external limited assurance conducted by an external auditor for each KPI against each SPT at least once a year, which is aligned with market expectations.

**Information reported:**

- limited assurance
- reasonable assurance
- Other (please specify):

**Frequency:**

- Annual
- Semi-annual
- Other (please specify):

**Material change:**

- Perimeter
- KPI methodology
- SPTs calibration

## Disclaimer

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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