L'ORÉAL

2020 UNIVERSAL REGISTRATION DOCUMENT

Annual Financial Report

Integrated Report

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

L'ORÉAL

2020
UNIVERSAL REGISTRATION DOCUMENT

Including the Annual Financial Report - Integrated Report
Corporate and Social Responsaibility

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document has been filed on March 16, 2021 with the Autorité des Marchés Financiers (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to article 9 of said regulation.

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

Prospects

Jean-Paul Agon, Chairman and CEO of L'Oréal[1], and Nicolas Hieronimus, who will succeed him as Chief Executive Officer[2], look back at the highlights of 2020 and discuss the Group's prospects for the future.

2020 was a year like no other. L'Oréal was able to navigate this year in the best possible condition and has even grown stronger. The pandemic that disrupted the world led to an unprecedented crisis of supply. No one could have ever imagined that, one day, we would see seven million salons and nearly all perfumeries shut at the same time. As a result, the Beauty market decreased for the first time in history, by around -8%[3] !

Throughout the year, the health and safety of our employees was our absolute priority. We also immediately mobilised alongside our partners to help them cope with the crisis, and we provided support to caregivers around the world. On the business front, L'Oréal's performance in 2020 was the result of the exceptional commitment and the unfailing fighting spirit of our teams. I would like to recognize their enduring dedication which enabled the Group to continue to provide the beauty and care products that people need more than ever in times of crisis. We got back to sales growth in Q3, and accelerated in Q4. The Group made historic market-share gains. Three of our four Divisions significantly reinforced their positions and we outperformed in most regions worldwide.

Despite this exceptional year, we were able to preserve our operating margin at the same record level as 2019, and net earnings per share decreased by only -5.7%. Considering these solid results, we decided to propose a dividend of four euros at the next Shareholder Meeting, an increase of +3.9% compared to last year. We also posted exemplary extra-financial results. The Group achieved almost all the ambitious goals of its first sustainability programme, Sharing Beauty With All[4]. Independent experts have recognised our efforts, with L'Oréal topping key ESG rankings.

In such a challenging context, L'Oréal starts 2021 stronger than ever. The crisis has accelerated the transformations we have carried out over the last few years, which have equipped us to weather the challenges of 2020 and remain a step ahead. We solidified trust with our partners, retailers and suppliers. Our market-share gains are a tremendous advantage, as many new consumers are likely to stay loyal to our brands in the future. Our leadership in China, the second-largest beauty market in the world, has further increased this year. Our digital prowess gives us a cutting edge, as we make beauty even more personalised and connected. Our leadership in e-commerce is more powerful than ever, with online sales reaching more than a quarter of our total sales.

We are strengthening our positions in skincare, the biggest and the fastest-growing category in the beauty market. Our Research & Innovation is sharper than ever and focused on the most promising fields of science and technology. Our organisation has become more agile and our extraordinary adaptability enables us to respond to major shifts and market volatility at lightning speed. Our results are more virtuous than ever because we have optimised costs and rebalanced our investments.

> **"2020 was a year like no other. L'Oréal was able to navigate this year in the best possible condition and has even grown stronger"**
>
> **Jean-Paul Agon**
> Chairman and Chief Executive Officer of L'Oréal [1]

Lastly, we took a bold step forward in Sustainability and Responsibility with our new *L'Oréal for the Future* programme, which aims to address the planet's most pressing challenges. Launched in the spring, it is one of the most ambitious programmes in the world and will lead the way to an inclusive and sustainable tomorrow.

As I prepare to pass the baton to Nicolas Hieronimus, I am absolutely thrilled and totally serene: because we have a unique business model that has proven both its ability to win market share and create value in usual times, as well its capacity to resist exceptionally well in times of crisis, as we saw last year; because we have anticipated all fundamental shifts to win in the 21st century; and because I have total confidence in L'Oréal's teams. The next chapter starts with Nicolas, who is the best person to chart the course that will steer our company to new successes and stay true to our strategy and values while also reinventing the Group and adapting it to the major challenges that lie ahead.

"I aim to make L'Oréal a company of the future— a global leader with strong values"

Nicolas Hieronimus
Deputy CEO in charge of Divisions(2)

Thank you, Jean-Paul, for your kind words. I would like to begin by paying tribute to your formidable track record, both financial and non-financial. On behalf of everyone at L'Oréal, thank you for bringing the Group to this level of performance. My vision for the years ahead is shaped around three keywords: Continuity, Confidence and Ambition..

The first word, continuity, applies to this transition. I have been a member of the Executive Committee for the past 13 years, and have been involved in each of the Group's transformational decisions. Together, we have built a close relationship that will only grow stronger, on different terms but in the same spirit of proximity.

The second keyword is confidence. Confidence in the power of the L'Oréal model; confidence in L'Oréal's outstanding employees; and, last but not least, confidence in the beauty market. This year has proven the resilience and power of the unique L'Oréal model, a model that empowered us to achieve our best performance of the past 15 years in 2019 and enabled a solid result despite upheaval around the globe in 2020. This model has constantly evolved over the years but has always remained true to its roots. I am thinking of beauty, a market in which we are a pure player; innovation, which has proven to be a winning wager and a unique competitive advantage; and marketing creativity, through which we transform our R&I discoveries to meet the needs and aspirations of consumers.

In the coming years, growth in the beauty market will be driven by solid trends that we have anticipated: the rise of the middle and upper classes; youth, who are consuming younger and younger; seniors with increasingly busy social lives; men who are using more beauty products, especially in Asia; and urbanisation. However, post-Covid beauty will be different because the crisis has brought some very powerful trends that will durably impact the beauty market. Most of these trends existed pre-Covid but were accelerated by the pandemic. On all these trends, L'Oréal was ahead of the curve.

Digitalisation and data, allowing more personalisation in a world where online and offline will be seamlessly intertwined. The need for sustainability, which is key to the *L'Oreal for the Future* programme, to ensure we work within the planet's boundaries. Health and transparency as we enter a new "health first" era where ingredients are questioned, and transparency expected. Consumer safety has always been at the heart of L'Oréal values. The importance of company's and brands' values and purpose. In 2020, the Group published its Sense of Purpose: Create beauty that moves the world. I am committed to this mission. I believe in L'Oréal's duty and capacity to make the world a better place and improve people's lives. Lastly, the return of science and technology, central to finding solutions to the world's most pressing issues.

The third word is Ambition. Ambition for L'Oréal for the next decade. First, top-line growth and beating the market will always be my priorities. We are the market leader yet our global market share is still only around 13%, which shows how much potential we have to grow. I believe the relevance of our universalization strategy will be key to achieving this objective. We roll out global brands, which we adapt to local requirements.

Against this backdrop, my three regional priorities will be: pursuing the Chinese momentum; boosting growth in the USA; and accelerating in emerging markets, where rapid digitalisation and the rise of e commerce will give us easier access to this pool of consumers who are keen to obtain the best beauty products.

The second driver of my ambition is our category strategy. Our top priority will be skincare, the biggest and most dynamic beauty category at the crossroads of all market trends. We will continue to grow and promote hair care & colour both in the professional and mass markets. Our global leadership in fragrance puts us in the best position to benefit from this category's acceleration in China.

I also believe makeup will make a comeback, and we will lead the resurgence. The Group's multiple facets allow us to satisfy all consumers, at all price points, and to seize all trends.

The third driver of my ambition is e-commerce, which could represent 50% of our business in the near future. We need to be ready. Finally, I would like to express my ambition to deliver regular improvements in profitability, through top-line growth and ever more virtuous P&L. For the next decade, we will continue the unique L'Oréal adventure. This adventure will take us to new heights, to explore new business models and new territories from Green Sciences (5) to Beauty Tech (6).

This adventure will make L'Oréal a company of the future—a global leader with strong values, committed to sustainability and helping beauty play its role towards humanity: a role of inclusion, a role of harmony and of respect. With the strength and passion of the L'Oréal teams, I want to Create the Beauty that Moves the World.

(1) Chairman as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.
(2) CEO as of 1 May 2021, by decision of the Board of Directors at the 2021 Annual General Meeting.
(3) Source: L'Oréal estimate for the global cosmetics market based on manufacturer's net prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects.
(4) « L'Oréal's corporate social responsibility programme.
(5) A set of disciplines on which L'Oréal relies to achieve its sustainability objectives while delivering unrivalled product performance to consumers.
(6) New technologies for the beauty industry.

1.

PRESENTATION OF THE GROUP INTEGRATED REPORT*

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

As the fifth edition of L'Oréal's Integrated Report, this chapter aims to present the well-balanced business model of the L'Oréal Group, its strategic orientations, its 2020 results, its non-financial performance, and its relationships with its stakeholders, particularly in the context of its two programmes representing its commitments to sustainable development: *Sharing Beauty with All* (2013 – 2020) and *L'Oréal for the Future* (2021–2030)(1).

1.1. THE L'ORÉAL GROUP: THE FUNDAMENTALS

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

The desire for beauty has existed since the beginning of humanity.
It's a universal aspiration which crosses time, countries, and cultures.

Beauty is a powerful force that moves us.

We know that beauty is more than just looking good.
Beauty gives us confidence in who we are, in who we want to be, and in our relationships with others.

For over a century we have been dedicated to one sole vocation: creating beauty.
We remain true to the pioneering spirit of our founder and are grateful for the unwavering support of his family, who have backed our development since the beginning.

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

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

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

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

At L'Oréal, we share a common purpose to

Create the beauty that moves the world.

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

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

L'Oréal's *raison d'être* was developed following work implemented over almost two years, initiated and brought to the Group's highest level within a small committee composed of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer in charge of Divisions and several members of the Executive Committee. L'Oréal's *raison d'être* was therefore the result of dialogue with Group employees in three of its key countries (France, the United States and China) and many external stakeholders, including consumers. The progress made was discussed several times in the Executive Committee. For L'Oréal, the aim was to collect and formalise the vision of L'Oréal's Business, its mission (Beauty for All), its values and its commitments in one sentence.

This *raison d'être* was approved by the Board of Directors on 6 February 2020 who decided to include it in its management report provided to L'Oréal's shareholders at its Annual General Meeting of 30 June 2020[(1)]. Jean-Paul Agon, Chairman and Chief Executive Officer, presented L'Oréal's *raison d'être* at the Annual General Meeting of 30 June 2020, the recorded broadcast of which is available online at loreal-finance.com.

L'Oréal's *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, by respecting biodiversity and preserving natural resources, and to championing the cause of women.

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

- for L'Oréal, economic performance is inseparable from its corporate social responsibility performance. The results of the Group's non-financial performance, which are reviewed by external auditors along with its financial performance, reflect the achievements of L'Oréal arising from its *raison d'être*. Chapter 4 of this document, "L'Oréal's Corporate Social Responsibility," reports on the social, environmental and societal policies and progress, inclusion and ethics within the *Sharing Beauty with All* programme covering the Group's commitments to sustainable development over the 2013–2020 period, which is succeeded by the *L'Oréal for the Future* programme in 2021–2030;
- L'Oréal also presents its progress and achievements in non-financial areas in its Sharing Beauty with All Progress Report and through its annual reporting made to the United Nations Global Compact;
- this chapter also reports on the Group's financial performance, particularly through its business model (see section 1.2. "Business model: economic and corporate excellence to create lasting value for all" in this chapter); and
- the Group's Corporate Social Responsibility performance is one of the factors considered in determining the variable portion of the remuneration of L'Oréal's executive corporate officers and the L'Oréal Group's senior managers (see Section 2.4. "Remuneration of directors and corporate officers" in this document).

1.1.2. A clear mission and strategy

L'Oréal has defined a clear vision that is broken down into two points: its *raison d'être*, which is detailed above, and an exhilarating mission with Beauty for All. The mission that L'Oréal has set itself, which inspires and drives its teams, is to offer women and men around the world the best in cosmetics in terms of quality, effectiveness, safety, sincerity and responsibility in order to meet all their needs and all their beauty wishes in their infinite diversity. More than ever, the mission and purpose of L'Oréal take on their full meaning and represent strong anchors in this increasingly unpredictable and complex environment.

L'Oréal's strategy is Universalisation, meaning globalisation with a detailed understanding and respect for differences. The goal is to offer beauty by responding to the specific aspirations of consumers in every region of the world. In contrast to standardisation, it is based on careful attention to consumers and a deep respect for their differences[(2)].

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

For L'Oréal, the economic and financial performance is not sufficient. Because there will be no economic growth without sustainability in the future, L'Oréal has set a dual goal for economic and corporate excellence. It will be the condition for its success and its long-term existence. Because L'Oréal is the global leader in beauty, the Group has the duty to contribute to the beauty of the planet and be the champion in corporate social responsibility. And it is because L'Oréal is 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.

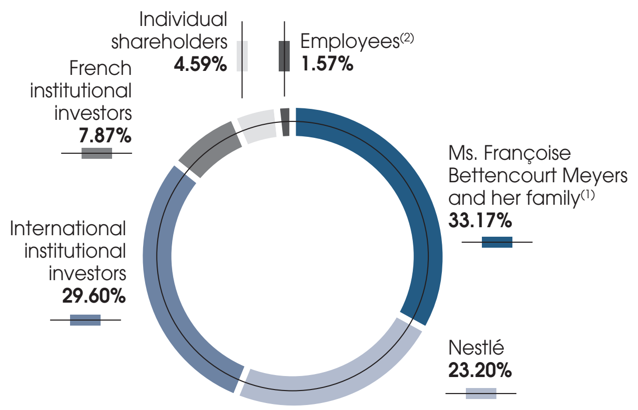
(1) See L'Oréal's 2019 Universal Registration Document, page 6.
(2) The strategy of the L'Oréal Group is detailed in section 1.2.4. "Meeting the global demand for beauty" in this document.

1.1.4. Stable governance

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

Loyal shareholders, stable capital structure

SHAREHOLDERS AT 31 DECEMBER 2020



At 31 December 2020, the Company held none of its own shares.

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

(2) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Including 0.90% as part of the L'Oréal Employee Savings Plan and employee investment fund as defined by Article L. 225-102 of the French Commercial Code.

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

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

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

At 31 December 2020, the Board of Directors comprised 14 members:

- the Chairman and Chief Executive Officer, Mr Jean-Paul Agon;
- three Directors (one of whom is the Board's Vice-Chairman) from the Bettencourt Meyers family, which owns 33.17% of the share capital – Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers;
- two Directors (one of whom is the Board's Vice-Chairman) from Nestlé, which owns 23.20% of the share capital – Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch;
- six independent Directors: Ms Sophie Bellon, Ms Fabienne Dulac, Ms Belén Garijo, Ms Ilham Kadri, Ms Virginie Morgon and Mr Patrice Caine. 50% of the Directors are independent (6 out of 12 excluding the Directors representing the employees); and
- two Directors representing the employees: Ms Ana Sofia Amaral and Mr Georges Liarokapis.

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

L'Oréal is attentive to compliance with the principle of balanced gender representation on the Board: 58% of its members are women (excluding Directors representing employees), and three Board Committees out of four are chaired by women.

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

L'Oréal has built its business on the basis of strong ethical principles that guide its development and contribute to establishing its reputation: Integrity, Respect, Courage and Transparency. L'Oréal's commitment to acting ethically and responsibly is summarised in a document titled "The L'Oréal Spirit", accessible to everyone.

These principles underpin the Group's culture and business model and our compliance, responsible innovation, environment, corporate social responsibility and philanthropy policies. L'Oréal's Code of Ethics is available in 45 languages. It is distributed to all employees. Country Managers (or for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring compliance with the Code.

COMPOSITION OF THE BOARD AT 31 DECEMBER 2020

	As of 31 December, 2020	Age	M/W	Nationality	Number of offices in listed companies*	Independence	Date of first appointment	Expiry date of term of office	Seniority on the Board	Board Committees: Strategy and Sustainable Development	Board Committees: Audit	Board Committees: HR and Remuneration	Board Committees: Nominations and Governance
Chairman and CEO	Mr. Jean-Paul Agon	64	M	French	1		25/04/2006	2022	14	P			
Françoise Bettencourt Meyers and her family	Ms. Françoise Bettencourt Meyers, Vice-President	67	W	French			12/06/1997	2021	23	●		●	●
	Mr. Jean-Victor Meyers	34	M	French			13/02/2012	2024	8	●	●		
	Mr. Nicolas Meyers	32	M	French			30/06/2020	2024	< 1				
Directors from Nestlé	Mr. Paul Bulcke**, Vice-President	66	M	Belgian Swiss	2		20/04/2017	2021	3	●		●	●
	Ms. Béatrice Guillaume-Grabisch	56	W	French			20/04/2016	2024	4		●		
Independent Directors	Ms. Sophie Bellon	59	W	French	1	♦	22/04/2015	2023	5		●	P	P
	Mr. Patrice Caine	50	M	French	1	♦	17/04/2018	2022	3	●			●
	Ms. Fabienne Dulac	53	W	French	1	♦	18/04/2019	2023	1		●	●	
	Ms. Belén Garijo	60	W	Spanish	1	♦	17/04/2014	2022	6			●	
	Ms. Ilham Kadri	52	W	French Moroccan	2	♦	30/06/2020	2024	< 1				
	Ms. Virginie Morgon	51	W	French	2	♦	26/04/2013	2021	7		P		
Directors representing the employees	Ms. Ana Sofia Amaral	55	W	Portuguese			15/07/2014	2022	6			●	
	Mr. Georges Liarokapis	58	M	French Greek			15/07/2014	2022	6		●		

54.5 average age of the Directors

50% of Independent Directors***

58% of female directors***

42% of male directors***

♦ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors* ● *Committee Member* ***C*** *Committee Chairman/Chairwoman*
**Number of offices (excluding L'Oréal) in listed companies, including foreign companies, in accordance with the provisions of point 19 of the AFEP-MEDEF Code (i.e. with the exception of offices held in subsidiaries and investments, alone or in concert, by an executive officer of companies whose main activity is to acquire and manage such interests).*
***Mr Paul Bulcke was a Director at L'Oréal from 2012 to June 2014 and has been again since 2017.*
****Excluding Directors representing the employees.*

ACTIVITIES OF THE BOARD AND ITS COMMITTEES IN 2020

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

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

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

Wishing to continually enhance its role to reflect on issues and drive strategic decision-making, in 2020, the Board carried out an evaluation of its modus operandi and organisation, as it has done every year since 1996 (see section 2.3.4. "Self-evaluation by the Board of Directors" of this document).

BOARD OF DIRECTORS

8 meetings in 2020
99% attendance rate

MAIN WORK IN 2020

- ***Raison d'être***: validation of L'Oréal's *raison d'être*, published in the Management Report and presented to the shareholders at the Annual General Meeting of 30 June 2020.
- **Corporate governance:**
  - changes in the composition of the Board and Committees, preparation of draft resolutions on the renewal of terms of office and nominations; information on the expectations of investors and proxy advisors;
  - postponement then organisation of the 2020 Annual General Meeting behind closed doors;
  - new governance and succession plan: tracking of work of the Nominations and Governance Committee; announcement of the Group's new governance on 14 October 2020, with the changes effective at 1 May 2021;
  - evaluation of the modus operandi of the Board; and
  - executive sessions.
- **Remuneration policy for executive corporate officers and Human Resources:** definition of the remuneration policy and the amounts due or awarded to Mr Jean-Paul Agon; Group employee remuneration policy; review of the diversity and gender balance policy and definition of objectives for gender balance within management bodies; report on the second worldwide shareholding plan.
- **Business activity and results:** systematic review of sales by business segment, by zone and by brand; analysis of market share and competition; analysis of the development of e-commerce; regular update on the consequences of the Covid-19 health crisis and the actions taken (Solidarity Plan, measures to support and assist employees, management of the business activity by Operations, deployment of telecommuting and reinforcement of cyber security).
- **Strategic issues in 2020:** presentation of the new sustainable development goals for 2030; analysis of the consequences of the health crisis on L'Oréal's growth and the cosmetics market; presentation of the positive impact of the digital transformation with the development of e-commerce; changes in the organisation of the geographic zones; acquisitions and licences (projects and monitoring of business plans).

STRATEGY AND SUSTAINABILITY COMMITTEE

4 meetings – 93% attendance rate

MAIN ACTIVITIES IN 2020

- Analysis of sales, update on business activities, regular report on the consequences of Covid-19;
- Update on changes in the markets and on competition;
- Analysis of the performance of the latest product launches;
- Review of the Group's strategic development prospects;
- Review of L'Oréal's *raison d'être*;
- Review of the main acquisition projects, and review of recent acquisitions;
- Update on the development of the business activity of the BOLD fund (*Business Opportunities for L'Oréal Development*); and
- Update on the Impact Investing fund.

AUDIT COMMITTEE

4 meetings – 100% attendance rate

MAIN ACTIVITIES IN 2020

- Review of the accounts and financial position;
- Risk review and monitoring
- Review of risk mapping and the changes in the Vigilance Plan and risk factors (URD);
- Review of Internal Control and Internal Audit;
- Monitoring of the business plan for acquisitions;
- Approval of non-audit services;
- Review of Statutory Auditors' Reports;
- Review of the process for selecting Statutory Auditors; and
- Cyber security: assessment of the measures deployed.

NOMINATIONS AND GOVERNANCE COMMITTEE

10 meetings – 100% attendance rate

MAIN ACTIVITIES IN 2020

- Work to prepare the General Management succession plan: selection of several candidates and hearings, then recommendation to the Board;
- Recommendation to the Board on General Management procedures as from 1 May 2021: separation of the offices of Chairman and Chief Executive Officer;
- Reflection on the composition of the Board and its Committees;
- Diversity policy applied to the Board of Directors: objectives and 2020 results;
- Review of the independence of Directors;
- Organisation and annual evaluation of the modus operandi of the Board;
- Topical issues with regard to Governance (Reports by the AMF and the Haut Comité de Gouvernement d'Entreprise, etc.);
- Review of the voting policies of the main investors and proxy advisors; and
- Implementation of the procedure for regular evaluation of current agreements concluded under normal terms.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

4 meetings – 100% attendance rate

MAIN ACTIVITIES IN 2020

- Analysis of the performance of the Chairman and Chief Executive Officer in 2019;
- Recommendations on the 2020 remuneration policy, proposals concerning the variable remuneration structure and objectives for the Chairman and Chief Executive Officer for 2020;
- Covid-19 solidarity measures on the 2020 remuneration of the Chairman and Chief Executive Officer;
- Discussion and proposal of a remuneration policy for 2021 for the Chairman of the Board and the future Chief Executive Officer;
- Analysis of the voting policies of the main investors and proxy advisors on remuneration issues;
- Preparation of the Say On Pay resolutions (*ex ante* and *ex post*);
- Long Term Incentive policy (delivery of the 2016 Plan, preparation of the 2020 Plan);
- Diversity: policy developed and results obtained;
- Distribution of the remuneration of Directors (formerly known as attendance fees);
- Review of the Group's employee remuneration policy; and
- Monitoring the second global employee shareholding plan.

Composition of the Executive Committee at 1 March 2021

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

	FIRST NAME/LAST NAME	OFFICE AT 1 MARCH 2021
	**Jean-Paul AGON**	Chairman and Chief Executive Officer(1)
	**Nicolas HIERONIMUS**	Deputy Chief Executive Officer, in charge of Divisions(2)
	**Barbara LAVERNOS**	President Research, Innovation and Technology(3)
	**Christophe BABULE**	Chief Financial Officer
	**Vincent BOINAY**	President Travel Retail(4)
	**Cyril CHAPUY**	President Luxe
	**Myriam COHEN-WELGRYM**	President Active Cosmetics
	**Vianney DERVILLE**	President Western Europe Zone
	**Jean-Claude LE GRAND**	Chief Human Relations Officer
	**Fabrice MEGARBANE**	President North Asia Zone and Chief Executive Officer L'Oréal China
	**Alexandra PALT**	Chief Corporate Sustainability Officer and L'Oréal Foundation
	**Alexis PERAKIS-VALAT**	President Consumer Products
	**Alexandre POPOFF**	President Eastern Europe Zone
	**Stéphane RINDERKNECH**	President North America and Chief Executive Officer L'Oréal USA
	**Lubomira ROCHET**	Chief Digital Officer
	**Nathalie ROOS**	President Professional Products
	**Frédéric ROZÉ**	Chief Global Growth Officer
	**Vismay SHARMA**	President South Asia, Pacific, Middle East and North Africa Zones
	**Antoine VANLAEYS**	Chief Operations Officer

Changes in the composition of the Executive Committee after 1 March 2021: since 8 March 2021, Mr. Omar Hajeri exercises the functions of President of L'Oréal Professional Products, succeeding Nathalie Roos - Ms Blanca Juti will serve as Chief Communications and Public Affairs Officer as from April 2021. Ms Ersi PIRISHI will serve as President of the Latin America zone in the autumn of 2021.

(1) By decision of the Board of Directors following the 2021 Annual General Meeting, Mr Jean-Paul Agon will hold the office of Chairman of the Board of Directors without assuming the office of Chief Executive Officer as from 1 May 2021.
(2) By decision of the Board of Directors following the 2021 Annual General Meeting, Mr Nicolas Hieronimus will hold the office of Chief Executive Officer as from 1 May 2021.
(3) As from 1 May 2021, Ms Barbara Lavernos, President of Research, Innovation and Technology, will be Deputy Chief Executive Officer, in charge of Research, Innovation and Technology.
(4) Travel market.

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

Created in 1909,
No. 1
in beauty,
its sole business

SENSE OF PURPOSE (*RAISON D'ÊTRE*)

Create the beauty that moves the world

In 2020, L'Oréal took another important step in its history by publishing its purpose (*raison d'être*), a core principle for the Group, to see ourselves as a high-performing, committed, responsible, inclusive company showing solidarity in decades to come.

AN EXHILARATING MISSION

Beauty for all

The mission that L'Oréal has set for itself, which inspires its teams, is to offer women and men around the world the best in cosmetics in terms of quality, responsibility, efficacy, honesty and safety, in order to meet all their needs and all their beauty wishes in their infinite diversity.

RESOURCES

Human capital

- 85,392 employees
- 49% of key positions held by women

Research and innovation

- 500 patents filed in 2020
- €964 million : Research & Innovation budget
- 21 cosmetics research centres, 13 evaluation centres
- 3,995 employees around the world

Brands

- 35 diverse and complementary brands
- Supported by strong media investments
- 3rd biggest global advertiser across all industries

Purchases of goods and services

- €4.14 billion in production-related purchasing
- 53% of the newly registered raw materials are renewable
- 32% of the newly registered raw materials respect green chemistry principles

Production

- **40** plants located around the world
- **92%** of plants ISO 9001-certified (Quality management)
- **100%** ISO 22716 compliant (Manufacturing Best Practices for the cosmetics industry)

A SUSTAINABLE COMMITMENT

SHARING BEAUTY WITH ALL — **First sustainability programme 2013 - 2020: our results**

	Our goals	Our results
Innovating sustainably	100%	**96%** of the Group's products have an improved environmental or social profile
Producing sustainably	-60%	By the end of 2020, the Group has reduced the CO_2 emissions generated by its plants and distribution centres by **81%** in absolute terms, as compared to 2005, while concurrently developing its presence worldwide
Living sustainably		By the end of 2020, L'Oréal consumers are able to make sustainable consumption choices
Developing sustainably		
With employees		By the end of 2020, L'Oréal employees have access to healthcare coverage, social protection and training, wherever they are in the world
With suppliers	100%	**99%** of the Group's strategic suppliers participate in our sustainability programme designed for them
With communities	100,000 people	The Group has enabled more than **100,905 people** from underprivileged or poor communities to access work

L'ORÉAL POUR LE FUTUR — **2021 - 2030 New commitments**

- Transform our business to respect "planetary boundaries".
- Empower our ecosystem in our transformation and give it the resources to adopt a more sustainable model.
- Contribute to meeting the planet's challenges by meeting the most urgent environmental and corporate needs.

Science Based Targets Commitments

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

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

THE STRATEGY

Universalisation

Universalisation means globalisation with a finely tuned understanding of differences and respect for them. Our goal is to offer beauty that meets the specific aspirations of consumers in all parts of the world.

Unlike standardisation, it is based on attentive listening to consumers and a deep respect for their differences.

ETHICAL PRINCIPLES

INTEGRITY
Respect
Courage
TRANSPARENCY

STAKEHOLDERS

Employees

- 1st prize for gender equality in the workplace (Equileap Europe)
- 96% of the Group's permanent employees have access to healthcare coverage reflecting the best practices in their country of residence
- 91% of the Group's permanent employees have access to financial protection in the event of a life-changing accident, including death or permanent disability

Consumers

- 96% of new or renovated products have an improved environmental or social profile

Shareholders

- Dividends paid in 2020 : €2.2 billion
- Market capitalisation of €174.0 billion as of 12/31/2020
- Shareholder return over 10 years: +16.15% per year

Service providers and suppliers of Goods and Services

- 99% of strategic suppliers have completed a self-assessment of their sustainable development policy with L'Oréal's support
- 22% of strategic suppliers are involved in the Solidarity Sourcing programme

The State and local authorities

- Group tax charge and taxes in 2020: €1.9 billion

Communities

- 100,905 people from underprivileged communities gained access to employment

Ecosystem and environment

- Achievement of the "zero waste to landfill" target for all plants and distribution centres (excluding regulatory obligations and with the exception of the food waste from two sites)
- 81% reduction in CO_2 and 49% reduction in water consumption (plants and distribution centres)

BUSINESS ACTIVITY

CONSOLIDATED SALES 2020 : €27.99 BILLION

Presence in 150 countries

Diverse range of distribution channels: hair salons, mass-market retail, perfumeries, department stores, pharmacies, drugstores, medispas, branded retail, Travel Retail, e-commerce

CONSOLIDATED SALES
(€ millions)

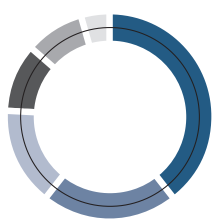
by operational division

Professional Products **3,097.3**
L'Oréal Luxe **10,179.9**
Consumer Products **11,703.8**
Active Cosmetics **3,011.1**

by geographic zone

Asia-Pacific **9,799.5**
Eastern Europe **1,685.3**
Western Europe **7,514.0**
Latin America **1,469.3**
North America **6,903.4**
Africa, Middle East **620.6**

by business segment



Skincare **11,051.7**
Hair colourants **2,971.6**
Make-up **5,969.3**
Fragrance **2,528.7**
Haircare **4,254.3**
Others **1,216.5**

SUPPORT FUNCTIONS

• Corporate Research, Innovation and Technologies

The Research and Innovation Department, responsible for advanced and applied research and technologies, will be the cradle of the Group's great inventions for the future.

• Corporate Digital

The Digital Department seeks to accelerate the Group's digital transformation by helping the brands to create enriched spaces for expression and helping the teams to build more interactive, personalised and closer relationships with consumers, while taking advantage of the business development opportunities offered by Digital as a distribution channel.

• Corporate Opérations

The Operations Department contributes to the Group's growth, from the design of packaging, sourcing, production and information systems through to the distribution

1.2.1. L'Oréal Group Profile

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

Professional Products

Offer the expertise of professional beauty based on more than 110 years of knowledge and support for the world of hairdressing.

CONTRIBUTION TO PERFORMANCE

SALES		OPERATING MARGIN
€3,097.3M	11.1% OF GROUP SALES	18.8%(1)

• A portfolio of unique brands.

• **Reinvents professional beauty** and support the transformation of the industry through digital resources: creation of a direct and inspiring link between brands, professionals and their consumers in each market.

Consumer Products

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

CONTRIBUTION TO PERFORMANCE

SALES		OPERATING MARGIN
€11,703.8M	41.8% OF GROUP SALES	20.4%(1)

• **Pursues growth underpinned by four major global brands** (L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup), and by the rollout of its specialised and regional brands (Essie, Niely, Dark and Lovely, Stylenanda, etc.).

• **Makes use of digital technology as a major growth accelerator** through the development of e-commerce and optimisation tools for the Division's marketing investments.

• **Is a major driver of the Group's commitment to sustainability** through its brands.

(1) As a % of sales as at 31 December 2020.

1

of the Group's products thanks to an integrated value chain aimed at guaranteeing consumers around the world compliance with strict quality, security and safety standards, together with societal and environmental responsibility.

- **Corporte Human Relations**

The Human Relations Department is in charge of recruitment,training and talent development policies and of coordinating social policy.

- **Corporate Administration and Finance**

The Administration and Finance Department is responsible for the Group's financial policy, management and consolidation, acquisitions, legal and tax coordination, financial reporting,shareholder and investor relations, and strategic planning.

- **Corporate Communication and Public Affairs**

The Corporate Communications and Public Affairs Department is responsible for coordinating corporate and brand communications.

- **Corporate environmental and social Responsability**

The Corporate Social Responsibility Department, responsible for the Group's Sustainable Development policy through the *Sharing Beauty With All* (2013–2020) and *L'Oréal for the Future* (2021–2030) programmes, as well as philanthropy actions and public engagement projects carried out by the Group and the L'Oréal Corporate Foundation.

L'Oréal Luxe

To offer the most demanding consumers in selective distribution the best brand experiences through exceptional services and products.

CONTRIBUTION TO PERFORMANCE

SALES **€10,179.9M**

36.4% OF GROUP SALES

OPERATING MARGIN **22.4%**(1)

- **Builds a unique portfolio of prestigious,** robust and complementary brands, including multi-expert, aspirational, alternative and specialist brands.
- **Has a well-balanced footprint** across geographies and brand categories.
- **Based on breakthrough innovations and well-established, powerful franchises** that consumers trust.
- **A tailor-made relationship with the consumer,** cultivated online and offline.

LANCÔME, YVES SAINT LAURENT, GIORGIO ARMANI, Kiehl's, URBAN DECAY, BIOTHERM, RALPH LAUREN, shu uemura, VIKTOR&ROLF, DIESEL, HR, IT COSMETICS, Atelier Cologne, VALENTINO, MUGLER, AZZARO, PRADA

Active Cosmetics

Help everyone in their quest for healthy and beautiful skin.

CONTRIBUTION TO PERFORMANCE

SALES **€3,011.1M**

10.7% OF GROUP SALES

OPERATING MARGIN **25.4%**(1)

- **Provides a highly complementary brand portfolio** that caters to all expectations in terms of health and beauty, from dermatological and aesthetic solutions to natural care, and from the most affordable ranges to the most premium.
- **Launches tailored products and services** based on the recommendations and guidance of health professionals and health and beauty influencers, both for points of sale and on digital platforms.
- **Develops or reinvents, within its markets,** the dermocosmetics category in healthcare circuits around the world, including pharmacies, drug stores, cosmetic clinics, branded retail and e-commerce sites.

LA ROCHE-POSAY, CeraVe, VICHY, SKINCEUTICALS

(1) As a % of sales as at 31 December 2020.

1.2.2. The Group in key figures

150
countries
International presence

112
years
Created in 1909

No. 1 in beauty

85,392 employees

Recognised for the 11th time as one of the world's most ethical companies by the **Ethisphere Institute**

Recognised for the 4th time by the **Bloomberg Gender-Equality Index** acknowledging the most advanced companies in the area of gender equality

100,905 people from underprivileged communities gained access to employment.

€174 billion
Market capitalisation as of 12.31.2020

€964 million
Research and Innovation budget

500
patents

96%
of new updated products have an improved social profile

79%
of brands identify with an environmental or social cause and have carried out awareness-raising activities on this subject among their consumers

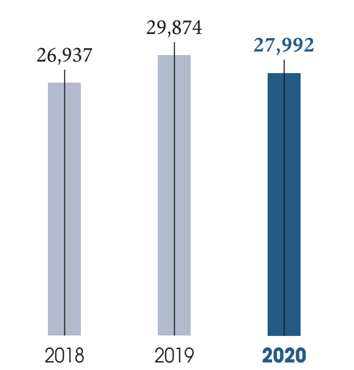
-81 %*
CO_2 emission (plants and distribution centres)

-37%*
Reduction in waste (plants and distribution centres)

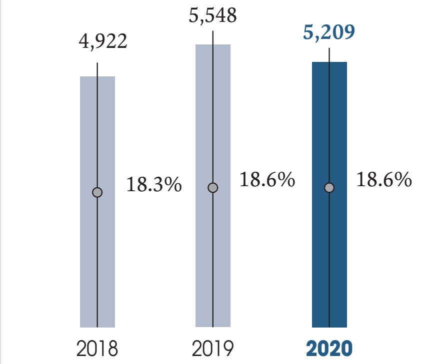
-49%*
Water consumption (plants and distribution centres)

** Versus 2005, see chapter 4.*

Consolidated sales
(€ million)

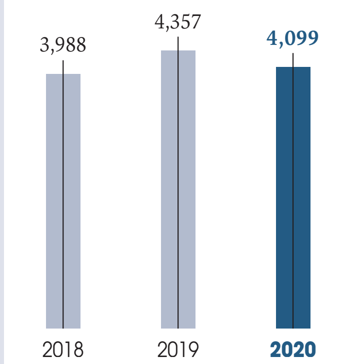


Operating profit
(€ million)



Operating margin as a % of sales.

Net profit attributable to owners of the company excluding non-recurring items[1]
(€ million)

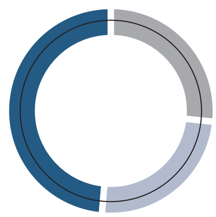


BREAKDOWN OF SALES

By operational division

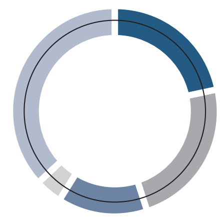
- Consumer Products **41.8%**
- Professional Products **11.1%**
- Active Cosmetics **10.7%**
- L'Oréal Luxe **36.4%**

By geographic zone



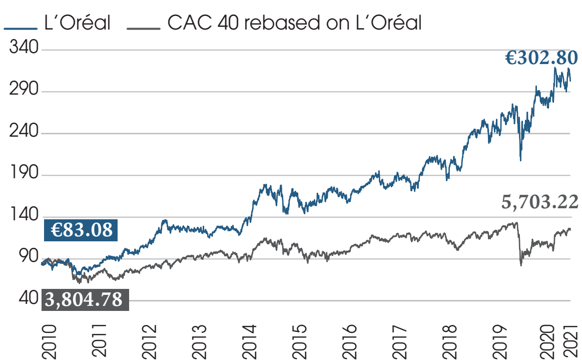
- Western Europe **26.8%**
- North America **24.7%**
- New markets **48.5%**
  Of which:
  - Asia-Pacific **35.0%**
  - Eastern Europe **6.0%**
  - Africa, Middle East **2.2%**
  - Latin America **5.2%**

By currency

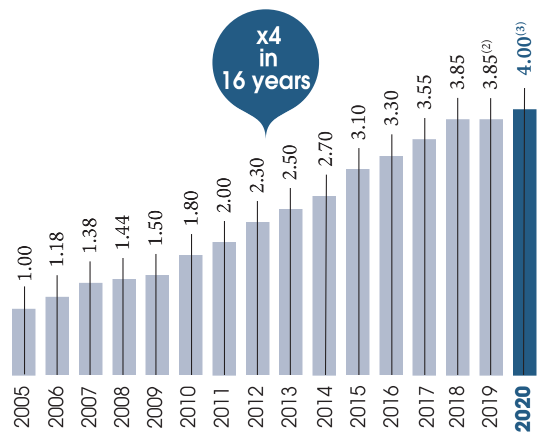


- Euro **20.7%**
- Dollar **22.8%**
- Chinese yuan **18.2%**
- Pound **4.2%**
- Other currencies **34.1%**
  Of which:
  - Mexican peso **1.2%**
  - Japanese yen **1.6%**
  - Russian rouble **2.1%**
  - Canadian dollar **2.3%**
  - Brazilian real **2.0%**
  - Other **24.9%**

Change in the L'Oréal share price compared to the CAC 40 index
(from 1 january 2010 to 26 february 2021)



Steady increase in dividend per share (€)



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

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

(3) Proposed dividend at the Annual General Meeting of 20 April 2021.

NET DEBT

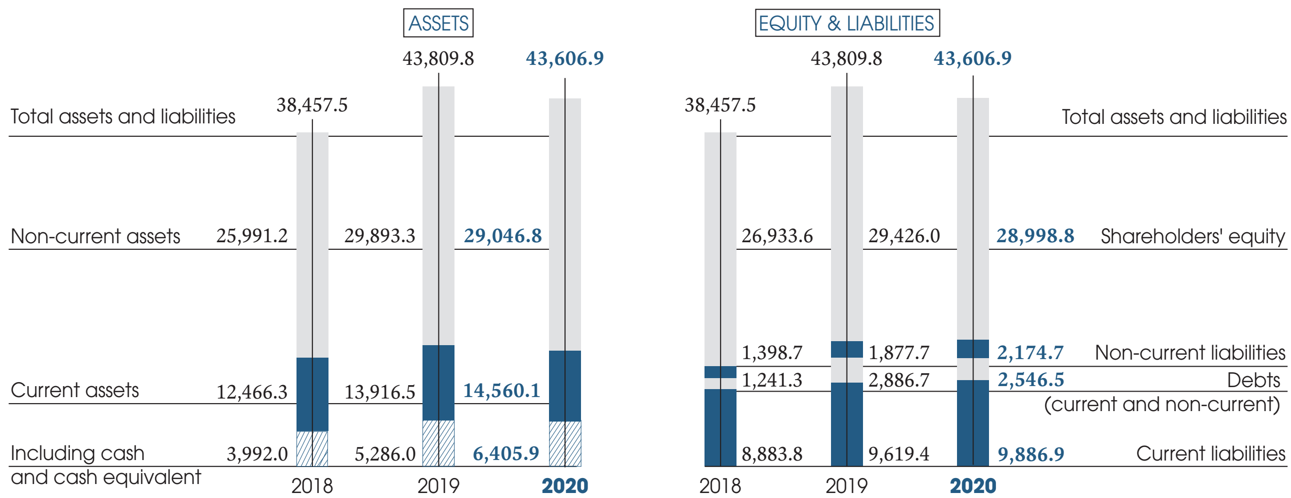
	31.12.2018	31.12.2019	31.12.2020
Net cash position = Net cash or net debt (in € million)[1]	+2,751	+2,399.3[2]	+3,859.4[2]
Net debt ratio (Net financial position/Equity)	N/A	N/A	N/A

(1) *Net cash or net debt = cash and cash equivalents – current and non-current financial debt.*
(2) *Including IFRS 16 lease debt for €2,035.9 million in 2019 and €1,681.6 million in 2020.*

SHORT-TERM RATINGS

A1 +	Standard & Poor's	SEPTEMBER 2020
PRIME – 1	Moody's	SEPTEMBER 2020

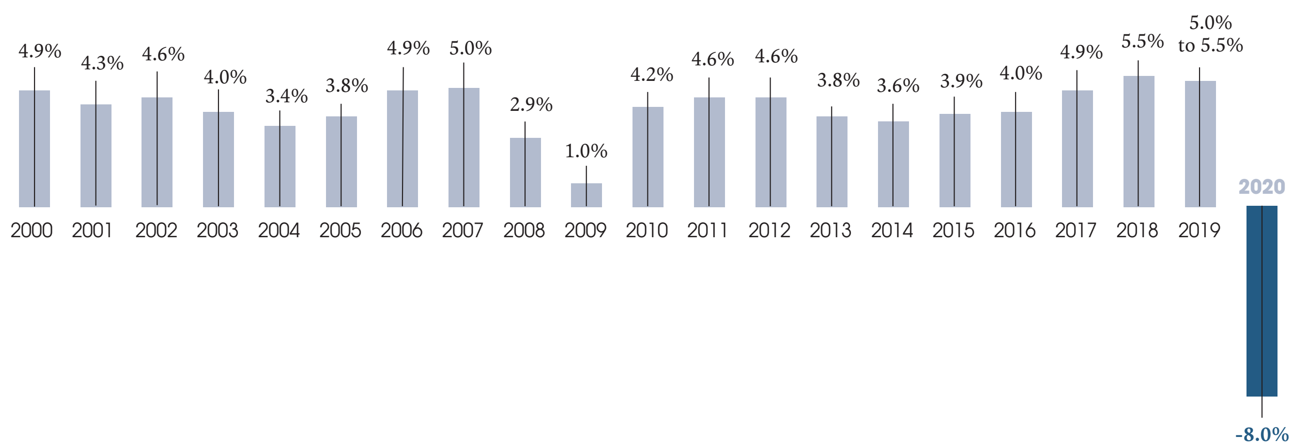
A SOLID BALANCE SHEET (€ MILLION)



1.2.3. The beauty market, a growth outlook which remains solid

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

WORLDWIDE COSMETICS MARKET FROM 2000 TO 2020[1]

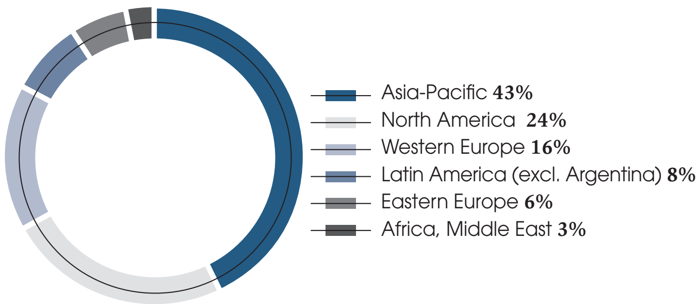


(1) *Source: L'Oréal estimates of the global cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades, evolution excluding currency fluctuations.*

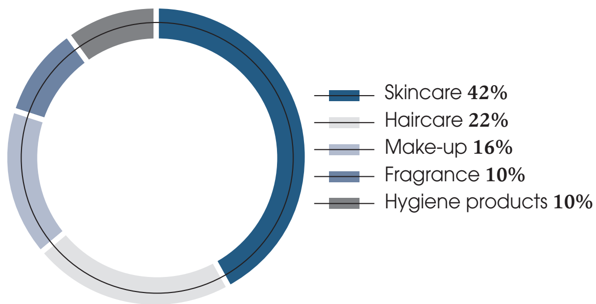
The cosmetics market remains a supply-led market driven by innovation, where consumers are always on the look-out for quality, performance and perceived results. The global cosmetics market is worth over €213 billion[(1)]. It is a particularly robust market that has shown a certain resilience in the current crisis. The cosmetics consumer always looks for quality and novelty value, and puts a premium on leading-edge technology, trends and new ideas.

GLOBAL COSMETICS MARKET IN 2020[(1)]

BY GEOGRAPHIC ZONE



BY PRODUCT CATEGORY



In 2020, the beauty market declined by around -8%.

A large number of points of sale and hair salons were closed during the Covid-19 health crisis, severely limiting consumer access to products. The impact was particularly harsh during the first half of the year. The market slowly recovered in the second half of the year, as a result of the gradual reopening of the points of sales and the growth in online sales. The different distribution universes of the beauty market suffered contrasting effects.

In effect, general public products, offered in mass-market retail channels, were relatively spared, while luxury products were more heavily impacted by the closing of department stores and other selective channels. Similarly, Travel Retail suffered greatly from the drastic drop in air traffic. Professional products declined sharply in volume due to salon closures; they also recorded a significant catch-up effect afterwards.

The Dermocosmetics category stood out significantly, as it continued to grow over the year, driven by the strong demand for health-related products prescribed by dermatologists.

In terms of product categories, 2020 confirmed positive trends for skin care; this category remains the leading contributor to the growth of the beauty market. Haircare also recorded a strong performance this year, as demand held up during the global crisis.

The impact of lockdown measures was comparable in the different regions of the world, with variations over time depending on the different waves of the pandemic, and in line with the effectiveness of local measures.

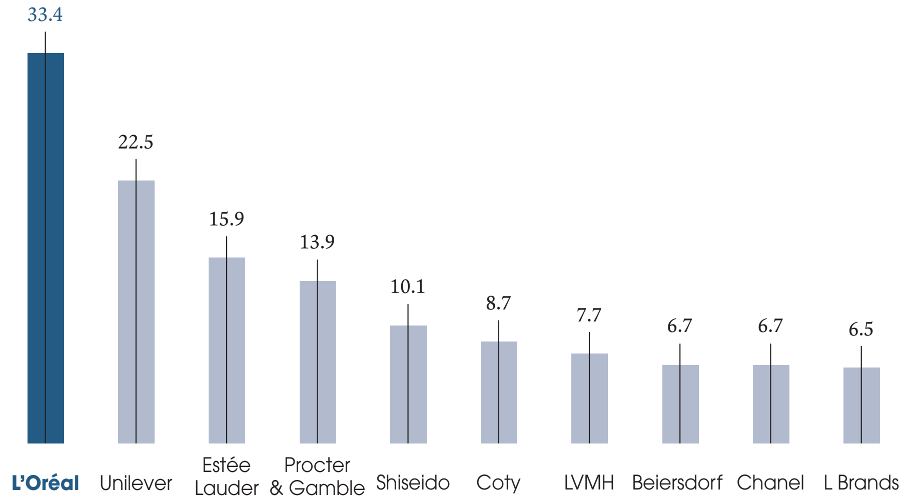
- Western Europe was the most heavily impacted by the crisis, to a lesser extent in the countries of Northern Europe.
- In Asia-Pacific, some countries, like China, that contained the epidemic more rapidly, saw the market recover in the second half of the year in tune with the restart of their economy. Other countries, however, followed the global trend.
- The US market, after a sharp decline in the first half of the year, recovered fairly rapidly in the second half of the year.
- Other markets (Eastern Europe, South America, Africa and the Middle East) were relatively aligned with the global market.

The most visible phenomenon in 2020 was the exponential acceleration of digitalisation, whether in online sales or communication and sales via social media.

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

MAIN WORLDWIDE PLAYERS

2019 sales in billions of US $[1]



A solid market carried by major socio-demographic changes

Estimated at more than €213 billion[2], the global cosmetics market has grown at a steady pace over the long term, driven by several fundamental trends:

- the first and probably most important factor is the insatiable desire for beauty across all countries and cultures: beauty is synonymous with well-being, pleasure, confidence and self-esteem, at every stage in life. This phenomenon was stronger in 2020 with a consolidation between health/well-being and beauty;
- secondly, global digitalisation, because beauty and digital are a perfect match. Discovering beauty and buying products online has never been easier. Digital is a tremendous booster for the beauty market, a trend that intensified in 2020;
- thirdly, premiumisation: consumers are ready to pay more and trade up for products with new benefits, better performance and superior quality;
- finally, increased penetration of beauty all over the world. First, because of e-commerce, which is extending our reach far beyond the limits of traditional distribution, especially in emerging economies. Also because of the many areas that remain to be explored in terms of categories and countries. And finally, because there are always new consumer targets, with the expansion of the middle classes related to urbanisation, an ageing population, male consumers, etc.

1.2.4. Meeting the global demand for beauty

With €27.99 billion in net sales and 85,392 employees in 2020, L'Oréal is the world leader in beauty.

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

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

For over a century, L'Oréal has carried out a single business: creating beauty.

Cosmetics are rich in meaning. They allow each person to boost their self-confidence, express their personality and open up to others.

Focusing on a single business represents, more than ever, a major competitive advantage for L'Oréal. In effect, the Group boasts more than one hundred years of cosmetic expertise, talented specialists and an in-depth knowledge of consumers, built on a detailed knowledge of beauty cultures, needs, desires and aspirations in their infinite diversity. By focusing its energy on a single business, along with an obsession for seizing "what is new and fresh", L'Oréal is able to identify new consumer trends very quickly and respond rapidly.

(1) *Source: Beauty's top 100, WWD, May 2019.*
(2) *Source: L'Oréal estimates of the global cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades, evolution excluding currency fluctuations.*

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

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

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

Given the acceleration of scientific and technological progress, the growing requirements of consumers, L'Oréal has the capacity to innovate and be the leader in all areas: formulation, packaging, products, services, experience at the point of sale and on line, personalisation, brand image and reputation, etc. Because the future of beauty is limitless, it is the Group's responsibility to offer maximum creativity and inventiveness through all its brands to surprise and satisfy consumers.

A unique development strategy: universalisation

L'Oréal relies on a single strategy – Universalisation – meaning globalisation with detailed understanding and respect for differences. The goal of the universalisation strategy is to offer bespoke beauty by responding to the specific aspirations of consumers in every region of the world. In contrast to standardisation, it is based on careful attention to consumers and a deep respect for the differences in their needs, lifestyles, desires and traditions.

To give full power to Universalisation, the strategic heart of the innovation is based in France, and each major region of the world has its own centre of expertise, which combines the Research and Marketing operations and its network of plants and distribution centres to be even more attentive and close to consumers.

Priority to digital and Beauty Tech

Technology, particularly Beauty Tech, is the future of beauty because of the phenomenal breakthroughs in artificial intelligence, robotics, the Internet of Things, 3D printing, nanotechnology, biotechnology, etc., which create new consumer expectations to live an experience beyond the products.

Today, digital is fully integrated in the business, brands and jobs, in all countries, and relies on a solid network of digital experts and close to 50,000 employees trained since 2015. Digital has boosted L'Oréal's strengths tenfold and represents a tremendous booster of opportunities and growth. It enhances the power of brands and products, enriches the connection with consumers and creates experiences, new services and personalisation.

L'Oréal, which is already a digital-first company, decided to be the pioneer, champion and leader of Beauty Tech, in all its areas of application.

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

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

The cosmetics market is increasingly digitized and even more competitive with the arrival of new players. In this context, the superior marketing of the Group's brands and products is a key and differentiating factor. The creation and development of major brands prized by consumers around the world, the launch of new or innovative franchises, the design of new products and services, will all be essential and fundamental assets for the next decade.

The battle of the New Markets with the goal of conquering one billion new consumers.

L'Oréal has set a goal to attract one billion new consumers in the next decade, particularly in the New Markets. Asia Pacific will be the key area in the battle for global leadership in a region that could represent a major portion of growth in the beauty market. Although L'Oréal is already No. 1 in this region, the potential here is still enormous, since the Group's market share is still limited. At the same time, L'Oréal will also have to accelerate its presence in Africa, which is the "next barrier" for the Group and pursue its growth in other regions of the world, where the aim is for market share to catch up with its share in Western Europe.

HISTORY: THE IMPORTANT DATES IN THE GROUP'S DEVELOPMENT

L'Oréal's *raison d'être*: Create the beauty that moves the world. Announcement of the *L'Oréal for the Future* programme for 2030. Acquisition of the brands Mugler and Azzaro perfumes.	2020	
	2019	Licencing agreement with Prada.
Acquisitions of Modiface, Armani (licence renewal), Stylenanda, Pulp Riot, Valentino (licence), Thermes de la Roche-Posay, Logocos. Equileap award.	2018	
	2017	Acquisition of CeraVe. Disposal of The Body Shop.
Acquisition of IT Cosmetics.	2016	
	2015	Acquisition of Niely Cosmeticos.
L'Oréal/Nestlé Strategic Agreement. Acquisition of Magic Holdings in China and NYX Professional Makeup in the USA. Disposal of Galderma.	2014	
	2013	Announcement of the Sharing Beauty With All programme by 2020.
Acquisition of Urban Decay in the United States.	2012	
	2011	Acquisition of Clarisonic in the United States.
Acquisition of Essie Cosmetics in the United States.	2010	
	2009	L'Oréal celebrates its 100-year anniversary and has set a goal to attract one billion new consumers.
Acquisition of YSL Beauté.	2008	
	2007	Creation of the L'Oréal Corporate Foundation.
Acquisition of The Body Shop.	2006	
	2004	Absorption of the holding company Gesparal.
L'Oréal acquires majority control of Shu Uemura in Japan.	2003	
	2000	Acquisition of Matrix and Kiehl's since 1851 in the United States.
Acquisition of Softsheen and Carson in the United States and in South Africa.	1998 2000	
	1996	Acquisition of Maybelline in the United States.
Acquisition of the American agent Cosmair.	1994	
	1993	Acquisition of Redken 5th Avenue in the United States.
Acquisition of La Roche-Posay.	1989	
	1981	Creation of Laboratoires dermatologiques Galderma.
First epidermis model reconstructed by L'Oréal's research department.	1979	
	1973	Acquisition of Gemey, entry into consumer makeup.
Acquisition of Biotherm.	1970	
	1965	Acquisition of Laboratoires Garnier.
Acquisition of Lancôme.	1964	
	1963	Listing of L'Oréal on the Paris Stock Market.
Launch of the Elnett hairspray.	1957	
	1954	Cosmair becomes the agent for L'Oréal in the United States.
Ambre Solaire, the first filtering sun protection oil.	1935	
	1929	Imédia, the first rapid oxidative hair dye.
Founding of Société Française de Teintures Inoffensives pour Cheveux by Eugène Schueller.	1909	

1.2.5. A portfolio of diverse and complementary brands

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

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

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

Other acquisitions aim to extend the Group's geographic scope: the makeup brand Vogue in Colombia, Interbeauty in Kenya, Niely Cosmeticos in Brazil, and Stylenanda in South Korea.

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

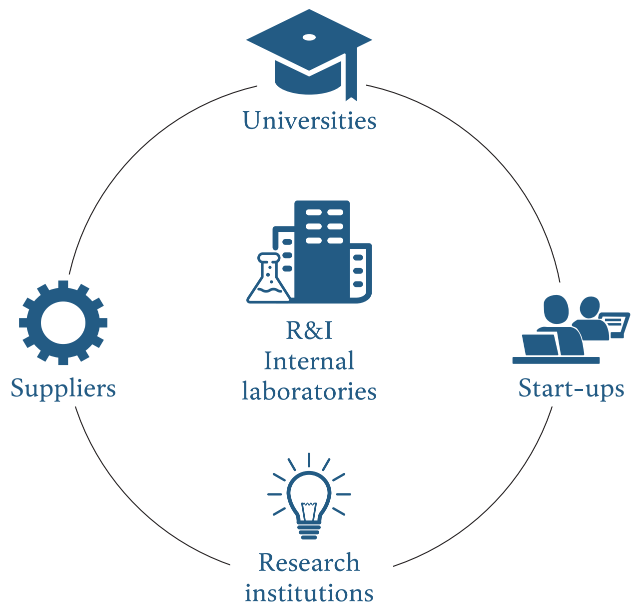
1.2.6. The bet on research, safety and innovation

Innovation is the key in beauty, because beauty is an ideal, an ongoing quest. Consumers always want to try new products. L'Oréal's success today and in the future is fed by its permanent obsession for innovation, which feeds into its performance in all its forms.

With 3,995 researchers and a budget of approximately 3.4% of sales, L'Oréal has the top Research and Innovation (R&I) force in the cosmetics industry. It is a powerful organisation, in which the level of expertise and wealth of scientific and technical data represent a significant asset. The Group's laboratories are intransigent about the absolute safety of its ingredients, superior quality and the effectiveness of the formulas, and the sincerity of its claims.

L'Oréal invests in all areas, from Advanced Research to formulation and from France to regional centres anchored in the major markets around the world. The Group holds a total of 21 research centres and 13 assessment centres.

R&I: A VAST ECOSYSTEM OPEN TO THE WORLD



Global research

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

Research facilities around the world

In order to adapt to consumer expectations worldwide, L'Oréal's research teams work in 21 cosmetics research centres and 13 assessment centres. The research centres are grouped into three global centres in France (Advanced Research, Haircare and Cosmetics). The regional hubs (Japan, US, China, India, South Africa and Brazil) identify consumer needs and study their cosmetics habits. The R&I teams build on this rich seam of local scientific ecosystems to develop collaboration agreements and partnerships of excellence. The data generated enables researchers to develop new products, that are perfectly in tune with market needs and local expectations. The innovations produced are also shared in a coordinated way to promote discussion flows.

RESEARCH FACILITIES AROUND THE WORLD

Research and Innovation budget
€ millions

2018	914
2019	985
2020	**964**

Research and Innovation headcount

2018	3,993
2019	4,100
2020	**3,995**

Number of patents filed

2018	505
2019	497
2020	**500**

Rapid development of hand sanitiser gel in solidarity

In the context of the European solidarity plan announced by the Group in March 2020 as a result of the Covid-19 pandemic, the laboratories joined forces (in France, Brazil, the United States and South Africa) to rapidly develop formulas for hand sanitisers that complied with the recommendations of the authorities. Yet the regulation on biocides does not cover cosmetics. Opening regulatory contexts and convincing authorities to make exceptions to allow a cosmetics producer to place hand sanitiser gels on the market to serve the entire public proved to be a true challenge. The laboratories worked on adapted formulas to prevent the risks of a breakdown in the supply of certain crucial raw materials, such as denatured alcohol. Thanks to the combined efforts of the teams, the Group's brands provided hand sanitiser gel to hospitals, pharmacies, staff in grocery stores, and not to forget all the local initiatives serving the many key workers who needed it.

When ethics rhymes with innovation

In order to meet essential tolerance requirements for its products, research was initiated in the 1980s to develop alternatives to animal testing to assess the safety of its ingredients and its products. In 40 years of international scientific collaboration, major progress has been made in reconstructing increasingly sophisticated reconstructed skin models (simple epidermis, epidermis + dermis, etc.). These methods led to the end of testing finished products on animals in 1989 and the development of predictive evaluation strategies to meet European regulations that prohibit any sale of products containing any ingredient that has been tested on animals. L'Oréal supports international regulatory changes to promote alternative methods to assess safety without animal testing.

Better predictions of skin reactions

In 2020, L'Oréal's biologists have just crossed a new boundary in developing a skin model even closer to real skin: it contains a micro network of blood vessels that mimics real life conditions in which the vessels supply the organism with oxygen and nutrients and remove cellular waste and CO_2. This advance is the fruit of a collaboration with an expert team in microfluidics from the University of Tokyo. It makes the model a reliable predictive tool for skin and systemic evaluations. The scientific community made no mistake about it, since this work was awarded the Applied Research Award at the last Congress of the International Federation of Societies of Cosmetic Chemists (IFSCC).

Sustainable innovation

Green Sciences

In the context of its *L'Oréal For the Future* programme, L'Oréal decided to place its activity within the *boundaries* that can be supported by Earth to remain a habitat favourable for the development of human life. Researchers are continuing their quest for performance in products that incorporate environmental emergency in a responsible manner. 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.

Solid shampoo

This is a shampoo that takes the form of a bar of soap and fulfils the same functions as a liquid. 100% concentrated, these travel products are praised by young generations for their practicality and respect for the planet. Composed of a majority of plant-based raw materials, they have been formulated dry by limiting the volume of water necessary for rinsing: an analysis of the life cycle by an external organisation confirmed that they are more respectful of the environment. The Group's first solid shampoos were sold in 2020, primarily by Garnier under the Ultra-Doux brand.

The most sustainable research centre in Brazil

Located on the island of Bom Jesus, at the edge of the technology park of the Federal University of Rio de Janeiro, the Rio de Janeiro Research and Innovation Centre has received an LEED Platinum certification, the highest level of Leadership in Energy and Environmental Design, a building environmental label recognised in over 160 countries. This international recognition takes into consideration the building's sustainability in its configuration, use of water and energy, waste management, respect for biodiversity of the surrounding area and the quality of air and the environment offered by this workplace to its employees.

Netlock, the cream of sunscreens

Sunscreens are very specific cosmetic products since they address a health challenge, which is to protect skin from the damage caused by the sun while providing the most pleasant experience possible. Designing a sunscreen involves combining incompatible elements: ensuring high sun protection with an easy application and offering good appearance on the skin while ensuring a comfortable application. The more pleasant a sunscreen is, the more consumers will want to use it and the more they will be protected.

At the end of three years of research to obtain a perfectly homogeneous film that is easily spread onto the skin, the laboratories developed a polymer that makes oils into gel and stabilises the emulsions in a wide range of textures (cream, gel, milk, spray, etc.). This new technology, protected by nine patents, offers a very light, almost invisible film, that neither sticks nor shines, leaves no white trace, but remains homogeneous to ensure high protection. In addition, this film does not come off, and not only is it resistant to water, but also to sweat and sand.

Microbiome

Deepen our knowledge of the skin flora

In September, L'Oréal joined the Center for Microbiome Innovation of the University of California in San Diego, a consortium of university and industry experts dedicated to innovation focused on microbiomes. Until now, research has been particularly focused on a detailed inventory of the microbial populations that colonise our body. But with improved tools, today it is possible to plan the study of the functions fulfilled by these populations; this is still a relatively unexplored research territory, which should contribute to perfecting our knowledge of this area. Such as, for example, succeeding in connecting the presence of certain bacteria to a given skin disorder, or detecting and characterising the molecules whether they are directly produced by the skin and transformed by the microbiome or whether they are directly produced by the skin microbiome. Being a partner in this consortium gives access to an exchange of knowledge, leading-edge tools and research conducted by expert teams with whom dedicated collaborations can be initiated.

First step in high-tech cosmetics

L'Oréal has signed a licensing agreement with Micreos, a start-up specialised in bacterial biotechnologies to use its endolysin, a type of active protein in cosmetics, based on mechanisms used by bacteriophages, which are specific bacterial predators naturally present on the skin. This technology permits us, for the first time, to target only the undesirable bacteria of the skin flora that are responsible for various disorders, while sparing those that are desirable. This is a key point in the treatment of eczema, for example.

Digital

Apps boosted with Artificial Intelligence

L'Oréal R&I and ModiFace have introduced the first personalised skin diagnostic, based on 15 years of research on skin aging. Using deep learning methods, the artificial intelligence algorithm was trained with 4,500 selfies for different populations of women in different lighting conditions. The results, which were validated by dermatologists, showed a high level of precision obtained with photo conditions (light, telephone position) similar to those for consumers. Women thus have a reliable diagnosis to better understand the ageing of their skin and, with Vichy SkinConsult AI for example, can find a skincare to suit them.

Perso, the first personalised device

At the 2020 CES international Consumer Electronics Show in Las Vegas, L'Oréal introduced Perso, the new digital product in the service of the beauty of tomorrow, which comes out of the Research Tech Incubator. Perso offers to produce personalised skin care, lipsticks or foundations directly at home: thanks to the power of Artificial Intelligence, the level of personalisation increases over time by integrating new data collected on the skin and the environment (weather, UV index, pollution) and the personal preferences of clients.

1.2.7. Operations: expertise and services closer to consumers for lasting performance

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

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

At the forefront of new technologies to better serve consumers with increasing demands

Relying on an approach of operational excellence conducted for years, Industry 4.0 is at the core of L'Oréal's Operations Division. As a result, the integration of new technologies all along the value chain responds specifically both to the new challenges of personalisation, agility and traceability expected by consumers and to the new needs of its employees: simplification, real-time access to data, new capacities related, for example, to the use of virtual reality, 3D printing, artificial intelligence, etc.

For product development, 3D printing of prototypes for products and/or functional packaging components reduces development times and therefore brings products to the market faster. This fast prototyping ensures an agile response to consumers' new consumer beauty expectations and cosmetic trends. In 2020, 32 L'Oréal sites (packaging design centres, packaging labs, plants) were equipped with 3D printing technology. For design, a total of more than 10,000 packaging prototypes were 3D printed in 2020.

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

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

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

The packaging of a product is the first identifying link between a brand and its consumers. Beyond its technical performance and its function, packaging is a key differentiating factor for the product and therefore for the value perceived by the consumer. Every year, the L'Oréal teams specialised in design, packaging innovation and product development rely on the expertise of the materials and packaging laboratories to offer leading-edge innovations on all continents. L'Oréal filed 500 patents for packaging and processes in 2020.

Since 2007, L'Oréal has been committed to an eco-design process for sustainable packaging and has very significantly intensified its progress in recent years. A six-step approach: Recycle using recycled or recyclable materials; Reduce packaging volume and weight; Replace high-impact materials with recycled materials or materials from renewable resources; Recharge at home; Refill at points of sale; Reinvent formulas appropriate for packaging.

By the end of 2020, the social or environmental profile of 96% of new or redesigned products have been improved for all of the Group's brands. By 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable. By 2030, 100% of the plastics used in L'Oréal's products' packaging will be either from recycled or bio-based sources. In 2020, within an innovative partnership, L'Oréal, LanzaTech and Total achieved a global first with the production of the first sustainable packaging from captured and recycled carbon emissions. In addition, L'Oréal continues to invest in biotechnology in the service of plastic recycling with Carbios in particular.

A Purchasing programme combining economic, environmental and social value

To accompany the Group's growth, the Purchasing teams select the most cost-effective suppliers in accordance with the L'Oréal Buy & Care responsible purchasing policy. They manage their performance, with suppliers, by monitoring precise indicators relating to social, environmental and ethical criteria and through their ability to innovate and to meet the Group's requirements in terms of quality, service and competitiveness.

L'Oréal builds solid relationships with its suppliers which makes it possible to work with them on their supply chains for responsible sourcing and ensure the agility, reliability and traceability of sourcing. In 2020, the Group conducted 1,268 social audits, a total of more than 13,600 since 2006.

Furthermore, by creating the Solidarity Sourcing responsible purchasing programme, L'Oréal chose as from 2010 to enable sourcing from suppliers with an inclusive solidarity model, in other words, companies that offer employment to vulnerable workers and people in economically or socially disadvantaged communities, such as people with a disability, the long-term unemployed or fair trade suppliers (see section 4.3.3.5. "Measures taken in favour of local communities" of this document). Today, 81,138 persons have benefited from access to employment within the *Solidarity Sourcing* programme.

In 2020:

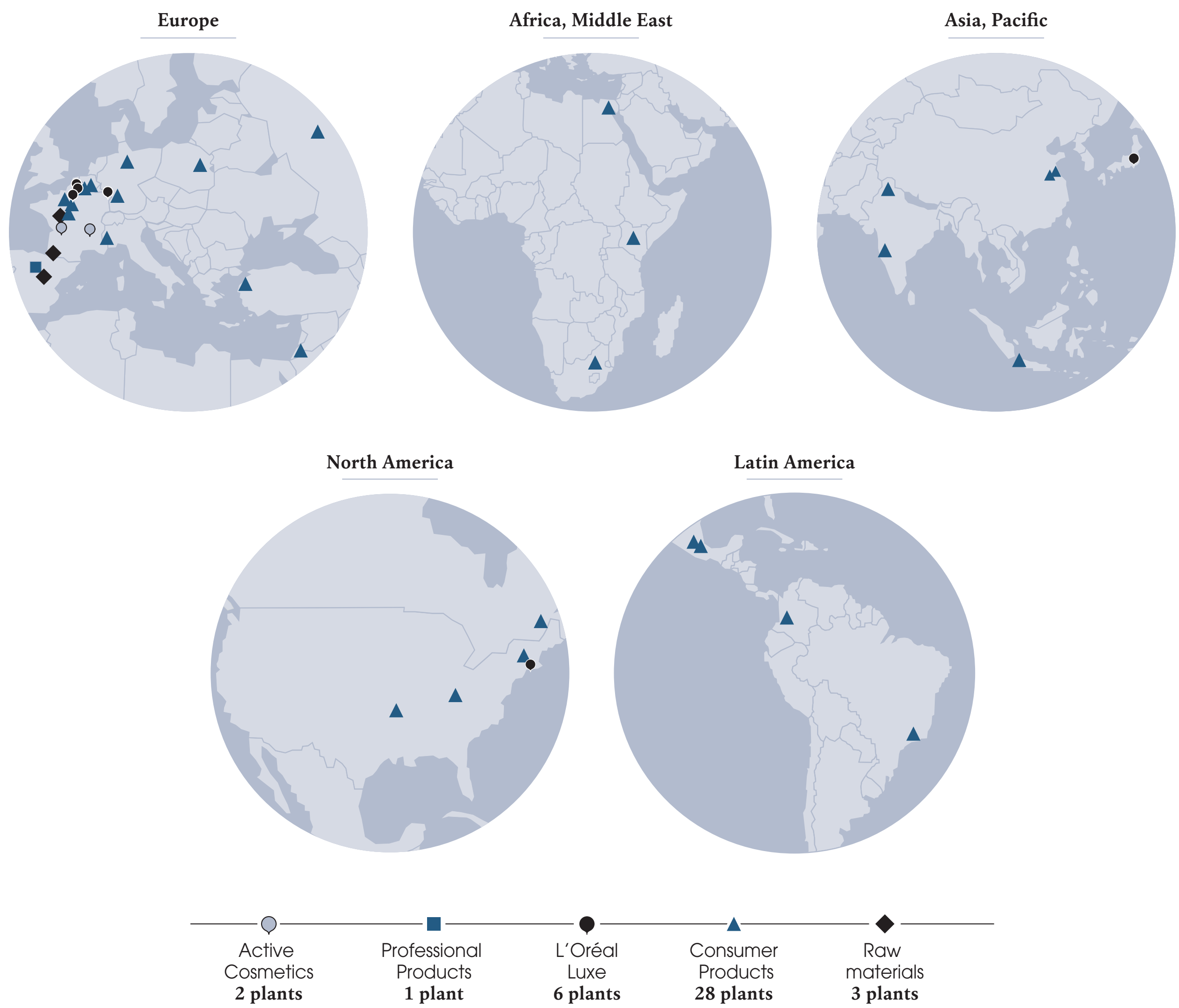
- L'Oréal earned an "A" classification from the CDP for Supplier Commitment, for its actions to support its suppliers in order to improve the environmental footprint of their activities; and
- L'Oréal assisted its suppliers to facilitate payment terms as part of its European solidarity plan to face the health crisis.

Manufacturing performance that relies on a global system of operational excellence

L'Oréal has 40 plants spread all over the world, equipped with the very latest technologies and advances in automation, in close proximity to consumers in the major growth markets. This network of plants adapts constantly to incorporate acquisitions and embrace external innovations. It is completed by production sub-contracting, to meet temporary demand peaks in the case of specific technologies (make-up pencils, soaps, etc.) or sometimes for purchases of finished products.

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

MANUFACTURING FOOTPRINT BY GEOGRAPHIC ZONE



Mobilisation of the plants for the implementation of the Covid-19 European Solidarity Plan

In 2020, 70% of L'Oréal's plants adapted their manufacturing equipment during the health crisis to produce hand sanitisers and to donate, within the Group's European Solidarity plan, hand gel to healthcare personnel, pharmacies, hospitals, health authorities, food distributors, hairdressers and partners.

Operational excellence

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

The Group is continuing to roll out its Operational Excellence System in all its plants to meet the challenges of a constantly changing world and go even further in adapting its manufacturing equipment to the needs of consumers. This process is based on the close involvement of all employees in technical and technological areas relating to safety, quality, ergonomics, environmental impact and production capacity, while at the same time controlling costs.

Product quality and safety: a priority

Offering consumers the highest quality product is an absolute priority. Over several decades, the Group has set up a single product quality and safety management programme that applies to all its plants and subsidiaries around the world. In 2020, 92% of L'Oréal plants were ISO 9001 (Quality Management) certified and 100% were ISO 22716 (Best cosmetics manufacturing practices) compliant.

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

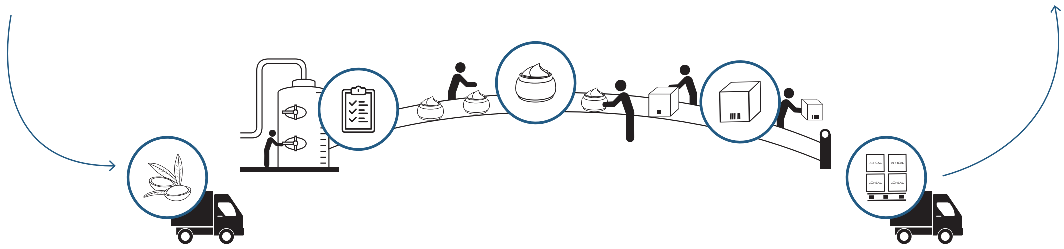
The ongoing quality improvement process has been effective as seen in the low rate of consumer complaints in 2020: 52 complaints per million products sold.

L'Oréal selects suppliers according to strict standards and criteria

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

L'Oréal offers consumers effective and high-quality products

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



~100 quality controls

For each cosmetic product

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

Identical processes are followed in the 40 plants, from the reception of raw materials, through the manufacturing of formulas and the packaging of finished products, until products are placed on the market.

Plants certified to the highest level

100%

of the Group's plants

are **ISO 22716*** compliant

92%

of the Group's plants

are **ISO 9001**** compliant

** Best practices in cosmetics manufacturing*

*** Quality management*

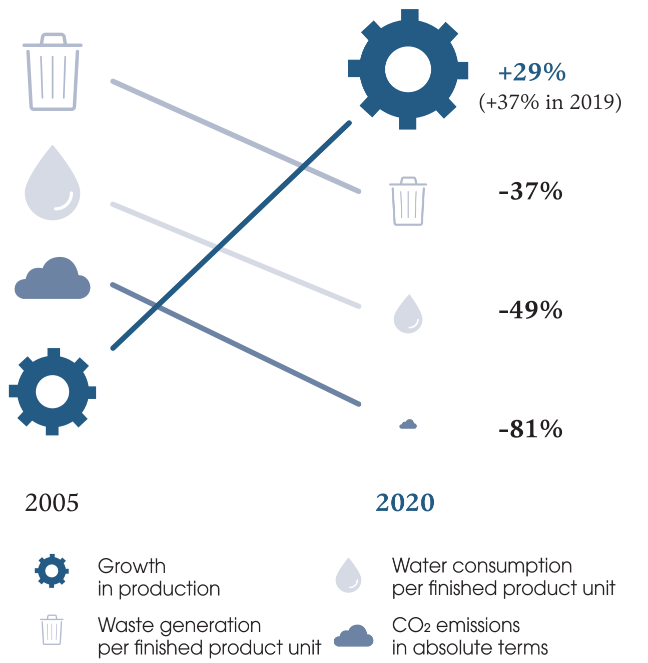
Safety of L'Oréal's men and women is at the centre of the model

In 2020, the Safety Management System, which is applied to the Group's teams and to all administrative sites, laboratories, plants, distribution centres and stores, was recognised by RoSPA (Royal Society for the Prevention of Accidents), which granted 17 awards to L'Oréal, including winner of the Commercial and Business Services Sector award in for the administrative sites in Brazil, second place in the Transport, Storage and Distribution category for the Bury (UK) distribution centre, and the Corporate Health and Safety Team of the Year Award.

At the heart of production: environmental protection

The Group's environmental policy is intended to roll out best practices in sustainable production to limit the direct environmental impact of the Group's business activities and preserve biodiversity and resources: energy efficiency, the use of renewable energies, optimisation of water consumption and recycling, preservation of biodiversity, and reduction of waste production, and more. The 2020 results were impacted by the Covid-19 health crisis, particularly because of the 6% drop in production from 2019, a delay that affected certain projects and a change in the categories of products manufactured by the sites (fewer makeup products and more skincare, hair colours and hair care products). In this specific context, L'Oréal insisted on continuing and prioritising, where possible, the programmes to reduce its environmental footprint (continuation of projects for the use of renewable energy everywhere in the world, start-up of new water treatment plants in France, for example) with, since 2005, a decline of -81% in CO_2 emissions in absolute value (up 3 points versus 2019), -49% in water consumption per unit of finished product (down 2 points from 2019, notably due to changes in production), and -37% in waste production per unit of finished product (an improvement of 2 points over 2019, favoured by the decline in activity). It should be noted that 96% of residual waste was recovered in 2020, meaning that it was reused, recycled or used for energy recovery.

RESPONSIBLE PRODUCTION (PLANT AND DISTRIBUTION CENTRES COMPARED WITH 2005)



50 of L'Oréal's industrial sites[(1)] were "carbon neutral" at year-end 2020, an increase of 43% since 2019, including 19 plants (Libramont in Belgium, Settimo in Italy, Burgos and Alcalá de Henares in Spain, Rambouillet, Ormes, Gauchy, Vichy and La Roche-Posay, Tours in France, Karlsruhe and Salzhemmendorf in Germany, Yichang and Suzhou in China, Montreal in Canada, Florence, Franklin and Piscataway in the United States, and Funza in Colombia) (see "Making increased use of renewable energy", section 4.3.1.3.1., A/ Fighting climate change, in this document).

At year-end 2020, there were five Waterloop Factory plants (Burgos in Spain, Settimo in Italy, Vorsino in Russia, Libramont in Belgium and Mexico City in Mexico): all the water required by the utilities (equipment cleaning, steam production, etc.) comes from reused water or water recycled in a closed loop on the site (see "Waterloop Factory plant concept", section 4.3.1.3.1., B/ Preserving water resources, in this document).

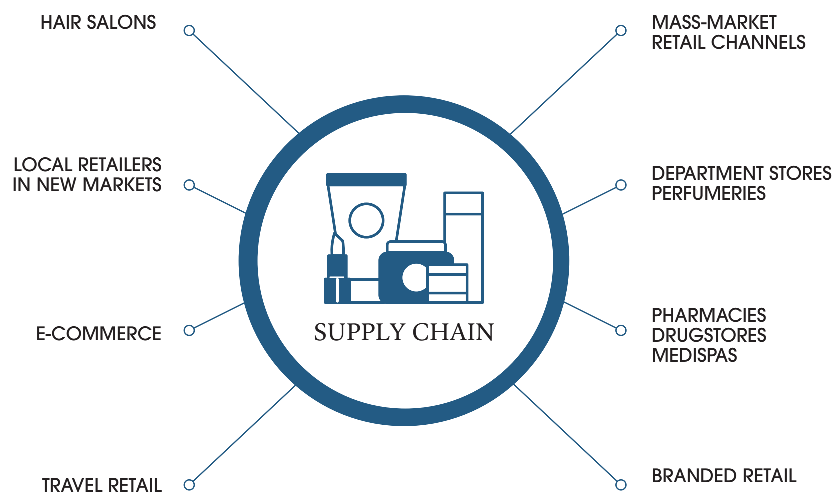
L'Oréal's commitment for over 25 years to environmental leadership was recognised in 2016, 2017, 2018, 2019 and 2020, with the best possible rating by the CDP[(2)]. L'Oréal is thus the only company in the world, out of more than 9,600 companies assessed, to receive a triple "A" ranking for the fifth consecutive year, for its commitment and results in each of the key areas for environmental protection: the fight against climate change, sustainable water management and the fight against deforestation.

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

Rapidly changing omni-channel logistics strategy

L'Oréal Group's supply chain organises and optimises all product delivery flows to all our customers as well as direct deliveries to e-commerce consumers. It is responsible for making sure that the products are delivered under optimum conditions, at the right time and at the best cost. On average, across all channels, L'Oréal delivers two orders every second around the world and distributes more than 6 billion products. This order rate is heavily impacted by the acceleration in e–commerce sales. The supply chain and its distribution centres were particularly strategic and responsive in 2020 to manage this acceleration in the context of the health crisis to ensure deliveries to consumers.

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



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

The supply chain network composed of 149 distribution centres is a strategic lever to ensure agile coverage of market challenges and expand our service offer. To create a more adapted supply chain, L'Oréal is investing in its distribution centres to transform them progressively into Fulfilment Centres: powered by automation and data, Fulfilment Centres will be able to manage a panel of consumer services, such as personalisation, preparation of boxes, bespoke delivery and more. They will facilitate the interoperability of inventories for omni-channel management and increase product traceability for greater transparency for consumers. In China, the Suzhou centre has led this transformation into a Fulfilment Centre by investing in order planning, automation and ergonomics to meet the strong demand for e-commerce in the Chinese market.

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

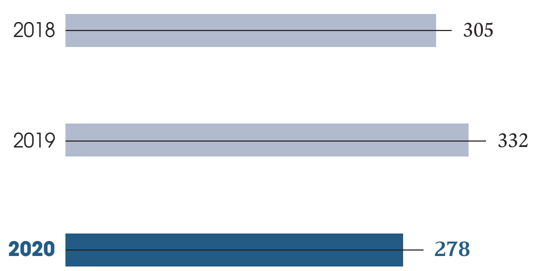
Global economic performance at the service of the brands and the commercial entities

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

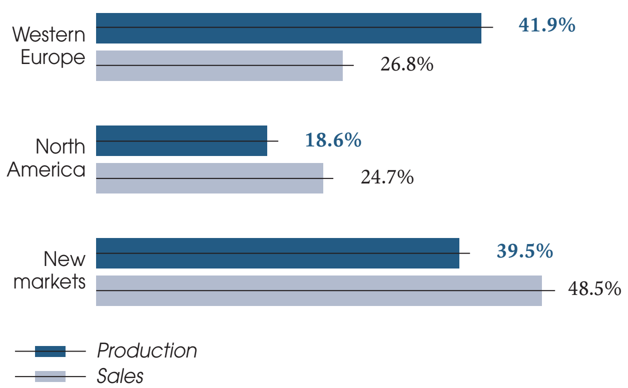
Economic optimisation efforts led by Operations involve tracking the total landed cost, i.e., the final full cost of a product, which includes the cost of packaging and raw materials, the value added by the plants and all supply chain costs.

COMMITMENT TO INVEST IN OPERATIONS

(production and supply chain commitments in € million)



PRODUCTION AND SALES OF THE OPERATIONAL DIVISIONS BY GEOGRAPHIC ZONE IN 2020: PRODUCTION CLOSE TO ITS MARKETS



1.3. 2020 FINANCIAL RESULTS AND CORPORATE SOCIAL RESPONSABILITY COMMITMENTS

1.3.1. 2020 results*

"In 2020, the Covid-19 pandemic, which spread across the world, triggered a crisis of supply due to the widespread closure of points of sale which led to an unprecedented, if temporary, decline of the beauty market.

Throughout the year, L'Oréal made the protection of all its employees as well as its customers and suppliers an absolute priority and mobilised to produce millions of units of hand sanitiser and hand cream for donation to healthcare and other frontline workers.

Thanks to the outstanding commitment of its employees, L'Oréal has traversed this crisis in the best possible condition and has even grown stronger. As anticipated and announced, the Group returned to growth in the second half, with a fourth quarter in acceleration at +4.8%[(1)], and won significant market shares.

Thanks to its strength in digital and e-commerce, which has again increased considerably during the crisis, L'Oréal has been able to maintain a close relationship with all its consumers and compensate to a large extent for the closure of points of sale. As a result, sales achieved in e–commerce[(2)] rose sharply by +62%[(2)], across all Divisions and all regions, reaching the record level of 26.6% of the total Group's sales for the year.

The Active Cosmetics Division had a record year driven by a dynamic skincare market and the remarkable success of its brands, recommended by healthcare professionals. The Consumer Products Division returned to equilibrium in the second half of the year despite the weight of makeup, and increased its market share in the other major categories. The Professional Products Division, significantly impacted by the closure of salons in the first half of the year, bounced back strongly in the second and significantly outperformed the market over the year as a whole. Lastly, L'Oréal Luxe, in an extremely difficult context, also outperformed the market and even returned to growth in the last quarter.

By geographic Zone, performance was contrasted. In Western Europe and North America, growth was impacted by the development of the pandemic and public health measures, but L'Oréal gained market share in many countries. In the New Markets, the Group saw a return to growth in all Zones in the second half of the year. The performance of China is spectacular and its contribution to the performance of the Group is important.

After demonstrating its resistance over the first half of the year, the Group engaged the second half with a determined and virtuous dynamic: launching major innovations, reinvesting in business drivers leading to a return to growth like-for-like, with flexibility and rigorous cost control allowing for an improvement in profitability. Over the year as a whole, and in spite of the crisis, L'Oréal maintained an operating margin of 18.6%, and generated strong operating cash flow.

The Group's non-financial performance was equally remarkable. For the fifth consecutive year, L'Oréal was recognised by the CDP as a global leader in sustainable development for its actions to fight climate change, protect forests and manage water sustainably. In addition, the Group was ranked in the top ten among 9,000 companies evaluated by the Refinitiv Diversity & Inclusion Index. L'Oréal was also recognised, for the eleventh time, as one of the world's most ethical companies by the Ethisphere Institute. Finally, in 2020, L'Oréal launched its *L'Oréal for the Future* programme with ambitious new sustainability commitments for 2030.

Driven by the strength of its strategic choices and a determined dynamic across the year, L'Oréal has adapted to this unprecedented context and terrible pandemic with speed and agility, accelerated all of its transformations and will emerge stronger.

At the beginning of this new year, which remains marked by uncertainty regarding the evolution of the pandemic, but also by consumer's appetite for beauty that remains intact across the world, we are confident in our capacity to outperform the market again this year and, subject to the evolution of the sanitary crisis, achieve a year of growth in sales and profits."

1.3.1.1. Overview of the results for 2020

- Sales: €27.99 billion;
  - -4.1% like-for-like[(1)],
  - -3.6% at constant exchange rates,
  - -6.3% based on reported figures;
- Operating profit: €5.20 billion, 18.6% of the sales;
- Earnings per share[(3)] : €7.30 ;
- Net cash flow[(4)]: €5.48 billion, an increase of +8.9% ;
- Dividend per share[(5)]: €4.00, an increase of +3.9%.

** This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*
(1) Like-for-like sales growth : based on a comparable structure and identical exchanges rates.
(2) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data).
(3) Diluted net earnings per share excluding non-recurring items after non-controlling interests.
(4) Net cash flow = Gross cash flow + changes in working capital - capital expenditure.
(5) Proposed at the Annual General Meeting of 20 April 2021.

NORTH AMERICA

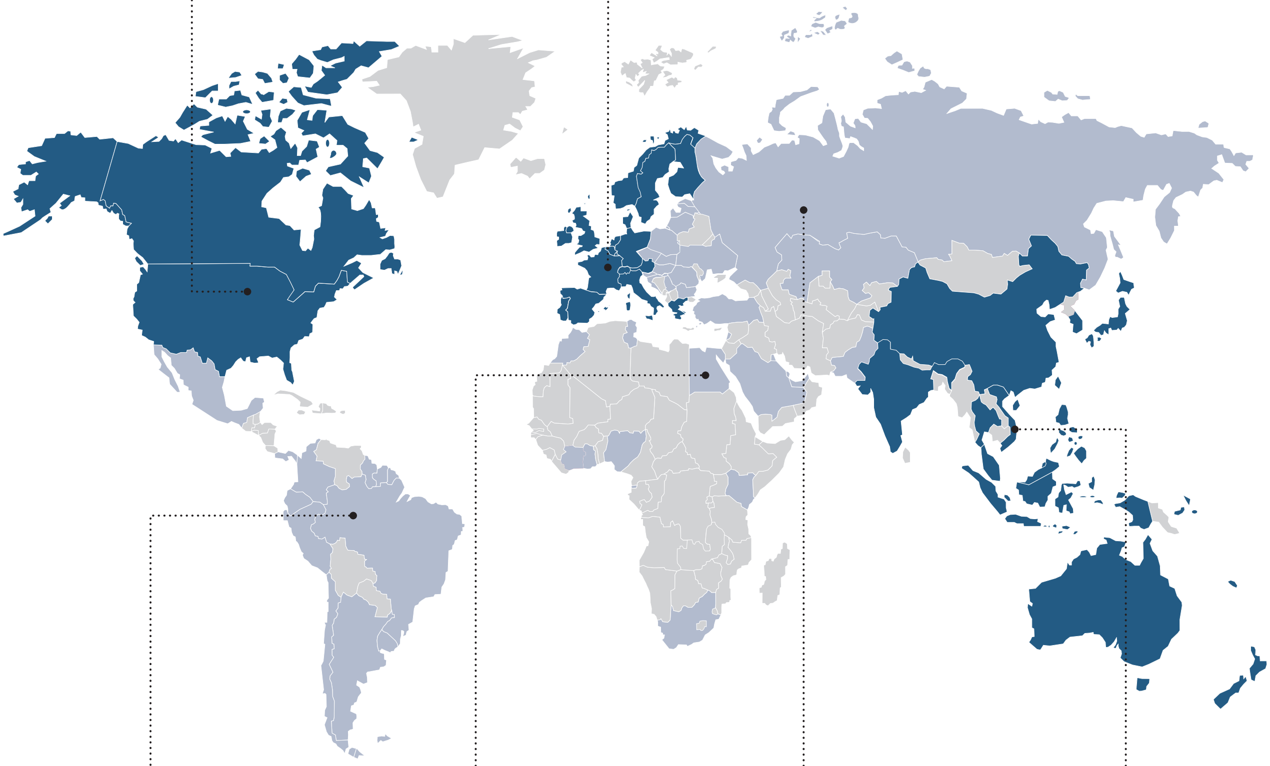
24.7% share of Group sales
-7.4% sales evolution in 2020(1)

€6,903.4 M
SALES

WESTERN EUROPE

26.8% share of Group sales
-10.3% sales evolution in 2020(1)

€7,514.0M
SALES



LATIN AMERICA

5.2% share of Group sales
-1.5% sales evolution
in 2020(1)

€1,469.3M
SALES

AFRICA, MIDDLE-EAST

2.2% share of Group sales
-3.3% sales evolution
in 2020(1)

€620.6M
SALES

EASTERN EUROPE

6.0% share of Group sales
-4.9% sales evolution
in 2020(1)

€1,685.3M
SALES

ASIA-PACIFIC

35.0% share of Group sales
+3.5% sales growth
in 2020(1)

€9,799.5M
SALES

NEW MARKETS

48.5% share of Group sales
+1.5% sales growth in 2020(1)

€13,574.7M
SALES

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

1.3.1.2. Consolidated sales

Like-for-like, *i.e.* based on a comparable scope of consolidation and constant exchange rates, the sales evolution of the L'Oréal group was -4.1%.

The net impact of changes in the scope of consolidation amounted to +0.5%.

Evolution at constant exchange rates was -3.6%.

At the end of 2020, **currency fluctuations** had a negative impact of -2.7%.

Based on reported figures, the Group's sales, at 31 December 2020, amounted to €27.99 billion, *i.e* -6.3%.

SALES BY OPERATIONAL DIVISION AND BY GEOGRAPHIC ZONE

					2019/2020 progression	
€ millions	2018	2019	2020	% 2020 sales	Like-for-like	Reported figures
By Division						
Professional Products	3,262.5	3,441.9	3,097.3	11.1%	-6.4%	-10.0%
Consumer Products	12,032.2	12,748.2	11,703.8	41.8%	-4.7%	-8.2%
L'Oréal Luxe	9,367.2	11,019.8	10,179.9	36.4%	-8.1%	-7.6%
Active Cosmetics	2,275.5	2,663.7	3,011.1	10.7%	+18.9%	+13.0%
Group total	**26,937.4**	**29,873.6**	**27,992.1**	**100%**	-4.1%	- 6.3%
By geographic zone						
Western Europe	8,065.1	8,277.1	7,514.0	26.8%	-10.3%	-9.2%
North America	7,234.3	7,567.0	6 903.4	24.7%	-7.4%	-8.8%
New Markets, of which:	11,638.1	14,029.5	13,574.7	48.5%	+1.5%	-3.2%
• Asia, Pacific	7,405.6	9,658.0	9,799.5	35.0%	+3.5%	+1.5%
• Latin America[1]	1,784.8	1,773.1	1,469.3	5.2%	-1.5%	-17.1%
• Eastern Europe	1,754.2	1,909.7	1,685.3	6.0%	-4.9%	-11.8%
• Africa, Middle East	693.5	688.7	620.6	2.2%	-3.3%	-9.9%
GROUP TOTAL	**26,937.4**	**29,873.6**	**27,992.1**	**100%**	**-4.1%**	**-6.3%**

(1) The Group has applied IAS 29 (Financial Reporting in Hyperinflationary Economies) to Argentina since 1 July 2018. The negative impact of this adjustment is 270 basis points on like-for-like growth in Latin America and 10 basis points on that of the entire L'Oréal Group in 2020.

Summary by Divisions

Professional Products

The Professional Products Division ended the year at -6.4% like-for-like and -10.0% based on reported figures.

The Division achieved historic market share gains across all Zones with a significant recovery in the second half of the year, strengthening its leadership in the industry. The health crisis has shown more than ever how essential the hairdressing sector is and has boosted the underlying trends that the Division had anticipated: the digitalisation of salons, the development of freelance stylists, and the explosion of e–commerce.

All geographic Zones saw a return to growth in the second half, with record performance in the United States, driven by the power of the SalonCentric distribution channel. Europe also saw a remarkable recovery. The Division posted very strong growth in China, particularly on Tmall.

The number one category for growth was haircare, led by a particularly dynamic Kérastase, which saw double-digit growth over the year, driven by Genesis and Blond Absolu, as well as the successful launch of Pro Longer by L'Oréal Professionnel. In hair colour, Shades EQ by Redken recorded another year of strong growth. Steampod by L'Oréal Professionnel confirmed its success.

Consumer Products

The Consumer Products Division ended the year at -4.7% like-for-like and -8.2% based on reported figures.

The Division saw a return to equilibrium in the second half of the year, driven by Garnier and L'Oréal Paris. This dynamic was the fruit of a strong and successful innovation plan, "Back to Beauty" initiatives conducted in partnership with retailers, and powerful media investments. In addition, the Division has further accelerated in e-commerce, particularly in the United States.

Public health measures heavily impacted the makeup market. Despite its high exposure to this category, the Division grew faster than the market in the second half of the year and gained market share in its other major categories. Hair colour saw double-digit growth. Haircare was driven by the confirmed success of Fructis Hair Food and Elseve Dream Long, and the very strong start of Elseve Full Resist and Ultra Doux shampoo bars. Skincare accelerated thanks to the success of L'Oréal Paris serums and the Fast Bright range by Garnier, rolled out in emerging countries. In makeup, the Division strengthened its position, thanks in particular to NYX Professional Makeup and 3CE Stylenanda which benefited from their mastery of digital.

The Division saw a significant improvement in performance in all Zones in the second half of the year, and notably recorded growth in China, Brazil and Germany.

L'Oréal Luxe

At year-end, L'Oréal Luxe was at -8.1% like-for-like and -7.6% reported in a global luxury beauty market down approximately 14%.

In an extremely difficult context with the closure of many points of sale and a drastic reduction in air travel, the Division outperformed the market with a clear acceleration in the second half and a return to growth in the last quarter. This performance was the result of strategic decisions to accelerate powerfully in e-commerce, particularly in direct-to-consumer, to maintain a strong programme of major global launches and to strengthen its leadership in China.

The Division outperformed the market in its three categories, especially in skincare, driven by the power of its brands, notably Lancôme which resisted well, and the growth of Kiehl's and Helena Rubinstein. The latest fragrance launches - My Way by Giorgio Armani, Voce Viva by Valentino and Libre by Yves Saint Laurent - also delivered very strong performances and, with the resilience of established icons, helped to consolidate our global leadership. Makeup remains the most affected category.

L'Oréal Luxe gained market share in almost all geographic Zones. It is important to note the strong performance of the Asia Pacific Zone, especially mainland China, as well as many Western European countries. Sales in North America recovered progressively, while positions remain solid in Travel Retail.

Active Cosmetics

For the second year running, the Active Cosmetics Division achieved record growth of +18.9% like-for-like and +13.0% based on reported figures, with sales exceeding the 3-billion-euro mark.

In a slightly positive market, the unique relationship that the brands have forged with healthcare professionals, combined with the growing consumer preoccupation with health, enabled the Division, particularly present in skincare, to post record annual growth, with sales accelerating in the second half. E-commerce remains the main growth driver, supported by a dynamic digital activation strategy. In-store initiatives also drove growth. Sales grew faster than the market in all Zones, with exceptional performance in North America and Asia. CeraVe, La Roche-Posay and SkinCeuticals, which are aligned with consumers' health aspirations and recommended by medical professionals, recorded very strong growth. CeraVe in particular is now one of the top five dermocosmetics brands and almost doubled in size, driven by exceptional growth in North America and a promising outlook for sales globally. Sales of SkinCeuticals and La Roche-Posay grew well ahead of the market in all Zones. The fourth quarter marked an acceleration, with all Zones and all the major brands posting growth, particularly Vichy which benefited from the launch of the anti-ageing serum Liftactiv Supreme H.A. Epidermic Filler.

Multi-division summary by geographic zone

Western Europe

The Zone ended the year at -10.3% like-for-like, and -9.2% based on reported figures. Due to the health crisis, the market was impacted by government measures in the countries: lockdowns, and the closure of hair salons, perfumeries and department stores. The fall in European air travel and a marked downturn in tourism over the summer also had an impact on consumption. Makeup and sun protection products were hit particularly hard, while other categories fared better. The market declined by around 15% over the year, improving in the second half, but remaining negative. Against this backdrop, L'Oréal significantly outperformed the market, thanks to its digital leadership and very strong growth in online sales, the launch of major innovations and well supported marketing plans. The Group strengthened its leadership in most countries, particularly France, the United Kingdom and Italy. It also gained market share in all its strategic categories. Performance was especially noteworthy in skincare, with L'Oréal Paris, La Roche-Posay and CeraVe performing well, in fragrance with the continued success of Libre by Yves Saint Laurent, and in haircare with Kérastase and Garnier strengthening their positions.

North America

The Zone ended the year at -7.4% like-for-like and -8.8% based on reported figures. Due to its footprint in brick-and-mortar and makeup, the Zone was heavily impacted by lockdown measures in the second quarter. Despite the pandemic and social and political upheavals, all Divisions managed to accelerate sales in e-commerce, which have almost doubled, and quickly adapted to shifts across channels of distribution. The Group was able to seize the trends in skincare and gain market share, while at the same time increasing its already significant share of the hair colour market. After a slowdown in the first half of the year, the Zone returned to positive territory in the second. The Consumer Products Division stabilised in the second half, thanks to strong growth in skincare and market share gains in hair colour. L'Oréal Luxe accelerated with strong fragrance launches and freed up resources to re-invest in consumer touchpoints and digital transformation. The Professional Products Division gained market share and achieved a solid performance in the second half of the year, thanks in particular to SalonCentric. The Active Cosmetics Division performed remarkably well, notably with CeraVe, La Roche-Posay and SkinCeuticals, significantly outperforming a dynamic market and winning important market share gains.

New markets

- **Asia Pacific**: the Zone grew by +3.5% like-for-like and +1.5% based on reported figures, with fourth-quarter growth at +16.6% like-for-like and +12.5% based on reported figures. Mainland China grew +27.0% like-for-like and +24.1% based on reported figures. The market recovered significantly in the second half, growing around +4% in the year, boosted by strong omnichannel demand for selective brands and very dynamic e-commerce. Consumers' quest for higher performance and superior product quality continued the premiumisation trend while various festivals and promotional campaigns stimulated growth. L'Oréal China significantly outperformed the market with double-digit growth in all Divisions. The unique combination of our beauty expertise, superior innovations, digital leadership and omnichannel distribution structure enables us to offer iconic brands that engage and win Chinese consumers. During the 11.11 festival, L'Oréal strengthened its leadership in skincare, thanks to Kiehl's, Helena Rubinstein and

SkinCeuticals, in makeup with Giorgio Armani, Yves Saint Laurent and 3CE Stylenanda, and in haircare with Kérastase and L'Oréal Paris. Our megabrands Lancôme and L'Oréal Paris ended the year as the No.1 selective and mass-market beauty brands respectively on Tmall.

In the rest of the Asia Pacific Zone, the situation improved in the second half of the year. Sales increased in the countries least affected by the pandemic such as Australia, New Zealand and Vietnam. The makeup market remained depressed, but the marketing shift towards haircare and skincare led to steady growth quarter on quarter. E–commerce was a powerful growth driver. In India, after a first half marked by store closures, both haircare and skincare returned to growth. Hong Kong suffers from a lack of tourism. The L'Oréal Luxe and Active Cosmetics Divisions achieved significant market share gains in all the main markets, particularly in skincare. The growth of Active Cosmetics was driven by La Roche-Posay and CeraVe. The Consumer Products Division saw an improvement in skincare, thanks to the performance of Garnier.

- **Latin America**: the Zone is at -1.5% like-for-like and -17.1% based on reported figures. The Zone was severely impacted by the pandemic with the widespread closure of points of sale. Performance was very contrasted from one Division and quarter to another, with a strong recovery in the second half of the year. All Divisions saw a return to growth in the second half, particularly the Active Cosmetics Division which posted double-digit growth. The focus on digital strengthened consumer engagement and boosted e–commerce, which recorded triple-digit growth, most notably in Brazil and Mexico. Our innovations as well as our flagship brands and products drove the growth, most notably in haircare and skincare. Brazil recorded exceptional performance overall, growing each quarter and winning market share in Latin America's largest beauty market, a result of the far-reaching transformation of the business initiated well before the crisis. In Mexico, although challenges remain, the business is stabilising, with the Active Cosmetics Division posting double-digit growth over the year as a whole, and the Consumer Products Division seeing a return to growth in the fourth quarter.
- **Eastern Europe**: the Zone was at -4.9% like-for-like and - 11.8% based on reported figures. All countries and markets were affected by the pandemic and lockdown measures, with the exception of dermocosmetics which continued to grow. The Czech Republic/Slovakia/Hungary hub resisted well, Romania and Ukraine recorded growth, while Russia and Turkey were hit harder due to the depressed economic context. The Active Cosmetics, Professional Products and L'Oréal Luxe Divisions gained significant market share, while the Consumer Products Division maintained its positions. E–commerce growth was very dynamic.
- **Africa, Middle East**: the Zone was at -3.3% like-for-like and -9.9% based on reported figures, with good performance in the second half, despite the lockdown measures implemented in the countries. Growth was driven by Morocco and Egypt, and by the Active Cosmetics Division. All Divisions achieved market share gains.

1.3.1.3. 2020 Consolidated results

OPERATING PROFITABILITY AND CONSOLIDATED INCOME STATEMENT

	2018		2019		2020	
	€ million	% 2018 sales	€ million	% 2019 sales	€ million	% 2020 sales
Net sales	**26,937.4**	**100.0%**	**29,873.6**	**100.0%**	**27,992.1**	**100%**
Cost of sales	-7,331.6	27.2%	-8,064.7	27.0%	-7,532.3	26.9%
Gross profit	**19,605.8**	**72.8%**	**21,808.9**	**73.0%**	**20,459.8**	**73.1%**
Research and innovation	-914.4	3.4%	-985.3	3.3%	-964.4	3.4%
Advertising and promotion	-8,144.7	30.2%	-9,207.8	30.8%	-8,647.9	30.9%
Selling, general and administrative expenses	-5,624.7	20.9%	-6,068.3	20.3%	-5,638.5	20.1%
OPERATING PROFIT	**4,922.0**	**18.3%**	**5,547.5**	**18.6%**	**5,209.0**	**18.6%**

Gross profit, at 20,459 million euros, came out at 73.1% of sales, compared with 73.0% in 2019, an improvement of 10 basis points.

Research & Innovation expenses increased by 10 basis points, at 3.4% of sales.

Advertising and promotion expenses increased by 10 basis points, at 30.9% of sales.

Selling, general and administrative expenses, at 20.1% of sales, have been reduced by 20 basis points.

Overall, **operating profit** decreased by 6.1% to 5,209 million euros, and amounted to 18.6% of sales, stable compared to 2019.

NET PROFIT

From operating profit to net profit excluding non-recurring items:

€ millions	2018	2019	2020	Evolution
Operating profit	**4,922.0**	**5,547.5**	**5,209.0**	**-6.1%**
Financial revenues and expenses excluding Sanofi dividends	-1.9	-62.7	-95.9	
Sanofi dividends	358.3	363.0	372.4	
Profit before tax excluding non-recurring items	**5,278.4**	**5,847.9**	**5,485.5**	**-6.2%**
Income tax excluding non-recurring items	-1,286.8	-1,486.7	-1,383.1	
Net profit excluding non-recurring items of equity consolidated companies	+0.1	+1.0	+0.9	
Non-controlling interests	-4.1	-5.4	-4.2	
Net profit excluding non-recurring itemsafter non-controlling interests[(1)]	**3,987.6**	**4,356.9**	**4,099.0**	**-5.9%**
EPS[(2)] *(€)*	7.08	7.74	7.30	-5.7%
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**3,895.4**	**3,750.0**	**3,563.4**	**- 5.0%**
Diluted earnings per share attributable to owners of the company *(euros)*	6.92	6.66	6.34	
Diluted average number of shares	563,098,506	562,813,129	561,635,963	

(1) Net profit excluding non-recurring items attributable to owners of the company excludes impairment losses, restructuring costs, tax effects and minority interests.
(2) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

Net finance costs amounted to 95 million euros.

Sanofi dividends amounted to 372 million euros.

Income tax excluding non-recurrent items amounted to 1,383 million euros, representing a tax rate of 25.2%.

Net profit excluding non-recurring items after non-controlling interests amounted to 4,099 million euros.

Earnings per share, at 7.30 euros, dropped by 5.7%.

Non-recurring items after non-controlling interests[(1)] amounted to 535 million euros net of tax.

Net profit after non-controlling interests came out at 3,563 million euros.

Gross cash flow, Balance sheet and Cash position

Gross cash flow amounted to 5,724 million euros, a decrease of 1.3%.

The working capital requirement decreased by 729 million euros.

At 972 million euros, **investments** represented 3.5% of sales.

Net cash flow[(2)] at 5,480 million euros, increased by 8.9%.

The **balance sheet** is particularly solid, with shareholders' equity amounting to 29 billion euros. After allowing for finance lease liabilities in an amount of 1,681 million euros, **net cash** came out at 3,859 million euros at 31 December 2020.

Proposed dividend at the Annual General Meeting of 20 April 2021

The Board of Directors has decided to propose to the shareholders' Annual General Meeting of 20 April 2021 a dividend of 4,00 euros per share, an increase of +3.9% compared with the dividend paid in 2020. The dividend will be paid on 29 April 2021 (ex-dividend date 27 April at 0:00 a.m., Paris time).

Share capital and additional paid in capital

At 31 December 2020, the capital of the company is formed by 559,871,580 shares, each with one voting right.

Operating profit, by Operational Division

	2018		2019		2020	
	€ millions	% 2018 sales	€ millions	% 2019 sales	€ millions	% 2020 sales
Professional Products	652	20.0%	691	20.1%	582	18.8%
Consumer Products	2,428	20.2%	2,575	20.2%	2,388	20.4%
L'Oréal Luxe	2,072	22.1%	2,494	22.6%	2,276	22.4%
Active Cosmetics	523	23.0%	621	23.3%	766	25.4%
COSMETICS DIVISIONS TOTAL	**5,675**	**21.1%**	**6,381**	**21.4%**	**6,012**	**21.5%**
Non-allocated [(1)]	-753	-2.8%	-833	-2.8%	-803	-2.9%
GROUP TOTAL	**4,922**	**18.3%**	**5,548**	**18.6%**	**5,209**	**18.6%**

(1) Non-allocated items consist of the expenses of Functional Divisions and fundamental research, stock option and free share grant costs, which are not allocated to the Cosmetics Divisions. This item also includes non-core activities, such as insurance, reinsurance and banking.

The profitability of the **Professional Products Division** came out at 18.8% in 2020, compared to 20.1% in 2019.

The profitability of the **Consumer Products Division** increased by 20 basis points, at 20.4%.

The profitability of **L'Oréal Luxe**, at 22.4%, decreased by 20 basis points.

The profitability of the **Active Cosmetics Division** came out at 25.4%, a rise of 210 basis points.

Non-allocated expenses amounted to 803 million euros.

(1) Non-recurring items include impairment of assets, net profit of discontinued operations, restructuring costs and tax effects of non-recurring items.
(2) Net cash flow = Gross cash flow + changes in working capital - capital expenditure.

Sales by business segment

				2019/2020 evolution	
€ millions	**2018**	**2019**	**2020**	**Like-for-like**	**Reported figures**
Skincare	8,557	10,453	11,052	8.7%	5.7%
Make-up	7,383	7,854	5,969	-21.6%	-24.0%
Haircare	4,358	4,461	4,254	-0.8%	-4.6%
Hair colourants	2,950	3,032	2,972	2.3%	-2.0%
Perfumes	2,495	2,771	2,529	-15.4%	-8.7%
Other[1]	1,194	1,303	1,216	-1.8%	-6.6%
TOTAL COSMETICS SALES	**26,937**	**29,874**	**27,992**	**-4.1%**	**-6.3 %**

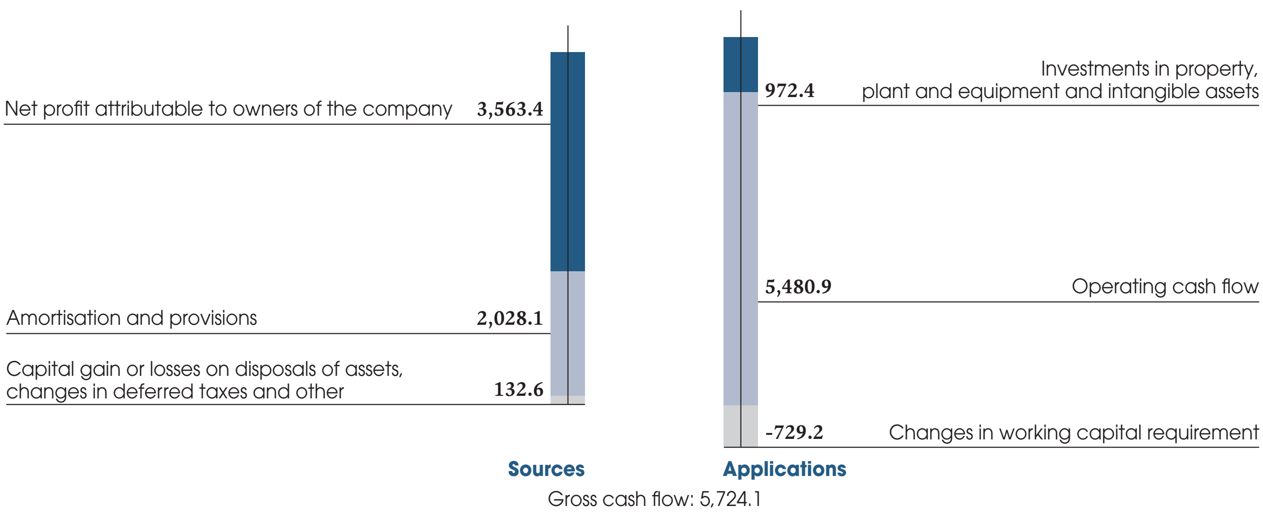
(1) "Other" includes hygiene products, sales made by American distributors with non-Group brands.

Simplified consolidated income statements

€ millions	**31.12.2018**	**31.12.2019**	**31.12.2020**	**% 2020 sales**
Net sales	**26,937.4**	**29,873.6**	**27,992.1**	**100%**
Gross profit	**19,605.8**	**21,808.9**	**20,459.8**	**73.1%**
Research and development costs	-914.4	-985.3	-964.4	3.4%
Advertising and promotion	-8,144.7	-9,207.8	-8,647.9	30.9%
Selling, general and administrative expenses	-5,624.7	-6,068.3	-5,638.5	20.1%
Operating profit	**4,922.0**	**5,547.5**	**5,209.0**	**18.6%**
Operational profit	**4,827.3**	**5,111.0**	**4,500.0**	
Finance costs excluding dividends received	-1.9	-62.7	-95.9	
Sanofi dividends	358.3	363.0	372.4	
Income tax	-1,284.3	-1,657.2	-1,209.8	
Non-controlling interests	-4.1	-5.2	-4.2	
Net profit attributable to owners of the company	**3,895.4**	**3,750.0**	**3,563.4**	
Non-recurring items (expense -/income +)	-92.2	-607.0	- 535.7	
Net profit attributable to owners of the company excluding non-recurring items from continuing operations[1]	**3,987.6**	**4,356.9**	**4,099.0**	
Diluted earnings per share attributable to owners of the company *(euros)*	6.92	6.66	6.34	
Diluted earnings per share attributable to owners of the company excluding non-recurring items *(€)*	7.08	7.74	7.30	

(1) Net profit after non-controlling interests excluding non-recurring items of continuing operations excludes asset depreciations, restructuring costs, tax effects and non-controlling interests in continuing operations.

Sources and application of funds



Financial ratios

	2018	2019	2020
Operating profit/Sales *(as % of sales)*	18.3%	18.6%	18.6%
Net profit excluding non-recurring items attributable to the owners of the group/Opening shareholders' equity *(% of shareholders' equity)*	16.1%	16.2%	13,9%
Net gearing[1] *(% of shareholders' equity)*	N/A	N/A	N/A
Gross cash flow/Investments	3.7x	4.7x	5,9x

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

L'Oréal 2014-2020

€ millions	2014[6]	2015	2016	2017	2018	2019	2020
Results							
Consolidated sales	22,532	25,257	25,837	26,023	26,937	29,874	27,992
Operating profit	3,891	4,388	4,540	4,676	4,922	5,548	5,209
As a percentage of consolidated sales	17.3%	17.4%	17.6%	18.0%	18.3%	18.6%	18.6%
Profit before tax excluding non-recurring items	4,198	4,711	4,867	5,003	5,278	5,848	5,485
Net profit excluding non-recurring items attributable to the owners of the company[1]	3,125	3,490	3,647	3,748	3,988	4,357	4,099
Net profit attributable to owners of the company	4,910	3,297	3,106	3,581	3,895	3,750	3,563
Total dividend	1,511	1,742	1,858	2,006	2,177	2,173	2,268
Balance sheet							
Non-current assets	23,284	24,458	25,585	24,320	25,991	29,893	29,047
Current assets excl. cash and cash equivalents	6,858	7,854	8,300	7,972	8,474	8,631	8,154
Cash and cash equivalents	1,917	1,400	1,746	3,047	3,992	5,286	6,406
Equity[2]	20,197	23,617	24,504	24,819	26,933	29,426	28,999
Net financial position[3]	671	-618	-481	-1,872	-2,751	-2,399	-3,859
Gross cash flow	3,808	4,399	4,717	4,972	5,178	5,802	5,724
Per share data (€)							
Diluted earnings per share attributable to owners of the company excluding non-recurring items [1]	5.34	6.18	6.46	6.65	7.08	7.74	7.30
Dividend	2.70	3.10	3.30	3.55	3.85	3.85	4.00[4]
Share price at 31 December[5]	139.30	155.30	173.40	184.95	201.20	264.0	310.80
Highest share price during the year[5]	140.40	181.30	177.90	197.15	214.90	267.60	321.40
Lowest share price during the year[5]	114.55	133.40	142.65	167.75	170.30	194.55	196.00
Diluted weighted average number of shares outstanding[5]	585,238,674	564,891,388	564,509,135	563,528,502	563,098,506	562,813,129	561,635,963

The announcement on 11 February 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of 1 January 2014.
(1) For 2014 and 2015 this is the net profit from continuing operations.
(2) Plus non-controlling interests.
(3) The net cash surplus was €618 million in 2015, €481 million in 2016, €1,872 million in 2017, €2,751 million in 2018, €2,399 million in 2019 and €3,859 million in 2020. In 2014, net debt was €671 million.
(4) Dividend proposed to the Annual General Meeting of 20 April 2021.
(5) The L'Oréal share has been listed in euros on the Paris Stock Exchange since 4 January 1999, where it was first listed in 1963. The share capital is €111,974,316 at 31 December 2020; the par value of one share is €0.2.
(6) The balance sheet at 31 December 2014 has been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21.

1.3.1.4. Significant and recent events

Significant events in 2020

- On 4 February, L'Oréal announces that it has entered in exclusive negotiation with the French investment holding Impala for the sale of Roger & Gallet brand.
- On 25 February, L'Oréal was recognised as one of the World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the ethical standards of business practices. This is the eleventh time that L'Oréal has achieved this recognition, underscoring its commitment to leading with integrity and prioritising ethical business practices.
- On 30 March, the Board of Directors of L'Oréal held a meeting, and in view of exceptional circumstances linked to the Covid-19 epidemic, decided to postpone the Annual General Meeting, initially scheduled for 21 April, to 30 June 2020.
- On 31 March, L'Oréal finalised the acquisition of the Mugler brands and Azzaro fragrances from Clarins Group, in accordance with the terms announced on 21 October 2019.
- On 12 May, the Board of Directors has decided to renounce the planned increase in the dividend of 10.4%, and consequently to propose to the Annual General Meeting a dividend of €3.85, identical to the amount paid in 2019. In the same time, Mr Agon informed the Board that he would renounce with immediate effect all remuneration for 2020

relating to the financial targets of his annual variable remuneration, which represents a reduction of 30% of the maximum amount of his annual fixed and variable remuneration for 2020, and all attribution of performance shares, if a plan were to be decided in 2020.

L'Oréal launches the new social and environmental solidarity programme under the name of *L'Oréal for the future*.

- On 25 May, L'Oréal informs its shareholders that its Annual General Meeting, to be held on Tuesday 30 June, will be held behind closed doors and will be broadcast live and in its entirety on the site www.loreal-finance.com.
- On 18 June, L'Oréal announced the signing of an agreement to acquire Thayers Natural Remedies, a US-based natural skincare brand, from Henry Thayer Company. The brand will be integrated into L'Oréal's Consumer Products Division.
- On 29 June, L'Oréal finalised the sale of the Roger & Gallet brand to the French investment holding Impala.
- On 31 August, L'Oréal announced the launch of its second Employee Share Ownership Plan. The plan, rolled out in 57 countries, gives L'Oréal employees, in France and internationally, the possibility to be even more closely linked to the Group's development.
- On 14 October, L'Oréal announced the succession of Mr Jean-Paul Agon as Chief Executive Officer from 1 May 2021. Following the recommendations of the Nominations and Governance Committee, the Board decided on new governance and a succession plan at the head of the Group. As the Company's articles of association do not provide for any exception to the legal retirement age of 65 years, Mr Jean-Paul Agon must hand over his duties as Chief Executive Officer before July 2021. In this context, the Board of Directors announced its intention to dissociate the functions of Chairman and Chief Executive Officer. The Board announced its intention to renew Mr Jean-Paul Agon's mandate as Chairman, a position he has held since 2011, and to appoint Mr Nicolas Hieronimus as Chief Executive Officer.

  Furthermore, in his exchanges with the Nominations and Governance Committee, Mr Jean-Paul Agon, with the agreement of the Board of Directors and the full support of Mr Nicolas Hieronimus, wished to maintain the role of Deputy CEO, a position held by Mr Nicolas Hieronimus at his side since 2017. Ms Barbara Lavernos, who will lead Research, Innovation, Technology from February 2021, will be appointed Deputy CEO on 1 May 2021.
- On 4 November, L'Oréal announced the change in the geographical scope of some of its Zones. The North Asia Zone, which will include mainland China, Hong Kong, Taiwan, Japan and South Korea, will be led by Mr Fabrice Megarbane, who is currently CEO of L'Oréal China and a member of the Executive Committee. A new Zone - SAPMENA -, created to encompass South Asia, Pacific, Middle East and North Africa, will be entrusted to Mr Vismay Sharma, currently Managing Director UK and Ireland, who will join the Executive Committee. Similarly, a new Sub-Saharan Africa Zone will be entrusted to Burkhard Pieroth. The Group also appointed Mr Frédéric Rozé as Chief Global Growth Officer, to whom all Zone Presidents as well as the Travel Retail business will report.
- On 8 December, L'Oréal was recognised as a global leader in sustainable development by CDP, a non-profit organisation which scores the performance of companies in sustainability and environmental transparency. Of more than 9,600 companies scored by CDP in 2020, L'Oréal is the only one to have been awarded an 'A' score in all three areas: fighting climate change, protecting forests and sustainable water management.
- On 23 December, L'Oréal announced the signing of an agreement to acquire the Japanese company Takami Co., which develops and markets products licensed by the skincare brand Takami, owned by Dr Hiroshi Takami, the founder of two eponymous dermatology clinics in Tokyo. L'Oréal also renewed a very long-term brand licensing agreement with Dr Takami and signed a collaboration agreement with the Takami clinics. The brand posted sales of around 50 million euros in 2019. The acquisition was finalised on 1 February 2021.

Significant events that have occurred since the beginning of financial year 2021

- On 12 January 2021, L'Oréal announced the appointment of Ms Blanca Juti to the Group's Executive Committee in the role of Chief Communications & Public Affairs Officer. She will take up the position officially from April 2021.
- At its meeting of 11 February 2021, the Board of Directors will propose to the Annual General Meeting the candidacy as new independent director of Mr Alexandre Ricard, Chairman and CEO of the Pernod Ricard group. Mr Alexandre Ricard will bring to the Board his knowledge of consumers and his marketing and digital expertise in the luxury and mass retail markets, particularly in Asia and America. If the Annual General Meeting approves the proposed resolutions, the Board of Directors will be composed of 16 directors, 14 appointed by the Meeting and two directors representing the employees.

  Annual General Meeting to be held on 20 April 2021: in view of the extension of the state of medical emergency until 1 June 2021 and the measures that could prevent shareholders from being physically present, the Annual General Meeting usually held at the Palais des Congrès in Paris is likely to be held on a restricted attendance basis under special rules applicable to "closed doors" (*à huis clos*) shareholder meetings, at L'Oréal's headquarters, 41, rue Martre in Clichy.

  For this reason and in accordance with Order No. 2020-321 of 25 March 2020 as amended by Order No. 2020-1497 of 2 December 2020, the Board of Directors in its meeting of 11 February 2021 gave full powers to the Chairman and CEO to hold the Annual General Meeting on such a basis if the circumstances so require, pursuant to the specific regulations that will be in force at such time.

  Shareholders will be informed of the arrangements for the Annual General Meeting no later than the date of publication in the BALO (*Bulletin des Annonces Légales Obligatoires*) of the convening notice of the Annual General Meeting planned for 31 March. This information will also be available on the "Annual General Meeting documents" page in the "Regulated information" section of the loreal-finance.com website.
- On 5 March 2021, L'Oréal announced two moves within the Group's Executive Committee. Mr Omar Hajeri is appointed President of the Professional Products Division on 8 March 2021 and succeeds Ms Nathalie Roos. Ms Ersi Pirishi will be appointed President of the Latin America zone and will join the Executive Committee from autumn 2021.

2021 Outlook

At the beginning of this new year, which remains marked by uncertainty regarding the evolution of the pandemic, but also by consumer's appetite for beauty that remains intact across the world, we are confident in our capacity to outperform the market again this year and, subject to the evolution of the sanitary crisis, achieve a year of growth in sales and profits.

L'Oréal and the Covid-19 pandemic

In the totally unexpected context of the Covid-19 health crisis, the commitment of L'Oréal's employees proved to be stronger than ever. The mobilisation of teams enabled the continuity of the Group's business activities, despite the lockdown periods.

For L'Oréal, it was important to act with its stakeholders. Strongly mobilised since the start of the crisis in March 2020, L'Oréal implemented a large-scale Solidarity Plan.

Priority was given to employees with major initiatives implemented to prevent the risks and ensure the safety of everyone:

- by offering masks and hand sanitisers to everyone;
- by organising telecommuting for eligible positions, which allowed around 60,000 employees to work remotely in 2020; and
- by setting up support and assistance mechanisms accessible to all with the mobilisation of occupational physicians and social workers; by adapting its methods to enhance online training practices for employees (see section 4.3.2.3 "Training and development of employees throughout their careers" of this document).

L'Oréal employees have also personally taken part by giving more than 1,200 hours of their time through L'Oréal's various citizenship programmes.

L'Oréal has also taken action by providing close to 15 million units of hand sanitiser and more than 4.3 million units of products, mainly hand cream and shampoo, produced by 70% of its factories worldwide, to healthcare professionals, distributors, suppliers and NGOs in more than 40 countries. The Group is also providing support to its partners: it has frozen payments receivable for more than 100,000 clients and shortened the leadtime for payments for close to 9,000 suppliers.

To support the efforts made by non-profit organisations, the L'Oréal Foundation made 1 million euros available to support people in need. The "L'Oréal Fund for Women" endowment fund was also created to support non-profit organisations that help women all over the world who are in highly vulnerable situations and victims of the social and economic crisis.

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

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

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

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

In 2020, the Group's investments totalled €972 million, or 3.5% of its sales. This level reflects the Group's constant efforts to improve manufacturing efficiency, research and digital development performance and enhance brand value.

Investment commitments in 2020 can be broken down as follows:

- production and the physical supply chain represented approximately 30% of total investments;
- marketing investments, including moulds, POS advertising materials and stores accounted for 34%;
- IT investments spread over all these categories represented 29% of total investments; and
- research and the head offices in the different countries accounted for the remainder.

See notes 3.2.2., 7.2. and 13.2. to the "Consolidated Financial Statements" for more details on these investments.

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

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

Priority to Human Capital

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

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

The Group's human and social project revolves around two priorities: the first is individual performance development of employees and future leaders and the second is social performance.

L'Oréal has always targeted constant, sustainable growth.

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

Each subsidiary contributes, in accordance with its resources, to the L'Oréal Foundation's main programmes, notably *For Women in Science, Beauty for a Better Life* or other Group philanthropy initiatives. Above and beyond its solid long-term economic performances, the Company seeks to be exemplary and sets itself demanding standards in order to limit its environmental footprint.

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

Assessment of the first generation of 2013-2020 sustainable development commitments, Sharing Beauty with All, and introducing the new 2021-2030 *L'Oréal for the Future* target

2020 marked the end of the Sharing Beauty with All programme initiated in 2013, the first series of Group commitments to sustainable development. Those commitments covered all impacts of the Group and its value chain, from product design to distribution, including the production process and even the sourcing of ingredients:

- innovating sustainably, which aims at improving the environmental and social footprint of products (see section 1.2.6. "The bet on research, safety and innovation" and Chapter 4 "L'Oréal's Corporate Social Responsibility" of this document);
- producing sustainably, to reduce the environmental footprint of the Group's plants and distribution centres, all over the world (see section 1.2.7. "Operations, expertise and services closer to consumers for lasting performance" and Chapter 4 "L'Oréal's Corporate Social Responsibility" of this document);
- living sustainably, to engage with consumers and offer them the possibility to make sustainable consumption choices; and
- developing sustainably to share growth with all the Group's stakeholders.

Today, accelerating the environmental and social challenges the world is faced with calls for a much more radical transformation. Since April 2019, seven groups of internal experts have coordinated independent studies and collaborated with outside partners and civil society to define the next steps in L'Oréal's sustainable development transformation.

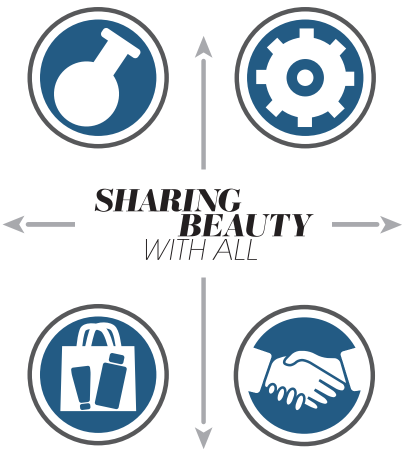
In June 2020, the Group announced its new sustainability programme, *L'Oréal for the Future* (see section 4.1. "Introduction" of this document), with a new series of ambitious objectives for 2030 based on three pillars:

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

SHARING BEAUTY WITH ALL – ASSESSMENT

Innovating sustainably
By the end of 2020, 96% of the Group's products have an improved environmental or social profile.

Producing sustainably
By the end of 2020, the Group has reduced the CO_2 emissions generated by its plants and distribution centres by 81% in absolute terms, as compared to 2005, while concurrently developing its presence worldwide.



Living sustainably
By the end of 2020, the Group offers its consumers sustainable consumption choices.

Developing sustainably
with employees - By the end of 2020, L'Oréal employees have access to healthcare coverage, social protection and training, wherever they are in the world;
with suppliers - By the end of 2020, 99% of the Group's strategic suppliers participate in our sustainability programme designed for them;
with communities - By the end of 2020, the Group's actions have enabled more than 100,000 people from underprivileged or poor communities to access work.

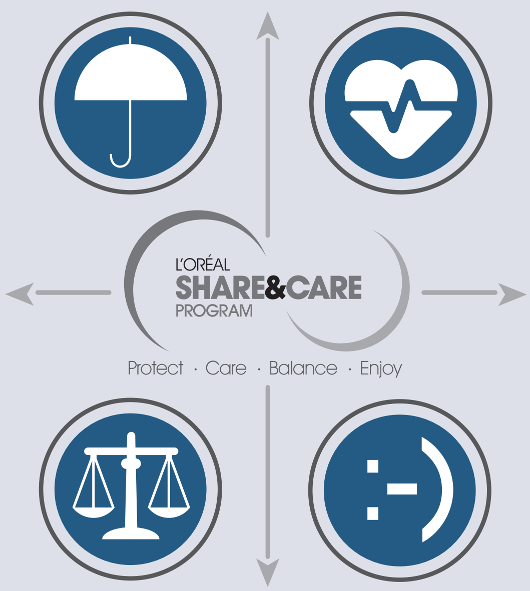
Sharing growth with its stakeholders is one of L'Oréal's priorities. In this spirit, the Group applies its vision of responsible corporate citizenship with its employees, its suppliers and the communities with which it interacts.

Focus: sharing growth with employees

The *L'Oréal Share & Care* programme is a large-scale social programme initiated at the end of 2013. It consists of commitments revolving around four pillars put in place in all countries: social protection, healthcare, parenthood and quality of life at work.

Protect
Providing employees with effective support particularly of a financial nature in the event of unexpected life events.

Care
Providing employees and their families with access to a high-quality healthcare system which is one of the top performers on the local market.



Balance
Enabling employees to fully experience milestones in life such as parenthood, while pursuing their careers.

Enjoy
Offering high standards of quality of life at work to all the Company's employees.

Sharing Beauty with All: assessment

The year 2020 marked the end of the Sharing Beauty with All programme, the first generation of Group commitments to sustainable development, initiated in 2013. This programme placed sustainable development at the centre of the Group's strategy, and set concrete commitments at the end of 2020, from product design to distribution, including the production process and even the sourcing of ingredients. The following table shows the results of this programme.

INNOVATING SUSTAINABLY

2020 TARGETS	2020 RESULTS		2019 RESULTS
100% of L'Oréal products will have an improved environmental or social profile. Every time the Group creates or renovates a product, it will improve the product's environmental or social profile in at least one of the following criteria:	**96%**	of created or renovated products had an improved environmental or social profile.	85%
• the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry;	**69%**	of created or renovated products had an improved environmental profile due to a new formula incorporating renewable raw materials that are sustainably sourced or respect the principles of green chemistry.	59%
• the new formula reduces the product's environmental footprint, particularly with regard to water use;	**39%**	of created or renovated products had an improved environmental profile due to a new formula with a lower environmental footprint.	46%
• the new packaging has an improved environmental profile;	**85%**	of created or renovated products had an improved environmental profile due to improved packaging.	67%
• the new product has a positive social impact.	**49%**	of created or renovated products had an improved social profile as they notably incorporate raw materials from Solidarity Sourcing programmes.	40%

PRODUCING SUSTAINABLY

2020 TARGETS	2020 RESULTS		2019 RESULTS
Reducing the CO_2 emissions generated by plants and distribution centres by 60% in absolute value compared with 2005.	**-81%**	reduction in CO_2 emissions from plants and distribution centres in absolute value since 2005.	-78%
Reducing water consumption by 60% per finished product unit, compared to 2005.	**-49%**	reduction in water consumption at plants and distribution centres compared to 2005.	-51%
Reducing the waste production by 60% per finished product, compared to 2005.	**-37%**	reduction in waste generated from plants and distribution centres compared to 2005.	-35%
Sending zero industrial waste to landfill.		The objective of sending "zero" waste to landfill was achieved for all plants and distribution centres in 2018(1).	
Reduce CO_2 emissions linked to the transport of its products by 20% (in sales unit/km), compared with 2011.	**-24%**	reduction in CO_2 emissions linked to the transport of products (in grams of CO_2/sales unit per km) since 2011 with 347,942 tonnes of CO_2 emitted in 2020, which represents 0.0209 g CO_2 per sales unit per km.	-12%

LIVING SUSTAINABLY

2020 TARGETS	2020 RESULTS		2019 RESULTS
L'Oréal will evaluate the environmental and social profile of all its products using an assessment tool. All brands will make this information publicly available to allow consumers to make sustainable choices.	**100%**	of created or renovated products in 2020 were assessed using the SPOT product assessment tool. The indicator of the percentage of brands that provide consumers with information from the SPOT tool will be completed as soon as the environmental and social information system, which is in the process of being prepared and which will be deployed by 2020, is finalised.	100%
All brands will assess their environmental and social footprint and make commitments to improve it.	**100%**	of the international brands in the Group in 2013 have assessed their social and environmental impact. If acquisitions since 2013 are included, this percentage would be 89%.	99%(2)
Every brand will report on its sustainability progress and associate consumers with its commitments.	**79%**	of brands conducted a consumer awareness initiative.	57%
Consumers will be able to influence L'Oréal's sustainability efforts through a Consumer Advisory Committee.		In 2020, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its policy of actively listening to consumers on sustainable development issues through a number of studies conducted with consumer panels in the United States, India, China and Europe to understand their expectations and fine-tune its policies.	

(1) Excluding regulatory obligations and with the exception of the food waste from two sites.
(2) Excluding acquisitions since the launch of the Sharing Beauty with All programme in 2013.

DEVELOPING SUSTAINABLY…

2020 TARGETS		2020 RESULTS		2019 RESULTS
…WITH COMMUNITIES				
	100,000 people from underprivileged communities will gain access to employment through the following programmes:	**100,905**	people from underprivileged communities gained access to employment.	90,635 people
L'ORÉAL SOLIDARITY SOURCING	• Solidarity Sourcing;	**81,138**	people gained access to work through the Solidarity Sourcing programme.	70,912 people
	• Vocational training in the beauty industry; and	**18,386**	people in difficult social or economic situations participated in free vocational training in beauty professions.	18,443 people
	• Employment of people with disabilities.	**1,381**	people with disabilities worked for L'Oréal.	1,280 people
…WITH SUPPLIERS				
	All strategic suppliers[1] will be evaluated and selected on the basis of their social and environmental performance.	**97%**	of the Group's strategic suppliers have been evaluated and selected on the basis of their environmental and social performance. All the suppliers evaluated represent more than 85% of total direct purchases (raw materials, packaging components and subcontracting). Furthermore, in 2020, 1,268 social audits were carried out, making a total of over 13,600 since 2006.	87%
	All strategic suppliers[1] will have completed a self-assessment of their sustainable development policy with the Group's support.	**99%**	of the strategic suppliers have completed a self-assessment of their sustainable development policy with the Group's support. This percentage is based on the calculation of the number of suppliers who, in 2020, had been assessed on their social, environmental and ethical policies, as well as the application of such policies at their own suppliers, by Ecovadis.	96%
	All suppliers will have access to L'Oréal training tools to improve their sustainability policies.		Our dedicated on-line training platform was launched at the end of October 2016. It will firstly be made available to strategic suppliers, before being gradually implemented more broadly.	
L'ORÉAL SOLIDARITY SOURCING	20% of strategic suppliers will be associated with our Solidarity Sourcing programme.	**22%**	of strategic suppliers are involved in the Solidarity Sourcing programme.	17%
…WITH EMPLOYEES				
	Employees will benefit from healthcare coverage that reflects best practices in their country of residence.	**96%**	of the Group's permanent employees have access to healthcare coverage reflecting the best practices in their country of residence.	94%
	Employees will benefit from financial protection in the event of a life-changing accident, such as death or permanent disability.	**92%**	of the Group's permanent employees have access to financial protection in the event of a life-changing accident (including death or permanent disability).	91%
	Employees will have access to training, wherever they are in the world.	**100%**	of the Group's employees benefitted from at least one training session in 2020.	96%

(1) *Strategic suppliers = suppliers whose added value is significant for the Group by contributing to L'Oréal's sustainable strategy by its weight, innovations, strategic alignment and geographical deployment.*

1.4. AN ORGANISATION SERVING THE GROUP'S DEVELOPMENT

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

1.4.1. L'Oréal S.A.

L'Oréal S.A. is a French company, with its head office in France. It performs a sales activity that is specific to France. At the same time, L'Oréal S.A. also acts as the holding company and provides strategic, scientific and technical coordination for the L'Oréal Group throughout the world.

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

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

1.4.2. Operational Divisions

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

Travel Retail is a fast-growing group wide channel that conveys the Company's image and is expanding in line with the number of travellers. By establishing the multi-division Travel Retail Department, the Group has given itself the resources to grow this segment using a global shopper strategy: a bespoke approach designed, at the destinations favoured by each nationality, to personalise the experience on the basis of the language, culture and beauty rituals of travellers.

1.4.3. Geographic zones[2]

The Group's international development has naturally meant that L'Oréal has had to adapt its organisation to the need to coordinate the establishment and development of its brands on every continent. Various geographic zones have therefore been created, each of which has operational responsibility for the subsidiaries located in their country (Western Europe; Americas; Asia Pacific; Eastern Europe; Africa, Middle East).

1.4.4. Support Departments

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

(1) Furthermore, it should be noted, that pursuant to Article L. 232-1 of the French Commercial Code, L'Oréal S.A. has branches.
(2) As from 1 January 2021, L'Oréal will progressively change the geographic perimeter of some of its zones: North Asia will comprise Continental China, Hong-Kong, Taiwan, Japan and South Korea. South Asia and the Middle East/North Africa zone will be combined to create the SAPMENA zone (South Asia, Pacific, Middle East, North Africa). A new Sub-Saharan Africa zone will be created.

1.5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

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

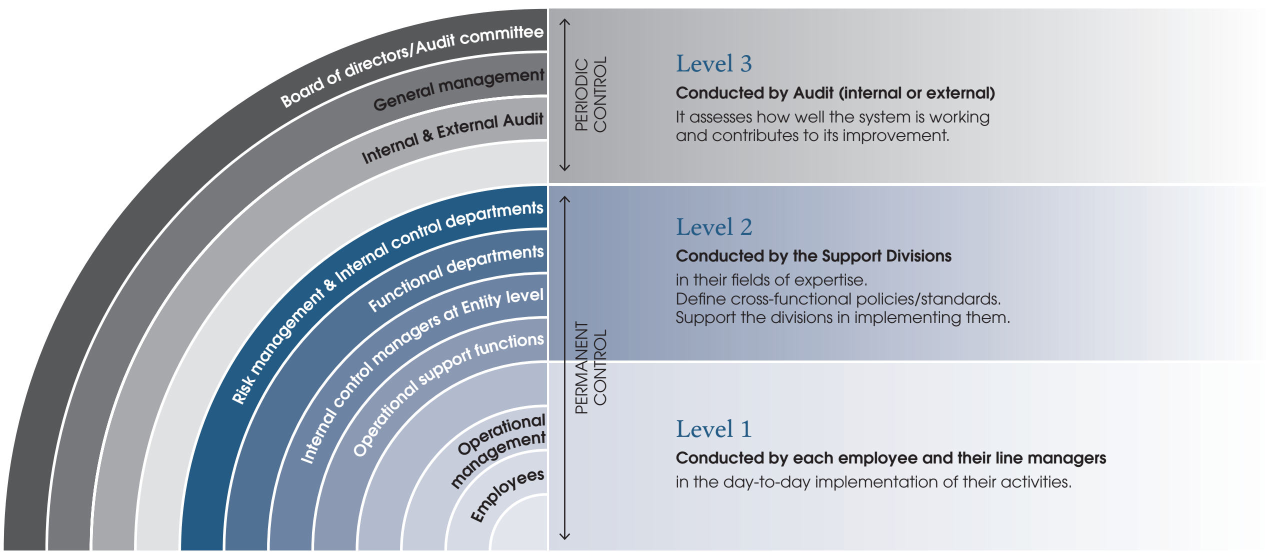
- economic and financial targets are achieved in compliance with the laws and regulations in force and the Group's Ethical Principles and standards;
- the orientations set by General Management are followed;
- the Group's assets and reputation are valued and protected; and
- the Group's financial and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

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

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

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

See also Chapter 3 "Risk factors and control environment" of this document.



2.

CORPORATE GOVERNANCE*

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

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

All components of the remuneration of directors and corporate officers are provided, as is the trading in L'Oréal shares reported by directors and corporate officers in 2020, and the remuneration policy pursuant to Article L. 22-10-8 (formerly L. 225-37-2) of the French Commercial Code.

2.1. FRAMEWORK FOR THE IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

2.1.1. AFEP-MEDEF Code: the reference Code

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

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

- the Board's composition and application of the principle of balanced gender representation on the Board;
- the ways in which the Board's work is prepared and organised;
- the remuneration policy for directors and corporate officers;
- information relating to the remuneration and benefits of any kind for directors and corporate officers during the previous financial year pursuant to Article L. 22-10-9 (formerly L. 225-37-3) of the French Commercial Code; and
- limitations placed by the Board of Directors on the powers of the Chief Executive Officer.

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

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

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

2.1.2. Combination of the offices of Chief Executive Officer and Chairman of the Board of Directors at 31 December 2020

2.1.2.1. Choice of these procedures for exercising the General Management in the best interest of the Company

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

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

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

In this context, the balance of powers is respected thanks to stable, loyal shareholders with two major shareholders highly committed to the Group's long-term growth.

In the context of the annual assessment of its modus operandi, the Board of Directors confirmed that the mode of governance is well-balanced and effective. The decision-making processes are clear and the balance of powers is properly ensured. As it prefers to have a direct relationship with the Chairman and Chief Executive Officer, it does not consider the appointment of a Lead Director to be necessary.

See also section 2.1.3. "Announcement of the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer in 2021" of the present document.

2.1.2.2. Key role of the composition of the Board of Directors in the balance of powers

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

At 31 December 2020, serving alongside the Chairman and Chief Executive Officer are three Directors (one of whom is Vice-Chairman of the Board) from the Bettencourt Meyers family, two Directors (one of whom is Vice-Chairman of the Board) from Nestlé, six independent Directors (excluding the Directors representing the employees), and two Directors representing the employees.

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

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

2.1.2.3. Quality of relationships between the Board and General Management

The General Management communicates completely transparently with all the Directors and keeps them regularly informed of all aspects of the Company's affairs and its performances.

The Board has the means enabling it to handle with complete freedom the questions that concern it, notably when this involves determining L'Oréal's strategic orientations, ensuring and monitoring the implementation and overseeing the good management thereof. The Board meets the senior managers of L'Oréal at the time of presentations or sessions dedicated to the strategy. The Board may meet at any time if required by current events. It may also decide to organise meetings without the presence of executive corporate officers (executive sessions).

The Board provides the General Management with invaluable support for strategic decision-making through its reflections and the impetus it provides. The Chairman and Chief Executive Officer conducts the Board's work in order to obtain this adherence and to ensure L'Oréal's development with complete confidence and peace of mind. It is naturally in the interest of all the shareholders but also of all the stakeholders for the Chairman and Chief Executive Officer to lead the debates and encourage discussions on the Board of Directors.

Furthermore, although the General Management is vested with the broadest powers to act in all circumstances in the name of the Company, transactions for a significant amount or which are outside the Company's normal course of business are submitted to the Board of Directors (see section 1.2.2 of the Internal Rules of the Board of Directors).

2.1.2.4. Attentive prevention of conflicts of interest

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

Every year, the Board of Directors evaluates the situation of Directors with the aim of preventing conflicts of interest.

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

2.1.3. Announcement of the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer in 2021

2.1.3.1. Establishment and implementation of the succession plan

L'Oréal's success has always resided in its pertinent choice of senior management, with only five Chief Executive Officers since it was founded in 1909.

As the Company's articles of association do not provide for any exception to the legal retirement age of 65 years, Mr Jean-Paul Agon must hand over his duties as Chief Executive Officer before 6 July 2021. On his recommendation, the Nominations and Governance Committee initiated the process to appoint the future Chief Executive Officer.

The Committee worked for more than eighteen months on the future governance of L'Oréal and the succession plan of Mr Jean-Paul Agon in General Management, in an approach that was forward-looking, objective and demanding. After studying the Group's major challenges for the coming years, the Committee selected several candidates, both men and women, with the skills and personal qualities to meet these challenges successfully.

The Board of Directors was kept informed of the progress of this selection process, which was conducted with a concern that it should be exemplary, impartial, discrete and in compliance with the best rules of governance.

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

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

Mr Nicolas Hieronimus joined L'Oréal 34 years ago. He held various positions in marketing before being named to General Management (L'Oréal Paris France, L'Oréal Paris World and L'Oréal Mexico). In 2008, Mr Jean-Paul Agon appointed him as General Manager of the L'Oréal Professional Products Division and welcomed him to the Executive Committee. In January 2011, he was appointed Chief Executive Officer of L'Oréal

Luxe, a role that he held until the end of 2018. In 2013, he became Chief Executive Officer of the Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was named Deputy CEO in charge of Divisions in May 2017.

For the Board of Directors, his great sensitivity to the needs and expectations of consumers, his perfect understanding of the spirit of the times, his marketing experience of beauty in all channels, countries and categories, his intimate knowledge of the Group's brands and his ability to unite and engage teams make him the best candidate to lead L'Oréal.

In his capacity as Chief Executive Officer, Mr Nicolas Hieronimus will be vested with the most extensive powers to act in all circumstances in the name of the Company in compliance with the limits set by the Board.

Furthermore, in his exchanges with the Nominations and Governance Committee, Mr Jean-Paul Agon, with the agreement of the Board of Directors and the full support of Mr Nicolas Hieronimus, wished to maintain the role of Deputy CEO, a position held by Mr Nicolas Hieronimus at his side since 2017. Ms Barbara Lavernos, who will lead Research, Innovation and Technology from February 2021, will be appointed Deputy CEO on 1 May 2021.

Mr Nicolas Hieronimus will be able to count on the advice of Mr Jean-Paul Agon, in the framework of quality dialogue based on the relationship of trust established between them over many years.

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

2.1.3.2. Duties of the Chairman of the Board of Directors

The Internal Rules of the Board stipulate the following duties of Mr Jean-Paul Agon, in his capacity as Chairman of the Board of Directors:

"The Chairman of the Board of Directors organises and oversees the Board's work and reports thereon to the Annual General Meeting.

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

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, inter alia, links between the Company and the main market players.

The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for the communication of any document or information that is likely to assist the Board of Directors in preparing for its meetings.

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

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

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

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

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

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

2.1.3.3. Changes in the composition of the Board of Directors in 2021

The Board of Directors decided to recommend to the Annual General Meeting of 20 April 2021 the election of Mr Nicolas Hieronimus, the future Chief Executive Officer, to the Board for a term of four years.

In effect, the Board believes that the full and complete participation of the Chief Executive Officer as a Director in the Board's discussions is essential.

The election of a new independent Director, Mr Alexandre Ricard, is also submitted for a vote by the Annual General Meeting.

If the Annual General Meeting approves the resolutions proposed, the Board of Directors will be composed of 16 members: 14 directors elected by the Annual General Meeting and two directors representing the employees.

The balances of independence and gender will be:

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

2.2. COMPOSITION OF THE BOARD OF DIRECTORS

	As of 31 December, 2020	Age	M/W	Nationality	Number of offices in listed companies*	Independence	Date of first appointment	Expiry date of term of office	Seniority on the Board	Board Committees: Strategy and Sustainable Development	Board Committees: Audit	Board Committees: HR and Remuneration	Board Committees: Nominations and Governance
Chairman and CEO	Mr. Jean-Paul Agon 	64	M	French	1		25/04/2006	2022	14	P			
Françoise Bettencourt Meyers and her family	Ms. Françoise Bettencourt Meyers, Vice-President 	67	W	French			12/06/1997	2021	23	●		●	●
	Mr. Jean-Victor Meyers 	34	M	French			13/02/2012	2024	8	●	●		
	Mr. Nicolas Meyers 	32	M	French			30/06/2020	2024	< 1				
Directors from Nestlé	Mr. Paul Bulcke**, Vice-President 	66	M	Belgian Swiss	2		20/04/2017	2021	3	●		●	●
	Ms. Béatrice Guillaume-Grabisch 	56	W	French			20/04/2016	2024	4		●		
Independent Directors	Ms. Sophie Bellon 	59	W	French	1	♦	22/04/2015	2023	5		●	P	P
	Mr. Patrice Caine 	50	M	French	1	♦	17/04/2018	2022	3	●			●
	Ms. Fabienne Dulac 	53	W	French	1	♦	18/04/2019	2023	1		●	●	
	Ms. Belén Garijo 	60	W	Spanish	1	♦	17/04/2014	2022	6			●	
	Ms. Ilham Kadri 	52	W	French Moroccan	2	♦	30/06/2020	2024	< 1				
	Ms. Virginie Morgon 	51	W	French	2	♦	26/04/2013	2021	7		P		
Directors representing the employees	Ms. Ana Sofia Amaral 	55	W	Portuguese			15/07/2014	2022	6			●	
	Mr. Georges Liarokapis 	58	M	French Greek			15/07/2014	2022	6		●		

54.5 average age of the Directors

50% of Independent Directors***

58% of female directors***

42% of male directors***

*♦ Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors ● Committee Member **C** Committee Chairman/Chairwoman*
**Number of offices (excluding L'Oréal) in listed companies, including foreign companies, in accordance with the provisions of point 19 of the AFEP-MEDEF Code (i.e. with the exception of offices held in subsidiaries and investments, alone or in concert, by an executive officer of companies whose main activity is to acquire and manage such interests).*
***Mr Paul Bulcke was a Director at L'Oréal from 2012 to June 2014 and has been again since 2017.*
****Excluding Directors representing the employees.*

2.2.1. Guiding principles

2.2.1.1. Balance in the composition of the Board of Directors

At 31 December 2020, the Board of Directors comprised 14 members:

- the Chairman and Chief Executive Officer, Mr Jean-Paul Agon;
- three Directors from the Bettencourt Meyers family, which owns 33.17% of the share capital: Ms Françoise Bettencourt Meyers (Vice-Chairwoman of the Board of Directors), Mr Jean-Victor Meyers and Mr Nicolas Meyers;
- two Directors from Nestlé, which owns 23.20% of the share capital: Mr Paul Bulcke (Vice-Chairman of the Board of Directors) and Ms Béatrice Guillaume-Grabisch;
- six independent Directors: Ms Sophie Bellon, Ms Fabienne Dulac, Ms Belén Garijo, Ms Ilham Kadri, Ms Virginie Morgon, and Mr Patrice Caine. 50% of the Directors are independent (6 out of 12 excluding the Directors representing the employees); and
- two Directors representing the employees: Ms Ana Sofia Amaral and Mr Georges Liarokapis.

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

The breakdown of L'Oréal's share capital at 31 December 2020 is shown in chapter 7 "Stock Market Information Share Capital" of this Document.

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

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

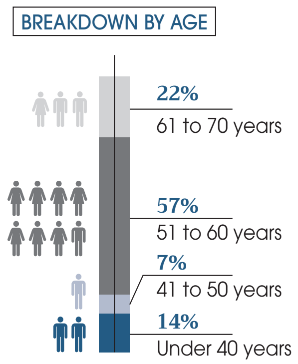
The Directors of L'Oréal come from different backgrounds. They complement one another due to their different professional experience, their skills and their international exposure.

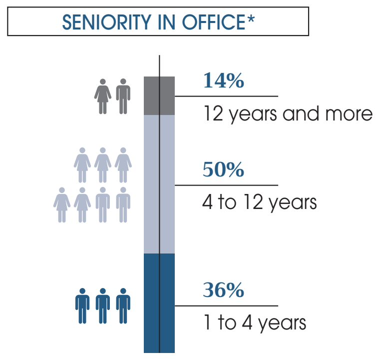
The Board is attentive to maintaining a balance between Directors with historical knowledge of the Company and Directors who have joined the Board more recently.

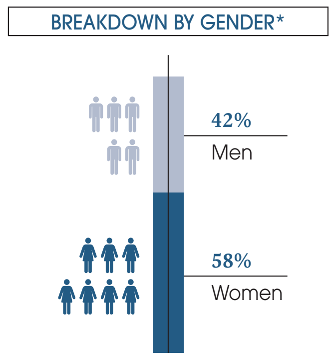
SUMMARY TABLE OF THE DIVERSITY POLICY APPLIED TO THE BOARD OF DIRECTORS

Criteria	Policy and objectives	Means of implementation and outcomes achieved in 2020
Age and seniority of Directors	Search for generational balance beyond compliance with the Internal Rules: • no more than one-third of Directors over the age of 70; • in principle, it is agreed that Directors must resign from the Board before the Annual General Meeting following their 73rd birthday. Other than the age of Directors, search for balanced distribution in terms of seniority on the Board.	Directors are aged between 32 and 67, with an average age of 54.5. The Board considers that its composition is balanced, with Directors with long-standing knowledge of L'Oréal and Directors who have joined more recently.
Gender balance **Representation of men and women**	Compliance with the Copé-Zimmermann law, which provides for a minimum of 40% of Directors of the same gender on Boards. Desire to maintain gender balance of around 50% on the Board. Gender balance in the Committees.	The Board believes that the proportion of 58% of female Directors meets the obligations for a balanced representation of men and women on Boards of Directors. Three out of four Committees are chaired by women (Audit Committee, Nominations and Governance Committee and Human Resources and Remuneration Committee).
Nationalities **International profiles**	Recruitment of international profiles: • search for Directors of foreign nationality or international culture; • and/or having international experience in L'Oréal's strategic markets.	The Board has seven different nationalities (Belgian, Spanish, French, Greek, Moroccan, Portuguese, and Swiss). The majority of Directors have international careers and responsibilities. Five Directors are based outside France.
Qualifications and professional experience	Search for complementarity in the experience of Directors. Definition of a base of skills and expertise shared by all Directors. Skills related to L'Oréal's strategy and development objectives.	The Nominations and Governance Committee has identified a set of skills and expertise, validated by the Board. (See below)

SITUATION AT 31 DECEMBER 2020







* *Excluding Directors representing the employees.*

QUALIFICATIONS AND PROFESSIONAL EXPERIENCE OF THE DIRECTORS

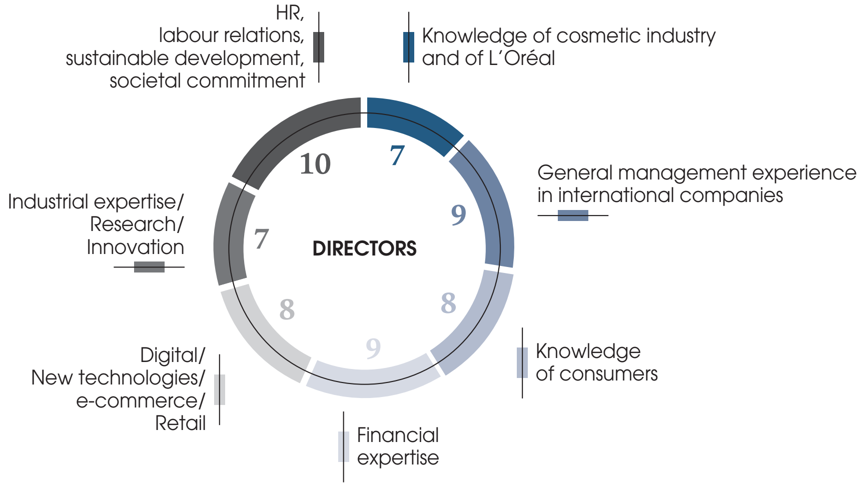
Skills base and shared expertise

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

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

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

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



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

PROCESS FOR SELECTING NEW DIRECTORS

The procedure for selecting new Directors is described in Article 5.3.1. of the Internal Rules of the Board of Directors, which is reproduced in full in paragraph 2.3.5 of this document. In 2020, this procedure was applied to the recruitment of Mr Alexandre Ricard.

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

2.2.1.3. Two Directors representing the employees since July 2014

Two Directors representing the employees are members of the Board of Directors and of two of its Committees. With a particular focus related to their extensive knowledge of the Company, they provide further insight that enriches the quality of the Board's debates and decisions and those of the Committees of which they are members.

Ms Ana Sofia Amaral was appointed by the Instance Européenne de Dialogue Social/European Works Council (IEDS/EWC). She holds the duties of Scientific and Technical Affairs Director for L'Oréal Portugal.

Mr Georges Liarokapis was appointed by the CFE-CGC, the most representative trade union in L'Oréal for France. He holds the duties of Coordinator of Sustainability for L'Oréal Western Europe.

Both were appointed in 2014 and again in 2018 for a second four-year term. They both resigned from their duties as employee representatives before joining the Board of Directors in 2014.

As soon as they took up their office, they benefited from a training programme provided by an external body concerning, in particular, the role and functioning of the Board of Directors, the rights and obligations of Directors and their liability. Like any new Director, the Directors representing the employees followed an induction course intended to perfect their knowledge of the Company's organisation and activities, which included, in particular, individual interviews with the Group's main executives. Since then, they have been receiving training seminars each year in line with their term of office. In 2020, Ms Ana Sofia Amaral pursued the programme of courses initiated in 2019 to earn the "Company Director" certification developed by the IFA (French Institute of Directors) and SciencesPo, and Mr Georges Liarokapis benefitted from a tailored upskilling programme in the Digital skills area.

Ms Ana Sofia Amaral and Mr Georges Liarokapis have been members of the Human Resources and Remuneration Committee and the Audit Committee, respectively, since 2015.

They receive remuneration in respect of their term of office according to the same allocation rules as other Directors. The components of their remuneration as employees are not published.

2.2.1.4. Independent Directors

All the Directors of L'Oréal have freedom of judgment

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

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

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

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

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

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

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

At its meeting on 11 February 2021, the Board of Directors examined, on a case-by-case basis, the situation of each of the members concerned in light of the independence criteria provided for in the AFEP-MEDEF Code.

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

Based on the work carried out by the Nominations and Governance Committee, the Board of Directors analysed on 11 February 2021, as it does every year, the financial flows that took place during financial year 2020 between L'Oréal and companies in which the Directors who qualify as independent also hold an office or position. As to the significance of the business relationship, and in keeping with AMF recommendations, the Board of Directors carried out a quantitative and qualitative analysis, adopting a wide multi-criteria approach (duration and continuity, importance of the business relationship for L'Oréal and the Director, and organisation of the relationship). Following this analysis, the Board concluded there was no significant business relationships.

In summary, on 31 December 2020, 6 members of the Board of Directors out of 12 (excluding the Directors representing the employees) qualify as independent (*i.e.* 50% of the Board of Directors):

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

It is specified that the following are not considered to be independent: Mr Jean-Paul Agon (executive corporate officer); Ms Françoise Bettencourt Meyers, Mr Jean–Victor Meyers and Mr Nicolas Meyers (Bettencourt Meyers family holding 33.17% of the share capital); Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch (Nestlé holding 23.20% of the share capital).

2.2.1.5. Responsible Directors

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

Handling of conflicts of interest

Concerning the potential conflicts between the duties of Directors and their private interests, which are to be reported pursuant to Delegated European Regulation No. 2019/980 supplementing Regulation No. 2017/1129 and known as "Prospectus 3", all Directors must prepare a declaration each year on any potential conflicts of interest between their duties to L'Oréal and their private interests or other duties, specifically with regard to their other offices and positions. On the basis of these declarations, the Board has not identified any conflict of interests at the date they were prepared.

Whatever the case, pursuant to the Internal Rules of the Board of Directors of L'Oréal, *"Directors are obliged to notify the Board of any situation that may constitute a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding discussions and deliberations"*.

Finally, the situation of the Directors in light of the independence criteria set out in the AFEP-MEDEF Code is examined every year by the Board of Directors and described in section 2.2.1.4. "Independent Directors" of this document.

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

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

Family links existing between directors and corporate officers (Article12.1 of the Annex)

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

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

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

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

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

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

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

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

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

Stock market ethics

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

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

Inside information is precise information of a non-public nature, which, if made public, could have a significant influence on the share price. Such inside information may fall into one of three categories: strategic, linked to the definition and application of the Group's development policy; recurring, linked to the annual schedule for production and publication of annual and interim financial statements, regular releases or periodic meetings devoted to financial information; exceptional, linked to a specific programme, project or financial transaction.

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

Lastly, Directors are required to notify the AMF of each transaction carried out by them or by persons closely affiliated with them related to L'Oréal shares. The Company periodically reminds them of this obligation (see section 2.6. "Summary of trading in L'Oréal shares by directors and corporate officers in 2020" of this document).

2.2.2. List of corporate offices and directorships of the Directors exercised at 31 December 2020

JEAN-PAUL AGON

Chairman and Chief Executive Officer

French

Age: 64

Joined the L'Oréal Group in 1978. Following an international career as Chief Executive Officer of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, Chief Executive Officer of L'Oréal Germany, Chief Executive Officer of the Asia Zone, Chairman and Chief Executive Officer of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006 and finally Chairman and Chief Executive Officer in 2011. A Director of L'Oréal since 2006, he is also the Chairman of the Strategy and Sustainability Committee. Jean-Paul Agon is also the Chairman of the L'Oréal Corporate Foundation and Director of Air Liquide. By decision of the Board of Directors following the 2021 Annual General Meeting, Jean-Paul Agon will hold the office of Chairman of the Board of Directors without assuming the office of Chief Executive Officer as from 1 May 2021.

EXPIRY DATE OF TERM OF OFFICE: 2022

- Professional address: L'Oréal – 41, rue Martre – 92117 Clichy Cedex – France
- Holds 1,365,432 L'Oréal shares

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Air Liquide S.A.*	Director
Other	
L'Oréal Corporate Foundation	Chairman of the Board
L'Oréal Fund for Women	Chairman of the Board
Raisesherpas	Director
French Association of Private Enterprises (AFEP)	Director
French Institute of International Relations (IFRI)	Director
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED	
None	

* *Listed company.*

FRANÇOISE BETTENCOURT MEYERS

Vice-Chairwoman

French

Age: 67

Daughter of Liliane Bettencourt and granddaughter of the founder of L'Oréal, Eugène Schueller, Françoise Bettencourt Meyers has been the Chairwoman of the family-owned holding company Téthys since 31 January 2012, and is the Chairwoman of the Supervisory Board of the investment subsidiary Téthys Invest, Chairwoman of the Bettencourt Schueller Foundation and Honorary Chairwoman of the Pour l'Audition Foundation. A Director of L'Oréal since 1997, Vice-Chairwoman of the Board of Directors since 2020, Françoise Bettencourt Meyers is also a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee and the Human Resources and Remuneration Committee.

EXPIRY DATE OF TERM OF OFFICE: 2021

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Téthys SAS	Chairwoman Chairwoman of the Supervisory Board	
Téthys Invest SAS	Chairwoman of the Supervisory Board	
Financière l'Arcouest SAS	Chairwoman	
Other		
Bettencourt Schueller Foundation	Chairwoman of the Board of Directors	
Pour l'Audition Foundation	Honorary Chairwoman and member of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Société Immobilière Sebor SAS	Chairwoman	2020

PAUL BULCKE

Vice-Chairman

Belgian and Swiss

Age: 66

Chairman of the Board of Directors of Nestlé. Paul Bulcke was a Director at L'Oréal from 2012 to June 2014 and has been back in that position since 2017. Paul Bulcke is Vice-Chairman of the Board of Directors, and is a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee, and the Human Resources and Remuneration Committee. He is also a Director of Roche Holding (Switzerland).

EXPIRY DATE OF TERM OF OFFICE: 2021

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Nestlé S.A. (Switzerland)*	Chairman of the Board	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Foreign companies		
Roche Holding Ltd (Switzerland)*	Member of the Board of Directors	
Other		
2030 Water Resources Group (WRG)	Co-Chairman	
JP Morgan International Council	Member	
Avenir Suisse Foundation (Switzerland)	Member of the Board	
World Economic Forum (WEF)	Member of the Community of Chairpersons	
European Round Table for Industry (Belgium)	Member	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Foreign companies		
Nestlé Health Science S.A. in Lutry (Switzerland)	Member of the Strategic Advisory Board	2017
Nestlé Skin Health S.A. (Switzerland)	Member of the Strategic Advisory Board	2017
Cereal Partners Worldwide (Switzerland)	Co-Chairman of the Supervisory Board	2016
Nestlé S.A. (Switzerland)	Deputy Director	2016
Others		
Consumer Goods Forum	Member of the Board of Directors and member of the Governance Committee	2017

* *Listed company.*

ANA SOFIA AMARAL

Portuguese

Age: 55

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

EXPIRY DATE OF TERM OF OFFICE: 2022

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Foreign companies		
EMBOPAR Embalagens de Portugal SGPS S.A.	Permanent representative of L'Oréal Portugal on the Board of Directors Member of the Remuneration Commission	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Sociedade Ponto Verde	Director Member of the Remuneration Commission	2020

SOPHIE BELLON

French

Age: 59

Chairwoman of the Board of Directors of Sodexo. After a career in finance in the United States, she joined Sodexo in 1994, where she held a variety of positions, including as the Country Manager for the Business Division in France then as R&D and Innovation Strategy Manager. Sophie Bellon has been a Director of L'Oréal since 2015. She is the Chairwoman of the Nominations and Governance Committee, the Human Resources and Remuneration Committee, and a member of the Audit Committee.

EXPIRY DATE OF TERM OF OFFICE: 2023

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Sodexo*	Chairwoman of the Board of Directors	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Bellon S.A.[S]	Member of the Management Board	
PB Holding SAS[S]	Chairwoman	
Other		
French Association of Private Enterprises (AFEP)	Member of the Board of Directors	
French Association of Joint Stock Companies (ANSA)	Member of the Board of Directors	
France-China Committee (CFC)	Member of the Board of Directors	
United Way Alliance (UWA)	Member of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
French companies		
Sodexo	Vice-Chairwoman of the Board of Directors In charge of Research-Development-Innovation Strategy	2016
Other		
Pierre Bellon Foundation	Founding Member	2018
SWIFT (Sodexo Women's International Forum for Talent)	Co-Chair	2018

* *Listed company.*
[S] *Sodexo group company.*

PATRICE CAINE

French

Age: 50

Chairman and Chief Executive Officer of Thales Group since December 2014, after holding management positions in various operating units (Aviation and Naval, Communications, Navigation and Identification, Air Systems, Radio-Communication Products, Network and Infrastructure Systems, and Protection Systems) from 2002 to 2013. Patrice Caine has been a Director of L'Oréal since 2018, and is a member of the Strategy and Sustainability Committee and the Nominations and Governance Committee.

EXPIRY DATE OF TERM OF OFFICE: 2022

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Thales*	Chairman and Chief Executive Officer	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Naval Group (ex-DCNS)	Director	
Other		
National Association for Research and Technology (ANRT)	Chairman	
France Industrie (Cercle de l'Industrie et le Groupe des Fédérations Industrielles)	Vice-President and director	
French Aerospace Industries Association (GIFAS)	Vice-Chairman	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Others		
École des Mines de Paris	Director	2016

* *Listed company.*

FABIENNE DULAC

French

Age: 53

Chairwoman and Chief Executive Officer of Orange France and Deputy Chief Executive Officer of the Orange Group, which she joined in 1997. She has held various positions in marketing, business development, communications and digital. She joined the Executive Committee of the Orange Group in 2015 as Executive Director of Orange France. She is also a Director of Willa (an incubator dedicated to Female entrepreneurship). Fabienne Dulac has been a Director of L'Oréal since 2019 and is a member of the Audit Committee and the Human Resources and Remuneration Committee.

EXPIRY DATE OF TERM OF OFFICE: 2023

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Orange*	Deputy Chief Executive Officer	
	CEO Orange France	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Orange France°	Chairwoman and Chief Executive Officer	
Française des Jeux*	Director	
Others		
Willa	Member of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
French companies		
Orange Bank	Member of the Board of Directors	2020

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

BELÉN GARIJO

Spanish

Age: 60

Chairwoman and Chief Executive Officer of Merck Healthcare, an entity holding all the pharmaceutical operations of the German group Merck and member of the Executive Committee of this Group, Belén Garijo will hold the office of Chairwoman of the Management Board and Chief Executive Officer of the Merck Group as from 1 May 2021. Belén Garijo has been a Director of L'Oréal since 2014 and is a member of the Human Resources and Remuneration Committee. She is also a Director of BBVA (Spain).

EXPIRY DATE OF TERM OF OFFICE: 2022

- Professional address: Merck KGAA – Frankfurter STR 250 Postcode F131/314 – 64293 Darmstadt – Germany
- Holds 1,000 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Merck Healthcare (Germany) – until 30 April 2021	Chairman and Chief Executive Officer
Merck* (Germany) – as from 1 May 2021	Chairwoman of the Management Board and Chief Executive Officer of the Group
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
Foreign companies	
BBVA* (Spain)	Director
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED	
None	

* *Listed company.*

BÉATRICE GUILLAUME-GRABISCH

French

Age: 56

Executive Vice-President Human Resources and Business Services of Nestlé Group, which she joined in 2013. She was formerly Chief Executive Officer of Nestlé Germany after a career in various consumer goods groups (Colgate-Palmolive, Beiersdorf, Johnson & Johnson, L'Oréal, Coca-Cola). Béatrice Guillaume-Grabisch has been a Director of L'Oréal since 2016 and is a member of the Audit Committee.

EXPIRY DATE OF TERM OF OFFICE: 2024

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Nestlé S.A. (Switzerland)*	Executive Vice-President Human Resources and Business Services	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Others		
GS1	Director	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Foreign companies		
Nestlé (Germany)	President	2019
Henkel (Germany)	Director	2016
Others		
MarkenVerband/Brand producers' association (Germany)	Member of the Management Board	2019

* *Listed company.*

ILHAM KADRI

French and Moroccan

Age: 52

Ilham Kadri is Chairwoman of the Executive Committee and CEO of Solvay, which she joined in March 2019. She had been CEO and Chairwoman of the American company Diversey since 2013. Ms Kadri has international experience acquired in leading industrial companies (Shell, UCB, Dow, Sealed Air, etc.) where she performed roles in research & development, sales, marketing, strategy, business management and digital technology. She is also a Director of A.O. Smith Corporation (USA). Ilham Kadri has been a Director of L'Oréal since June 2020.

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Solvay*	Chairwoman of the Executive Committee and CEO Member of the Board of Directors	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Foreign companies		
A.O. Smith Corporation*	Member of the Board of Directors	
CORPORATE OFFICES AND DIRECTORSHIP OVER THE LAST FIVE YEARS THAT HAVE EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Foreign companies		
Diversey (USA)	Chairwoman and CEO	2018

* *Listed company.*

GEORGES LIAROKAPIS

French and Greek

Age: 58

Coordinator of Sustainability for L'Oréal Western Europe. Georges Liarokapis was appointed by the CFE-CGC union as a Director representing employees in 2014; his term of office was then renewed for a period of four years in 2018. He is a member of the Audit Committee.

EXPIRY DATE OF TERM OF OFFICE: 2022

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

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

JEAN-VICTOR MEYERS

French

Age: 34

A member of the Supervisory Board of the family-owned holding company Téthys since January 2011 and a member of the Supervisory Committee of the investment subsidiary Téthys Invest and Chairman of Exemplaire and Constantine Capital, Jean-Victor Meyers has been a Director of L'Oréal since 2012 and is a member of the Audit Committee and the Strategy and Sustainability Committee.

EXPIRY DATE OF TERM OF OFFICE: 2024

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Téthys SAS	Member of the Supervisory Board
Téthys Invest SAS	Member of the Supervisory Board
Exemplaire SAS	Chairman
Constantine Capital SAS	Chairman
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED	
None	

NICOLAS MEYERS

French

Age: 32

Member of the Supervisory Board of the family holding company Téthys since 2011, member of the Supervisory Board of the investment subsidiary Téthys Invest since 2016, and Director of the Bettencourt Schueller Foundation since 2012. Nicolas Meyers has been a Director of L'Oréal since June 2020.

EXPIRY DATE OF TERM OF OFFICE: 2024

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Téthys SAS	Member of the Supervisory Board
Téthys Invest SAS	Member of the Supervisory Board
Lille Capital SAS	Chairman
Others	
Bettencourt Schueller Foundation	Member of the Board of Directors
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED	
None	

VIRGINIE MORGON

French

Age: 51

Chairwoman of the Management Board of Eurazeo, which she joined in 2008 after working for 16 years at Lazard, as well as Chairwoman of Eurazeo North America Inc. (USA). She is also Co-Chair of the Paris Committee of Human Rights Watch and Chairwoman of the Board of the Eurazeo endowment fund. Virginie Morgon has been a Director of L'Oréal since 2013 and is the Chairwoman of the Audit Committee.

EXPIRY DATE OF TERM OF OFFICE: 2021

- Professional address: 1, rue Georges Berger – 75017 Paris – France
- Holds 1,745 L'Oréal shares

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Idinvest Partners[E]	Chairwoman of the Supervisory Board
Foreign companies	
Alpine Newco Inc. (US)[E]	Chairwoman
Eurazeo North America Inc. (US)[E]	Chairwoman
Moncler SpA (Italy)*	Member of the Board of Directors
Other	
Human Rights Watch	Co-Chair of the Paris Committee
Eurazeo endowment fund[E]	Chairwoman of the Board of Directors

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French companies		
Eurazeo	Chief Operations Officer	2018
Asmodee Holding	Chairwoman of the Supervisory Board	2018
Eurazeo PME	Chairwoman of the Supervisory Board	2018
Grandir (Les Petits Chaperons Rouges investment)	Member of the Supervisory Board	2018
CPK	Vice-Chairwoman of the Supervisory Committee	2018
Vivendi	Member of the Supervisory Board	2018
Legendre Holding 43 (People Doc investment)	Chairwoman	2017
Legendre Holding 44 (Fintrax investment)	Chairwoman	2017
Legendre Holding 47 (Les Petits Chaperons Rouges investment)	Chairwoman	2017
AccorHotels	Director	2016
Elis	Member of the Supervisory Board	2016
LH APCOA	Chief Operations Officer	2016
Legendre Holding 45	Chairwoman	2016
Legendre Holding 46	Chairwoman	2016
Foreign companies		
Moncler SpA (Italy)	Vice-Chairwoman of the Board of Directors	2019
Abasic SL (Spain)	Director	2018
Open Road Parent LLC (US)	Member of the Board of Directors	2018
Trader Interactive LLC (US)	Member of the Board of Directors	2018
APCOA Group GmbH (Germany)	Managing Director	2016

* *Listed company.*

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

2.2.3. Changes in corporate offices and directorships of Directors

Changes in 2020

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

The Annual General Meeting of 30 June 2020 appointed Mr Nicolas Meyer as Director for a four-year term.

Mr Nicolas Meyers will bring to the Board of Directors his knowledge of L'Oréal and his deep commitment to the company, his strong interest in new technologies and his international experience.

- **Appointment of Ms Ilham Kadri as Director**

The Annual General Meeting of 30 June 2020 appointed Ms Ilham Kadri as Director for a four-year period.

In particular, Ms Kadri brings to the L'Oréal Board of Directors her knowledge of manufacturing challenges, her diversified and international experience acquired in the United States, Europe, the Middle East, Africa and Asia, and her strategic vision focused on innovation.

- **End of Mr Jean-Pierre Meyers' term of office as Director**

Mr Jean-Pierre Meyers, a Director since 1987, and Vice-Chairman of the Board of Directors since 1994, did not wish to request the renewal of his term of office, and declared that this seemed an opportune moment after 33 years on the Board to enable the family connection to continue, stressing the profound and lasting attachment of the Bettencourt Meyers family to L'Oréal.

- **End of Mr Bernard Kasriel's term of office as Director**

Mr Bernard Kasriel, a Director since 2004, did not wish to request the renewal of his term of office.

- **End of Ms Eileen Naughton's term of office as Director**

Ms Eileen Naughton, a Director since 2016, did not wish to request the renewal of her term of office.

Changes scheduled in 2021

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

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

The Board of Directors decided to recommend to the Annual General Meeting the election of Mr Nicolas Hieronimus, the future Chief Executive Officer, to the Board for a term of four years.

In effect, the Board believes that the participation of the Chief Executive Officer as a Director in the Board's discussions is essential.

Mr Nicolas Hieronimus, 57, joined L'Oréal 34 years ago and has spent all his career with the Group, in many countries and divisions.

A graduate of ESSEC in 1985, Mr Nicolas Hieronimus joined L'Oréal in 1987 as Product Manager. He became marketing Director for the Laboratoires Garnier in 1993. In 1998, he became General Manager of the Garnier Maybelline Division in the UK. In 2000, he was named General Manager, L'Oréal Paris France, and then International General Manager for L'Oréal Paris. In 2005, he became General Manager of L'Oréal Mexico. In 2008, Mr Jean-Paul Agon appointed him as General Manager of the L'Oréal Professional Products Division and welcomed him to the Executive Committee.

In January 2011, he was appointed President L'Oréal Luxe, a role that he held until the end of 2018. In 2013, he took up the position of President Selective Divisions (Luxury, Active Cosmetics, Professional Products). Mr Nicolas Hieronimus was named Deputy Chief Executive Officer in charge of Divisions in May 2017.

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

On the recommendation of the Nominations and Governance Committee, the Board of Directors is submitting to the Annual General Meeting the appointment of Mr Alexandre Ricard as Director, for a term of four years.

Mr Alexandre Ricard, 48, is a graduate of the ESCP, the Wharton Business School and the University of Pennsylvania. He has served as Chairman and Chief Executive Officer of Pernod Ricard since February 2015.

Pernod Ricard is the world's second-largest wine and spirits company, distributing its brands in over 160 markets and employing 19,000 people worldwide. Pernod Ricard achieved €8.5 billion in net consolidated sales over the 2019/2020 financial year ending 30 June 2020.

After working for seven years as a strategy consultant at Accenture and a M&A consultant at Morgan & Stanley, Mr Alexandre Ricard joined the Pernod Ricard Group in 2003 in the Corporate Audit and Development department. At the end of 2004, he was appointed Director of Finance and Administration of Irish Distillers, and then appointed Chief Executive Officer of Pernod Ricard Asia Duty Free in September 2006. In 2008, Mr Alexandre Ricard was appointed Chairman and Chief Executive Officer of Irish Distillers and joined the Executive Committee of Pernod Ricard. In 2011, he joined the General Management of Pernod Ricard as Deputy Chief Executive Officer in charge of the distribution network before taking up the current position of Chairman and Chief Executive Officer in February 2015.

Mr Alexandre Ricard will bring to the Board of Directors of L'Oréal his experience as an executive for a major international company, his strategic vision and his entrepreneurial spirit.

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

He will also bring his deep understanding of financial, governance issues and his sense of ethics to the Board.

Renewal of the term of office of three Directors: Ms Françoise Bettencourt Meyers, Mr Paul Bulcke and Ms Virginie Morgon (see detailed information in section 2.2.2.)

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

As the term of office of Ms Françoise Bettencourt Meyers as Director is due to expire in 2021, the renewal of her term of office for four years is submitted to the Annual General Meeting.

A Director of L'Oréal since 1997, Ms Françoise Bettencourt Meyers is also Vice-Chairman of the Board of Directors, a member of the Strategy and Sustainabiliy Committee since 2012, a member of the Nominations and Governance Committee and the Human Resources and Remuneration Committee since 2020.

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

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

Over the four years of her term as Director, Ms Françoise Bettencourt Meyers' attendance rate has been 96.5% at Board meetings and 100% at Committee meetings.

- **Renewal of Mr Paul Bulcke's term of office as Director**

As the term of office of Mr Paul Bulcke as Director expires in 2021, the renewal of his term of office for four years is submitted to the Annual General Meeting.

A member of the L'Oréal Board of Directors from 2012 to 2014, and since 2017, Mr Paul Bulcke is the Vice-Chairman of the Board of Directors, a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee, and the Human Resources and Remuneration Committee.

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

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

Over the four years of his term of office as Director, Mr Paul Bulcke's attendance at meetings of the Board of Directors and the three Committees on which he serves has been 100%.

- **Renewal of Ms Virginie Morgon's term of office as Director**

As the term of office of Ms Virginie Morgon as Director is due to expire in 2021, the renewal of her term of office for four years is submitted to the Annual General Meeting.

A Director of L'Oréal since 2013, Ms Virginie Morgon has also chaired the Audit Committee since 2016.

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

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

Over the four years of her term as Director, Ms Virginie Morgon's attendance rate has been 96.5% at meetings of the Board of Directors and 100% at meetings of the Audit Committee which she chairs.

2.3. ORGANISATION AND MODUS OPERANDI OF THE BOARD OF DIRECTORS

2.3.1. General information on the meetings of the Board of Directors and its Committees in 2020

In 2020, the Board met 8 times.

Four Committees prepare for the discussions and deliberations by the Board. 22 meetings were held in 2020: 4 for the Strategy and Sustainability Committee, 4 for the Audit Committee, 10 for the Nominations and Governance Committee, and 4 for the Human Resources and Remuneration Committee.

Directors may independently propose any subject that is appropriate for good governance to be included on the agenda for work of the Board and its Committees. L'Oréal's Directors are regularly informed of all the Company's activities and its performances in a highly competitive universe.

Board meetings are generally held in the presence of senior managers of the Company invited to attend on the basis of topical developments at L'Oréal and many aspects of its strategy. In an open, constructive dialogue, exchanges of views, in confidence, contribute to the quality of the Directors' work. Board discussions, encouraged by the Chairman, take place transparently and in great detail.

Executive sessions

Directors meet at least once a year without the presence of the corporate officer, Directors representing employees or any other Group employee (Article 4.2 of the Internal Rules). Two executive sessions were held in 2020, on 30 July and 3 December.

The Audit Committee also meets twice a year in the presence of Statutory Auditors and in the absence of any representative from Management, at the end of the meetings dedicated to reviewing the annual and interim financial statements. These two meetings were held on 6 February and 30 July 2020.

Attendance rate

The preparation and holding of Board and Committee meetings requires significant availability and investment by the Directors.

In 2020, the attendance rate at Board meetings was 99% on average. The individual attendance rate at Board and Committee meetings is specified below.

The allocation of Directors' fees, based on the rate of attendance by each member at Board meetings and meetings of the various Committees, is described in section 2.4. "Remuneration of directors and corporate officers" of this document.

INDIVIDUAL ATTENDANCE RATES OF DIRECTORS IN 2020 AT BOARD AND COMMITTEE MEETINGS

	Board of Directors	Strategy and Sustainability Committee	Audit Committee	Nominations and Governance Committee	Human Resources and Remuneration Committee
Mr Jean-Paul Agon	100%	100%			
Ms Françoise Bettencourt Meyers	100%	100%		100%*	100%*
Mr Paul Bulcke	100%	100%		100%	100%
Ms Ana Sofia Amaral	100%				100%
Ms Sophie Bellon	100%		100%	100%	100%
Mr Patrice Caine	100%	50%*		100%	
Ms Fabienne Dulac	100%		100%		100%
Ms Belén Garijo	100%				100%
Ms Béatrice Guillaume-Grabisch	88%		100%		
Ms Ilham Kadri (as from 30/06/2020)	100%				
Mr Georges Liarokapis	100%		100%		
Mr Jean-Victor Meyers	100%	100%*	100%		
Mr Nicolas Meyers (as from 30/06/2020)	100%				
Ms Virginie Morgon	100%		100%		
2020 AVERAGE	**99%**	**93%**	**100%**	**100%**	**100%**

* *Director who joined this Committee in 2020.*

2.3.2. Activities of the Board of Directors

2.3.2.1. Main Remits and Internal Rules

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

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

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

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

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

They are updated by the Board of Directors in order to take account of the changes in the laws and regulations, best corporate governance practices and its own modus operandi, particularly within the scope of the annual evaluation of its work. The latest updates to the Internal Rules were made on 11 February 2021. The update was to specify, in the duties of the Nominations and Governance Committee, the procedure for reviewing and proposing candidates for new Directors to the Board of Directors.

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

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

The Board's debates and decisions are assisted by the work performed by its Committees, which report to the Board after each of their meetings. The Board of Directors ensures that all of the topics within its remit are thoroughly investigated by the Committees in charge of those issues. In 2020, the subjects of sustainable development, diversity, and gender balance, as well as succession plans, were reviewed by the Committees in order to report quality information to the Board of Directors to inform its decisions. Details on the activity of these Committees appear in section 2.3.3. "Activities of the Board Committees" of this document.

2.3.2.2. The Board's work in 2020

In 2020, the Board of Directors met 8 times.

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

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

In 2020, the Board's activity was mainly focused on the following areas:

Sense of Purpose *(raison d'être)*

On 6 February 2020, the Board of Directors approved this *raison d'être* and decided to include it in its management report provided to L'Oréal's shareholders at its Annual General Meeting of 30 June 2020 (2019 Universal Registration Document, page 6). At this Annual General Meeting, Mr Jean-Paul Agon presented L'Oréal's *raison d'être*, which sums up the very essence of the Company, its values and its commitments.

Corporate governance

Composition of the Board and its Committees

In 2020, the Board of Directors deliberated on its **composition**, taking diversity into consideration in terms of gender, skills, and expertise (see section 2.2.1.2. "Diversity policy applied to the Board of Directors: experienced Directors who complement one another" of this document).

At the Annual General Meeting of 30 June 2020, it proposed the renewal of the terms of office of two Directors: Ms Béatrice Guillaume-Grabisch, Executive Vice-President Human Resources and Business Services of the Nestlé group, and Mr Jean-Victor Meyers, member of the Supervisory Board of the Téthys family holding company, son of Ms Françoise Bettencourt Meyers and great-grandson of Eugène Schueller, the founder of L'Oréal.

The Board also proposed the appointment of two Directors: Mr Nicolas Meyers, member of the Supervisory Board of the Téthys family holding company, son of Ms Françoise Bettencourt Meyers and great-grandson of Eugène Schueller, the founder of L'Oréal, and Ms Ilham Kadri, Chairwoman of the Executive Committee and CEO of Solvay.

Following the renewal of a portion of its members, the Board of Directors reviewed the composition of the Committees in 2020. Ms Françoise Bettencourt Meyers joined the Nominations and Governance Committee as well as the Human Resources and Remuneration Committee. Ms Fabienne Dulac joined the Human Resources and Remuneration Committee. Mr Patrice Caine and Mr Jean-Victor Meyers joined the Strategy and Sustainability Committee.

Throughout the year, the Board of Directors carefully monitored the work of the Nominations and Governance Committee with the aim to select independent directors with the potential to join the Board.

2020 Annual General Meeting

Because of the health crisis, on 30 March the Board decided to postpone the **Annual General Meeting** to 30 June 2020.

Despite being postponed to 30 June 2020, the Annual General Meeting could not be held under normal conditions as they were incompatible with the health measures in force taken by the French Government. Therefore, in accordance with the Order of 25 March 2020 and Decree of 10 April 2020, on 12 May 2020 the Board decided to call shareholders to an Annual General Meeting behind closed doors.

The Board was kept informed of the conditions for organising the Annual General Meeting behind closed doors; in particular of its live broadcast and, given the impossibility for shareholders to ask questions at the Meeting, the implementation of a special system allowing to handle the majority of questions up to the day before the Meeting and for the questions to be answered to the best extent possible, during the Meeting.

The Board approved **the agenda and draft resolutions submitted to voting by the Annual General Meeting**, taking the context of the health crisis into consideration (press release of 12 May 2020):

- it adapted the remuneration policy for the Chairman and Chief Executive Officer in order to note Mr Agon's decision to waive all remunerations relating to the financial targets of his annual variable remuneration for 2020 and any awards of performance shares for which he was eligible; and
- the Board also decided to propose to the Annual General Meeting of shareholders of 30 June 2020 a dividend identical to that paid in 2019, after abandoning the planned 10.4% increase in the dividend.

New governance and succession plan

Throughout the year, the Board of Directors carefully monitored the work of the Nominations and Governance Committee focused on the successor to Mr Agon as Chief Executive Officer. As the Company's articles of association do not provide for any exception to the legal retirement age of 65 years, Mr Jean-Paul Agon must hand over his duties as Chief Executive Officer before July 2021.

The Nominations and Governance Committee initiated its discussions in February 2019 and met on numerous occasions so that it could make a proposal to the Board of Directors at the end of a comprehensive procedure that it conducted with impartiality and discretion in accordance with the best rules of governance.

Following the recommendations of the Nominations and Governance Committee, the Board announced at its meeting of 14 October 2020 a new governance and a succession plan at the head of the Group.

The Board announced its intention to dissociate the functions of Chairman and Chief Executive Officer, to renew Mr Jean-Paul Agon's mandate as Chairman, a position he has held since 2011, and to appoint Mr Nicolas Hieronimus as Chief Executive Officer.

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

These changes will take effect on 1 May 2021 by decision of the Board of Directors at the meeting to be held following the Company's Annual General Meeting on 20 April 2021, a General Meeting that will notably be called to elect Nicolas Hieronimus as director and to approve the remuneration policy corresponding to the new organisation.

Evaluation of the modus operandi and organisation of the Board

As is the case every year, the Board made a full evaluation of its modus operandi and its organisation. This was discussed as an agenda item at its meeting of 3 December 2020. This evaluation led to proposals for improvements and made it possible to define the strategic topics on which the Board particularly wished to focus its reflections (see section 2.3.4. "Self-evaluation by the Board of Directors") of this document.

Executive sessions

Two executive sessions, in which the Directors meet in the absence of the executive corporate officers and any in-house Directors or employees, were held in 2020.

Dialogue with shareholders

The Board was informed of the expectations and positions of the main investors and proxy advisors, as expressed during meetings with the Company's departments responsible for preparing for the Annual General Meeting.

It met to respond to the questions posed by the shareholders before the Annual General Meeting.

It is noted that dialogue with shareholders is the domain either directly of the Chairman and Chief Executive Officer (Annual General Meeting, meetings with the main investors, etc.), or the L'Oréal teams (governance roadshows, Consultative Committee of Individual Shareholders, etc.) in accordance with the principles of stock market ethics and equal access to information.

Current agreements

In 2020, the Board implemented a procedure to regularly evaluate whether agreements on current operations signed under normal terms do meet these conditions.

Process for selecting Statutory Auditors

The Board, on the recommendation of the Audit Committee, deliberated on the appointments of the Statutory Auditors, which are due to expire following the 2022 Annual General Meeting.

Remuneration policy, Human Resources, gender balance within the management bodies

The Board deliberated on the rules relating to the **remuneration of the corporate officer** and approved the remuneration of this latter for 2020, based on the extensive work by and recommendations from the Human Resources and Remuneration Committee.

It approved the 2020 Plan for the **award of performance shares.**

It approved the principle of increases in the Company's capital reserved for employees in accordance with the 13th, 14th and 15th resolutions approved at the Annual General Meeting of 30 June 2020 and noted the very positive results of the **second Employee Shareholding Plan** launched in September 2020 and widely subscribed around the world.

In October 2020, the Board interviewed the Executive Vice-President of Human Relations on the Group's Human Resources policy. In particular, the Board was updated on the **diversity and gender balance policy** deployed in the Company, specifically with regard to the gender parity in management bodies. On the proposal of General Management, the Board defined **objectives for gender balance within management bodies**. The goal is to achieve gender parity in the "TOP 280" by 2023. The Board will be informed annually about the results obtained, which are also presented for 2020 in section 4.3.2.6 "Promoting Diversity and Inclusion" of this document.

Business activity, results and strategy

The Board of Directors defines the strategic orientations taking social and environmental needs into consideration. It also considers L'Oréal's *raison d'être*, which it approved in February 2020 (see above).

The chart of the L'Oréal business model can be found in section 1.2 "Business model: economic and corporate excellence to create lasting value for all" of this document.

Business activity and results

The systematic and in-depth review, at each meeting, of the **Group's activities and results** and net sales generated by Division, geographic zones, brand, and e-commerce, as well as an analysis of market share gains, enables the Directors to be immersed in the Company's realities and to be continually informed of the problems faced by L'Oréal.

The Board is also informed throughout the year of **the evolutions in the cosmetics market, the results of competitors and the Group's relative positioning.**

The Board was systematically informed of the consequences of **the Covid-19 health crisis** and the actions taken: monitoring the pandemic around the world and the Solidarity Plan implemented by the Group (production of hand sanitiser, solidarity measures for healthcare workers and pharmacists, food distribution workers, micro-entities/SMEs, the most vulnerable suppliers and others).

A regular update was given on the management of the Operations activity by region, country and Division. The Board monitored the work of the emergency committee responsible for establishing and ensuring compliance with all Health and Safety instructions and procedures in the sites (laboratories, administrative sites, plants, and distribution centres). The measures to support and assist employees were detailed.

The Board was kept informed of the activity of IT department which had to meet the challenge of telecommuting. It was particularly attentive to the measures taken to strengthen cybersecurity in the face of the increased risk of cyberattacks during this period.

The Board conducted an in-depth review of the impact of the health crisis on changes in sales by Division and region, as well as the impact on cash. It debated the management measures set up to face this change, and it validated the strategic choices designed to stimulate demand for the Group's products and relaunch all growth drivers under the best conditions.

Strategic issues in 2020

The Board regularly meets with the Group's main executives and thus benefits from in-depth knowledge of the challenges specific to each business segment. It is able to forge a clear, independent opinion of the opportunities for the Group's development over the next few years.

The Chief **Corporate Responsibility** Officer presented L'Oréal's CSR policy in February 2020. She noted the principal sustainable development challenges and offered an assessment of the Sharing Beauty with All 2013–2020 programme. She presented the Group's new objectives of the *L'Oréal for the Future* programme for 2030 and the Directors were able to discuss the importance of its new commitments.

The Board wanted to receive an **initial analysis of the medium and long-term consequences of the health crisis on the cosmetics market and the growth of L'Oréal.** In July 2020, Mr Nicolas Hieronimus, Deputy Chief Executive Officer in charge of Divisions, spoke to the Board on this issue; he reported on the changes in consumer behaviour accelerated by the Covid-19 crisis. Mr Nicolas Hieronimus explained how L'Oréal would take these changes into consideration in its product offers, and how these changes in behaviour were opportunities for the Group with the emergence of new needs in existing beauty routines.

In July 2020, the Directors welcomed the Executive Vice-President Chief **Digital** Officer, who explained the reasons why the Covid-19 crisis was a powerful vector in the acceleration of digital transformation and e-commerce. The Directors were able to discuss the strategic challenges related to this revolution and the development prospects for the Group that will arise from those challenges.

The Board also discussed with Mr Nicolas Hieronimus the new **organisation of Zones** which will be progressively implemented as from 1 January 2021, a change that should allow the Group to be even more in tune with the degree of maturity of each local beauty market and the needs of consumers.

The Board also contributes to the development of strategy, by analysing the interest of **acquisitions** and the conclusion of **licencing contracts**. It studies their impact on the Company's financial structure and its long-term development capabilities. In 2020, the Directors reviewed new projects, including the signing of an agreement for the acquisition of Thayers Natural Remedies, an American skincare brand, which will strengthen the brand portfolio of the Consumer Products Division, as well as the signing of an agreement for the acquisition of the Japanese company Takami Co, which will be integrated in the Luxury Division.

The Central Works Council was once again consulted and issued an opinion on the **Company's strategic orientations**, as previously defined by the Board of Directors. The Board reviewed the opinion of the Central Works Council and responded to it.

2.3.2.3. Information provided to the Board on the Company's financial position, cash position and commitments

The financial position and the cash position are reviewed at least twice a year at a Board meeting, when the annual financial statements are approved and when the interim financial statements are reviewed, or at any other time if necessary. The balance sheet structure is solid.

Every year, it reviews the agreements concluded and authorised during previous financial years and which continued in force.

As attested to by the preparatory work of its Committees (see below), the Board also analyses other aspects of strategy, the Group's economic and financial management and the Company's commitments in terms of corporate social responsibility. The Committees' work systematically gives rise to a report presented by their Chairman/Chairwoman at Board meetings.

2.3.3. Activities of the Board Committees

The Board's debates and decisions are assisted by the work performed by its Committees, which report to it after each of their meetings. The remits of each Committee are described in detail in the Internal Rules of the Board of Directors.

The Board's Committees act strictly within the framework of the remits given to them by the Board. They actively prepare for its work and make proposals but they do not have any decision-making powers. All the Directors who are members of a Committee participate in Committee meetings with complete freedom of judgment and in the interest of all the shareholders.

In 2020, the Committees were once again tasked with preparing the Board's deliberations. The composition of these Committees, their remits and their work in 2020 are described in detail below.

STRATEGY AND SUSTAINABILITY COMMITTEE

Composition	Independence*	Number of meetings in 2020	Attendance (average 93%)	Date of appointment to the Committee
Mr Jean-Paul Agon (Chairman)		4	100%	2011
Ms Françoise Bettencourt Meyers			100%	2012
Mr Paul Bulcke			100%	2017
Mr Patrice Caine	◆		50%**	2020
Mr Jean-Victor Meyers			100%	2020

* *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*

** *As Patrice Caine joined the Committee following the Annual General Meeting of 30 June 2020, he participated in one of the two meetings of the Committee organised as from that date.*

It is specified that two members belong to the Bettencourt Meyers family and one member is from Nestlé.

REMITS	MAIN ACTIVITIES IN 2020
• Providing insight, through its analyses, into the strategic orientations submitted to the Board. • Monitoring the implementation and advancement of significant operations in progress and ensuring that the main financial balances are maintained. • Examination of the main strategic lines of development, options or projects presented by the General Management, and their economic and financial consequences, opportunities for acquisitions and financial transactions likely to significantly change the balance sheet structure. • Verification of the integration of the Company's commitments with regard to Sustainable Development, in light of the challenges specific to the Group's business activities and its objectives. • Examination of the proposed strategic orientations defined by the Board of Directors for consultation of the Central Works Council.	• Analysis of sales, update on business activities, regular report on the consequences of Covid-19. • Update on changes in the markets and on competition. • Analysis of the performance of the latest product launches. • Review of the Group's strategic development prospects. • Review of L'Oréal's sense of purpose ("*raison d'être*"). • Review of the main acquisition projects, and follow-up of recent acquisitions. • Update on the development of the business activities of the BOLD fund (Business Opportunities for L'Oréal Development). • Study on the creation of an "Impact Investing" fund for the regeneration of damaged natural ecosystems and efforts to combat climate change. • Update on the brands.

AUDIT COMMITTEE

Composition	Independence*: 60%	Number of meetings in 2020	Attendance (average 100%)	Date of appointment to the Committee
Ms Virginie Morgon (Chairwoman)	◆	4	100%	2013
Ms Sophie Bellon	◆		100%	2016
Ms Fabienne Dulac	◆		100%	2019
Ms Béatrice Guillaume-Grabisch			100%	2016
Mr Georges Liarokapis	●		100%	2015
Mr Jean-Victor Meyers			100%	2014

* *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*
● *Director representing employees*

The committee is chaired by Ms Virginie Morgon, an independent Director who has recognised financial expertise.

The members of the Audit Committee have the necessary financial and accounting skills due to their professional experience and their good knowledge of the Group's accounting and financial procedures.

The Statutory Auditors attend meetings, except for discussions on items that concern them. The Committee meets at least twice a year without management present, with the participation of the Statutory Auditors.

The Committee did not deem it appropriate to call upon outside expert.

The Chairman and Chief Executive Officer is not a member of the Committee.

REMITS

- Monitoring the process for preparation of financial information.
- Monitoring the statutory audit of the annual and consolidated financial statements by the Statutory Auditors.
- Review of the audit plans and the Statutory Auditors' work programme and the findings of their audits.
- Monitoring of the Statutory Auditors' independence.
- Process for selecting Statutory Auditors.
- Approval of non-audit services.
- Monitoring the efficiency of the Internal Control and risk management systems.
- Role to alert the Chairman of the Board in the event of detection of a substantial risk which it believes is not adequately handled.
- Monitoring the Group's main risk exposures and sensitivities.
- Review of the programme and objectives of the Internal Audit Department and the Internal Control system methods and procedures used.
- Annual review of the section of the Management Report on risk factors and Internal Control and risk management procedures.

2020 MAIN ACTIVITIES

- Review of annual and interim results and balance sheet. Analysis of the operating profit by division and zone and the management measures relating to Covid-19.
- Review of Statutory Auditors' Reports.
- Review of the Statutory Auditors' 2020 audit plan and the results of the audits carried out, their recommendations and the follow-up actions taken, as part of the statutory audit of the accounts.
- Review of the audits carried out by the Statutory Auditors or the Independent Third-Party Organisation with regard to CSR information, expansion of the audit scope and improvement of data reliability making it possible to issue a voluntary reasonable assurance report on an array of indicators.
- Review of the process for selecting the Statutory Auditors: recommendation on appointments of the Statutory Auditors, which are due to expire following the 2022 Annual General Meeting.
- Approval by the Audit Committee of non-audit services.
- Monitoring Internal Audit activities, including CSR commitments.
- Internal Control: review by the Committee of the measures taken to enhance Internal Control. Review of changes in the Vigilance Plan, particularly at the European level, and risk factors (URD), as well as the mechanisms to prevent corruption.
- Review of Group risk mapping.
- Review of legal risks and potential litigation and of major events that could have a significant impact on L'Oréal's financial position and on its assets and liabilities.
- Monitoring the *business plan* for major acquisitions.
- Cybersecurity: assessment of measures deployed.
- Cash: review of the management of cash and financing activities.

NOMINATIONS AND GOVERNANCE COMMITTEE

Composition	Independence*: 50%	Number of meetings in 2020	Attendance (average 100%)	Date of appointment to the Committee
Ms Sophie Bellon (Chairwoman)	◆	10	100%	2016
Ms Françoise Bettencourt Meyers			100%	2020
Mr Paul Bulcke			100%	2017
Mr Patrice Caine	◆		100%	2018

* *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*

The Chairman and Chief Executive Officer may attend Committee meetings with the exception of items on the agenda that concern him directly.

REMITS

- Reflections and recommendations to the Board on General Management procedures and the status of the corporate officers.
- Issuing an opinion on proposals made by the Chairman of the Board of Directors for appointment of the Chief Executive Officer, where applicable.
- Preparation and annual review of succession plans for corporate officers in the event of an unforeseen vacancy.
- Proposal on new Directors to the Board.
- Examination of the classification as independent Director which is reviewed by the Board of Directors every year.
- Verification of the due and proper application of the Code of Corporate Governance to which the Company refers (AFEP-MEDEF Code).
- Discussion on governance issues related to the functioning and organisation of the Board.
- Conducting the reflection process with regard to the Committees that are in charge of preparing the Board's work.
- Preparation for the decisions by the Board with regard to updating its Internal Rules.
- Evaluation of the modus operandi of the Board.
- Procedure to evaluate non-regulated agreements: annual review of the summary table prepared by the Company of the financial flows that occurred during the financial year between L'Oréal and interested parties as defined by regulations in order to report to the Board of Directors as part of the regular procedure to evaluate current agreements signed under normal terms pursuant to Article L. 22-10-12 (formerly L. 225-39) of the French Commercial Code. In case of doubts about the classification of an agreement, the Committee must verify that the transactions have been concluded in ordinary course of business and under normal conditions, so that the Board of Directors can implement the procedure for related-party agreements when necessary. In this case, the persons directly or indirectly interested in this agreement do not participate in the assessment.

2020 MAIN ACTIVITIES

- Work to prepare the executive officer succession plan:
  - review of the Group's major challenges in the coming years;
  - selection of several candidates and candidate hearings;
  - recommendation to the Board of Directors.
- Recommendation to the Board on General Management procedures as from 1 May 2021:
  - separation of the offices of Chairman and Chief Executive Officer;
  - appointment of Mr Nicolas Hieronimus as Chief Executive Officer;
  - renewal of Mr Jean-Paul Agon in his office as Chairman of the Board of Directors.
- Reflection on the composition of the Board (diversity, complementary profiles, expertise, gender balance, combining of offices, etc.) and update of the skills matrix for Directors.
- Selection and interviews with candidates and proposals to the Board for validation.
- Reflection on the composition of the Board Committees and proposals.
- Proposal to the Board concerning training for the Directors representing employees for 2021.
- Examination of the independence of each of the Directors in light of the criteria set out in the AFEP-MEDEF Code (meeting of February 2021).
- Determination of the terms and conditions of the annual evaluation of the Board.
- Review of the succession plans for the purpose of ensuring the continuity of General Management in the event of an unforeseen vacancy in the medium-term.
- Review of the key positions in the organisation from the perspective of ensuring the continuity of business activities (in the short-term).
- Analysis of the 2020 reports of the AMF and the Haut Comité de Gouvernement d'Entreprise (High Committee on Corporate Governance).
- Analysis of the 2020 voting policies of investors and proxy advisors with regard to governance topics (composition of the Board, balance of powers, terms of office, independence of Directors, etc.).
- Review of the Board's CSR obligations and update on the changes expected on these issues (particularly at the European level).
- Implementation of the procedure for regular evaluation of current agreements concluded under normal terms.
- Recommendation to the Board to update the Internal Rules in order to specify the process for selecting new Directors (meeting of February 2021).

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Composition	Independence*: 60%	Number of meetings in 2020	Attendance (average 100%)	Date of appointment to the Committee
Ms Sophie Bellon (Chairwoman)	◆	4	100%	2018
Ms Ana Sofia Amaral	●		100%	2015
Ms Françoise Bettencourt Meyers			100%	2020
Mr Paul Bulcke			100%	2017
Ms Fabienne Dulac	◆		100%	2020
Ms Belén Garijo	◆		100%	2015

* *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors.*

● *Director representing employees.*

The Chairman and Chief Executive Officer may attend Committee meetings with the exception of items on the agenda that concern him directly.

REMITS

- Making proposals relating to the remuneration of the Chairman of the Board of Directors and that of the Chief Executive Officer, where applicable.
- Setting the total budget allocated for remuneration of the Directors to be submitted to the Annual General Meeting and the distribution rules.
- Determination of the policy for long-term incentive plans, in particular through plans for free grants of shares or performance shares (ACAs).
- Monitoring the Human Resources policy: remuneration, remuneration ratios, employee relations, recruitment, diversity, etc.
- Monitoring the application of the Code of Ethics in the Company.

2020 MAIN ACTIVITIES

- Remuneration of the executive officers for 2019 and 2020:
  - analysis of the performance of the Chairman and Chief Executive Officer in 2019 and communication to the Board of a recommendation on setting the annual variable remuneration for 2019;
  - proposal for targets and weightings for 2020;
  - solidarity measure on the 2020 remuneration of the Chairman and Chief Executive Officer.
- Remuneration of the executive officers for 2021:
  - discussion and proposal of a remuneration policy for the Chairman of the Board and the future Chief Executive Officer;
  - study of the structure of the annual variable remuneration of executive and non-executive corporate officers and the targets set 2021.
- Analysis of the 2020 voting policies of investors and proxy advisors concerning remuneration issues.
- Say on Pay: preparation of the draft resolutions proposed to the Annual General Meeting of 30 June 2020 (ex-ante vote on the remuneration policy for 2020 and ex-post vote on the components of remuneration paid to the corporate officer for 2019), review of the proposed resolutions for the 2021 Annual General Meeting and presentation of remuneration ratios.
- Benefit pension scheme: review of the level of achievement of the performance conditions for the corporate officer.
- Delivery of long-term incentive (LTI) plans: recording of performances relating to the ACAs plan of 2016.
- Long-term incentive plans: preparation of the October 2020 ACAs Plan.
- Review of the Group's remuneration policy.
- Monitoring the second global employee shareholding plan launched in September 2020.
- Directors' fees: breakdown of fees for 2020 and recommendation for the policy and schedule to be applied in 2021.
- Diversity and gender balance policy: presentation of the various levers and results obtained, specifically with regard to gender equality in management bodies[1].

(1) *The results in terms of gender balance in the top 10% most responsible positions are presented in section 4.3.2.6. "Promoting Diversity and Inclusion" of this document.*

2.3.4. Self-evaluation by the Board of Directors

Every year, the Board carries out the formal evaluation provided for by the AFEP-MEDEF Code of its composition, its organisation and its modus operandi, in particular in order to verify that, under these conditions, the agenda for its work duly covers the scope of its remits, that important questions have been appropriately prepared for and discussed and to measure the contribution made by each member to the Board's work.

This evaluation is carried out within the framework of the AFEP-MEDEF Code, to which the Company refers and market recommendations like those of the AMF.

The evaluation procedure for 2020 was reviewed by the Nominations and Governance Committee.

This evaluation was carried out with the help of a thematic interview guide setting out the principles stipulated by the Code, allowing all Directors to think about the Board's proper modus operandi and their personal contribution to the Board's work and decisions. This guide also included a questionnaire prepared with the assistance of the Spencer Stuart firm.

These documents, approved by the Nominations and Governance Committee before they were sent to each Director, served as a basis for the individual interviews arranged between the Directors and the Secretary of the Board.

These interviews concerned the Board's composition, its organisation and its modus operandi.

The Directors were called to reconsider key Governance issues, specifically: organisation of General Management, scheduling of Board meetings without the presence of Executive Directors, appointment of a Lead Independent Director, and relations with shareholders over Corporate Governance issues.

Committee activities were reviewed, in particular the procedure for evaluating current agreements, analysing the independence of Directors and any conflicts of interest.

The Directors expressed their opinion more specifically with regard to the quality and relevance of the information provided to them and on the agendas for the Board meeting, and gave their points of view on the Board's involvement in the definition of L'Oréal's strategy.

They formulated suggestions for improvements and submitted proposals on strategic issues that they would like to discuss in further detail in 2021.

The summary of these interviews, carried out by the Secretary of the Board, was submitted first to the Nominations and Governance Committee meeting on 2 December 2020, and, the next day, to the Board of Directors, followed by a debate between the Directors and decisions for 2021.

Firstly, with regard to the **Board's composition**, the Directors considered it completely satisfactory and balanced. The number of independent Directors is adequate. The current composition, in terms of profile, experience and gender, is sufficiently diverse. Generally, the expertise expected is definitely present, in particular the expertise of the General Management of major international companies, which generates a significant business sensitivity in the Board. This diversity of profiles and experiences produces very beneficial discussions and covers all areas related to the L'Oréal strategy, as defined by the Board (see section 2.2.1.2. "Diversity policy applied to the Board of Directors: experienced Directors who complement one another" of this document.

The **composition of the Committees** is considered appropriate, with suitable experts serving on each one.

Despite meetings being held remotely as from March 2020, the new Directors have settled in well, primarily thanks to the existing welcoming procedure which allows new members to rapidly become familiar with the Company's strategic issues (in particular, the transmittal of all necessary information documents, meetings with the Board Secretary, organisation of interviews with members of the Group's Executive Committee).

With regard to the **modus operandi of the Board**, it was noted that Directors are active, involved and dynamic. It operates as a collegial body. The Directors are very attentive and fully assume their role by questioning General Management and proving their ability to think critically. The balance of power is assured, given the composition of the Board (the presence of major shareholders, the number and background of independent Directors) and the freedom of speech available for all Directors. It is, in fact, easy to express oneself with a great freedom of speech that is encouraged by the Chairman within a very positive climate of trust. The Directors welcome the leadership style of the Chairman, who is always very open, clear and transparent. They appreciate his ability to listen and the care and depth with which he answers all questions.

The Chairman highlights the accomplishment of his management team, which appears regularly at Board meetings, giving Directors the opportunity to get to know L'Oréal's senior managers and appreciate their expertise in their areas of responsibility.

The work performed by the **Board's Committees** is thorough and meaningful. The files are well put-together; they enable the work of the Committees to be carried out successfully and result in sound recommendations. The reports provided by the Committee Chairs during Board meetings are appreciated. The Board makes its decisions with complete confidence on the basis of Committee recommendations.

The Strategy and Sustainability Committee works smoothly with good discussions. The Audit Committee is managed very well, with work that is unanimously praised. The balance between compliance and business needs is appreciated. The work of the Human Resources and Remuneration Committee is well prepared and anticipated with a good level of information. Regarding the Nominations and Governance Committee, the Directors stress that it completed an exceptional task this year on the succession process for the General Management. The quality of work was unanimously praised. The Committee anticipates Board composition issues well. The regular information in the "Top 100" of executives and the succession plan for members of the Executive Committee is a good practice.

The **pace and frequency of meetings** of the Board are deemed appropriate. The meetings are well organised. The Directors recommend a respect for schedules and, to achieve this, that the agenda should not be too heavy. The videoconference meetings organised due to the health crisis went smoothly, and allowed all issues to be approached and discussed in depth. The Board was able to make its decisions after being fully informed. However, when the health situation permits to do so, face-to-face meetings in person will have to be the norm again, with the possibility for Directors who, in exceptional cases, are unable to travel, to attend the meeting by means of videoconference.

The Directors are of the opinion that **the Board and its Committees** receive complete and transparent **information**, with a sufficient degree of detail. Making documentation available prior to Board or Committee meetings boosts the quality of the debates. In compliance with the requirements of confidentiality and time constraints with which the Company is faced, it is recommended that certain presentations are made available before the meetings.

The Directors appreciate receiving analysts' reports after the publication of the annual and half-yearly results and sales figures.

The monthly press briefing, "L'Oréal This Month" covering business activities in general and the main events in the life of the Group, is very useful. Information, including press releases, that is systematically sent between Board meetings enables Directors to be continually in line with L'Oréal's business activity.

The Nasdaq BoardVantage secure digital platform is not regularly used, even though the Directors who favour traditional "paper" files recognise that it allows easy access to information. It could, therefore, be used more.

The **agendas** for the Board meetings are appropriate and cover all issues.

The Directors appreciate the detailed presentation of sales, markets and competition, e-commerce and Travel Retail at each Board meeting which enables Directors to be immersed in the very operational business of the Company.

In 2020, thanks to a regular update of the agenda devoted to the consequences of the pandemic on the modus operandi and business of L'Oréal, the Directors believe that they were well informed about the measures taken to deal with the crisis.

At the request of the Directors, several presentations made by management were focused on the lasting transformations induced by the health crisis: Digital, with a focus on e-commerce; the beauty market and the acceleration of new consumer trends. These presentations were of very high quality, very well prepared, very complete and transparent. They enabled Board discussions with General Management reflections on the Group's strategic directions.

The Board appreciates that its agendas and those of the Committee meetings cover all of the Group's business activities – relating not only to business but also to Ethics, CSR and Human Resources, which give an extremely complete picture of L'Oréal's commitment to these issues that are deemed to be strategic.

For example, the Board deemed the presentation of the Chief Corporate Responsibility Officer at the Board meeting of 6 February 2020 to be very useful. This presentation allowed the Board to monitor the progress of the Sharing Beauty with All programme and to discuss the new *L'Oréal for the Future* programme that contains the Group's CSR commitments for the coming decade. The Board was also able to listen to the Executive Vice-President of Human Resources and learn more about the issues related to professional equality between women and men and the targets established for gender balance in management bodies. The Board appreciates that these issues are discussed in detail with a constant concern for promoting best practices.

Concerning acquisitions, the Directors are satisfied with the way in which projects are presented and discussed. They are in line with the Group's strategy and the General Management listens to the opinions of the Directors. The Directors believe it is important to regularly conduct an evaluation after acquisitions to measure their impact on the Group's growth.

The "strategic orientations" document is very well done and permits constructive dialogue with the central Economic and Social Committee.

The Directors generally believe that strategic issues are shared properly, at the right level, and without going into operational details. Decisions are taken after consideration of L'Oréal's environmental and social challenges.

In conclusion, the Board considered that its **role of reflecting on issues and driving the Group's strategic decision-making** was fulfilled satisfactorily. Strategic issues are shared properly, at the right level, and without going into operational detail.

With regard to **Governance** issues, the Directors consider that decisions relating to the **conditions for organisation of General Management**, the choices of the Chief Executive Officer and the Chairman of the Board of Directors are among the most important decisions to be made by a Board of Directors. During the self-assessment of the Board's modus operandi, they gave their opinion about the procedure set up in 2019 to define the future governance of L'Oréal and decided on the successor to Jean-Paul Agon in General Management. The Directors appreciated that the process was highly anticipated and that the Board received detailed, in-depth reports. They unanimously praised the quality of the work performed by the Nominations and Governance Committee. The separation of offices as from 1 May 2021 is the mode of governance most adapted to L'Oréal's situation as this was reviewed at the Board meeting of 14 October 2020. However, they do not take a principled stance; it is important to be pragmatic.

The Directors do not consider it necessary to appoint a **Lead Independent Director**. There would be little interest for L'Oréal in doing so, given the Board's current composition and modus operandi, as well as the freedom of speech enjoyed by the Directors. The Directors wish to maintain a direct relationship with the Chairman, without going through a Lead Director, who would intervene between the Chairman and the other Directors.

The Directors do not have any comment to make concerning the organisation of executive sessions. Since 2016, the Directors meet at least once a year without the presence of the executive corporate officer, the Directors representing the employees or any other Group employee. Two executive sessions were held in 2020.

The Directors consider that great attention should be paid to the handling of **conflicts of interest**, especially as the strategy is discussed openly at meetings of the Board. They find that these are well managed by the rules in force: non-participation in discussions and decisions, and an annual declaration of independence. They attach particular importance to the analysis of the independence of Directors, which is carried out in depth each year, and deem appropriate the procedure for regular evaluation of agreements concluded in the ordinary course of business under normal conditions, which was implemented for 2020.

Directors consider that the current procedure for organising **meetings with shareholders**, investors, and proxy advisors on issues of corporate governance (meetings steered by the department in charge of financial communication and shareholder relations) is satisfactory. They appreciate that their expectations are detailed in the minutes taken in the Committee and Board meetings by the Secretary of the Board, who is in attendance.

The Directors representing employees were appreciative of the **training** they were offered: on the one hand, the diploma course provided by Sciences Po and the Institut Français des Administrateurs (IFA); on the other hand, a training course designed to develop digital knowledge and expertise.

Concerning the Board's **self-evaluation procedure** in 2021, the Board believes that there is no reason to revise the current procedure, which was enhanced with the questionnaire prepared with the assistance of the Spencer Stuart firm. The interview guide will be re-examined again by the Nominations and Governance Committee, after having been reviewed, where applicable, by the same external firm consulted on the best operating practices for Boards of directors. The Nominations and Governance Committee will supervise the process in liaison with the Secretary of the Board. The summary of the interviews with the Directors has been discussed at a Board meeting as is the case every year.

For 2021, various decisions with regard to improvements were made. They concern, in particular, the adherence to timing in the meetings and the time required to provide management information and presentations. The Directors also stated their desire to go into further detail about certain strategic points.

The Directors made proposals for topics to be included on the Board's agenda in 2021 and the organisation of the 2021 strategy seminar. After discussion and review, a list of priority subjects was drawn up by the Board meeting of 6 December 2020.

2.3.5. Appendix: Complete text of the Internal Rules of the Board of Directors

These Rules are applicable to all present and future Directors, whether they are appointed by the General Meeting or by the employees, and are intended to complement the legal, regulatory and statutory rules and those under the Articles of Association in order to state accurately the modus operandi of the Board of Directors and its committees, in the interests of the Company and its shareholders.

L'Oréal's Board of Directors refers to the principles of corporate governance as presented by the AFEP-MEDEF Code. The Internal Rules specify the modus operandi of the Board, in the interests of the Company and of all its shareholders, and those of its Committees, whose members are Directors to whom it gives preparatory assignments for its work. The latest updates to the Internal Rules were made on 11 February 2021. The update was to specify, in the duties of the Nominations and Governance Committee, the procedure for reviewing and proposing candidates for new Directors to the Board of Directors. As was the case for previous versions, the Internal Rules are made public in full in this section.

PREAMBLE

The Board of Directors of L'Oréal ("the Company") is a collegial body which is mandated by all the shareholders. It has the authority given to it by law to act in all circumstances in the best interests of the Company.

By exercising its legal prerogatives, the Board of Directors ("the Board") fulfils the following main duties: it validates the Company's strategic orientations, appoints the corporate officers given responsibility for managing the Company within the scope of this strategy, chooses the method of organisation of General Management (combination or separation of the roles of Chairman and Chief Executive Officer), oversees management and ensures the quality of the financial and non-financial information provided to the shareholders and to the markets.

The organisation of the Board's work and its composition is adapted to the specificities of L'Oréal and is in line with an approach of constant progress. The Board's main responsibility is to adopt the method of organisation and the modus operandi which enable it to perform its duties to the best of its ability. Its organisation and modus operandi are described in these Internal Rules which it draws up, and which are published in full on L'Oréal's website and in the Universal Registration Document.

The Board's actions are carried out within the framework of the AFEP-MEDEF Code. The Corporate Governance Report provides more detail on the Board's composition and on the way in which the Board's work is prepared and organised, and explains, where applicable, the recommendations that have not been adopted in light of the Company's specificities.

These Rules apply to all the Directors, both current and future, whether they are appointed by the Annual General Meeting or the employees, and are intended to complement the legal, regulatory and statutory rules and those under the Articles of Association in order to state accurately the modus operandi of the Board of Directors and its committees.

1. Remit and authority of Board of Directors

1.1. General powers of the Board

The Board defines the business strategy of the Company and monitors its implementation, in accordance with its corporate interest, taking social and environmental challenges into consideration.

Subject to the powers expressly conferred to Annual General Meetings and within the limit of the Company's purpose, the Board deals with all matters regarding the smooth running of the Company and settles issues concerning the Company by virtue of its decisions. At any time in the year, the Board carries out the controls and verifications it deems appropriate.

The Board ensures, as appropriate, that a mechanism for the prevention and detection of corruption and influence-peddling is in place.

The Board also ensures that the executive corporate officers implement a policy of non-discrimination and diversity as regards the balance of women and men in management bodies.

The Corporate Governance Report relays the Board's activity.

The Board prepares for and convenes Annual General Meetings and sets the agenda. It puts the parent company and consolidated financial statements to the vote and presents to the meeting its Management Report to which the Corporate Governance Report is appended.

The Board sets the remuneration of directors and corporate officers. It reports on its policy and decisions in its Management Report and in the Corporate Governance Report. The Annual General Meeting is consulted every year on the components of remuneration due or allocated to each executive corporate officer for the past financial year. The Board is a collegial body which is legally unable to delegate its authority, except to the General Management in those cases expressly provided for by law. Within the scope of its work, it may decide to set up Committees which do not have decision-making powers but have the task of providing all useful information for the discussions and decisions which it is called upon to make. The Board decides on the composition of the Committees and the rules with regard to their modus operandi.

The Board may ask one or more of its members or third parties to carry out special assignments or projects aimed in particular at studying one of more specific topics.

1.2. Relations between General Management and the Board

1.2.1. Forms of General Management

General Management of the Company is carried out, under the responsibility of either the Chairman of the Board of Directors (the Chairman and Chief Executive Officer) or by another individual with the position of Chief Executive Officer. Leaving the possibility to choose between the separation or combination of roles, French law does not give preference to any form and gives the Board authority to choose between the two methods of organisation of the General Management in light of the specificities of the Company.

Whether the General Management is carried out by a Chairman and Chief Executive Officer or a Chief Executive Officer, the Board has the same prerogatives. It may in particular take all specific measures aimed at ensuring the continued balance of powers.

1.2.2. Powers of General Management

The General Management, which may be carried out by the Chairman of the Board of Directors or by a Chief Executive Officer, is vested with the broadest powers to act in all circumstances in the name of the Company. It must exercise these powers within the limit of the Company's purpose subject to the powers expressly granted by French law to General Shareholders' Meetings and the Board of Directors.

The Board has the possibility to provide for limitations on the powers of the General Management. Thus, transactions which may materially impact the scope of consolidation of the Company, in particular, transactions involving an amount in excess of €250,000,000 and all new transactions which are outside the normal course of business for an amount in excess of €50,000,000, must be submitted to the Board. In any event, the Board of Directors must be informed of the conclusion and implementation of all transactions.

The General Management represents the Company in its dealings with third parties.

Upon a proposal by the Chief Executive Officer, the Board may appoint one or more individuals responsible for assisting the Chief Executive Officer, who will hold the corporate office of Deputy Chief Executive Officer(s).

1.2.3. Duties of General Management

Whatever the form of organisation chosen (Chairman and Chief Executive Officer or Chief Executive Officer), the General Management is required to provide each Director with all the documents and information required to carry out their duties.

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

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

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

2. Composition of the Board

2.1. Directors

The Directors of the Company:

- provide their expertise and professional experience;
- are required to act with due care and attention and participate actively in the work and discussions of the Board;
- have complete freedom of judgement.

This freedom of judgement enables them in particular to participate, in total independence, in the decisions and work of the Board, and, where appropriate, of its Committees.

2.1.1. Independence

The Board reviews the independence of each of its members every year, after obtaining the opinion of the Nominations and Governance Committee, in particular in light of the independence criteria in the AFEP-MEDEF Code and taking account of the specific needs of L'Oréal. The findings of this evaluation are reported to the shareholders and made available to the general public.

2.1.2. Diversity

The Board considers the issue of the desirable balance of its composition and that of its Committees, notably in the representation of men and women, nationalities and diversity of skills. The objectives, terms and conditions, and results of its policy in this area are made public in the Corporate Governance Report and included in the Registration Document.

2.1.3. Terms of office

The length of the term of office of Directors is four years. However, the staggering of the terms of office is organised in order to avoid renewing too many Directors at once and favour renewing Directors harmoniously.

In principle, it is agreed by the Board members that all Directors will tender their resignation to the Board prior to the Annual General Meeting following their 73rd birthday and that they will no longer apply for renewal of their term of office if this rule does not enable them to perform their office for at least two years.

In any event, in accordance with French law and the Articles of Association, the total number of Directors who are over 70 years of age may not exceed one third of the Directors in office.

2.2. Chairman of the Board

The Board of Directors must elect a Chairman from among its members.

The Chairman of the Board organises and oversees the Board's work and reports thereon to the Annual General Meeting.

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

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, inter alia, links between the Company and the main market players.

The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for the communication of any document or information that is likely to assist the Board of Directors in preparing for its meetings.

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

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

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

3. Rights and obligations of the Directors

3.1. Knowledge of and compliance with regulatory texts, recommendations and obligations

Each of the members of the Board declares that they have read the following documents:

- the Company's Articles of Association;
- the legal and regulatory texts that govern French "sociétés anonymes" (public limited companies) within the framework of the functioning of a Board of Directors and, in particular, the rules relating to:
  - the number of offices that may be held simultaneously,
  - the agreements and transactions concluded between the Director and the Company,
  - the definition of the powers of the Board of Directors,
  - the holding and use of inside information, which are discussed in section 4.6. ;
- the recommendations defined in the AFEP-MEDEF Code;
- L'Oréal's Code of Ethics;
- L'Oréal's Stock Market Code of Ethics;
- and the provisions of these Rules.

3.2. Respect for the interests of the Company

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

The Directors are obliged to notify the Board of any situation that may constitute a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberations.

The Directors must inform the Board every year of the offices and positions they hold in other companies and of any conflicts of interest, even if they are only potential, that they have identified (see Annual Report on independence under Article 4.4).

The Board furthermore discusses every year the assessment of whether or not the business relationships maintained between the companies in which the Directors hold their offices and the Company are significant. It reports on its evaluation in the Registration Document.

3.3. Obligations of due diligence and provision of information

The Director must devote the necessary time and attention to his/her duties.

He/she must limit the number of offices held so as to ensure his/her availability.

A Director must not hold more than four other terms of office in listed companies outside the Group, including foreign companies. The Director concerned is given enough time to bring his/her situation into compliance with this rule, where required.

The Director must keep the Board informed of the terms of office held in other companies, including his/her participation on the Board Committees of such French or foreign companies.

A corporate officer must not hold more than two offices as Director in listed companies outside the Group, including foreign companies. The Director must ask for the Board's opinion before accepting a new corporate office in a listed company.

Each Board member undertakes to be diligent:

- by attending all Board meetings, where necessary by means of videoconference or telecommunication facilities, except in the case of a major impediment;
- by attending, whenever possible, all General Shareholders' Meetings;
- by attending the meetings of the Board Committees of which he/she is a member.

The Corporate Governance Report gives shareholders all useful information on the Directors' individual participation in these sessions and meetings.

In connection with decisions to be made, the Director must ensure that he/she has all the information he/she considers essential for the smooth conduct of the work of the Board or the Committees. If this information is not made available to him/her, or he/she considers that it has not been made available, he/she must request such information from the Chairman of the Board who is required to ensure that the Directors are in a position to perform their duties.

3.4. Training for Directors

All the Directors, and in particular those representing the employees, may benefit, on their appointment or throughout their directorship, from the appropriate training programmes for the performance of the office.

These training programmes are organised and proposed by the Company and are provided at its expense.

3.5. Obligation of reserve and confidentiality

The Directors undertake not to express themselves individually other than in the internal deliberations of the Board on questions raised at Board meetings.

Outside the Company, only collegial expression is possible, particularly in the form of releases intended to provide the markets with information.

With regard to information not in the public domain to which the Director has access as a result of his duties, the Director must consider him/herself to be bound by strict professional confidentiality, which is more demanding than the mere legal obligation of discretion. This obligation applies to all persons called on to attend Board meetings, and covers all information of a confidential nature and all information presented as confidential by the Chairman of the Board.

Beyond this legal obligation and to ensure the quality of the discussions of the Board of Directors, all the information given to Board members and the opinions they express must be kept strictly confidential.

This obligation applies to any person invited to attend a Board meeting.

3.6. Stock market ethics

3.6.1. Principles

The Company has put in place a "Stock Market Code of Ethics" that is regularly updated, in particular to take into account changes in the regulations in force. This Code was updated following the applicability, as from 3 July 2016, of European Regulation (EU) No. 596/2014 on market abuse ("Market Abuse Regulation"). The Board members comply with the Principles of Stock Market Ethics "related to inside information" provided for by this code.

Inside information must only be used by the Director in the exercise of his office. Such information must in no case be communicated to a third party other than in the exercise of the Director's duties, and for any other purpose or any other activity than those for which it is held.

It is the duty of all Directors to refrain from trading in, having others trade in, or enabling others (including through recommendations or encouragements) to trade in the securities of the Company on the basis of this information, until such time as the information has been made public.

It is the personal responsibility of each Director to determine whether the information he/she holds is inside information or not, and accordingly whether he/she may or may not use or transmit any of the information, and whether he/she may or may not trade or have others trade in the Company's securities.

3.6.2. Abstention periods

During the period preceding the publication of any inside information to which Directors have access, in their capacity of insiders, the members of the Board must by law refrain from all trading in the Company's securities.

Furthermore, in accordance with the Market Abuse Regulation and the recommendations of the French Financial Markets Authority (AMF), they are prohibited from trading in the Company's shares over the following periods:

- a minimum of 30 calendar days before the date of publication of the press release on the annual and half-year results;
- a minimum of 15 calendar days before the date of publication of the press release on quarterly financial information.

The Directors are only authorised to trade in L'Oréal shares on the day after publishing the press release.

3.6.3. Insider trading

The Director has been informed of the provisions in force relating to the holding of inside information, insider trading and the unlawful disclosure of inside information: Articles 465-1 et seq., L. 621-14 and L. 621-15, III c of the French Monetary and Financial Code and Articles 7 et seq. of the Market Abuse Regulation.

3.6.4. Obligation to declare trading in the securities of the Company

In accordance with the applicable regulations, the Directors and closely associated persons, as defined by Article 3.1.26 of the Market Abuse Regulation, must inform the AMF[1] of all acquisitions, sales, subscriptions or trades of the Company's shares and transactions involving related instruments where the cumulative amount of such transactions is higher than €20,000 for the current calendar year.

The Directors and closely associated persons must submit their declarations to the AMF by e-mail within three trading days following completion of the transaction.

These individuals must simultaneously provide a copy of this declaration to the Secretary of the Company's Board of Directors.

The declarations are then posted on the AMF's website and are mentioned in an annual summary set out in the Company's Management Report.

3.6.5. Appointment of an Internal Stock Market Ethics Advisor

L'Oréal has appointed an "Internal Stock Market Ethics Advisor",

who is responsible for assisting, in confidence, any person who so requests, with the analysis and assessment of their situation, without prejudice to the principle of personal accountability.

3.7. Holding of a minimum number of shares

In accordance with the AFEP-MEDEF Code and independently of any obligation to hold shares under the Articles of Association, the Directors must personally be shareholders of the Company and hold a significant number of shares.

Each Director shall own at least 500 shares in the Company: at least 250 shares on the date of his/her election by the Annual General Meeting, and the balance no later than 24 months after this election.

The decision as to whether the shares held by the Director should be registered or deposited, in full or in part, is the responsibility of the Director.

This stock ownership obligation is not applicable to the Directors representing the employees.

4. Modus operandi of the Board of Directors

4.1. Convening the Board

The Board is convened by any appropriate means. Notices convening a meeting may be transmitted by the Secretary of the Board of Directors. They are sent in writing at least eight days prior to each meeting, except in particular circumstances. The notices specify the venue of the meeting, which may be the headquarters or any other venue.

All the documents that are necessary to inform the Directors about the agenda and about any questions submitted to the Board for review are enclosed with the notice convening the meeting or are sent or provided to them within a reasonable period of time, prior to the meeting.

These documents may be provided to them on a secure digital platform, within a reasonable period of time prior to the meeting. They may in exceptional cases be provided at the meeting.

4.2. Board meetings and method of participation

The Board meets as often as required in the best interest of the Company, and at least five times per year.

The dates of the Board meetings for the following year are set no later than the beginning of the summer, except in the case of Extraordinary Meetings.

The frequency and length of Board meetings must be such that they allow for an in-depth review and discussion of the matters that fall within the scope of the remits of the Committees.

The Directors meet once a year without the presence of the executive corporate officer, the Directors representing the employees or any other Group employee.

In accordance with the legal and regulatory provisions and with Article 9 paragraph 2 of the Articles of Association, Directors who take part in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of calculating the quorum and the majority.

These means must guarantee simultaneous, continuous retransmission of the debates.

However, these means of participation are excluded when the Board so decides and in any event when it decides with regard to closing of the Company's parent company and consolidated financial statements and on the preparation of the Management Report.

A Director who participates by means of videoconference or teletransmission must ensure that the confidentiality of the debates is preserved.

The attendance register mentions the Board members who attend Board meetings by means of videoconference or telecommunication facilities, with the Secretary of the meeting having the task of initialling the register for them.

4.3. Minutes of Board meetings

Minutes are prepared for each Board meeting.

The minutes of the meeting mention the use of videoconference or telecommunication facilities and the name of each person who participated in the Board by such means. The minutes also indicate whether any technical incidents occurred during a meeting held by means of videoconference or telecommunication facilities, and if such incidents disrupted the course of the meeting.

The minutes of the deliberations include a summary of the debates and specify the decisions that were made. They mention the questions raised or the reservations expressed by participants.

The draft minutes of the last Board meeting are sent or given to all the Directors at the latest on the date when the next meeting is convened.

(1) On the AMF's secure website, ONDE, after verification of identity by email to the following address: ONDE_Administrateur_Deposant@amf-france.org.

The Secretary of the Board is empowered to issue and certify copies or extracts of the minutes of Board meetings.

4.4. Secretary of the Board

The Secretary is appointed by the Board. He/she assists the Chairman in organising the Board's work and in particular with regard to the definition of the annual work programme and the dates of Board meetings.

With the support of the General Management, he/she ensures the quality and production, sufficiently in advance, of the documents and drafts put to the vote of the Board at its meetings.

He/she prepares the draft minutes of Board meetings, which are submitted for the Board's approval.

He/she is responsible for the secure IT platform made available to the Directors.

He/she monitors on an ongoing basis changes in the regulations and reflections in the marketplace with regard to the corporate governance of listed companies.

The Secretary organises, together with the Chairman, the annual evaluation of the Board's work and receives the annual reports on independence by each Director (see Article 3.2).

Every Director may consult the Board Secretary at any time with regard to the scope of the rights and obligations linked to his/her office.

4.5. Annual evaluation of the modus operandi of the Board

Every year, the Board carries out an evaluation of its ability to respond to the expectations of shareholders by reviewing its composition, its organisation and its modus operandi.

At its last meeting for the year and on the basis of a summary of the interviews that are previously organised and conducted with each Director, on the basis of a guide which includes the recommendations adopted by the AFEP-MEDEF Code, the Board discusses points of view and opinions expressed. It draws the conclusions from this with the aim of improving the conditions for the preparation and organisation of its work and that of its Committees.

The results of the evaluation, with the avenues of progress that remain open, are passed on to the shareholders in the Annual Report and at the time of the Annual General Meeting.

5. Board Committees

When the Board sets up Committees, it appoints the members of these Committees and determines their duties and responsibilities.

These Committees act within the remit granted to them by the Board and therefore have no decision-making power. The Committees may not at any time take over the powers of the General Management as set out in chapter 1.2.2. of these Rules.

The Committee members are Directors. They are appointed by the Board in person and may not be represented. All Board members have the necessary qualifications due to their professional experience. They actively take part in Committee meetings with complete freedom of judgement and in the interest of the Company.

The task of secretary of each Committee is carried out by a person appointed in agreement with the Chairman/Chairwoman of the Committee. It may also be performed by the Secretary of the Board.

Each Committee defines the frequency of its meetings. These meetings are held at the Company's headquarters or at any other place decided by the Chairman/Chairwoman of the Committee.

The Chairman/Chairwoman of each Committee prepares the agenda for each meeting.

The Committees may make contact, in the performance of their duties, with the Company's main senior managers, in agreement with the Chairman/Chairwoman of the Board and after informing the General Management and will report on such contacts to the Board.

The Board may entrust a Committee Chair, or one or more of its members, with a special assignment or project to carry out specific research or study future possibilities. The designated individual will report on this work to the Committee concerned such that the Committee may deliberate on this work and in turn report thereon to the Board.

For each Committee meeting, its members may decide to invite any other person of their choice to attend as needs be and on an advisory basis, when they consider it appropriate.

In its field of competence, each Committee makes proposals and recommendations and expresses opinions as the case may be. For this purpose, it may carry out or have carried out any studies that may assist the Board's deliberations. When they use the services of external consultants, the Committees must ensure that their service is objective.

5.1. Strategy and Sustainability Committee

5.1.1. Remits

The remit of the Strategy and Sustainability Committee is to throw light, through its analyses and debates, on the Group's strategic orientations as submitted to the Board of Directors and to monitor the implementation and advancement of significant operations in progress.

The Committee examines:

- the main strategic lines of development, options and projects presented by the General Management, and their economic, financial, societal and environmental consequences;
- opportunities for acquisitions or investments that involve significant amounts or represent a departure from the Group's usual business operations, and the conditions relating to their implementation;
- financial transactions that could significantly change the balance sheet structure;
- the Company's commitments with regard to Sustainable Development, in light of the issues specific to the Group's business activities and its objectives, and the means and resources put in place;
- the proposed strategic orientations to be defined by the Board with a view to consultation of the Central Works Council.

More generally, the Committee debates all questions considered essential for the future strategy of the Group and for preserving its main financial balances.

5.1.2. Work organisation

It meets when convened by the Chairman/Chairwoman of the Committee whenever he/she or the Board considers this appropriate.

The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in conjunction with the Board of Directors if the Board initiates the meeting.

The Strategy and Sustainability Committee reports on its work to the Board whenever necessary at least once a year.

5.2. Audit Committee

5.2.1. Remits

The Audit Committee, acting under the responsibility of the members of the Board, is responsible for monitoring issues relating to the preparation and control of accounting and financial and non-financial information, the Internal Control and risk management systems, and questions relating to the Statutory Auditors.

The Audit Committee must ensure that the General Management has the means to enable it to identify and manage the economic, financial, non-financial, and legal risks facing the Group inside and outside France in carrying out its normal or exceptional operations.

Without prejudice to the areas of authority of the Board of Directors, this Committee is responsible in particular for:

- carrying out the process for preparation of financial and non-financial information and, where applicable, making recommendations to guarantee the integrity thereof.

  The Committee is informed of the accounting rules applicable within the Group. Any issues that may be encountered in the due and proper application of such rules are referred to it. It examines any proposal for a change in accounting principles or in accounting methods and stays informed, in particular with regard to accounting principles at the national and international level.

  The Audit Committee's review of the financial statements is accompanied by a presentation by the Chief Financial Officer describing the Company's significant off-balance sheet commitments;
- monitoring the efficiency of the Internal Control and risk management systems, as well as Internal Audit, in order to obtain reasonable assurance with regard to their effectiveness and their coherent application.

  It is also responsible for monitoring the Group's main risk exposures and sensitivities. The Committee reviews, in particular, the programme and objectives of the Internal Audit Department and reviews the main topics that it identifies as well as the Internal Control systems methods and procedures used.

  It conducts an annual review of the section of the Management Report on risk factors and Internal Control and risk management procedures.

  The Audit Committee's review of the financial statements is accompanied by a presentation by the Chief Financial Officer describing the Company's exposure to significant risks;
- monitoring the performance of the statutory audit in respect of the annual and, where applicable, the consolidated financial statements by the Statutory Auditors.

  It reviews the audit plan and the Statutory Auditors' work programme, the findings of their audits, their recommendations and the follow-up action taken further to such recommendations.

  It reviews the breakdown of fees billed by the Statutory Auditors between audit services as such, audit-related work and any other services provided by them.

  It takes into account the findings and conclusions of the Haut Conseil du Commissariat aux Comptes (the Superior Council of Statutory Auditors) following the audits carried out pursuant to Articles L. 821-9 *et seq.* of the French Commercial Code;
- ensuring that the Statutory Auditors comply with their independence requirements.

  It makes a recommendation with regard to the Statutory Auditors proposed for appointment by the Annual General Meeting, and makes further recommendations for the renewal of such appointments, in accordance with Article L. 823-3-1 of the French Commercial Code;
- approving the provision of the non-audit services provided by the Statutory Auditors, referred to in Article L. 822-11-2 of the French Commercial Code, in accordance with the "Code of Conduct for the provision of services that may be entrusted to the Statutory Auditors of the L'Oréal Group and to their networks" approved by the Audit Committee at its meeting on 6 December 2016 and approved by the Board of Directors at its meeting on 9 February 2017.

  It makes a decision on this issue after analysing the risks with impacting the independence of the Statutory Auditors and the protective measures they apply. The Committee can thus approve each service other than certification of the financial statements on a case-by-case basis or approve a set of services;
- reporting regularly to the Board on the performance of its remit. It also reports on the repercussions of the audit engagement, the way in which this engagement contributed to the integrity of financial information and the role that it played in this process. The Committee informs the Board of Directors without delay of any difficulty encountered.

This monitoring enables the Committee to issue recommendations, where necessary, concerning the improvement of existing processes and the possible setting up of new procedures.

The Audit Committee can be consulted for all questions relating to procedures for controlling risks of an unusual nature, particularly when the Board or the General Management considers it appropriate to submit such questions to it.

5.2.2. Composition

All the Directors who are members of this Committee have the necessary qualifications due to their professional experience and their good knowledge of the Group's accounting and financial procedures.

As soon as they are appointed, the members of the Audit Committee must receive specific information on the Company's accounting, financial or operational particularities.

The appointment or renewal of the Chairman/Chairwoman of the Audit Committee, proposed by the Nominations and Governance Committee, must be subject to a specific review by the Board.

The Chairman/Chairwoman and Chief Executive Officer or the Chief Executive Officer is not a member of the Audit Committee.

5.2.3. Work organisation

The Chairman/Chairwoman of the Audit Committee issues guidelines for the Committee's work each year, based on his/her judgement concerning the importance of the specific types of risk faced, in agreement with the General Management and the Board.

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate.

The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting. The agenda is sent to the Committee members before the meeting, together with the information which is useful for their debates.

To carry out its remit successfully, the Audit Committee may also, in agreement with General Management, obtain information from people who are able to assist it in the performance of its tasks, and in particular senior managers in charge of economic and financial issues and those in charge of information processing.

5.2.3.1. Relations with Statutory Auditors

The Committee regularly interviews the Statutory Auditors, including outside the presence of management.

The Statutory Auditors inform the Audit Committee of:

- the general work programme implemented as well as the various sampling tests they have carried out;
- the changes which they consider should be made to the financial statements to be approved or other accounting documents, making any appropriate observations on the valuation methods used to prepare them;
- the irregularities and inaccuracies they may have discovered;
- the conclusions resulting from the above observations and rectifications with regard to the results for the period compared to those for the previous period.

The Statutory Auditors also assess, with the Audit Committee, the risks with regard to their independence and the protective measures taken to mitigate these risks. For this purpose, the Committee obtains a statement of independence from the Statutory Auditors.

They inform the Committee of significant Internal Control weaknesses, with regard to the procedures for preparation and processing of accounting and financial information, and provide it with the documents required by law every year.

5.2.3.2. Activity Report

The Audit Committee regularly reports to the Board on the performance of its remits and takes note of the Board's observations.

The Committee informs the Board without delay of any difficulty encountered.

In its report, the Audit Committee makes the recommendations it considers appropriate with regard to:

- the suitability of the various procedures and of the system as a whole in terms of achieving the objective of managing information and risk;
- the effective application of the procedures in place, and where appropriate, the means implemented to achieve this aim.

It also formulates in its report all recommendations and proposals aimed at improving the effectiveness of the various procedures or at adapting them to a new situation.

If during its work, the Committee detects a substantial risk which in its view is not adequately handled, it notifies the Chairman of the Board accordingly.

5.3. Nominations and Governance Committee

5.3.1. Remits

The main tasks of the Nominations and Governance Committee, within the context of the work of the Board, are to:

- review and propose to the Board candidates for appointment as new Directors. For this purpose, the Committee prepares a list, which is continually updated, of persons who could be appointed as Directors under the diversity policy applied to the Board of Directors and detailed in the Management Report. The Nominations and Governance Committee may commission one or more international firms that specialise in scouting for independent Directors and may collect possible suggestions from the Directors. The Committee evaluates the knowledge and expertise of the candidates in terms of the needs identified in line with the diversity policy. The Nominations and Governance Committee makes its recommendations to the Board in the context of the selection of future new Directors;
- provide the Board with clarifications on the conditions of performance of General Management and the status of the corporate officers;
- issue an opinion on proposals made by the Chairman of the Board for the appointment of the Chief Executive Officer;
- ensure the implementation of a procedure for the preparation of succession plans for the corporate officers in the event of an unforeseen vacancy;
- ensure that the AFEP-MEDEF Code to which the Company refers is applied;
- discuss governance issues related to the functioning and organisation of the Board;
- decide on the conditions in which the regular evaluation of the Board is carried out;
- discuss the classification of Directors as independent, which is reviewed by the Board every year prior to publication of the Annual Report;
- conduct a review of the Committees that are in charge of preparing the Board's work;
- review the implementation of the procedure for regular evaluation of current agreements concluded under normal terms;
- prepare the decisions by the Board with regard to updating its Internal Rules.

5.3.2. Work organisation

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate.

The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman/Chairman of the Board is associated with its work, except with regard to all the topics concerning him or her personally.

The Committee must regularly report on its work to the Board and makes proposals to the Board.

5.4. Human Resources and Remuneration Committee

5.4.1. Remits

The Board freely determines the remuneration of the Chairman/Chairwoman, the Chief Executive Officer and the Deputy Chief Executive Officers.

Within this framework, the main tasks of the Human Resources and Remuneration Committee are to make proposals with regard to the following in particular:

- the fixed and variable remuneration of the Chairman/Chairwoman of the Board and any other benefits he or she receives;
- the fixed and variable remuneration of the Chief Executive Officer and any other benefits he or she receives (pension, severance indemnities, etc.);
- the amount of the remuneration package for Directors to be submitted to the Annual General Meeting and the method of distribution;
- the implementation of long-term incentive plans such as, for example, those that could provide for the distribution of stock options or for free grants of shares.

The Committee considers questions relating to the remuneration of corporate officers outside their presence.

The Committee also examines:

- all of the other components of the Human Resources policy including employee relations, recruitment, diversity, talent management and fostering employee loyalty. As part of this review, the Committee is informed, in particular, of the remuneration policy for the main senior managers who are not holding a corporate office;
- the rules of ethical conduct, as set out in the Code of Business Ethics, and the Group's strong values, such as respect and integrity, which must be widely disseminated, known and put into practice.

5.4.2. Work organisation

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate. The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman/Chairman of the Board is associated with its work, except with regard to all the topics concerning him or her personally. The Committee is required to report regularly on its work to the Board and make proposals to the Board.

6. Remuneration of Directors

Directors receive a remuneration in this capacity, the amount of which is approved by the Ordinary General Meeting, and which is allocated as decided by the Board.

The method of allocation of this remuneration comprises a predominant variable portion determined on the basis of the regularity of attendance at Board and Committee meetings.

The Board of Directors may award exceptional remuneration for specific assignments or offices entrusted to the Directors and subject to related-party agreements.

The Directors have the possibility of asking for reimbursement of the expenses necessary for the performance of their corporate office upon presentation of supporting documents.

2.4. REMUNERATION OF DIRECTORS AND CORPORATE OFFICERS

2.4.1. Remuneration policy for directors and corporate officers

Pursuant to Article L. 22-10-8 (formerly Article L. 225-37-2) of the French Commercial Code, the Annual General Meeting of 20 April 2021 is called to approve the remuneration policy for directors and corporate officers as established by the Board of Directors (Resolutions 11 to 14), i.e. the remuneration of:

- L'Oréal Directors;
- the Chairman and Chief Executive Officer (Mr Jean-Paul Agon for the period from 1 January 2021 to 30 April 2021);
- the Chief Executive Officer (Mr Nicolas Hieronimus as from 1 May 2021); and
- the Chairman of the Board of Directors (Mr Jean-Paul Agon as from 1 May 2021).

This policy describes all the components of directors and corporate officers' remuneration, and explains the decision-making process followed to determine, review and implement this policy.

As a reminder, the Annual General Meeting held on June 30 2020 approved the remuneration policy at 97.45%. The substantial changes made to the remuneration policy submitted for approval to the Annual General Meeting to be held on 20 April 2021 concern the policy applicable to the Chairman of the Board of Directors who does not assume the role of Chief Executive Officer and, with regard to the variable compensation of the executive corporate officer, the possibility to remunerate outperformance as from 1 May 2021.

2.4.1.1. Remuneration policy for Directors

Directors receive a remuneration (formerly known as attendance fees), the maximum amount of which is approved by vote at the Ordinary General Meeting, and which is allocated by the Board in accordance with the remuneration policy.

As part of the €1,600,000 budget voted by the Annual General Meeting of 17 April 2018, the Board of Directors has proposed that the procedures for distributing the sums allocated for the remuneration of Directors applied for 2020 are renewed for 2021.

It should be noted that the amount of this remuneration divided among the Directors includes a predominant variable portion depending on attendance at meetings, in accordance with the provisions of the AFEP-MEDEF Code, which was set by the Board at 60%, and a fixed portion of 40%.

The remuneration allocated to Committee Chairs is double and this also consists of a variable portion of 60% and a fixed portion of 40%.

Attendance at Board meetings for Directors located outside Europe is remunerated at €10,000 per meeting, except for participation by videoconference; in this case, the Board meeting is remunerated at €6,500.

The following table summarises the rules applicable for a full year:

Board of Directors	Fixed annual sum	Amount per Board meeting	**Total for the Board of Directors***
	€30,000	€6,500 €10,000 (Directors located outside Europe – presence at a meeting)	€69,000 €90,000
Board Committees	Fixed annual amount (40%)	Variable annual amount (60%)**	**Total amount per Committee*** **
Audit	€10,000	€15,000	€25,000
Strategy and Sustainability	€6,000	€9,000	€15,000
Nominations and Governance	€4,600	€6,900	€11,500
Human Resources and Remuneration	€4,600	€6,900	€11,500

* *Based on six meetings per year.*
** *Allocated on the basis of attendance at Committee meetings.*
*** *Based on a 100% attendance rate.*

2.4.1.2. Remuneration policy for corporate officers

The Board refers, in particular, to the recommendations of the AFEP-MEDEF Code for the determination of the remuneration and benefits granted to corporate officers.

According to this Code, corporate officers ("*dirigeants mandataires sociaux*") of a French "*société anonyme à conseil d'administration*" (public limited company with a Board of Directors) are: the Chairman and Chief Executive Officer (*Président-Directeur Général*), the CEO, and *Directeurs Généraux Délégués* (executive corporate officers), and the Chairman/Chairwoman of the Board without assuming the office of Chief Executive Officer (non-executive corporate officers).

On 14 October 2020, L'Oréal's Board of Directors announced its intention to dissociate the functions of Chairman of the Board and Chief Executive Officer as from 1 May 2021.

The Board announced its intention to renew Mr Jean-Paul Agon's mandate as Chairman, a position he has held since 2011, and to appoint Mr Nicolas Hieronimus as Chief Executive Officer.

As of this date, the remuneration policies are applied to:

- Mr Jean-Paul Agon in his position as Chairman and Chief Executive Officer until 30 April 2021, then Chairman of the Board as from 1 May 2021; and
- Mr Nicolas Hieronimus, in his position as Chief Executive Officer as from 1 May 2021.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board ensures that the remuneration policy complies with the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality, and takes into account market practices.

2.4.1.2.1. Remuneration policy applicable to executive corporate officers

A/ Fundamental principles for determination of the remuneration of executive corporate officers

Specific requirements for appointments as executive corporate officers for employees who have completely succeeded in the various stages of their careers in the Group

L'Oréal's constant practice has been to appoint senior managers who have completely succeeded in the various stages of their careers in the Group as executive corporate officers.

The remuneration policy applicable to executive corporate officers is the logical result of this choice.

It must make it possible to attract the most talented employees of L'Oréal to the very top positions in General Management, without them being deprived for all that, after a long career in the Group, of the benefits to which they would have continued to be entitled had they remained employees.

To achieve this objective, the Board of Directors decided to maintain the employment contract of executive corporate officers with at least 15 years' of service at the time of their appointment in the Group and ensured that the benefits under the suspended employment contract are not combined with those in respect of the corporate office.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF and intended to avoid the combination of benefits drawn from both an employment contract and a corporate office, could be fully achieved by maintaining the suspended employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

This is why the Board of Directors has decided to make a clear distinction between:

- firstly, the remuneration components related to the corporate office: fixed and variable remuneration, grant of performance shares; and
- secondly, the other benefits that may be due pursuant to the suspended employment contract: termination indemnities, retirement indemnities in the event of voluntary retirement or retirement at the Company's request, financial consideration for the non-compete clause and the defined benefit pension scheme.

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract described above.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the aforementioned pension scheme, will be based on the amount of remuneration at the date of suspension of the employment contract. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse nationale d'assurance vieillesse). The seniority applied will cover the entire career, including the years spent as an executive corporate officer.

Information on the benefits that could be owed under the suspended employment contract are discussed in section 2.4.3. "Termination indemnities and supplementary pension scheme applicable to corporate officers" of this chapter.

Executive corporate officers are also treated in the same way as senior managers during the term of their corporate office which allows them to continue to benefit from the additional social protection schemes and, in particular, from the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

Remuneration that is consistent with that of the Company's senior managers

The remuneration policy for executive corporate officers is in line, where applicable, with the policy which was applied to them as senior managers.

Their level of remuneration as an executive corporate officer is set on the basis of the level of responsibilities they exercised in the company at the time of their appointment.

The remuneration policy is based on the same foundations and instruments as those applied to the Company's senior managers. The remuneration principles are therefore stable and durable.

The Board of Directors is informed every year of the Group's Human Resources policy. It is in a position to verify the consistency between the remuneration of executive corporate officers and the procedures in place, particularly for the members of the Group's Executive Committee, on the basis of the work by the Human Resources and Remuneration Committee and the Nominations and Governance Committee.

Competitive remuneration in comparison to a coherent and stable reference panel

The remuneration of executive corporate officers must be competitive in order to attract, motivate and retain the best talents in the Company's top positions.

This remuneration is assessed overall, namely by taking into account all the components that make it up.

To assess the competitiveness of this remuneration, a coherent and stable reference panel is defined with the assistance of an external consulting firm.

The panel consists of French and international companies that have leading global positions. These companies operate on similar markets and are, in the cosmetics sector, direct competitors of L'Oréal, or operate on the wider everyday consumer goods market, as regards all or part of their business activities.

This panel is composed of the remuneration of executives in the following companies:

Coty	Kimberly Clark	Reckitt Benckiser	Beiersdorf	Danone
GSK	Henkel	LVMH	Unilever	Colgate Palmolive
Estée Lauder	Johnson & Johnson	Procter & Gamble	Kering	

This panel is re-examined every year by the Human Resources and Remuneration Committee in order to check its relevance. It may evolve, particularly to take into account the changes in the structure or business activities of selected companies, on the basis of the proposals made by the external firm.

Remuneration that is aligned to the Company's interests and directly linked to the Company's strategy

The Board of Directors has aligned the remuneration policy for an executive corporate officer in the interests of the Company, in order to ensure the long-term sustainability and development of the Company, taking into consideration the social and environmental challenges of its business activity and the sense of purpose *(raison d'être)* of L'Oréal.

a) Close links with strategy

The remuneration policy applied to the executive corporate officer is directly linked to the Group's strategy.

It supports its development model. It promotes harmonious, regular, durable growth, both over the short and long term.

The Board of Directors' constant desire is indeed to incite the General Management both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year.

b) Performance targets that are directly correlated with those of the Company and create value

The Board of Directors chooses to correlate the executive corporate officer's performance directly with the Company's performance by using the same performance indicators, financial indicators in particular.

The choice of correlating the performance criteria for the executive corporate officer's remuneration with the Company's performance indicators, particularly those of a financial nature, is the guarantee of a clear and relevant remuneration policy.

These criteria make it possible to assess L'Oréal's intrinsic performance, namely its progress year-on-year via internal performance indicators and also its relative performance as compared to its market and its competitors via external growth indicators.

The objectives adopted generate long-term value creation. In particular, the choice of varied operational financial criteria aims at encouraging durable, balanced growth. Overall long-term performance results from the convergence of these criteria.

These objectives must also be an incentive for the executive corporate officer to adapt the Group's strategy to the profound transformations in the world of beauty, and the digital revolution in particular.

c) Preponderant portion of the remuneration subject to performance conditions

The executive corporate officer's remuneration must include a predominant portion subject to performance conditions, with annual and multi-annual assessment periods adapted to the time horizon of each of these objectives.

Remuneration that is directly in line with the Group's ambitious social, societal and environmental commitments

The remuneration must be designed to favour a regular and sustainable development, in line with the Group's commitments with regard to ethics, and respectful of the environment in which L'Oréal operates.

In 2020 L'Oréal announced its Corporate Social Responsibility vision by 2030 in the context of the *L'Oréal for the Future* programme, which has a set of objectives for climate, biodiversity, water and the use of natural resources.

The social and societal commitment is just as important since no environmental transition is possible without an inclusive society.

The annual variable portion of the executive corporate officer's remuneration includes non-financial criteria related to L'Oréal's sense of purpose and the commitments made by the Group, particularly in the context of its corporate social, societal and environmental responsibility programmes.

These criteria will be assessed year-on-year with a long-term perspective.

Remuneration that creates medium- or -long-term value for the shareholders

The executive corporate officer's remuneration must be linked to the changes over the medium-to long-term in the Company's intrinsic value and share performance.

A significant portion of the executive corporate officer's remuneration thus consists of performance shares, a significant percentage of which is retained until the end of his/her corporate office, with the undertaking not to carry out risk hedging transactions.

This leads to alignment with the shareholders' interests, understood as long-term value creation.

B/ Policy on fixed and variable remuneration and granting of performance shares to the executive corporate officer

The key for allocating annual remuneration

The annual remuneration of the executive corporate officer consists of a fixed remuneration, an annual variable remuneration and the granting of performance shares.

It does not include any exceptional components.

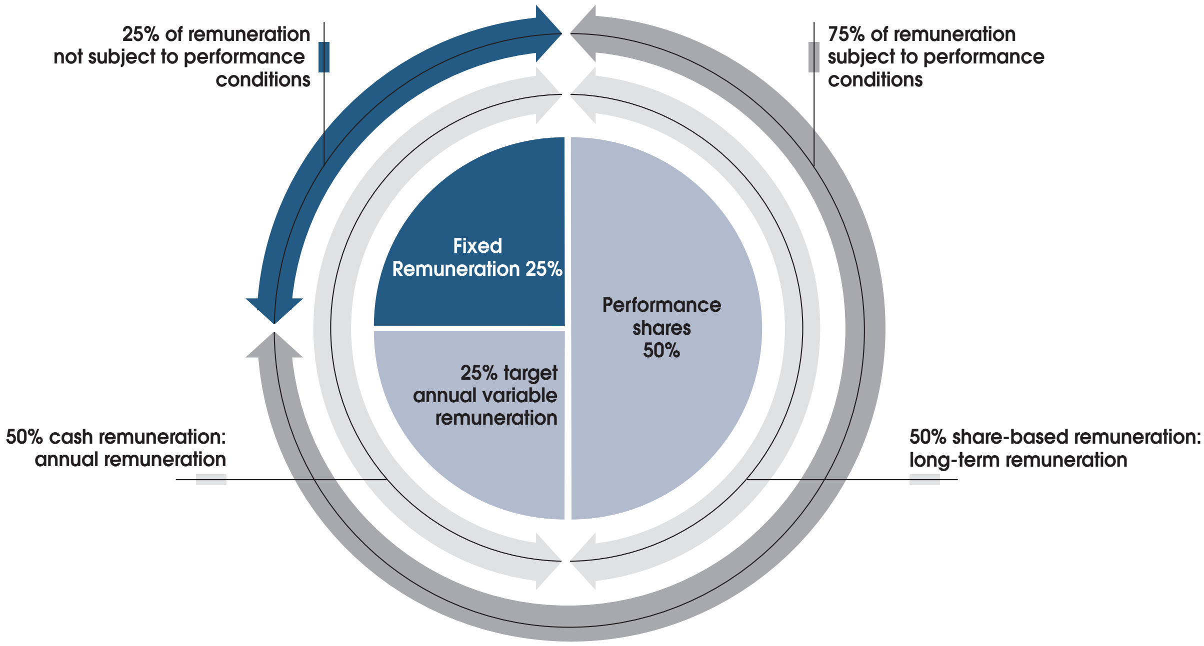
The Board of Directors adopts the various components of this remuneration, paying attention to the necessary balance between each of them.

Each component of annual remuneration corresponds to a well-defined and clearly substantiated objective.

The various components of annual remuneration form a balanced whole with a breakdown that is approximately:

- 50/50 between fixed remuneration and target annual variable remuneration;
- 50/50 between annual remuneration and long-term remuneration (performance shares);
- 50/50 between cash remuneration and share-based remuneration; and
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

DIAGRAM SHOWING THE BALANCE BETWEEN THE DIFFERENT COMPONENTS OF THE TARGET ANNUAL REMUNERATION



N.B.: the employer's contributions to the additional social protection plans are to be added to the above.

Fixed remuneration

The fixed remuneration must reflect the responsibilities of the executive corporate officer, his or her level of experience and skills.

It is stable for several years and may be re-examined at the time of renewal of the term of office. It serves as a basis to determine the maximum percentage of the target annual variable remuneration.

Annual variable remuneration

The target annual variable remuneration may amount to a maximum of 100% of the fixed remuneration.

As from 1 May 2021, the annual variable remuneration may exceed 100% of the fixed remuneration and up to a maximum of 120% of this remuneration in order to be able to remunerate outperformance. This outperformance is assessed on a criterion-by-criterion basis.

The aim is not to encourage inappropriate and excessive risk taking. For this purpose, the annual variable remuneration remains reasonable in comparison with the fixed portion.

The variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year.

The variable remuneration is based on precise performance appraisal criteria determined at the beginning of the year by the Board of Directors.

These criteria are financial, non-financial and qualitative.

The financial and non-financial criteria are simple and quantifiable. They represent a predominant portion of the annual variable remuneration.

A limit is set on the qualitative portion.

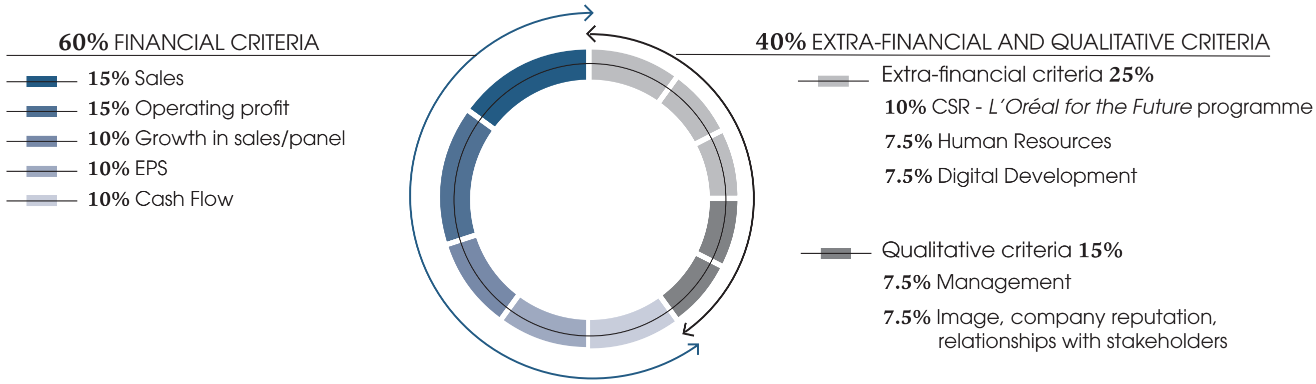
The weighting of each of the criteria and the objectives to be met are set at the beginning of the year in question and communicated to the executive corporate officer.

These criteria are the following:

- for 60% of the annual variable remuneration:
  - financial criteria directly correlated with the Company's performance indicators:
    - evolution in comparable sales as compared to the budget (15%);
    - evolution in market share compared to that of key competitors (15%);
    - evolution in operating profit as compared to the budget (10%);
    - evolution in net earnings per share as compared to the budget (10%);
    - evolution in cash flow as compared to the budget (10%).
- for 40% of the annual variable remuneration:
  - non-financial criteria, linked in particular to:
    - the progress of the *L'Oréal for the Future* programme, which combines L'Oréal's commitments to sustainable development for 2030 (10%);
    - the implementation of the Human Resources policy with special attention to the development of gender balance in the management bodies (7.5%);
    - the digital development policy (7.5%);
  - qualitative criteria (15%).

The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration.

DETAILS OF WEIGHTINGS OF ANNUAL VARIABLE REMUNERATION FOR 2021



DETAILS OF NON-FINANCIAL CRITERIA LINKED TO THE PROGRESS OF THE *L'ORÉAL FOR THE FUTURE* PROGRAMME USED TO ASSESS THE PERFORMANCE OF THE EXECUTIVE CORPORATE OFFICER IN 2021

Fighting climate change

- By 2025, reaching carbon neutrality for all Group sites by improving energy efficiency and using 100% renewable energy.
- By 2030, average reduction of 50% per finished product of greenhouse gas emissions related to the transport of Group products compared with 2016.

Managing water sustainably

- By 2030, 100% of the water used in the Group's manufacturing processes will be recycled and reused in a loop.

Respecting biodiversity

- By 2030, 100% of ingredients in the Group's formulas and bio-sourced packaging materials will be traceable and come from sustainable sources.

Preserving natural resources

- By 2030, 95% of ingredients in the Group's formulas will be bio-sourced, and come from abundant minerals or circular processes.
- By 2030, 100% of the Group's plastic packaging will be recycled or bio-sourced (target of 50% by 2025).
- By 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable.

Empowering our ecosystem in our transformation

- By 2030, 100,000 people from underprivileged communities will be helped by the Group to access employment.
- By 2030, all Group products will be eco-designed.

Insofar as the payment of variable and exceptional elements allocated to the executive corporate officer are subject to the approval of the Annual General Meeting of shareholders, no provision has been made for an extension period or the possibility for the Company to demand the return of the annual variable remuneration.

Granting of performance shares

Since 2009, the Board of Directors has granted performance shares to employees of the Group and, since 2012, also to its executive corporate officer, within the scope of Articles L. 225-197-1 *et seq.*, L. 22-10-59 and L. 22-10-8 of the French Commercial Code and the authorisations approved by the Annual General Meeting.

These grants are linked to the performance and their aim is to encourage achievement of the Group's long-term objectives and the resulting value creation for the shareholders. Consequently, the final vesting of the shares is subject to performance conditions which are recorded at the end of a vesting period of four years from the grant date.

The value of these shares, estimated at the grant date according to the IFRS applied for the preparation of the consolidated financial statements, represents approximately 50% of the executive corporate officer's annual remuneration and may not exceed 60%.

The Board of Directors reserves the possibility to decide on an additional grant if a particular event justifies it. This potential grant to the executive corporate officer, duly documented by the Board of Directors, may not exceed a total annual ceiling (all grants combined) of 5% of the total number of free shares granted during that same financial year.

The executive corporate officer is required to retain 50% of the free shares finally vested to him or her at the end of the vesting period, in registered form, until the termination of his or her duties, following a review of the performance conditions.

The executive corporate officer makes a formal undertaking not to enter into any risk hedging transactions with regard to the performance shares, until the end of the holding period set by the Board of Directors.

An corporate officer may not be granted performance shares at the time of his or her departure.

Performance conditions

The performance criteria cover all shares granted to the executive corporate officer.

They partially take into account:

- growth in comparable sales of L'Oréal as compared to a panel of L'Oréal's major direct competitors; and
- growth in L'Oréal's consolidated operating profit.

The Board of Directors considers that these two criteria, assessed over a long period of three full financial years and reapplied to several plans, are complementary, in line with the objectives and specificities of the Group and are likely to promote continuous and balanced long-term growth. They are exacting but remain a source of motivation for the beneficiaries.

The shares are only finally vested at the end of a four-year period, allowing sufficient time to be able to assess the performance achieved over three full financial years.

Conditional vesting thresholds

Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the number of finally vested shares decreases. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion.

Pursuant to the criterion related to operating profit, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all free shares granted to be finally vested by the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The results recorded each year to determine the levels of performance achieved are published in Chapter 7 "Stock Market Information Share Capital" of this document.

Consequences on performance shares in the event of departure

The right to performance shares is lost in the event of departure from the Group due to resignation (other than in the case of termination of corporate office in connection with the exercise of pension rights under applicable retirement regimes) or termination for gross misconduct or gross negligence. In the event of dismissal of an executive corporate officer, the Board will decide, pursuant to the AFEP-MEDEF Code, on the outcome of performance shares granted as from the appointment as executive corporate officer.

When the benefit of performance share grants to the executive corporate officer is maintained in the event of his or her departure prior to expiry of the vesting period, it is motivated by the following considerations:

- the performance shares represent a predominant component of the executive corporate officer's annual remuneration assessed during the year of the grant;
- they are the consideration for the execution of his or her corporate office subject to the achievement of long-term performance;
- the maintenance thereof encourages the executive corporate officer to take a long-term view; and
- the final vesting of the shares remains subject to achievement of the performance conditions.

HISTORY OF THE ACHIEVEMENT OF PERFORMANCE CONDITIONS OVER THE LAST THREE FINANCIAL YEARS

Performance share plan dated:	22/04/2015	20/04/2016	20/04/2017
Arithmetical average of performances for financial years	2016 – 2017 – 2018	2017 – 2018 – 2019	2018 – 2019 – 2020
For 50%: Growth in comparable sales as compared to a panel of competitors*	+1.2 points	+1.47 points	+2.7 points
For 50%: Growth in the Group's operating profit	3.91%	6.99%	3.95%
Level of achievement of the performance conditions	**82.6%**	**100%**	**82.95%**

* *Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

Other benefits

a) Remuneration for term of office as Director

The executive corporate officer does not benefit from the payment of a remuneration for the tenure as Director.

b) Benefits in addition to remuneration

- Benefits in kind

There are no plans to supplement the executive corporate officer's fixed remuneration by granting benefits in kind.

The executive corporate officer benefits from the necessary material resources for performance of his or her office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, are not benefits in kind.

- Additional social protection schemes

The executive corporate officer continues to be treated in the same way as a senior manager during the term of his corporate office which allows him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

Components of remuneration attributable to Mr Jean-Paul Agon, Chairman and Chief Executive Officer for the period from 1 January 2021 to 30 April 2021

The fixed remuneration has remained unchanged since 2014, and it structures the determination of the annual variable remuneration.

If the Board of Directors were called upon to grant performance shares over the period from 1 January to 30 April 2021, Mr Jean-Paul Agon would not be a beneficiary, insofar as his position as Chairman and Chief Executive Officer ends at the end of this period.

<table>
<tr><th></th><th>Amount</th><th>Description</th></tr>
<tr><td>Fixed remuneration</td><td>Prorated portion of the annual €2,200,000, over the period from 01/01/2021 to 30/04/2021, i.e. €733,333</td><td>At its meeting of 11 February 2021, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 20 April 2021 that Mr Jean-Paul Agon's fixed remuneration should be maintained at the gross amount of €2,200,000 on an annual basis. This amount has not changed since 2014.
A prorated portion of €733,333 for the period from 1 January 2021 to 30 April 2021 will be paid.</td></tr>
<tr><td rowspan="4">Annual variable remuneration</td><td rowspan="4">Prorated portion of €2,200,000 (100% of fixed remuneration) over the period both 01/01/2021 to 30/04/2021, i.e. a maximum of €733,333</td><td>The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year.</td></tr>
<tr><td>Annual variable remuneration can amount to a maximum of 100% of the fixed remuneration. A prorated portion for the period from 1 January 2021 to 30 April 2021 will be paid.</td></tr>
<tr><td><table>
<tr><th>Criteria for assessment of performance for 2021</th><th>Weightings</th></tr>
<tr><td>● Financial criteria</td><td>60%</td></tr>
<tr><td>• Evolution in like-for-like sales as compared to the budget</td><td>15%</td></tr>
<tr><td>• Evolution in market share as compared to the main competitors</td><td>15%</td></tr>
<tr><td>• Evolution in operating profit as compared to the budget</td><td>10%</td></tr>
<tr><td>• Evolution in net earnings per share as compared to the budget</td><td>10%</td></tr>
<tr><td>• Evolution in cash-flow as compared to the budget.</td><td>10%</td></tr>
<tr><td>● Non-financial and qualitative criteria</td><td>40%</td></tr>
<tr><td>• Quantifiable criteria: 25%</td><td></td></tr>
<tr><td>- L'Oréal for the Future: sustainable development commitments for 2030</td><td>10%</td></tr>
<tr><td>- Human Resources: gender parity, development of talented employees, access to training</td><td>7.5%</td></tr>
<tr><td>- Digital development</td><td>7.5%</td></tr>
<tr><td>• Individual qualitative performance: 15%</td><td></td></tr>
<tr><td>- Management</td><td>7.5%</td></tr>
<tr><td>- Image, company reputation, dialogue with stakeholders</td><td>7.5%</td></tr>
</table></td></tr>
<tr><td>The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration. The weighting of each of these criteria, both financial, non-financial and qualitative, and the targets to be met were set at the start of the year and communicated to the executive corporate officer. The assessment is made without offsetting among criteria. Pursuant to Article L. 22-10-34 (formerly L. 225-100) of the French Commercial Code, payment of the annual variable remuneration will be conditional on approval by the Annual General Meeting called to approve the 2021 financial statements.</td></tr>
<tr><td>Performance shares</td><td>NA</td><td>The Board of Directors decided not to grant any performance shares to Mr Jean-Paul Agon for the period from 1 January to 30 April 2021, insofar as his position as Chairman and Chief Executive Officer ends at the end of this period.</td></tr>
<tr><td>Remuneration as Director</td><td>€0</td><td>Mr Jean-Paul Agon does not receive any remuneration as Director.</td></tr>
<tr><td>Benefits in addition to remuneration</td><td></td><td>● Benefits in kind
Mr Jean-Paul Agon benefits from the necessary material resources for performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind.
● Additional social protection schemes: defined contribution pension, employee benefit and healthcare schemes
Mr Jean-Paul Agon continues to be treated in the same way as a senior manager during the term of his corporate office, which allows him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension, employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme. The continuation of this treatment was approved by the Annual General Meeting on 27 April 2010.</td></tr>
</table>

Components of remuneration attributable to Mr Nicolas Hieronimus, Chief Executive Officer as from 1 May 2021

On the recommendation of the Human Resources and Remuneration Committee, the Board of Directors proposed to the Annual General Meeting of 20 April 2021 that the level of Mr Nicolas Hieronimus' fixed remuneration should be determined based on the following elements:

- the appeal of the remuneration compared with the remuneration he has received as Deputy Chief Executive Officer in charge of Divisions since 2017, before his appointment;
- the experience and expertise acquired at the end of a 34–year career with the Group; and
- the competitiveness and level of the remuneration compared to that of a relevant reference panel: 14 international companies that hold a leadership position in the cosmetics, luxury or consumer goods sectors, established with the assistance of the Mercer firm. This panel reports an average remuneration of €8,677,000 and a median remuneration of €7,590,000.

The structure of Mr Nicolas Hieronimus' remuneration is in line with the principles developed in section 2.4.1.2.1. of the remuneration policy applicable to executive corporate officers, and forms a balanced whole with a breakdown that is approximately:

- 50/50 between fixed remuneration and target annual variable remuneration;
- 50/50 between annual remuneration and long-term remuneration (performance shares);
- 50/50 between cash remuneration and share-based remuneration; and
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

Mr Nicolas Hieronimus' annual variable remuneration may exceed 100% of his fixed remuneration and up to a maximum of 120% in order to be able to remunerate out performance. This outperformance will be assessed on a criterion-by-criterion basis.

The Board of Directors will be called upon to decide on a granting of performance shares in 2021 in accordance with the remuneration policy submitted for the approval of the Annual General Meeting of 20 April 2021.

	Amount	Description	
Fixed remuneration	Prorated portion of the annual €2,000,000, over the period from 01/05/2021 to 31/12/2021, *i.e.* €1,333,333	At its meeting of 11 February 2021, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 20 April 2021 to set the fixed remuneration of Mr Nicolas Hieronimus at the gross amount of €2,000,000 on an annual basis. A prorated portion for the period from 1 May to 31 December 2021 will be paid, *i.e.* €1,333,333.	
Annual variable remuneration	Prorated portion of €2,000,000 (100% of fixed remuneration) over the period from 01/05/2021 to 31/12/2021, *i.e.* a target of €1,333,333 and a maximum of €1,600,000	The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year.	
		The annual variable remuneration may reach 120% of the fixed remuneration if there is outperformance on the objectives; the target is set at 100% of the fixed remuneration. A prorated portion for the period from 1 May 2021 to 31 December 2021 will be paid.	
		Criteria for assessment of performance for 2021	**Weightings**
		● **Financial criteria**	**60%**
		• *Evolution in like-for-like sales as compared to the budget*	*15%*
		• *Evolution in market share as compared to the main competitors*	*15%*
		• *Evolution in operating profit as compared to the budget*	*10%*
		• *Evolution in net earnings per share as compared to the budget*	*10%*
		• *Evolution in cash flow as compared to the budget*	*10%*
		● **Non-financial and qualitative criteria**	
		• *Quantifiable criteria: 25%*	
		- *L'Oréal for the Future*: sustainable development commitments for 2030	10%
		- Human Resources: gender parity, development of talented employees, access to training	7.5%
		- Digital development	7.5%
		• *Individual qualitative performance: 15%*	
		- Management	7.5%
		- Image, company reputation, dialogue with stakeholders	7.5%
		The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration. The weighting of each of these criteria, both financial, non-financial and qualitative, and the targets to be met were set at the start of the year and communicated to the executive corporate officer. The assessment is made without offsetting among criteria. Pursuant to Article L. 22-10-34 (formerly L. 225-100) of the French Commercial Code, payment of the annual variable remuneration will be conditional on approval by the Annual General Meeting called to approve the 2021 financial statements.	

	Amount	Description
Performance shares		Concerning the granting of performance shares in 2021, the Board will be called upon to decide on the implementation of a new Plan within the scope of the authorisation provided by the Annual General Meeting on 30 June 2020. The grant that would be decided for Mr Nicolas Hieronimus would comply with the recommendations of the AFEP-MEDEF Code. The value of the grant (estimated according to the IFRS standards), represents approximately 50% of the executive corporate officer's total remuneration without exceeding 60%. Mr Nicolas Hieronimus is also required to hold 50% of the free shares that are fully vested to him at the end of the vesting period in registered form until the termination of his position. Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a four-year vesting period as from the grant date. Half of the number of fully vested shares would depend on growth in comparable cosmetics sales compared to the growth of a panel of competitors, which consists of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, Coty; and the other half would depend on the growth in L'Oréal Group's consolidated operating profit. The calculation will be based on the arithmetical average for the three full financial years of the vesting period. The first full year taken into account for assessment of the performance conditions relating to this grant would be 2022. Concerning the sales criterion, in order for all the performance shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the number of finally vested shares is in decline. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion. Concerning the criterion related to operating profit, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all the performance shares granted to finally vest for the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares is in decline. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.
Remuneration as Director	€0	Mr Nicolas Hieronimus will not receive remuneration for his position as Director.
Benefits in addition to remuneration		● **Benefits in kind** Mr Nicolas Hieronimus benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes: defined contribution pension, employee benefit and healthcare schemes** Mr Nicolas Hieronimus will continue to be treated in the same way as a senior manager during the term of his corporate office, which will allow him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme.

2.4.1.2.2. Remuneration policy applicable to the Chairman of the Board who does not assume the office of Chief Executive Officer

Fixed annual remuneration only

The Board of Directors, in accordance with the recommendation of the AFEP-MEDEF Code (article 25-2), is proposing to the Annual General Meeting of 20 April 2021 that the exercise of the office of Chairman of the Board of Directors without assuming the office of Chief Executive Officer, would be remunerated only by fixed remuneration, excluding any variable remuneration, grant of performance shares and any indemnity related to departure or any consideration for a non-compete agreement.

The Board of Directors also decided that the tenure as Director held by the Chairman of the Board would not be remunerated.

The Chairman of the Board will benefit from the necessary material resources for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, are not benefits in kind.

The Chairman of the Board will benefit from the same employee benefit scheme as the senior managers of the Company.

Principles for determining the fixed annual remuneration

The remuneration of the Chairman of the Board of Directors is determined based on the following components:

- goals of L'Oréal's Board of Directors for the performance of the Chairman's legal duties without assuming the office of Chief Executive Officer;
- experience, expertise and reputation of the Chairman in Corporate Governance and Sustainable Governance;
- specific duties assigned to the Chairman by the Board of Directors;
- competitiveness and level of the remuneration compared to that of a relevant reference panel: 17 international companies, including six companies already selected in the remuneration panel for the Chairman and Chief Executive Officer, prepared by the Mercer firm; and
- appeal of the remuneration compared with the prior remuneration of the corporate officer and the pension amount they are likely to receive.

Application to Mr Jean-Paul Agon

The Board of Directors is fully aware of the challenges of sustainable Governance, notably in light of European legislative initiatives and the growing expectations of authorities and stakeholders.

It is essential for the Board to count on a committed, experienced and competent Chairman, like Mr Jean-Paul Agon, who is recognised for his involvement in governance issues and in relations with stakeholders.

Mr Jean-Paul Agon, who organises the work of the Board of Directors, which he has chaired since 2011, has already brought the Governance of L'Oréal to an exemplary level, while successfully assuming the General Management of the Company. His full-time commitment to the benefit of the Company's Governance will be an importance source of added value for the Board, which wants to highlight the expertise of Mr Jean-Paul Agon whose in-depth knowledge of the company, its environment and its strategic challenges is a major asset.

The Chairman's remuneration matches the Board's goal of ensuring the continuity of its work and to allow development in light of the increasingly important duties expected from a Board of Directors.

The Board has also taken into consideration the extensive duties it has decided to entrust to Mr Jean-Paul Agon in his position as Chairman of the Board as from 1 May 2021.

Finally, the Board took account of the expectations of the stakeholders, by placing this remuneration in perspective with the remuneration offered by an international reference panel that was defined with the assistance of an external independent consultancy firm.

The analysis of remunerations of Chairs of Boards of Directors of companies in the reference panel used, which includes six companies with a dissociated governance structure already used in the reference panel for the remuneration of executive corporate officers, reports an average remuneration of €1,380,000 and a median remuneration of €700,000 with large standard deviations.

PANEL SELECTED FOR ANALYSIS OF THE POSITIONING OF THE REMUNERATION FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS:

AstraZeneca	AB In Bev	BASF	Bayer	Coty	Diageo
Estée Lauder	GSK	Henkel	Kraft Heinz	Linde	Nestlé
Novartis	Reckitt Benckiser	Roche	Starbucks	Unilever	

As a result of this analysis and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors at its meeting of 11 February 2021 is proposing to the Annual General Meeting of 20 April 2021 to set the fixed annual remuneration of Mr Jean-Paul Agon, Chairman of the Board as from 1 May 2021, at €1,600,000.

Mr Jean-Paul Agon notified the Company of the termination of his employment contract on 30 April 2021, in order to be able to benefit from his mandatory retirement rights as from 1 May 2021.

Under his employment contract, he is able to benefit from a gross annual pension benefit of €1.59 million under L'Oréal's supplementary defined benefit pension scheme "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of Members of the Comité de Conjoncture) which has been closed since 31 December 2000. The benefit of this pension was approved, in the context of the related-party agreements procedure, by the Annual General Meeting of 27 April 2010 and by the Annual General Meeting of 17 April 2018 at the time of the renewal of the current term of office.

The Board of Directors agreed to Mr Jean-Paul Agon's wish to waive the benefit of this supplementary pension during his term of office as Chairman so as not to combine it with a fair remuneration for the duties of Chairman as expected by the Board.

DUTIES OF THE CHAIRMAN:

The internal rules of the Board stipulate that:

"The Chairman of the Board of Directors organises and oversees the Board's work and reports thereon to the Annual General Meeting.

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

The Chairman is actively involved in defining the Company's growth strategy and encourages and strengthens, inter alia, links between the Company and the main market players.

The Chairman oversees the work of the Company's bodies responsible for corporate governance and ensures, in particular, that the Directors are able to perform their duties. He may ask for the communication of any document or information that is likely to assist the Board of Directors in preparing for its meetings.

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

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

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

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

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

He will be informed and consulted by the Chief Executive Officer on all significant issues and events, such as: proposed acquisitions or disposals, major financial transactions, financial communication, the guidelines of the Human Resources policy and appointments of the Group's principal executives, Ethics and issues of Corporate Social Responsibility.

He will monitor, in collaboration with the Chief Executive Officer, certain equity interests, including L'Oréal's stake in Sanofi.

In collaboration with the Chief Executive Officer, he may represent the Group in its high-level relations, both nationally and internationally, including public authorities, and L'Oréal's strategic partners and stakeholders.

He will ensure respect for L'Oréal's values and culture.

He will be able to hear the Statutory Auditors for the preparations of the work of the Board of Directors and the Audit Committee.

He will chair and lead the Strategy and Sustainability Committee.

Mr Jean-Paul Agon will meet with the members of the Board outside the presence of the Directors belonging or reporting to General Management. These meetings are, in particular, an opportunity to discuss the performance and remuneration of executive corporate officers.

He will report to the Board on the performance of his mission.

The Board of Directors believes that this new organisation, proposed as from May 2021, will guarantee the sustainability of the performance, values and commitments of the Group, as well as the quality of its governance.

Breakdown of the components of remuneration attributable to Mr Jean-Paul Agon, Chairman of the Board of Directors as from 1 May 2021

	Amount	Description
Fixed remuneration	Prorated portion of the annual €1,600,000, over the period from 01/05/2021 to 31/12/2021, *i.e.* €1,066,666	At its meeting of 11 February 2021, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 20 April 2021 that Mr Jean-Paul Agon's fixed remuneration should be set at the gross amount of €1,600,000 on an annual basis. A prorated portion for the period from 1 May 2021 to 31 December 2021 will be paid, *i.e.* €1,066,666.
Benefits in addition to remuneration		● **Benefits in kind** Mr Jean-Paul Agon will benefit from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes** Mr Jean-Paul Agon will benefit from the same employee benefit scheme as the senior managers of the Company.

2.4.1.2.3. Decision-making, review and implementation process for the remuneration of corporate officers

Remuneration is established in such a way as to guarantee the due and proper application of the policy and rules set by the Board of Directors. The Board relies on the work and recommendations of the Human Resources and Remuneration Committee, composed of six Directors, 60% of whom are independent Directors, including its Chairwoman, and one member of whom is a Director representing the employees. The corporate officer is not a member of the Committee. The Committee's recommendations are made taking into account the studies carried out at its request by an independent consulting firm.

The Committee met 4 times in 2020 and its work is detailed in section 2.3.3. "Activities of the Board Committees" of this chapter.

The Committee has the necessary information to prepare its recommendations and more particularly to assess the performance of the corporate officer in light of the Group's short- and long-term objectives.

The purpose of this organisation and this process is to prevent any conflicts of interest.

The Human Resources and Remuneration Committee uses the studies conducted by an independent consulting firm

These studies are based on an international panel of world leaders, which serves as a reference for the comparative remuneration studies.

Executive corporate officers

The Committee recommended using the same panel to assess the relative positioning of Mr Jean-Paul Agon's remuneration as Chairman and Chief Executive Officer and to determine the positioning of Mr Nicolas Hieronimus' remuneration as Chief Executive Officer.

This panel is made up of French and international companies that hold the position of global leader. These companies operate on similar markets and are, in the cosmetics sector, direct competitors of L'Oréal, or operate on the wider everyday consumer goods market, as regards all or part of their business activities.

The panel applicable for 2020 comprised Directors of the following 14 companies: Beiersdorf, Colgate-Palmolive, Coty, Danone, Estée Lauder, GSK, Henkel, Johnson & Johnson, Kimberly Clark, Kering, LVMH, Procter & Gamble, Reckitt Benckiser and Unilever. It is used to assess the competitiveness of the executive corporate officer's total remuneration.

In terms of market capitalisation, L'Oréal is above the third quartile of companies on this panel.

It should be noted that the Company's remuneration policy, specifically that in place for senior management executives, aims to position their remuneration between the median and the third quartile.

The studies conducted with the independent consulting firm also enable the Committee to measure:

- the comparative results of L'Oréal in light of the criteria adopted by the Group to assess the executive corporate officer's performance;
- the link between the corporate officer's remuneration and his or her performance; and
- the relevance over time of the remuneration structure and the objectives assigned to him/her.

Non-executive corporate officers

Concerning the Chairman of the Board of Directors, the panel, defined with the help of an independent consultancy firm, consists of 17 international companies, selected on the basis of their governance, business sector, size and nationality.

They are the following dual governance companies: AstraZeneca, AB In Bev, BASF, Bayer, Coty, Diageo, Estée Lauder, GSK, Henkel, Kraft Heinz, Linde, Nestlé, Novartis, Reckitt Benckiser, Roche, Starbucks and Unilever.

The Human Resources and Remuneration Committee has all the useful internal information in its possession

This information enables it to assess the performance of the Company and that of its executive corporate officer both from a financial standpoint and in non-financial areas.

The Group's annual economic and financial results are presented every year completely and exhaustively to the members of the Human Resources and Remuneration Committee at its Committee meeting in February, and are used as a basis for the assessment of the financial performance criteria for the executive corporate officer's variable remuneration.

The principles of the Human Resources policy are regularly presented to the Committee members or at a Board of Directors meeting by the Executive Vice-President of Human Resources. The Directors are therefore able to verify the consistency between the remuneration of the executive corporate officer and the remuneration and employment conditions of the Company's employees.

Similarly, the Senior Vice-President and Chief Ethics Officer also regularly explains the policy and the actions taken in this field.

Two members of the Human Resources and Remuneration Committee are members of the Strategy and Sustainability Committee at which the actions taken with regard to the programmes concerning the Group's social and environmental responsibility are discussed.

This information contributes to the assessment of the non-financial and qualitative portion of the annual variable remuneration.

The Chairwoman of the Human Resources and Remuneration Committee is a member of the Audit Committee and participates in the closing of the financial statements as well as the examination of the risk prevention policy. She is also Chairwoman of the Nominations and Governance Committee, which offers her a Company-wide vision of the various performance assessment criteria.

The Committee can also carry out a more in-depth evaluation of the Company's performance by contacting the Company's main senior managers, after informing the General Management.

This information enriches their vision of the strategy and performances of the Company and its executive corporate officer.

Recommendations are made on these bases to the Board of Directors, which then makes its decisions on the executive corporate officer's remuneration collectively, in accordance with the remuneration policy approved by the Annual General Meeting.

The organisation of the work of the Committee on the remuneration of executive corporate officers is shown in the chart below.

The Committee examines the expectations of investors and proxy advisors, and the rules and recommendations of the regulatory authorities

The Human Resources and Remuneration Committee carefully analyses the law and reports concerning executive remuneration, notably the French financial markets authority's (AMF) report on corporate governance and the remuneration of executives of listed companies, and the report of the High Committee on Corporate Governance.

It is mindful of the observations and requests of investors and strives to accommodate them while preserving consistency in the remuneration policy adopted by the Board and subject to constraints relating to the disclosure of confidential information.

Conditions for derogation from the remuneration policy in the event of exceptional circumstances

Order no. 2019-1234 of 27 November 2019, pursuant to the Pacte Law, encourages companies to provide for any exceptions in the event of extraordinary circumstances in their remuneration policy. Failing this, the Board of Directors would be unable to grant an element of remuneration not provided for in the remuneration policy previously approved by the Annual General Meeting, even though this decision would be necessary in view of these exceptional circumstances. It is stated that this derogation may only be temporary, pending the approval of the amended remuneration policy by the next Annual General Meeting, and should be duly substantiated.

If applicable, the adaptation of the remuneration policy to exceptional circumstances would be decided by the Board of Directors on the recommendation of the Human Resources and Remuneration Committee, after seeking the opinion, as necessary, of an independent consulting firm. Thus, for example, the recruitment of a new executive corporate officer under unforeseen conditions might require the temporary adaptation of some existing remuneration elements or the proposal of new remuneration elements.

It might also be necessary to amend the performance conditions governing the acquisition of all or some of the existing remuneration elements in the event of exceptional circumstances resulting in particular from a significant change in the Group's scope following a merger or sale, the acquisition or creation of a significant new business activity or the elimination of a significant business activity, a change in accounting policy or a major event affecting the markets and/or L'Oréal's major competitors.

WORK SCHEDULE OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE CONCERNING THE REMUNERATION OF THE CORPORATE OFFICER

February 2020

Recommendations concerning the 2019 remuneration:

- evaluation of the 2019 annual variable remuneration following review of financial and non-financial results;
- *Say On Pay* draft resolution.

Defined benefit pension:

- review of the level of achievement of the performance conditions for 2019.

Long-term incentive plan:

- recording of the performance conditions achieved for the 2016 Plan for the conditional grant of shares (ACAs) reaching maturity.

Presentation of the 2020 study on the remuneration of executive corporate officers by an independent firm, including:

- composition of the panel, link between remuneration and performance, balance and structure of the remuneration.

Recommendations concerning 2020 remuneration:

- fixed remuneration;
- setting the level of the variable remuneration for 2020, the weightings of the performance evaluation criteria and the targets;
- draft resolution on the remuneration policy.

May 2020

Covid-19 solidarity measures on the 2020 remuneration of executive corporate officers:

- waiving of 30% of the maximum fixed and variable remuneration for 2020;
- waiving of any performance shares granted in 2020.

October 2020

Presentation of L'Oréal's remuneration policy:

- consistency between the procedures in place and the remuneration of corporate officers.

Work on the 2020 ACAs Plan:

- nothing granted for corporate officers in 2020.

December 2020

2021 remuneration policy and ex-post Say On Pay:

- review of planned changes in the remuneration policy for submission to the 2021 Annual General Meeting following the changes announced in the Company's governance;
- summary of the meetings with investors and proxy advisors.

2.4.2. Remuneration of directors and corporate officers for 2020

The information in this section relating to the remuneration of L'Oréal's directors and corporate officers (Directors and the Chairman and Chief Executive Officer), required by Articles L. 22-10-9 I (formerly L. 225-37-3 I) and L. 22-10-34 I and II (formerly L. 225-100 II and III) of the French Commercial Code, is subject to the approval of the Annual General Meeting of 20 April 2021 during the vote on Resolutions 8 and 9.

2.4.2.1. Remuneration paid during the 2020 financial year or allocated for that year to Directors

A total amount of €1,385,107, within the limits of the €1,600,000 budget approved by the Annual General Meeting of 17 April 2018, allocated for financial year 2020, will be paid to the Directors.

The Board of Directors met eight times in 2020 (including one non-remunerated meeting) and 22 meetings of its committees were organised.

The average attendance rates at meetings in 2020 were 99% for the Board of Directors, 93% for the Strategy and Sustainable Committee, 100% for the Audit Committee, 100% for the Nominations and Governance Committee and 100% for the Human Resources and Remuneration Committee.

It should be noted that Mr Jean-Paul Agon does not receive any remuneration as a Director.

Mr Jean-Paul Agon does not receive any remuneration as a Director of L'Oréal Group companies.

Directors	Remuneration allocated for 2020 paid in 2021 (*in euros*) 8 Board meetings (7 of which were remunerated) 22 Committee meetings	Remuneration allocated for 2019 paid in 2020 (*in euros*) 7 Board meetings (6 of which were remunerated) 16 Committee meetings
Mr Jean-Paul Agon	0	0
Ms Ana Sofia Amaral	87,000	80,500
Ms Sophie Bellon	146,500	140,000
Ms Françoise Bettencourt Meyers	104,300	84,000
Mr Paul Bulcke	113,500	107,000
Mr Patrice Caine	92,250	80,500
Ms Fabienne Dulac	106,250	66,000
Ms Belén Garijo	87,000	74,000
Ms Béatrice Guillaume-Grabisch	94,000	94,000
Ms Ilham Kadri(1)	43,143	-
Mr Bernard Kasriel(1)	39,857	84,000
Mr Georges Liarokapis	100,500	94,000
Mr Jean-Pierre Meyers(1)	49,057	107,000
Mr Jean-Victor Meyers	108,000	94,000
Mr Nicolas Meyers(1)	43,143	-
Ms Virginie Morgon(2)	129,000	140,000
Ms Eileen Naughton(1)(2)	41,607	78,740
TOTAL	**1,385,107**	**1,323,740**

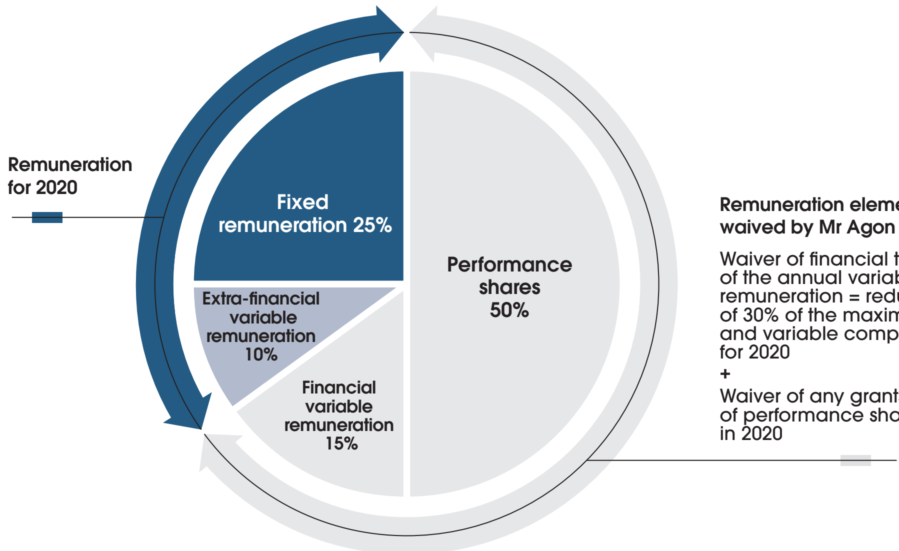
(1) Directors whose term of office began or ended during the 2020 financial year.
(2) Amount per Board meeting in person, increased to account for intercontinental travel for Directors located outside Europe.

2.4.2.2. Remuneration paid during the 2020 financial year or allocated for that year to Mr Jean-Paul Agon, Chairman and Chief Executive Officer

Given the exceptional circumstances related to the Covid-19 health crisis, and in a spirit of solidarity, Mr Jean-Paul Agon informed the Board, at its meeting on 12 May 2020, which accepted it, that he would waive the following for 2020:

- any remuneration based on the financial targets of his annual variable remuneration, which represents a 30% reduction in the maximum amount of his annual fixed and variable remuneration for 2020 for which he is eligible in accordance with the remuneration policy detailed in section 2.4.1. of Chapter 2 of the 2019 Universal Registration Document;
- any grant of performance shares if a plan were to be decided in 2020, for which he is eligible in accordance with the remuneration policy detailed in section 2.4.1. of Chapter 2 of the 2019 Universal Registration Document.

CHART SHOWING THE REMUNERATION STRUCTURE APPLICABLE TO MR JEAN-PAUL AGON FOR 2020



2.4.2.2.1. Fixed remuneration

At its meeting of 6 February 2020, and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to maintain Mr Jean-Paul Agon's fixed annual remuneration at the gross amount of €2,200,000. This has remained unchanged since 2014.

2.4.2.2.2. Annual variable remuneration

Concerning Mr Jean-Paul Agon's annual variable remuneration for 2020, the objective had been set at a gross amount of €2,200,000, representing 100% of the fixed remuneration. This sum represents the maximum amount of variable remuneration that may be paid to him.

At its meeting on 6 February 2020, the Board of Directors had set the variable remuneration criteria applicable for 2020 and the respective weighting of such criteria. The financial criteria represent 60% of the variable remuneration while the non-financial criteria represent 40%. These financial criteria are directly correlated with the Company's economic performance indicators: growth in sales and market share as compared to its main competitors, in operating profit, earnings per share (EPS) and cash-flow.

Following Mr Jean-Paul Agon's decision to waive any remuneration on the financial targets of his 2020 annual variable remuneration, the Human Resources and Remuneration Committee on 10 February 2021 assessed the performance of Mr Jean-Paul Agon on the basis of only the non-financial and qualitative criteria set by the Board. The maximum target amount for the annual variable remuneration of Mr Jean-Paul Agon for 2020 was, therefore, reduced from €2,200,000 to a gross amount of €880,000. The assessment is carried out on a criterion-by-criterion basis without offsetting among the criteria.

On the basis of the recommendations of the Human Resources and Remuneration Committee, the Board of Directors decided at its meeting on 11 February 2021 to allocate to Mr Jean-Paul Agon for the 2020 annual variable remuneration the amount of €859,831, on the basis of non-financial and qualitative criteria only. This represents an achievement rate of 97.71% of these objectives.

For information, following the approval by the Annual General Meeting of 30 June 2020 (Resolution 9), an annual variable remuneration was paid for the 2019 financial year amounting to a total of €2,168,831, since the Board of Directors decided on 6 February 2020, as recommended by the Human Resources and Remuneration Committee, that 98.6% of the maximum objective had been achieved.

2020 NON-FINANCIAL AND QUALITATIVE TARGETS TABLE OF NON-FINANCIAL AND QUALITATIVE ACHIEVEMENTS

CSR criteria: Sharing Beauty with All programme	2020 results	2019 results
The Sharing Beauty with All programme was launched in October 2013 by Mr Jean-Paul Agon. It structures the Group's CSR strategy and sets ambitious targets to be met by 2020. This project consists of four pillars, for which the 2020 achievements are set out in detail in Chapter 4 of this document.		
"Innovating Sustainably"		
● Improved environmental or social impact for 100% of our products.	● 96% of new products that have been screened have an improved environmental or social profile.	85%
"Producing Sustainably" (plants and distribution centres)		
● -60% on CO_2 emissions.	● -81% on CO_2 emissions (absolute value).	-78%
● -60% in water consumption.	● -33% water consumption (per finished product unit).	-51%
● -60% waste generation.	● -37% waste production (by finished product unit) The objective of 0% waste from plants and distribution centres sent to landfill was met from 2018.	-35%
"Living Sustainably"		
● Each brand will have assessed its environmental and social footprint.	● 89% of brands have assessed their impact.	89%
● Each brand will have reported on its progress and associated consumers with its commitments.	● 79% of the brands conducted a consumer awareness initiative.	57%
"Developing Sustainably"		
● With the employees (*L'Oréal Share & Care* programme): 100% of L'Oréal employees around the world will have access to healthcare coverage and social protection in 2020.	● 96% of the Group's permanent employees have access to healthcare coverage reflecting the best practices in their country of residence.	94%
	92% of the Group's permanent employees benefit from financial protection in the event of life-changing accidents, such as death or permanent disability.	91%
● With strategic suppliers.	● 99% of the Group's strategic suppliers carried out a self-assessment of their Sustainable Development policy.	96%
● With communities.	● Access to work for 100,905 people.	90,635

Human Resources criteria	2020 results	2019 results
Gender Balance		
● Improving gender balance, in particular at the level of senior management positions.	● 26% of Executive Committee members are women	30%
	● 49% of key positions held by women	47%
	● 2020 Equileap ranking:	
	France: No. 1	No. 2 in Europe
	International: No. 4	
	● For the fourth consecutive year, L'Oréal is ranked in the Top 100 among the 325 companies of the Bloomberg Gender-Equality Index 2021.	Top 100
Talent Development		
● Positive policy results for the recruitment of both experienced and more junior talented employees, and talent development all over the world, in order to favour the emergence of local talent.	● 10th place in the Universum global ranking (business schools). L'Oréal is the only French and European company in the Top 10.	12th place
● Attractive, targeted, digital employer communication.	● Strong presence on social networks: 3.2 million followers on LinkedIn.	2.3 million
	● 3rd place in the PotentialPark global ranking (recruiting/social media).	No. 2
Access to training		
● 100% of employees will receive training once a year starting in 2020.	● 100% of employees received training in 2020.	96%
	Over 580,000 hours of digital training.	202,000 hours

Digital development criteria	2020 Results
Increase in sales achieved in e-commerce	• €7.4 billion in net sales, i.e. 26.6% of Group sales (+10.9 points), up +62% compared to 2019.
Partnerships and innovation	• Continued development of technologies coming from the Modiface acquisition within the framework of the accelerated service strategy conducted by the "Digital Services Factory". Roll-out of 865 projects at the sites of 26 brands in 80 countries, scaling of virtual try-outs of makeup, hair colour, skin diagnostics, and product recommendations. Integration of our Modiface technologies at 26 retailers, including Watsons, DM, Amazon, Sephora, and TMall. Integration of our Modiface technologies on the most important digital platforms (Facebook, Instagram, YouTube, Google Search, Snapchat, WeChat, Pinterest).
Continuation of the Company's digital transformation	• Continued Transformation of the Marketing business line for ever greater online engagement with consumers (1.2 billion visitors to L'Oréal's websites, 8.25 billion views on YouTube, and 840 million followers on social media). • 63% of the media is digital (€1.7 bn, +47%), and half is focused on the activation of e-commerce. Focus on excellence in execution with centralised production of L'Oréal's websites and real-time monitoring of digital performance using our proprietary "Cockpit" tool that collects over 1 billion pieces of data per year on the performance of the Group's digital initiatives. • Recruitment and training: the digital community is made up of over 2,800 experts and nearly 50,000 people were trained as part of the Digital Upskilling programme (2015-2020). CM1 digital skills assessment test: Over 7,500 employees (including 97% of the marketing teams) took this test in 2020, as well as 12,300 applicants at the recruitment phase.
Gartner L2 Digital ranking	• At least three brands in the top 10 Gartner Digital transformation ranking in the key countries: USA, UK, France, Germany and China.
Qualitative criteria	**2020 results**

Management	• High retention rate for the Top 250.
	• Covid-19 crisis management:
	  • Reactivity: L'Oréal was one of the first companies in the world to stop travel and to decide on a global solidarity plan in mid-March 2020;
	  • Protection: immediate roll-out of telecommuting and safety measures for the teams mobilised in the plants and centres;
	  • Solidarity with all stakeholders: suppliers, customers, care personnel, associations, vulnerable persons, etc.
	• Pulse survey (internal employee opinion survey): improved results for 32 of the 33 questions asked in 2018 and 2019.

Image
Company reputation
Dialogue with stakeholders
	• L'Oréal is the only company in the world, among nearly 6,000, to have received three "A" ratings from the Carbon Disclosure Project for the fifth consecutive year, which is the highest score in three areas: climate, sustainable water management and the fight against deforestation.
	• Attendance at forums and conferences that promote the value of the Company in society:
	  • 24 January: Official opening of the l'Ecole de Coiffure et Entrepreneuriat (School of Hairdressing & Entrepreneurship);
	  • Presentations as part of B4IG (Business For Inclusive Growth);
	  • 16 September: Climate Week NYC Opening Ceremony;
	  • 13 November: Presentation at the Paris Peace Forum.
	• Diversity and Inclusion: L'Oréal ranks No. 6 in the Refinitiv Diversity & Inclusion ranking. Participation in the Tech for Good Forum (co-chairman of the Tech for Diversity group).
	• Ethics: L'Oréal was recognised for the eleventh time as one of the "World's Most Ethical Companies" by the Ethisphere Institute. L'Oréal is one of the world's 41 United Nations Global Compact LEAD companies. It has a No. 5 worldwide ranking in the Covalence EthicalQuote reputation index, which includes over 9,000 companies.
	Ethics Day on 22 October 2020: webchat via live video broadcast with Mr Jean-Paul Agon open to all employees worldwide.

Rate of achievement of non-financial and qualitative targets	**97.71%**

2.4.2.2.3. Granting of performance shares

In view of the exceptional circumstances related to the Covid-19 health crisis and in a spirit of solidarity, Mr Jean-Paul Agon renounced any grant of performance shares in 2020 for which he is eligible under the remuneration policy detailed in section 2.4.1. of the 2019 Universal Registration Document.

2.4.2.2.4. Remuneration as Director

Mr Jean-Paul Agon does not receive any remuneration as a Director.

Mr Jean-Paul Agon does not receive any remuneration as a Director of L'Oréal Group companies.

2.4.2.2.5. Additional social protection schemes

Mr Jean-Paul Agon continued to benefit, because of his classification as a senior manager during his term of office, from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

The amount of the employer's contributions to the employee benefit and healthcare schemes amounted to €4,178 in 2020, and the amount of the employer's contribution to the Defined Contribution Pension scheme amounted to €6,376.

Under the Defined Contribution Pension Scheme ("L'Oréal RCD", as described in chapter 4 of this document), the rights of which are strictly proportional to the contributions paid, and which benefits all employees of L'Oréal in France, the estimated amount of Mr Jean-Paul Agon's annual retirement pension at 31 December 2020 would be a gross amount of €5,220.

As for all other senior managers of the Group, the pension resulting from the employer contributions of the L'Oréal RCD will be deducted from the amount of the Pension Cover for the calculation of the life annuity potentially due under this plan so that these benefits are not combined (see section 2.4.3.4. "Application of the related-party agreements scheme" of this document).

As a reminder, the lifetime risk related to the plans resulting from Article 83.2 of the French General Tax Code is borne by the insurer.

2.4.2.2.6. Remuneration ratios and annual changes in L'Oréal's remuneration, ratios and performance over five years

	2016	2017	2018	2019	2020
Chairman-CEO remuneration (€)	8,920,240	9,532,900	9,523,832	9,675,998	4,368,831
Change/N-1	*-2.3%*	*6.9%*	*-0.1%*	*1.6%*	*-54.8%*
L'Oréal company average remuneration (€)	90,618	92,745	95,207	100,959	104,896
Change/N-1	*0.8%*	*2.3%*	*2.7%*	*6.0%*	*3.9%*
L'Oréal company median remuneration (€)	63,013	64,148	66,167	68,709	72,216
Change/N-1	*0.9%*	*1.8%*	*3.1%*	*3.8%*	*5.1%*
Average ratio	98	103	100	96	42
Change/N-1	*-3 points*	*5 points*	*-3 points*	*-4 points*	*-54 points**
Median ratio	142	149	144	141	61
Change/N-1	*-4 points*	*7 points*	*-5 points*	*-3 points*	*-80 points**
Group net sales (€bn)	25,837	26,023	26,937	29,873.6	27,992.1
Change/N-1 (like-for-like)	*4.9%*	*4.8%*	*7.1%*	*8.0%*	*-4.1%*
Group operating profit (€bn)	4,540	4,676	4,922	5,547.5	5,209.0
Change/N-1	*3.5%*	*3.0%*	*5.3%*	*12.7%*	*-6.1%*

** For information purposes, Mr Agon waived any grants of performance shares for which he was eligible in 2020 according to the remuneration policy approved by the Annual General Meeting.*

Methodology used for calculating ratios

Pursuant to Article L. 22-10-9 I (formerly Article L. 225-37-3) of the French Commercial Code, for the calculation of average and median remuneration, the scope used is that of L'Oréal SA, which comprises 8,880 employees as at 31 December 2020, 6,265 of whom are managers and sales representatives, 2,134 are technicians and supervisors and 481 are employees and manual workers. This scope is representative of the various business lines of L'Oréal: Operations (plants and distribution centres), Sales, Marketing, Digital, Research, Support functions, etc.

For reasons of comparability, and in accordance with the recommendations of the AFEP, the number of employees selected for the calculation of average and median remuneration corresponds to a full-time equivalent workforce continuously present over 24 months, excluding corporate officers. Remuneration is calculated on the basis of all amounts paid and performance shares granted during the financial year in question.

The elements composing the executive's remuneration used in the calculation are:

- the annual fixed remuneration paid in 2020;
- the annual variable remuneration paid in 2020;
- the performance shares valued on the grant date in 2020 in accordance with the IFRS applied for the preparation of the consolidated financial statements.

The elements composing employee remuneration used in the calculation are:

- annual fixed remuneration paid in 2020; annual variable remuneration paid in 2020;
- other elements of annual remuneration paid in 2020 (excluding exceptional factors);
- the performance shares granted in 2020 valued in accordance with the IFRS applied for the preparation of the consolidated financial statements;
- the gross Profit-sharing and Incentives paid in 2020.

2.4.3. Termination indemnities and supplementary pension scheme applicable to corporate officers

The termination indemnities and supplementary pension scheme for which the corporate officers of L'Oréal may be eligible, as long as they are former senior managers of the company with more than 15 years of service, are not related to performance of the corporate office, but could be due under the suspended employment contract.

Therefore, they are not subject to the approval of the Annual General Meeting of 20 April 2021 under resolution no. 14 (Approval of the remuneration policy for the Chief Executive Officer).

Shareholders are called to approve these schemes in the context of approving the agreement suspending the corporate officer's employment contract.

This was the case for Mr Jean-Paul Agon by the vote of the Annual General Meetings of 27 April 2010 and 17 April 2018, ruling on the Special Report prepared by the Statutory Auditors.

In resolution no. 15, the Annual General Meeting of 20 April 2021 is called to approve the suspension of the employment contract of Nicolas Hieronimus.

2.4.3.1. Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The AFEP-MEDEF Code to which L'Oréal refers, recommends, but does not require, that companies should put an end to combining an employment contract with a corporate office.

L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing corporate officers ad nutum. The Board of Directors has formally provided for the methods of application of the objectives of the recommendation, as adapted to the context in the L'Oréal Group.

The Board's intention is to use the treatment set out below for any new corporate officer appointed who has over 15 years' length of service in the Group at the time of his or her appointment.

As L'Oréal's ongoing policy is to appoint employees who have completely succeeded in the various stages of their careers in the Group as corporate officers, the Board does not want these executives to be deprived of the benefits to which they would have continued to be entitled had they remained employees, after spending many years of their career at L'Oréal.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF recommendation could be fully achieved by maintaining the suspension of the employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the pension under the defined benefit scheme is based on the amount of remuneration at the date of suspension of the employment contract. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). The seniority applied will cover the entire career within the Group, including the years spent as a corporate officer.

2.4.3.2. Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

In the event of termination of the suspended employment contract during the term of corporate office, and depending on the reasons for such termination, the corporate officer would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the Company's request pursuant to the suspended employment contract excluding any indemnity due in respect of the corporate office.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (*Convention Collective Nationale des Industries Chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements.

In the event of termination of the employment contract, financial consideration for the non-compete clause would be paid under the terms of said contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, unless the executive corporate officer were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

2.4.3.3. Defined benefit pension scheme

The corporate officer, subject to ending his or her career in the Company, will benefit from one of the defined benefit schemes currently applicable to the Group's senior managers. This is the scheme to which he or she was subject as an employee.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the completion of the beneficiary's career in the Company. These schemes were established by L'Oréal primarily with the goal of attracting and retaining the Company's senior managers by guaranteeing them a certain level of resources in retirement.

These schemes falling under Article L. 137-11 of the French Social Security Code, are now closed to any new beneficiaries and no longer create rights as from 31 December 2019 pursuant to Order no. 2019-697 of 3 July 2019 on professional supplementary pension schemes that transposes the European Directive of 16 April 2014.

The main features of these schemes are explained in detail in section 4.3.2.5. "Offering a motivating and competitive remuneration system" of this document.

They concern over 500 of L'Oréal's active or retired senior managers, in France, and are financed by contributions paid to an insurance institution. These contributions are deductible from the corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

In the light of the legal characteristics of defined benefit pension schemes (the rights only accrue if the beneficiary ends his career in the Company and the funding of this scheme cannot be broken down individually by employee) and on account of the characteristics specific to the L'Oréal schemes, known as "differential" schemes since they take into account, in order to supplement them, all the other pensions such as those resulting, inter alia, from the French basic and supplementary pension schemes, the precise amount of the pension annuity will in fact only be calculated on the date when the beneficiary applies for all his pensions.

2.4.3.4. Application of the related-party agreements scheme

The above provisions are subject to the procedure for related-party agreements.

The benefits that may be due under Mr Jean-Paul Agon's suspended employment contract were approved by the Annual General Meeting of 27 April 2010 pursuant to Article L. 225-38 of the French Commercial Code.

The Annual General Meeting of 17 April 2018 approved the implementation of the provisions of Mr Jean-Paul Agon's employment contract regarding defined benefit pension scheme commitments for the duration of his renewed corporate office.

These mechanisms are restated every year in the chapter on the remuneration of corporate officers and in the Statutory Auditors' special report on related-party agreements.

For Mr Nicolas Hieronimus, an agreement suspending the employment contract is being submitted for the approval of the Annual General Meeting of 20 April 2021 (resolution no. 15).

2.4.3.5. Situation of Mr Jean-Paul Agon for the period from 1 January 2021 to 30 April 2021

Mr Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed as Chief Executive Officer in April 2006, following a brilliant career spanning 27 years with L'Oréal.

The Board of Directors did not wish for Mr Jean-Paul Agon, who accepted the office of Chief Executive Officer after 27 years within L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee, and adopted the following measures:

1) Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The remuneration under the suspended employment contract to be taken into account for all the rights attached thereto, and in particular for the calculation of the defined benefit pension referred to below, is based on the amount of remuneration at the date of suspension of the contract in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). As of 1 January, 2021, the fixed remuneration amounted to €1,731,000 and the variable remuneration to €1,442,500.

The seniority applied covers his entire career within the Group, including the years he was Chief Executive Officer and Chairman and Chief Executive Officer.

2) Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

Payment of the indemnities due under the suspended employment contract was approved by the Annual General Meeting on 27 April 2010.

In the event of termination of his suspended employment contract during the term of corporate office, and depending on the reasons for such termination, Mr Jean-Paul Agon would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or at the Company's request pursuant to the suspended employment contract.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (*Convention Collective Nationale des Industries Chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the event of gross misconduct or gross negligence, the indemnity would be capped, in light of Mr Jean-Paul Agon's length of service, at 20 months' remuneration under the suspended employment contract.

In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-compete clause would be payable every month for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr Jean-Paul Agon were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

3) Defined benefit pension scheme

Mr Jean-Paul Agon benefits, under his suspended employment contract, from the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of Members of the Comité de Conjoncture) scheme closed to new members effective from 31 December 2000.

The main features of this scheme, which falls under Article L. 137–11 of the French Social Security Code, are as follows:

- around 120 senior managers (active or retired) are concerned;
- the minimum length of service requirement was 10 years at the time of closure of the scheme on 31 December 2000; and
- the Pension Cover may not exceed 40% of the calculation basis, plus 0.5% per year for the first 20 years, then 1% per year for the following 20 years, nor may it exceed the average of the fixed portion of the remuneration for the three years used as the calculation basis out of the last seven years prior to the end of the beneficiary's career in the Company.

The financing of this pension scheme is outsourced to an insurance institution. The premiums paid are deductible from the corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

The above provisions are subject to the procedure for related-party agreements. The corresponding agreement was approved by the Annual General Meeting on 27 April 2010 making a decision with regard to the Special Report prepared by the Statutory Auditors.

The provisions of this agreement remained unchanged within the scope of the appointment of Mr Jean-Paul Agon as Chairman and Chief Executive Officer as from 18 March 2011 and the renewal of his term of office on 17 April 2014 and 17 April 2018. Pursuant to Article L. 225-40-1 of the French Commercial Code, this agreement was examined by the Board of Directors on 11 February 2021, which confirmed the relevance and terms thereof. The Annual General Meeting of 17 April 2018 approved, pursuant to the old Article L 225-42-1 of the French Commercial Code, the implementation of the provisions of Mr Jean-Paul Agon's employment contract for the duration of the renewed corporate office, as approved by the Annual General Meeting on 27 April 2010, corresponding to defined benefit pension scheme commitments. The Board of Directors subordinated the increase in conditional rights for the period to the achievement of the performance conditions, assessed in light of the Company's performance.

The increase for a financial year therefore depends on the achievement of at least 80% of the performance targets taken into account to determine the annual variable remuneration of Mr Jean-Paul Agon. If the 80% threshold is not met, no increase will be granted for the financial year in question.

Pursuant to the provisions of the agreement to suspend the employment contract on defined benefit pension commitments for the tenure of his new term of office, the Chairman and Chief Executive Officer benefits from:

- the calculation basis of the Chairman and Chief Executive Officer's pension will be revalued according to the salaries and contributions revaluation coefficient for pensions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*), as set out above; and
- secondly, the Chairman and Chief Executive Officer will continue to accrue seniority during the renewed term of his corporate office, up to the date on which he reaches the upper limit of 40 years of service required under the scheme, namely, on 1 September 2018. As a result, no other supplementary annuity may be subsequently granted to him.

At its meeting of 11 February 2021, the Board of Directors noted that the performance conditions were fully met. Therefore, the Board decided that the Chairman and Chief Executive Officer benefits from the principle of the revaluation of his pension on the basis of the salaries and contributions revaluation coefficient published by the French State pension system (*Caisse Nationale d'Assurance Vieillesse*) (coefficient equal to 1.004 for 2020).

Situation of Mr Jean-Paul Agon as from 1 May 2021

Mr Jean-Paul Agon notified the company of the termination of his employment contract on 30 April 2021, in order to benefit from his retirement rights as from 1 May 2021, at the end of a 42-year career in the Company.

All provisions relating to the retirement of Mr Jean-Paul Agon were approved by the Annual General Meeting on 27 April 2010.

- **Payment of a retirement indemnity stipulated by the National Collective Bargaining Agreement for the Chemical Industries**

A retirement indemnity, attached solely to the termination of the employment contract, will be paid to Mr Agon over the month of May 2021 in strict application of the public order rules of French Labour law, the National Collective Bargaining Agreement for the Chemical Industries (*Convention Collective Nationale des Industries Chimiques*) and the collective agreements applicable to all L'Oréal's senior managers.

This indemnity is based on the amount of remuneration at the date of suspension of the employment contract in 2006, after applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). As of 1 January 2021, this revalued remuneration amounted to €1,731,000 for fixed remuneration and €1,442,500 for variable remuneration.

The retirement indemnity was a gross amount of €2.12 million representing eight months of the aforementioned revalued remuneration.

The implementation of the non-compete clause is not applicable in the event of retirement: no non-compete indemnity would be paid to Mr Jean-Paul Agon.

- **Liquidation without payment of pension under the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of Members of the Comité de Conjoncture) scheme**

The gross amount of the pension that would be paid to Mr Jean-Paul Agon, under L'Oréal's "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of Members of the Comité de Conjoncture) scheme, represents €1.59 million, i.e. around 36% of the fixed and variable remuneration he received as executive corporate officer.

The Board of Directors agreed to Mr Jean-Paul Agon's wish to waive this supplementary pension during his term of office as Chairman of the Board of Directors so as not to combine it with the remuneration of €1,600,000 proposed by the Board of Directors on 11 February 2021, and submitted for the approval of the Annual General Meeting of 20 April 2021 in the context of the vote on the 14th resolution.

The pensions that could have been paid for the period of his office as Chairman will be definitively lost for Mr Jean-Paul Agon without any increase in pension or any other subsequent compensation.

2.4.3.6. Situation of Mr Nicolas Hieronimus

The Board of Directors at its meeting of 14 October 2020 announced its intention to appoint Mr Nicolas Hieronimus, then Deputy Chief Executive Officer in charge of Divisions, and employee of L'Oréal, as Chief Executive Officer following a brilliant career spanning 34 years within L'Oréal. This new governance will take effect on 1 May 2021, by decision of the Board of Directors at the meeting held following the Annual General Meeting of L'Oréal shareholders on 20 April 2021, which is also called to appoint Mr Nicolas Hieronimus as Director.

The Board of Directors did not wish for Mr Nicolas Hieronimus, by accepting the office of Chief Executive Officer after 34 years within L'Oréal, to be deprived, at the age of 57, of the benefits to which he would have continued to be entitled had he remained an employee, and adopted the following measures:

1) Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The reference remuneration of Mr Nicolas Hieronimus to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the pension under the defined-benefit scheme described below, is based on his remuneration at the date of suspension of his employment contract. This reference remuneration is €1,750,000 of fixed remuneration and €1,850,000 of variable remuneration. This remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*).

The seniority applied covers his entire career within the Group, including the years spent as an executive corporate officer.

2) Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

Payment of the indemnities due under the suspended employment contract will be submitted to the Annual General Meeting on 20 April 2021 for a vote.

In the event of termination of his suspended employment contract during the term of corporate office, and depending on the reasons for such termination, Mr Nicolas Hieronimus would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or at the Company's request pursuant to the suspended employment contract.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (*Convention Collective Nationale des Industries Chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the event of gross misconduct or gross negligence, the indemnity would be capped, in light of Mr Nicolas Hieronimus' length of service, at 20 months' remuneration under the suspended employment contract.

In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-compete clause would be payable monthly for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr Hieronimus were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

3) Defined benefit pension scheme

Mr Nicolas Hieronimus will continue to benefit, under his suspended employment contract, from the "Garantie de Ressources des Retraites Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme closed to new members effective from 31 December 2015. The income guarantee is calculated on the basis of the number of years of professional service in the Company up to 31 December 2019, up to a limit of 25 years. Generally, after 31 December 2019, no new rights will be granted under this scheme pursuant to Order no. 2019-697 of 3 July 2019 concerning supplementary professional retirement schemes, which stipulated the closure of all defined benefit schemes governed by Article L. 137-11 of the French Social Security Code.

The main features of this scheme are as follows:

- around 340 senior managers (active or retired) are concerned;
- the minimum length of service requirement was 10 years at the time of closure of the scheme on 31 December 2015;
- the income guarantee is calculated on the basis of the number of years of professional service in the Company until 31 December 2019, capped at 25 years, each year leading to a progressive and regular increase of 1.8% in the level of the guarantee. The income guarantee may not exceed 50% of the calculation base or exceed the average of the fixed portion of salaries; and
- the guarantee is financed by contributions paid to an insurance institution. These contributions are deductible from corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

The pension rights of Mr Nicolas Hieronimus are no longer likely to change insofar as he has more than 25 years of service, the ceiling above which no additional annuity is granted under this scheme.

For information purposes, the gross estimated amount of the pension that would be paid to Mr Nicolas Hieronimus, under L'Oréal's "Garantie de Ressources des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme, had he been able liquidate on 31 December 2020 his full-rate pension rights under French Social Security, after 34 years of service within L'Oréal, would represent €1.56 million.

This information is given as an indication after estimating the main pension rights accrued by Mr Nicolas Hieronimus as a result of his professional activities, according to the rules for payment of such pensions in force at 31 December 2020, which may be subject to change.

The amount of the pension paid to Mr Nicolas Hieronimus under L'Oréal's "Garantie de Ressources Dirigeants" (income guarantee for senior managers) will only be calculated on the date when he applies for all his pensions.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the completion of the beneficiary's career in the Company. The funding of this scheme by L'Oréal cannot be broken down individually by employee.

4) AMF summary table

The table set out below, presented in the form recommended by the French Financial Markets Authority (AMF), clearly shows that there are no concurrent benefits under the suspended employment contract and the corporate office.

It is also stated that the AMF considers that a company complies with the AFEP-MEDEF Code when it explains the maintenance of the employment contract of a senior manager as an employee in the Company and his personal situation and provides detailed substantiation in this respect. [1]

	Employment contract [(3)]		Supplementary pension scheme [(4)]		Indemnities or benefits due or which may become due as a result of termination or change of duties [(5)]		Indemnities relating to a non-compete clause [(6)]	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Jean-Paul Agon [(1)]								
Chairman and Chief Executive Officer	X		X			X	X	
Mr Nicolas Hieronimus [(2)]								
Chief Executive Officer	X		X			X	X	

(1) Mr Jean-Paul Agon has been a Director since 25 April 2006, the date on which he was appointed Chief Executive Officer. His term of office was renewed at the Annual General Meeting on 27 April 2010. Mr Jean-Paul Agon has been Chairman and Chief Executive Officer since 18 March 2011. His term of office was renewed on 17 April 2014, and on 17 April 2018 for a four-year period. Mr Jean-Paul Agon's employment contract is suspended throughout the entire length of his corporate office.

(2) The appointment of Mr Nicolas Hieronimus to the Board of Directors is submitted to the Annual General Meeting for a vote on 20 April 2021. The Board of Directors announced its intention to dissociate the offices of Chairman and Chief Executive Officer and to appoint Mr Nicolas Hieronimus as Chief Executive Officer as from 1 May 2021.

(3) Mr Jean-Paul Agon's employment contract is suspended throughout the entire length of his office as Chairman and Chief Executive Officer. The employment contract of Nicolas Hieronimus will be suspended as from 1 May 2021, the date he assumes his duties as Chief Executive Officer on the decision of the Board of Directors' meeting held at the end of the Annual General Meeting of 20 April 2021.

(4) Pursuant to his employment contract, Mr Jean-Paul Agon is entitled to benefit from the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of the Members of the Comité de Conjoncture) scheme as described in chapter 4 of this document. Mr Nicolas Hieronimus benefits from the "Garantie de Retraite des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee of Former Senior Managers) scheme described in Chapter 4. These defined benefit pension schemes provide that the building up of rights to benefits is conditional on the completion of the beneficiary's career in the Company; the funding of this scheme by L'Oréal cannot be broken down individually by employee.

(5) No indemnity is due for termination of the corporate office. Under the employment contract, pursuant to the schedule of indemnities of the National Collective Bargaining Agreement for the Chemicals Industry, in the event of dismissal, except in the event of gross misconduct or gross negligence, the dismissal indemnity could not be greater than 20 months' of the remuneration under the employment contract (see section 2.4.3.4. "Application of the related-party agreements scheme" of this document on the accumulated amount of the contractual indemnity and the indemnity due in consideration of the non-compete clause).

(6) In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract (excluding voluntary or compulsory retirement), the indemnity due in consideration of the non-compete clause would be payable every month for two years on the basis of two thirds of the monthly fixed remuneration related to the employment contract unless the executive corporate officer were to be released from application of the clause (see section 2.4.3.4. on the accumulated amount of the convention indemnity and the indemnity due in consideration of the non-compete clause).

(1) AMF, Recommendation no. 2012-02, last updated on 3 December 2019.

2.4.4. Summary table of Mr Jean-Paul Agon's remuneration, Chairman and Chief Executive Officer

	2020		2019	
In €	Amounts allocated	Amounts paid	Amounts allocated	Amounts paid
Fixed remuneration	2,200,000	2,200,000	2,200,000	2,200,000
Annual variable remuneration(1)	859,831(2)	2,168,831	2,168,831	2,045,998
Exceptional remuneration	-	-	-	-
Remuneration for term of office as Director	-	-	-	-
Benefits in kind	-	-	-	-
TOTAL	**3,059,831**	**4,368,831**	**4,368,831**	**4,245,998**

(1) The variable remuneration due for year N is paid in N+1. The variable remuneration for 2020 will be paid subject to the approval of Resolution 10 by the Annual General Meeting on 20 April 2021.
(2) It should be noted that the Board, meeting on 12 May 2020, agreed to Mr Jean-Paul Agon's wish, given the exceptional context of the Covid-19 crisis and in a spirit of solidarity, to waive for 2020 any remuneration on the financial targets of his annual variable remuneration and any grant of performance shares. The maximum target amount for the annual variable remuneration of Mr Jean-Paul Agon was, therefore, reduced from €2,200,000 to a gross amount of €880,000.

SUMMARY TABLE OF REMUNERATION AND PERFORMANCE SHARES AWARDED TO MR JEAN-PAUL AGON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In €	2020	2019
Remuneration due in respect of the financial year	3,059,831	4,368,831
Value of performance shares granted during the financial year	0(1)	5,430,000(2)
TOTAL	**N.A.**	**9,798,831**

(1) It should be noted that the Board, meeting on 12 May 2020, agreed to Mr Jean-Paul Agon's wish, given the exceptional context of the Covid-19 crisis and in a spirit of solidarity, to waive for 2020 any remuneration on the financial targets of his annual variable remuneration and any grant of performance shares. The maximum target amount for the annual variable remuneration of Mr Jean-Paul Agon was, therefore, reduced from €2,200,000 to a gross amount of €880,000.
(2) Corresponding to 24,000 performance shares x €226.25 (estimated fair value on 18 April 2019 according to the IFRS applied for the preparation of the consolidated financial statements).

HISTORY OF THE STOCK OPTIONS GRANTED TO MR JEAN-PAUL AGON SINCE HIS APPOINTMENT AS A CORPORATE OFFICER THAT CAN STILL BE EXERCISED AT 31 DECEMBER 2020 (SEE ALSO CHAPTER 7)

All stock options granted to Mr Jean-Paul Agon since his appointment as a corporate officer were exercised at 31 December 2020.

Grant date	Number of options granted	Number of options not yet exercised	First possible date of exercise	Date of expiry	Subscription price *(in euros)*
22 April 2011	200,000(1)	0	23.04.2016	22.04.2021	83.19

(1) At its meeting on 22 April 2011, the Board of Directors awarded 400,000 share subscription options to Mr Jean-Paul Agon. Mr Jean-Paul Agon waived 200,000 of these options. He therefore benefits from 200,000 stock options under the plan decided by the Board of Directors on 22 April 2011.

TABLE OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED BY MR JEAN-PAUL AGON DURING THE 2020 FINANCIAL YEAR

Grant date	Share subscription or purchase options exercised	Exercise price
22 April 2011	200,000	€83.19

Mr Jean-Paul Agon, as director and corporate officer, must retain a number of shares corresponding to 50% of the "balance of the shares resulting from the exercise of the stock options", in registered form, until the termination of his duties as Chairman and Chief Executive Officer of L'Oréal.

The "balance of the shares resulting from the exercise of the stock options" should be understood to mean the total number of shares resulting from the exercise of stock options minus the number of shares that have to be sold to finance the exercise of the stock options in question and, where applicable, the payment of any immediate or deferred taxes, social contributions and costs relating to the exercise of these stock options as applicable at the date of exercise of the options. If the number of shares thus determined which must be retained until the termination of Mr Jean-Paul Agon's duties as Chairman and Chief Executive Officer is not a whole number of shares, the number of shares will be rounded down to the nearest whole number of shares.

Mr Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.

HISTORY OF CONDITIONAL GRANTS OF SHARES (ACAs) TO MR JEAN-PAUL AGON SINCE HIS APPOINTMENT AS A CORPORATE OFFICER

Grant date	Number of ACAs granted	Performance conditions[3]	Grant value (IFRS fair value)	Date of final vesting of all or part of the ACAs	Number of finally vested shares	First possible date of sale of a portion of these[4]
17 April 2012[1]	50,000	Yes	3,853,500	18 April 2016	50,000	18 April 2018
26 April 2013[1]	40,000	Yes	4,494,800	27 April 2017	40,000	27 April 2019
17 April 2014[1]	40,000	Yes	4,183,200	18 April 2018	40,000	18 April 2020
22 April 2015[1]	32,000	Yes	5,167,680	23 April 2019	26,432	23 April 2021
20 April 2016[2]	32,000	Yes	4,938,240	21 April 2020	32,000	21 April 2020
20 April 2017[2]	32,000	Yes	5,340,800	21 April 2021	26,544	21 April 2021
17 April 2018[2]	30,000	Yes	5,285,100	18 April 2022	N/A	18 April 2022
18 April 2019[2]	24,000	Yes	5,430,000	19 April 2023	N/A	19 April 2023

(1) At the end of the vesting period, Mr Jean-Paul Agon, as a French resident on the date of granting the shares, is required to hold the fully vested shares for an additional two-year period during which the shares may not be transferred.
(2) The 20 April 2016, 20 April 2017, 17 April 2018 and 18 April 2019 Plans set a four-year vesting period, without any holding period.
(3) See the performance conditions described in chapter 7 of this document.
(4) Mr Jean-Paul Agon, as director and corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his term of office as Chairman and Chief Executive Officer of L'Oréal. Mr Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.

TABLE OF PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE 2020 FINANCIAL YEAR FOR EACH CORPORATE OFFICER

Grant date	Number of ACAs granted	Grant value (IFRS fair value)	Date of final vesting of all or part of the ACAs	First possible date of sale of a portion of these
17 April 2014[1]	40,000	4,183,200	18 April 2018	18 April 2020
20 April 2016[1]	32,000	4,938,240	21 April 2020	21 April 2020

(1) Mr Jean-Paul Agon, as director and corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his term of office as Chairman and Chief Executive Officer of L'Oréal. Mr Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.

2.5. SUMMARY TABLE OF THE RECOMMENDATIONS OF THE AFEP–MEDEF CODE WHICH HAVE NOT BEEN APPLIED

AFEP-MEDEF Code recommendations	L'Oréal's practices and justifications
Composition of the Committees: proportion of independent members of the Committees (points 16.1 and 17.1 of the AFEP-MEDEF Code)	
The proportion of independent Directors on the Audit Committee must be at least two-thirds.	The Audit Committee consists of 60% of independent Directors (i.e., three out of five, excluding Directors representing the employees). The Committee is chaired by Ms Virginie Morgon, an independent Director. The Board of Directors considers this composition satisfactory in light of the necessary presence of two Directors from L'Oréal's majority shareholders and its choice of maintaining a limited number of members in order to ensure the efficiency of the work of this Committee which requires a certain level of expertise in finance or accounting.
The Selection or Appointments Committee and the Remuneration Committee must be composed of a majority of independent Directors.	The Nominations and Governance Committee currently consists of 50% independent Directors. The Committee is chaired by Ms Sophie Bellon, an independent Director. Furthermore, it should be noted that the Haut Comité de Gouvernement d'Entreprise (High Committee on Corporate Governance) specified that "*an Audit Committee that consists of three independent members out of five, or a Remuneration Committee with two out of four, remains in keeping with the spirit of the code as long as they are chaired by an independent Director*" (Report of October 2014).
Employment contract of the corporate officer (point 22 of the AFEP-MEDEF Code)	
It is recommended, though not required, that when a senior manager becomes a director and corporate officer of the Company, his/her employment contract with the Company or another company of the Group should be terminated by agreed termination or by resignation.	The Board of Directors considered that the objective pursued by this recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating the benefits related to the employment contract from those tied to his corporate office. This position of the Board applies to the current office of Mr Jean-Paul Agon as Chairman and Chief Executive Officer and, in the future, to the office of Mr Nicolas Hieronimus as Chief Executive Officer and, in the future, to any new executive officer appointed who has over 15 years of service in the Group at the time of appointment. L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their career in the Group as executive corporate officers. This is how Mr Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed Chief Executive Officer in April 2006, followed by Chairman and Chief Executive Officer in 2011, following a brilliant career spanning 27 years within L'Oréal. The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, Mr Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr Jean-Paul Agon would lose the status he acquired as a result of the twenty-seven years he spent working for the Group as an employee. The situation of Mr Nicolas Hieronimus is similar: he is called to serve as Chief Executive Officer as from 1 May 2021, after a highly successful 34-year career in the Group. The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, his employment contract with L'Oréal were to be terminated, Mr Nicolas Hieronimus would lose the status he acquired as a result of the 34 years he spent working for the Group as an employee. The AMF, in its recommendation 2012-02 last updated on 3 December 2019, considers that a senior manager's length of service as a company employee and their personal situation may justify maintaining their employment contract if the company provides explanations adapted to the individual situation of each executive (length of service and description of the benefits granted under the employment contract).

2.6. SUMMARY STATEMENT OF TRADING BY DIRECTORS AND CORPORATE OFFICERS IN L'ORÉAL SHARES IN 2020

(ARTICLE 223-26 OF THE GENERAL REGULATION OF THE AUTORITÉ DES MARCHÉS FINANCIERS)

Person concerned	Description of the financial instrument	Nature of transaction	Number of transactions	Total amount
Jean-Paul Agon **Chairman and Chief Executive Officer**	Equity securities	Sale	5	€15,108,627.80
	Options under the SO plan of 22 April 2011	Exercise of stock options	2	€16,638,000.00
	Equity securities	Final vesting of free shares granted subject to performance conditions (ACAs)*	1	€0.00
Georges Liarokapis **Director**	Employees Mutual Fund (FCPE)	Acquisition	1	€21,868.47
	Employee shareholding plan	Subscriptions	1	€11,609.00

* *Delivery on 21 April 2020 of the ACAs Plan of 20 April 2016 (see section 2.4.4. "Summary table of the remuneration of Mr Jean-Paul Agon, Chairman and Chief Executive Officer" of this document).*

2.7. STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

(Annual General Meeting held to approve the financial statements for the year ended 31 December 2020)

This is a free translation into English of the statutory auditors' special report on related-party agreements issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

L'ORÉAL

14, rue Royale

75008 Paris

To the L'Oréal Annual General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related-party agreements.

The terms of our engagement require us to communicate to you, based on the information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered in the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without having to express an opinion on their usefulness and appropriateness or identify such other agreements, if any. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the performance during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements submitted for the approval of the Annual General Meeting

Agreements authorized and entered into during the year

We were not informed of any agreements entered into during the year to be submitted for approval at the Annual General Meeting pursuant to the provisions of Article L.225-38 of the French Commercial Code.

Agreements authorized and entered into since the year-end

We were informed that the following agreement, authorized and entered into since the year-end, was previously authorized by your Board of Directors.

Agreement concerning the position of Mr Nicolas Hieronimus whose employment contract will be suspended upon his appointment as Chief Executive Officer

Nature and purpose

On 11 February 2021, your Board of Directors authorized an agreement to suspend the employment contract between your company and Mr Nicolas Hieronimus, current Deputy Chief Executive Officer and employee of your company, who will become the Company's Chief Executive Officer as of 1 May 2021, following the decision of the Board of Directors' meeting to be held after the Annual General Meeting of 20 April 2021.

This agreement will be entered into following the Board of Directors' meeting. It will become effective as of 1 May 2021, subject to the effective appointment of Mr Nicolas Hieronimus as Chief Executive Officer by the Board of Directors' meeting to be held after the Annual General Meeting of 20 April 2021.

Reasons justifying the interest for your Company

Your Board of Directors recalled that L'Oréal's constant practice has been to appoint as executive corporate officers employees who have fully succeeded in the various stages of their career in the Group. The remuneration policy applicable to executive corporate officers is the logical result of this choice. Your Board also considered that this policy should attract the most talented employees of L'Oréal to the highest positions in General Management, without them being deprived, after a long career in the Group, of the benefits to which they would have continued to be entitled had they remained employees.

To achieve this objective, the Board of Directors decided to maintain the employment contract of corporate officers who, when appointed, have at least 15 years of service in the Group and ensured that the benefits under the suspended employment contract are not combined with those in respect of the corporate office.

Pursuant to this policy, the Board of Directors did not wish that Mr Nicolas Hieronimus, who has accepted the position of Chief Executive Officer after 34 years of career at L'Oréal, be deprived, as of 1 May 2021, of the benefits that he would have continued to obtain had he remained an employee and that he will not receive as director and corporate officer.

Terms and conditions

- Suspension of Mr Nicolas Hieronimus' employment contract on the start date of his corporate office, and during the term of his corporate office.

  In the event of termination of his suspended employment contract during the term of office, and depending on the reasons for such termination, Mr Nicolas Hieronimus will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request payable under the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the French collective bargaining agreement for the chemicals industry (*Convention Collective Nationale des Industries Chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

  Mr Nicolas Hieronimus will continue to benefit, under his employment contract suspended for the term of his corporate office, from the "*Garantie de Ressources des Retraités Anciens Cadres Dirigeants*" (Retirement Income Guarantee for former senior managers) scheme, closed to new entrants as from 31 December 2015. Indemnities are calculated according to the number of years of professional activity within the company as of 31 December 2019, up to a maximum of 25 years. In general, subsequent to 31 December 2019, no new entitlement is granted under this scheme pursuant to Order 2019-697 of 3 July 2019 on supplementary pension schemes, which provides for the closure of all defined-benefit schemes governed by Article L. 137-11 of the French Social Security Code. The main features of this scheme are described in Note 4.3.2.5 to the 2019 L'Oréal Universal Registration Document. In this specific case, Mr Nicolas Hieronimus reached the limit of 25 years' professional activity in the Group provided under the scheme in 2012 and therefore has not benefited from any new entitlement to supplementary annuities since such date.

  Under his employment contract and in accordance with the French collective bargaining agreement for the chemicals industry, in the event of termination of the employment contract, the compensation under the non-compete clause would be payable monthly over two years based on two-thirds of the monthly fixed remuneration provided for in the suspended employment contract, unless Mr Nicolas Hieronimus was released from the application of this clause. This clause is not applicable in the event of voluntary retirement or retirement at the Company's request and no non-compete compensation would be paid in this situation.

  Under no circumstances shall the remuneration received for the corporate office be taken into consideration in calculating benefits likely to be payable under the above-mentioned employment contract.
- Terms and conditions relating to the suspension of Mr Nicolas Hieronimus' employment contract
  - The reference remuneration to be taken into account for all entitlements attached to the employment contract will be based on the amount of remuneration at the date of suspension of the employment contract, namely, fixed remuneration of €1,750,000 and variable remuneration of €1,850,000. This reference remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*).
  - The length of service applied will cover his entire career within the Group, including his years as corporate officer.

- Mr Nicolas Hieronimus will continue to be treated in the same way as a senior manager throughout the term of his corporate office, which allows him to benefit from the additional social protection schemes, including the defined-contribution pension scheme and employee benefit and healthcare schemes applicable to the Company's employees. This information is contained in the remuneration policy submitted for approval to the Annual General Meeting of 20 April 2021.

Agreements already approved by Annual General Meeting

Agreements approved during previous years

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreement, already approved by the Annual General Meeting of 27 April 2010 and described in the statutory auditors' special report of 19 February 2010, continued to be performed during the year.

Agreement concerning Mr Jean-Paul Agon, Chairman and Chief Executive Officer

- Suspension of Mr Jean-Paul Agon's employment contract during the term of his corporate office

  In the event of termination of his employment contract during the term of office, and depending on the reasons for such termination, Mr Jean-Paul Agon will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request payable under the employment contract that has been suspended.

  These indemnities, which are attached solely to termination of the employment contract and in strict application of the French collective bargaining agreement for the chemicals industry (*Convention Collective Nationale des Industries Chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

  Mr Jean-Paul Agon will continue to benefit from the defined-benefit pension scheme currently applicable to the Group's senior managers, as described in chapter 2 of the management report.
- Terms and conditions relating to the suspension of Mr Jean-Paul Agon's employment contract
  - The reference remuneration to be taken into account for all entitlements attached to the employment contract and in particular for the calculation of the pension under the defined-benefit scheme will be based on the amount of remuneration at the date of suspension of the employment contract in 2006, namely, fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). As of 1 January 2021, the fixed remuneration amounted to €1,731,000 and the variable remuneration to €1,442,500.
  - The length of service applied will cover his entire career, including his years as Chief Executive Officer and Chairman and Chief Executive Officer. For information purposes, Mr Jean-Paul Agon reached the limit of 40 years of service required under the scheme, namely, on 1 September 2018.
- Mr Jean-Paul Agon will continue to be treated in the same way as a senior manager throughout the term of his corporate office, which allows him to benefit from the additional social protection schemes, including the defined-contribution pension scheme and employee benefit and healthcare schemes applicable to the Company's employees. This information is contained in the remuneration policy submitted for approval to the Annual General Meeting of 20 April 2021.

In Neuilly-sur-Seine and Paris-La Défense, 17 February 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire FERRIE	Frédéric MOULIN

3.

RISK FACTORS AND CONTROL ENVIRONMENT*

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

At the request of the Chairman and Chief Executive Officer and the Board of Directors, the Administration and Finance Department compiled the information contained in this Document on the basis of the different types of work carried out by departments responsible for Internal Control and Group Risk Management, which is designed to cover the main operational, manufacturing and environmental, legal and regulatory, financial and market risks, and to present the associated mechanisms for prevention and control.

3.1. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

3.1.1. Reference work

For the preparation and drafting of this Document and the definition of Internal Control, L'Oréal used the Reference Framework and its application guide initially published in January 2007, and updated on 22 July 2010 by the Autorité des Marchés Financiers (AMF).

3.1.2. Internal Control objectives

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

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

By contributing to preventing and managing the risks to which the Group is exposed, the purpose of the Internal Control system is to enable the Group's manufacturing and economic development to take place in a steady and sustainable manner in a control environment appropriate for the Group's businesses. There are however limits inherent in any system and process. These limits result from a number of factors, in particular the uncertainties of the outside world or malfunctions that may occur due to technical or human failures.

The handling of a risk relies in particular on a reasonable informed choice between the challenges to be controlled, the opportunities to be seized and the cost of the risk management measures, taking into account the effects of these measures on the occurrence and impact of the risk.

3.1.3. Continuous improvement of the Internal Control system

With the aim of continually improving the system of Internal Control, the Group continued with its efforts in 2020 by taking the following actions:

The corpus of standards and procedures was bolstered with, in particular:

- new operating guides made available to restate the Group's principles and to facilitate the sharing of best practices (policy on responsible lobbying, legal charter, customs requirements, policies on retail, e-commerce and protection of personal data);
- in addition, the existing standards are regularly revised to be adapted to new challenges;
- an updated version of the Group's digital standard (see "Communication of information inside the Group" in section 3.2.1. "Organisation and environment" of this document); and
- revamping of the programme to raise awareness of the risks of fraud.

The deployment of online training (prevention of corruption, data security, competition, cyber security, personal data protection) is ongoing.

The network of Internal Control managers continued to be built up worldwide through:

- specific training courses;
- informative webchats for sharing updates on Group projects and business standards; and
- a special-purpose communication platform that encourages and facilitates the sharing of best practices.

Communication within the Group on the main priorities of Internal Control is promoted by the "Internal Control Awards", which reward the best global initiatives, and through the Risk Management and Compliance Department's intranet which makes it possible to communicate all over the world on Internal Control initiatives, tools and events.

3.2. COMPONENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

3.2.1. Organisation and environment

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

The Group's Ethical Principles

Ethical Principles

L'Oréal has built up its business on the basis of strong ethical principles that guide its development and contribute to establishing its reputation: Integrity, Respect, Courage and Transparency. L'Oréal's commitment to acting ethically and responsibly is summarised in a document called "The L'Oréal Spirit" accessible to everyone. The Group's policies on sustainable development, social and societal responsibility, compliance and philanthropy are based on the Ethical Principles.

L'Oréal's Code of Ethics is available in 45 languages and in Braille in English and French. It is distributed to all employees around the world. It enables employees to understand how these Ethical Principles need to be reflected in their behaviour and actions by providing simple rules and a description of concrete situations they may encounter. The Code of Ethics applies to all employees, directors and corporate officers and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. Since 2010, 13 supplements to the Code of Ethics have covered certain aspects of the Code in more detail.

Chief Ethics Officer

The Chief Ethics Officer reports directly to the Chairman and Chief Executive Officer and keeps him informed on a regular basis.

His/her mission is to:

- ensure the promotion and integration of best practices within the Group, providing guidance in ethical decision-making;
- oversee employee training;
- oversee the management of complaints and directly manage those related to senior management positions; and
- measure and assess the Company's ethical performance.

The Chief Ethics Officer regularly informs the Board of Directors and the Executive Committee.

He/she has a dedicated budget and team, unrestricted and on first demand access to all information and documents concerning the Group's business activities and can call upon all the Group's teams and resources to carry out his/her mission.

The Chief Ethics Officer is L'Oréal's representative with the United Nations Global Compact and the NGOs linked to its activity.

Implementation of L'Oréal's Ethics and Human Rights approach

Country Managers (or for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring compliance with the Code of Ethics. The Chief Ethics Officer systematically meets each new Country Manager and the Group's main senior managers to raise awareness on their role. Senior managers also benefit from a tool to help develop their ethics leadership as well as specific training.

The role of the 76 Ethics Correspondents throughout the world is to assist members of the Executive Committee and Country Managers in implementing the ethics programme and to provide all employees with a local point of contact, whilst promoting the normal routes for handling concerns by management and Human Resources. The Ethics Correspondents benefit every year from a specific support and training programme.

The Senior Vice-President and Chief Ethics Officer regularly visits the Group's entities all over the world (head offices, plants, distribution centres and research centres) to meet employees at all levels of the Company and visit the various sites. Since the end of 2013, the Senior Vice-President and Chief Ethics Officer has carried out 107 country visits.

The ethical and human rights risks are mapped and regularly updated, which also includes suppliers and subcontractors (see section 3.4.3. "General framework of risk analysis" of this document). A practical tool has been created to enable Country Managers to assess and analyse possible local ethical risks and to take the necessary prevention measures. An annual reporting system allows to monitor the implementation of the ethics programme. The subsidiaries are informed of their potential areas for improvement by the Office of the Chief Ethics Officer. Ethics risks are systematically reviewed during audit assignments, through individual interviews. These interviews are conducted separately with the Country Manager and the Administrative and Financial Director.

For prospective acquisitions, the responses to the Ethics and Human Rights questionnaire submitted to target companies serve to identify whether such companies take account of the risks related to business ethics, among others.

A specific and compulsory e-learning course on ethics is available in all subsidiaries. As of 31 December 2020, 76% of employees with access to the online module had completed this course. The Office of the Chief Ethics Officer also provides face-to-face training as part of the ongoing training of managers and certain business functions (Country Managers, Buyers, Human Resources).

Compliance with the Ethical Principles is integrated in the annual appraisal system for all employees through three ethical competences: "Takes accountability with courage and transparency", "Delivers both sustainable and short-term results with integrity" and "Treats all individuals in a respectful and consistent manner".

Regular communication with stakeholders and establishment of internal working groups contribute to include Ethics in the Group's new policies and strategic decisions (for example, the Employee Human Rights policy and Responsible Lobbying policy in 2020).

Regular audits of the Group's sites and those of suppliers and subcontractors (see section 4.4. "Sharing Beauty with All: 2020 Results" of this document), the Group's secure whistleblowing line (www.lorealspeakup.com) accessible to all Group stakeholders, as well as a procedure to collect and process reports to manage any violations.

In 2020, 536 possible ethical violations were identified either via the secure website, or via the Ethics correspondents, and local or international management. The cases reported are thoroughly examined and appropriate measures are taken, where applicable. Employees are regularly informed of the number of reports discrimination, sexual and other types of harassment at Group level worldwide, the number of fully or partially substantiated cases and the corrective measures taken.

Ethics Day: an annual day on ethics

Ethics Day has been held since 2009: a live webchat with L'Oréal's Chairman and Chief Executive Officer enables all of the Group's employees to ask questions and discuss the day-to-day application of L'Oréal's Ethical Principles. Each member of the Executive Committee and each Country Manager also organises local ethics discussions. In 2020, nearly 70% of the employees participated in this dialogue and over 8,900 questions were asked worldwide.

In addition to the Ethics Day, employees receive regular information about the Group's ethical policy and have access to a dedicated Intranet site.

L'Oréal's Corporate Social Responsibility

For several years, L'Oréal has begun a profound transformation of the Company in all areas in order to adapt to the great changes in the world. Sustainable development is a fundamental pillar of our transformation and a strategic priority for all our teams. In the firm belief that sustainable development is an essential factor for success and durability, L'Oréal is deploying an ambitious corporate social responsibility policy, which is shared by its management and teams (see section 4.3. "Policies, performance indicators and results" of this document).

The year 2020 marked the end of the Sharing Beauty with All programme, the first generation of Group commitments to sustainable development, initiated in 2013. Today, the acceleration of the environmental and social challenges to be met calls for a much more radical transformation. In this context, in June 2020, L'Oréal announced its new sustainability programme, *L'Oréal for the Future*, with a new series of particularly ambitious targets for 2030.

Moreover, in 2015, L'Oréal undertook to define Science Based Targets (SBT) to reduce its greenhouse gas emissions across its entire value chain over the long term, in accordance with the Paris Climate Change Agreements. In December 2017, the SBT initiative validated the Group's proposal: L'Oréal is committed to reducing greenhouse gas emissions on its Scopes 1, 2 and 3 by 25% in absolute value by 2030, compared with the 2016 baseline.

The sustainable development Coordinators worldwide are tasked with helping the Country Managers/Area Managers/Brand Managers in the implementation of the programme within their entity. The progress in local implementation of the Group's commitments is monitored by means of an annual reporting system.

The Corporate Social Responsibility risks, and the progress of the policies put in place to deal with these risks, are reviewed regularly as part of the Internal Audit process.

Since 2019, in collaboration with the Risk Management and Compliance Department, L'Oréal's Corporate Social Responsibility Department has conducted a deeper assessment of the risks related to climate change on the Group's operations, using in particular the scenario analysis method, in order to improve its ability to anticipate and mitigate the impact of these risks.

It should be noted that the financial risks related to the effects of climate change and the measures taken by the Group to reduce them are described in Chapter 4.

Human Resources policy

The quality and skills of male and female employees are key components of the Internal Control system.

L'Oréal's Human Resources (HR) Department has always had the mission of supporting the Group's growth and supporting its transformation initiatives. In order to be sustainable, L'Oréal's growth relies first and foremost on the men and women in the Company, who are the key drivers of the Group's success. Built on this conviction, the Group's human and social project is based on highly individualised management of employees and on collective strength.

L'Oréal's HR policy focuses on the identification, recruitment and development of employees throughout their career, and the rewarding and commitment of all, as well as on an active policy on diversity and inclusion. Dedicated policies are developed within the Group in each of these areas (see section 4.3.2. "Human Relations Policy" of this document).

Information systems

The information systems, chosen in accordance with the strategic orientations given by the Group's Global IT Department, integrate, in particular, implementation of a single "ERP" (Enterprise Resource Planning) management software application used by the vast majority of commercial subsidiaries, and which issues instructions regarding systems security. The worldwide roll-out of this integrated software package also contributes to strengthening the reliability and security of the process of producing information, notably accounting and financial information. In pursuit of the same objective, the deployment of an integrated production and management solution in the Group's manufacturing entities is continuing.

The procedures and standards governing the activities

Each Support Division is responsible, in its own specific field, for defining the principles and standards applicable to all the entities. In order to make it easier for employees to make these principles and standards their own, the key principles are summarised in the "Fundamentals of Internal Control", which are regularly updated under the responsibility of the Risk Management and Compliance Department.

This guide is a reference framework for the Group's operational activities, and is presented in the form of an information sheet for each area. Each information sheet refers to the detailed charters, codes and standards of the Group. The sheets are regularly updated, expanded and validated by the Support Divisions.

A management segregation of duties standard is regularly updated and distributed to all entities. It defines the main rules to be observed in the fields of sales, purchasing, logistics, finance, human resources and information systems management. The application of these rules is aimed at better preventing of the risks of fraud and reducing the probability that errors (whether intentional or not) may remain undetected.

Communication of information inside the Group

The "Fundamentals of Internal Control" guide is circulated to the Managing Directors, Finance Directors, and Internal Control managers of all the consolidated subsidiaries, including manufacturing entities. Furthermore, the Fundamentals, codes, charters and standards, together with the information related to the organisation, changes and instructions from the Support Divisions are made permanently available to the subsidiaries on the Group's intranet sites.

A Group digital standard provides all employees with guides, charters and expert contacts organised by function and by subject.

Meetings are regularly organised aimed at passing on information about orientations of the General Management to managers of the subsidiaries. The Support Divisions also coordinate their networks of experts through seminars and training sessions. News published on the Intranet gives employees news updates and meaningful messages on Internal Control.

Finally, the Awards illustrate the Group's commitment to sustainably strengthening Internal Control: they are aimed at showcasing the best initiatives and promoting exchanges of best operational practices between the Group's subsidiaries.

3.2.2. Control and supervision activities: those involved and their roles

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

This system is the subject of ongoing supervision in order to verify its relevance and meets the Group's objectives and addresses its issues.

The main players involved in monitoring Internal Control and risk management are:

- the General Management and its Management Committee (Executive Committee);
- the Board of Directors and the Audit Committee in particular;
- the Ethics, Risk Management and Compliance Department, the Internal Control Department and the Internal Audit Department;
- the Support Divisions; and
- the Operational Divisions and Geographic Zones.

The General Management and its Management Committee (Executive Committee)

The role of the General Management is to define the general principles regarding Internal Control and to ensure that they are correctly put in place. In the context of their global Internal Control responsibilities, the members of the Executive Committee rely on operational and functional managers, according to their respective areas of expertise. These managers must ensure implementation of these general principles and the correct functioning of the procedures enabling the level of Internal Control required by General Management to be attained.

The Board of Directors and Audit Committee

The Board of Directors has always asserted the importance that it attributes, together with General Management, to Internal Control and to its main areas of application. Since its creation, the Audit Committee has been responsible for monitoring actions undertaken in the area of Internal Control and it reports thereon to the Board of Directors. Its remits are defined in the Internal Rules of the Board of Directors.

Each year, the Committee performs a review of the Internal Audit plan, its objectives and the general conclusions of Internal Audit assignments. Major Internal Control projects and initiatives are also presented to it. The Committee then prepares a report with its own remarks for the Board of Directors.

The Operational Divisions and Geographic Zones

The Group is organised into worldwide Divisions and geographical zones which are fully responsible, with the management of each country, business or manufacturing entity, for the achievement of the objectives for Internal Control defined by General Management.

Worldwide responsibilities for Internal Control of the activities within the scope of their responsibilities are entrusted to each of the members of the Executive Committee. A system of delegating authorities is in place and continues to be reinforced. The powers of the legal representatives of Group companies and of those to whom they delegate are limited and controlled in accordance with the provisions of the Legal Charter.

Specialists in management, information systems, Human Resources, digital, retail, purchasing, logistics and production provide support to operational employees at all levels of the organisation and contribute in this way to the achievement of the Internal Control objectives.

The Support Divisions

Worldwide responsibilities for Internal Control of the activities within the scope of their responsibilities are entrusted to each of the members of the Executive Committee.

The Support Divisions define, in their own areas, the strategies, policies and procedures which they communicate to the countries and entities. Through their network of specialists or by regular audits, they bring their expertise to the operational divisions and review the correct operation of their respective areas of responsibility.

The main Departments concerned are:

- the Research, Innovation and Technology Department, which is particularly responsible for cosmeto-vigilance and the quality of the formulas used in the composition of the products (see "Product quality and safety: a priority" in section 4.3.3.2. "Measures taken in favour of consumers" of this document);
- the Purchasing Department with suppliers and their working conditions;
- the Environment, Health & Safety Department, for checks related to site safety, employee health and environmental compliance;
- the Quality Department to measure performance and the progress made by manufacturing entities with regard to the quality of production;
- the Global IT Department, primarily to assess compliance with the Cyber Security Policy;
- the Administration and Finance Department;
- the Human Resources Department, which monitors and supervises all obligations related to personnel management, specifies the documents to be provided to employees, the remuneration of the workforce and personnel expenses, the recruitment, training and evaluation procedures, the rules to be followed in payroll management and the implementation of the *Share & Care* programme;
- the Communications and Public Affairs Department, which coordinates communications operations, establishes crisis management principles and ensures that they are applied (see section 3.5.3.1., "Crisis Management" of this document);
- the Digital Department, the mission of which is to secure the digital transformation of the Group (e-commerce, consumer relations, influencers, digital media, etc.) by defining the policies, tools, and processes and ensuring that they are deployed; and
- the Security Department, which has defined a security and safety policy for people, travel, property, information and data confidentiality (see section 3.5.3.1. "Safety of people and property" of this document).

Indicators and reporting procedures enable regular monitoring of the local activities of most of these Support Divisions.

The Administration and Finance Department

This Department's main role is to assist and control the operational employees in their administrative, financial and legal activities and in the processing of information. In order to do so, it sets the operating rules that apply to all entities, defines and deploys tools, procedures and best practices, particularly in the following areas: management, accounting and consolidation, financing and cash, taxes, legal issues and personal data protection, financial communication, strategic planning, and insurance.

An Internal Control Committee has the task of taking all measures to promote the proper understanding and the proper application of the Group's Internal Control rules and also to monitor progress on important Internal Control projects. It is composed of the Chief Administrative and Financial Officer, and the Directors of Risk Management and Compliance, Internal Control, Operational Finance, Internal Audit and Information Systems (Global IT).

Ethics, Risk Management and Compliance Department

The objective of this department is to coordinate the processes designed to identify, assess and prioritise risks with all those concerned, and keep the Group's risk mapping analysis up-to-date. Its aim is to promote optimal use of resources to minimise and control the impact of negative events and maximise the performance of opportunities.

The Director of Ethics, Risk Management and Compliance reports directly to the Chairman and Chief Executive Officer.

The Internal Control Department

This department, which is separate from Internal Audit and placed under the responsibility of the Risk Management and Compliance Department, ensures the distribution and updating of the "Fundamentals of Internal Control" guide. Frequent actions at seminars and during training cycles and the publication of newsletters help to increase knowledge of this tool, to improve its application and use by operational employees and keep them informed of the Group's projects and priorities in the area of Internal Control.

It is responsible for the continued development of the network of Internal Control managers in the Group's entities. For this reason, the role of this function was specifically detailed and a training module was created. At the end of 2020, the Internal Control Department had a network of 140 local managers present in the Group's different entities.

The Internal Control Department leads the Internal Control Committee and coordinates the implementation of projects and work decided by the Internal Control Committee with the business line experts. The updating of the standards mentioned in this document is one example of this work.

With the constant desire for improvement, the Internal Control Department, on the basis of the "Fundamentals of Internal Control" reference guide, develops, disseminates and coordinates self-evaluation campaigns focusing on the main risks and issues identified, gradually being rolled out in each of the business lines. The self-evaluation of Internal Control makes it possible for the Group's entities to ensure the due and proper functioning of the system and to reinforce it with operational actions.

In addition, this Department monitors changes related to Internal Control relating to expectations and market practices.

The Internal Audit Department

In addition to its role of monitoring the application of the Internal Control system, the Internal Audit Department carries out cross-functional analyses with regard to possible Internal Control weaknesses based on findings noted during its assignments. These analyses make it possible to direct the work of the Internal Control Committee and to identify the priority areas for improvement and strengthening of procedures.

Internal Audit is carried out by a central team that reports directly to the Chairman and Chief Executive Officer. This department carries out regular assignments to audit major processes and check on the application of Group principles and standards.

Internal Audit assignments are submitted to the General Management and the Audit Committee for their approval and give rise, with their agreement, to the preparation of an annual audit plan. The entities' contribution to the Group's key economic indicators, their pattern of development, their historical precedence and the results of previous audits are factors that are taken into account when defining remits. The risk level assessment carried out by the area departments and experts in the different business lines is also a determining factor in the elaboration of the annual audit plan.

In 2020, the Internal Audit Department carried out 45 assignments, 23 of which involved commercial entities representing almost 23% of the Group's sales and seven of which were carried out at plants contributing to more than 17% of the plants' global production. The 2020 Internal Audit also covered a research centre, two sourcing centres and three International Marketing Departments. In addition, three missions were conducted on project management and six on specific themes. And finally, certain resources were dedicated, on an exceptional basis, to support other Group departments during the early months of the lockdown.

Audits systematically result in a report that describes the findings and corresponding risks, and provides an action plan covering all recommendations to be implemented by the audited entity. These action plans are followed up regularly by the Internal Audit Department which measures, and communicates to the relevant departments, the rate of progress made in acting on the recommendations.

The Internal Audit Department uses the Group's integrated Enterprise Resource Planning (ERP) software and has developed a number of specific transactions that help it better identify potential weaknesses in the most sensitive processes. The use of these transactions includes Data analytics capacities that are improved every year with new standard analyses developed by Internal Audit and by access to dashboards and analysis tools that the businesses are continually developing for their own management needs. Finally, the Internal Audit Department has a Governance, Risk, Compliance (GRC) tool, which enables it to carry out its tasks using an integrated tool and to consolidate in real-time the progress made in the action plans of the audited entities.

The achievement of the audit plan, the results of assignments and the progress of the action plans are presented to General Management and the Audit Committee each year.

The audit results are shared with the Group's Statutory Auditors. The remarks made by the external auditors as part of their annual audit are also taken into consideration by the Internal Audit Department when defining its assignments.

Global IT Department

The strategic choices in terms of systems are determined by the Group's Global IT Department, whose main mission is to implement ERP management software which is used by the vast majority of the Group's commercial subsidiaries, plants and logistics services. It also supports the digital transformation of the Group by developing the use of Cloud services (SaaS, Iaas, PaaS) and connected objects.

Within the Department, the Information Systems Security Department is responsible for the Information Systems Security Policy. Based on the international ISO 27001 standard, this policy covers the main topics of Information Systems security, including the protection of personal data, and describes the general principles to be applied for each of them. It enables all the Group's Information Systems teams, and by extension, all employees, to share clear objectives, best practices and levels of control adapted to the risks incurred, notably, the risk of cyber attack. This policy is accompanied by an information systems security audit programme conducted by an outside firm. It is also supplemented by an Information and Communication Technologies Code of Practice, and a Code of Good Practice for the use of Social Media.

The Operations Division

This Division comprises the Departments of Packaging and Development, Quality, EHS (Environment, Health, Safety), Production Management, Purchasing, Supply Chain, and manufacturing strategy. It defines the overall Operations strategy worldwide and defines the standards and methods applicable in the areas of quality, safety, and the environment for deployment in all the countries in which the Group operates. It manages the Group's comprehensive strategy to enable the teams in the Operational Divisions and regions to implement innovation, manufacturing and logistics policies suited to the markets.

In line with the Group's Code of Ethics, since 2011, buyers have access to a practical and ethical "The Way We Buy" guide which aims at helping all employees in their relationships with the Group's suppliers. Buyers also have the Group's The Way We Compete and The Way We Prevent Corruption guides for which online training (e-learning) is provided.

The standard for managing suppliers and tender procedures specify the conditions for competitive tendering and for the registration of the main suppliers. The general terms of purchase form the framework for transactions with the suppliers. The "Purchase Commitments and Order Management" standard is aimed at facilitating and strengthening control of the spending and investments of Group entities.

In the area of the supply chain, the main assignments consist of defining and applying the sales planning, customer demand management, development and control of customer service processes, including through the management of physical order fulfilment, application of the general terms of sale, follow-up of orders, management of customer returns and customer disputes as well as accounts receivable collection procedures. Measures are also recommended for the management of distribution centres and inventories, subcontracting, product traceability, business continuity plans and transportation.

3.3. SYSTEMS RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

For the preparation of this report, L'Oréal based its work on the "Application Guide for Internal Control of accounting and financial information published by issuers", from the Reference Framework published by the AMF on 22 July 2010. This approach is part of an overall process aimed at making continual progress and improving the Internal Control system that is already in place.

3.3.1. Definition, scope and objectives

Internal Control for accounting and finance covers the processes that provide accounting data: the process of producing financial information, the accounts closing process and financial communication actions.

The accounting and financial Internal Control process is designed to ensure:

- compliance with accounting regulations and the correct application of the principles on which the financial statements are based;
- application of the guidelines set by the General Management for financial information;
- protection of assets;
- quality of the reporting that contributes to the preparation of published financial statements and the reliability of their centralised processing for the Group for their distribution and use for monitoring purposes; and
- control of the production of financial, accounting and management information including fraud prevention.

The scope of application of the Internal Control procedures relating to the preparation and processing of financial and accounting information encompasses the parent company and all subsidiaries included in the consolidated financial statements.

3.3.2. Monitoring process for the organisation of accounting and finance functions

Organisation of the Finance Departments

Dedicated teams of specialists ensure the implementation of accounting and financial monitoring, under the supervision of General Management, in the following areas: accounting, consolidation, tax matters, management, financial services and cash flow.

In the Administration and Finance Department, the Operational Finance Department prepares the Group's consolidated financial results: the latter coordinates the pooled service centres and a global network of management controllers who are responsible for ensuring compliance with the Group's accounting and management standards to ensure appropriate management of the result. International accounting management is executed by a team of specialists that ensure the application of IFRS and the implementation and harmonisation of the Group's accounting processes in the accounting pooled service centres and in the countries. Finally, the Operational Finance Department runs the Group's Tax Department which comprises a network of tax lawyers at corporate level, in the regions and in the Group's most vulnerable countries, monitors changes in regulations, ensures compliance with local rules, and oversees the implementation of the Group's tax policy, and in particular the strict application of the transfer pricing policy and customs rules.

The processing and pooling of cash flows and hedging of currency and interest rate risks are carried out by the Group Corporate Finance Department, which is in charge of identifying commitments and enabling their proper booking.

Group standards

The Group has put in place a set of accounting policies and standards consistent with IFRS, the consolidated accounting standards.

The application of these standards is compulsory for all consolidated subsidiaries in order to provide uniform and reliable financial information.

The Operational Finance Department oversees the regular update of these Group standards, taking into account the changes in regulations and accounting principles:

- they define the principles required for harmonised accounting treatment of transactions. They specify in particular the methods of recording balance sheet items and of identification and valuation of off-balance sheet commitments. The Group's Accounting Department monitors, on an ongoing basis, new accounting standards currently under preparation, in order to alert the General Management and anticipate their effects on the Group's financial statements; and
- the chart of accounts, common to all subsidiaries, and the key accounting processes provide the definitions and methodology for preparing the reporting necessary to establish the financial statements.

The management standards describe how the rules should be applied operationally. They give the valuation rules for some of the key balance sheet and income statement accounts and also stipulate the controls and checks applicable to the key processes.

The management standards are regularly supplemented and are thus part of the continuous improvement process. The purpose of this work is both to take action in response to the findings of the Internal Audit Department and to cover the areas corresponding to the accounting and financial risks of subsidiaries. This work has made it possible to bring our approach more closely in line with the recommendations set out in the "Application Guide for Internal Control of accounting and financial information" of the AMF Reference Framework.

Organisation and security of information systems

Decisions with regard to the selection of software that is adapted to the Group's financial and accounting requirements are made jointly by the Operational Finance Department and the Global IT Department.

At the level of information systems, the teams work on strengthening the procedures for the separation of tasks and improved control of access rights. Tools have been made available to enable them to ensure that access rights comply with the Group's rules.

Management tools

The system for monthly reporting of the various economic indicators enables continuous, homogenous monitoring of changes in the performance of each subsidiary and ensures they are in line with the objectives set.

The reporting and consolidation system, used by all entities, ensures the consistency and reliability of figures at the level of each subsidiary through blocking controls that operate before the financial data is uploaded to Group level. In this regard, the operating profit and loss account by destination, which is common to both management and general accounting, contributes to strengthening the control of accounts in the financial statements through the use of a single reference framework.

In addition, the Group's organisation, which is based on reporting from each subsidiary that is provided directly by the countries to the parent company, without any intermediate aggregates for the vast majority of the subsidiaries, optimises data transfer and the completeness of information and, in particular, verification of data accuracy.

The Chief Executive Officer and Chief Financial Officer of each subsidiary make a joint commitment with regard to the quality, reliability and completeness of the accounting and financial information they have prepared and sent to the Group's Operational Finance Department, through a representation letter that they jointly sign.

Audit Committee

The role and tasks of the Audit Committee are described above. These tasks are in compliance with European regulations and, in particular, Directive 2014/56/EU and EU regulation 537/2014 on statutory audits, and are based on the report by the working group on the Audit Committee published by the AMF on 22 July 2010.

3.3.3. Processes used to prepare accounting and financial information

Operational processes contributing to accounting figures

All of the processes that contribute to accounting figures, particularly sales and purchases, and inventory, fixed asset, payroll and treasury management are covered by specific procedures, follow-up checks and rules for validation, authorisation and booking operations.

Closing of accounts, consolidation and management reporting information

The accounts closing process is governed by precise instructions and is based on a detailed time schedule circulated to all subsidiaries to make sure that deadlines are met and financial statements are prepared in a consistent manner. In this regard, the Group has introduced two hard closings (anticipating the work involved in the closure of financial statements) in May and November which make it possible to better anticipate and speed up closing times. For the preparation of consolidated financial statements, validation procedures apply at each stage of the process of reporting and processing information. Their purpose is to verify in particular that:

- inter-company transactions are correctly adjusted and eliminated (these are reported on a monthly basis);
- consolidation operations are checked;
- accounting standards are correctly applied; and
- the consolidated published accounting and financial data are harmonised and properly determined and general accounting data and management data used in the preparation of the financial information are consistent.

Financial communication

Managers in charge of Financial Communication prepare a precise timetable for publication of up-to-date information on the Group to the financial markets. This timetable complies with the requirements of market authorities. These managers ensure, with the assistance of the Legal Department, that communications are made within the required deadlines and in accordance with laws and regulations, which they constantly monitor.

Their role is also to publish, precisely and accurately, the information provided by the Operational Finance Department. All material information provided to the financial community reflects with truth and transparency the situation and activities of the Group and the process is carried out in accordance with the principle of equal provision of information to all shareholders.

Statutory Auditors

All accounting and financial information prepared by consolidated subsidiaries is subject to a limited review at the time of the half-year closing process and to a full audit at year-end by the external auditors. Twice a year, the Chief Executive Officer and the Chief Financial Officer of the consolidated subsidiary make a joint commitment as to the fair presentation, reliability and completeness of the financial information by jointly signing a representation letter.

Audit assignments in the countries are almost all entrusted to members of the networks of the two Statutory Auditors who, after having jointly performed the review of all the Group's accounts and the manner in which they were prepared, are responsible for issuing an opinion on the Group's consolidated financial statements. The Statutory Auditors issue an opinion as to whether the consolidated financial statements and the parent company financial statements give a true and fair view. They are kept informed from the early stages of preparation of the financial statements and present an overview of their work to the Group's accounting and finance managers and to the Audit Committee at the time of the half-year and annual closings.

3.3.4. Insurance policy

The Group's general insurance policy

The objective of the Group's insurance policy is to provide the best protection of Group assets and people from the occurrence of significant and insurable risks that could adversely affect it.

For that purpose, the Group has implemented global insurance programmes (in particular for the Property Damage & Operating Losses, Third-Party Liability, Transport and Credit Insurance) that harmonise coverage and control insurance cover for all its subsidiaries throughout the world, except in countries where regulations do not allow this type of arrangement (see "Restrictions" below). National programmes have been set up in the countries in which global programmes cannot be deployed.

This policy is applied as follows:

- at a central level, the Group has negotiated insurance programmes on a worldwide basis with first-rate insurance companies to cover its main risks on the basis of the cover available;
- at a local level, the national programmes are deployed; and
- in all cases, the subsidiaries must obtain mandatory insurance cover in order to meet their local regulatory obligations.

The financial solvency of insurers chosen is an important criterion in the Group's insurer selection process. Most of the insurance programmes subscribed by the Group involve co-insurance. Globally, the world's main insurance companies are involved in one or more of these programmes.

Integrated global programmes

General third party and environmental liability

This global programme covers two complementary components that benefit all Group subsidiaries (except where restrictions apply):

- general third-party liability, which covers operating liability, third-party liability related to products, and sudden and accidental environmental damage; and
- third-party liability for environmental damage for sudden, accidental or gradual damage, which includes prevention inspections at Group sites conducted by the specialised units of the insurer.

These programmes cover the financial consequences of the civil liability of Group entities, to the extent that they are liable.

Property damage and operating losses

Fire, lightning, explosion, theft and natural disasters are insured within the limits of the products available on the insurance market.

The Group has set up a global programme to cover its property, chiefly fixed assets and inventories (except where restrictions apply). This cover also includes a portion on operating losses directly resulting from covered property loss or damage.

As the capacity of the insurance market is limited for certain risks, this programme includes sublimits, particularly as regards natural disasters.

Through its reinsurance subsidiary, the Group carries risk retention levels that are not material at consolidated level, and these are applicable over and above local deductible amounts.

Finally, the insurance offering includes prevention inspections for the Group's sites conducted by specialist departments of the leading insurer.

Transport

The Group has set up an insurance programme to cover the transportation of all its products. All subsidiaries benefit from the protection offered by this global programme, which ensures that appropriate cover is provided for Group operations (except where restrictions apply).

Customer credit risk

Group subsidiaries must set up credit insurance, assisted by head office and under the terms and conditions negotiated, in addition to their own credit management policy, provided that insurance cover compatible with their level of sales activity is available under financially acceptable conditions.

3.4. VIGILANCE PLAN

3.4.1. Introduction

L'Oréal is built on strong Ethical Principles that guide its development. These Principles – Integrity, Respect, Courage and Transparency – form the foundation of its policies on sustainable development, corporate social responsibility, and philanthropy. L'Oréal promotes respect for all internationally recognised Human Rights and Fundamental Freedoms.

In line with the United Nations Guiding Principles on Business and Human Rights, L'Oréal's particular point of reference is the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural rights, and the Fundamental Conventions of the International Labour Organisation.

L'Oréal's Vigilance Plan meets the obligations of the French law of 27 March 2017 on the duty of vigilance for French parent companies and order-givers companies.

It contains reasonable due diligence measures intended to prevent the risk of serious adverse impacts on Human Rights and Fundamental Freedoms, health, as well as safety and the environment within the framework of a best efforts obligation.

It applies to L'Oréal S.A., the parent company of the Group, and to the subsidiaries controlled directly or indirectly by L'Oréal (the "Subsidiaries"), as defined by Article L. 233-16 of the French Commercial Code, and to suppliers and subcontractors with which the companies of the Group have an "permanent commercial relationship", that is, a direct, ongoing and stable commercial relationship (based on the definition in French case law), hereinafter the "Suppliers", depending on the risk level as identified in this Vigilance Plan. It is understood that in its own activities, L'Oréal complies with the rules and diligences contained in this Vigilance Plan, even when L'Oréal is not expressly mentioned therein.

The Vigilance Plan contains the rules applied to prevent the risk of serious adverse impacts on Human Rights and Fundamental Freedoms, the health and safety of people and the environment resulting from the activities of L'Oréal, its Subsidiaries and Suppliers (see section 3.4.4. "Applicable rules resulting from the risk analysis" of this document). It also includes reasonable measures for the effective application of these rules by L'Oréal, its Subsidiaries and Suppliers as well as regular assessment procedures to evaluate their compliance (see section 3.4.5. "Effective application and control of the compliance with the Vigilance Plan" of this document). It includes a whistleblowing mechanism and reporting system (see section 3.4.6. "Whistleblowing mechanism and reporting system" of this document) and presents a report on the plan's implementation (see section 3.4.7. "Reporting on the effective implementation of the Vigilance Plan" of this document).

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

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

3.4.2. A continuous improvement process

As part of an ongoing improvement approach, this Plan is regularly reviewed by a committee composed of representatives of the Office of Ethics, Risk Management and Compliance, the Operations Division (EHS, Purchasing), the Human Resources Department, the Corporate Social Responsibility Department and the Legal Department. It meets three times a year. Each of these representatives leads a local network (Ethics Correspondents, Environmental, Health and Safety, Purchasing, and Human Resource teams, managers from Internal control, SBWA coordinators) around the world, which also means that feedback from the field can be considered in improving the Vigilance Plan.

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

3.4.3. General framework of risk analysis

The risks of serious impacts on Human Rights, the environment, health and safety, have been analysed on the basis of the business of L'Oréal, its Subsidiaries and its Suppliers. The risk analysis was used, first, in the definition of the applicable Rules and, second, to the measures for effective application and monitoring of these Rules.

L'Oréal's activity consists of production of cosmetic products and distribution of these products to the Group's clients.

A/ Manufacturing of finished products

L'Oréal manufactures the vast majority of the finished products that it sells in its own plants, with a presence in the major growth markets through its network of 40 plants equipped with the very latest technologies and advances in automation. This network of plants adapts constantly with agility to incorporate acquisitions and embrace external innovations.

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

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In order to execute their production, L'Oréal's plants purchase different raw materials, packaging components and equipment from third-party suppliers. These suppliers have specific expertise, develop their products and have the infrastructures necessary for their production. They act with complete independence from L'Oréal, without depending on L'Oréal's instructions or expertise.

The manufacture of packaging components is not part of L'Oréal's activity. All packaging components used are purchased from companies specialising in this area. The same is true for the production equipment.

B/ Product distribution

Products are distributed by the Subsidiaries and independent third-party distributors in the countries or regions where the Subsidiaries are not present.

In order to ensure this distribution, warehouses are operated by the Subsidiaries directly, or these services are entrusted to third-party logistics service providers that render services on the same type of activity: storage and preparation of orders in warehouses that they lease or own.

3.4.4. Applicable rules resulting from the risk analysis

The Subsidiaries and Suppliers must comply with the applicable local legislation and the minimum common core of the rules listed below (the "Applicable Rules") in order to prevent the risk of serious adverse impacts on human rights and fundamental freedoms, health and safety of people and the environment. When local laws and/or the internal rules of Subsidiaries and Suppliers stipulate more stringent standards than the Applicable Rules, such standards must take precedence. If, on the other hand, the Applicable Rules provide for stricter standards, the Applicable Rules take precedence unless they result in an unlawful activity. In the event of contradictions between local laws and internationally recognised Human Rights, L'Oréal works to comply with these international standards. When faced with conflicting requirements between local law and internationally recognised Human Rights, L'Oréal seeks ways to honour these international standards.

3.4.4.1. Risks and Applicable Rules for the prevention of serious violations of Human Rights and Fundamental Freedoms

Risk Analysis and risks identified relating to human rights and fundamental freedoms

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

As a result of this analysis, the following salient risks were identified in the context of the application of the French Law on Duty of Vigilance:

- the risk of child labour among the employees of the Group's Suppliers;
- the risk of forced labour among the employees of the Group's Suppliers;
- the risk of job discrimination because of gender, age, disability, gender identity and sexual orientation of the employees of L'Oréal and the employees of the Group's Suppliers; and
- the risk of a lack of decent living wage for the employees of the Group's Suppliers.

Another risk identified concerns the Human Rights of communities potentially impacted by the Group's activities (respect for the environment, right of access to water, consideration of Human Rights in the choice of raw materials and, in particular, the right of access of local populations to their land and respect for their traditional knowledge under the Nagoya Protocol).

Applicable rules on Human Rights

Subsidiaries and Suppliers must comply with the minimum core rules, which consist of the following rules that result from an analysis of the risks related to the activities of the Group and its Suppliers.

Non-discrimination

Acts of discrimination are serious attacks on Human Rights that remain anchored in all regions of the world in which L'Oréal is present. Discrimination related to gender, sexual orientation and gender identity, disabilities, family situation, age, political and philosophical opinions, religious beliefs, union activities, or related to ethnic, social, cultural or national origins are prohibited. Discrimination related to pregnancy is also prohibited. In this respect, L'Oréal bans pregnancy testing when employees are hired within the Group, and requires its Suppliers to comply with this standard.

Bullying and sexual harassment

Bullying and sexual harassment are also prohibited in the Group. L'Oréal requires that its Suppliers comply with this standard.

Child labour

L'Oréal's presence in certain regions of the world that are particularly at risk for child labour, including Asia and Latin America, has led the Group to identify this issue as a priority.

To take into consideration the vulnerability of young workers, L'Oréal has set the minimum hiring age at 16 years old.

The Subsidiaries and Suppliers are required to check the age of all new employees upon hire.

L'Oréal prohibits night work and work hazardous to health and safety for employees younger than 18 in its Subsidiaries. L'Oréal requires that its Suppliers comply with this standard.

Forced or compulsory labour

L'Oréal refers to the definition of forced labour in Convention 29 of the International Labour Organisation. Forced labour is defined as "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily".

In certain regions of the world where L'Oréal is present, certain practices that violate internationally recognised Human Rights, such as holding the identity papers of migrant workers, are current.

Any form of forced labour is prohibited. As a result:

- unless there is a legal obligation, employees' identity papers, passports or any other personal documents may not be held from them. In the event of a legal obligation, these documents must be returned to employees at their first request;
- employees may not be asked to pay for recruitment costs or to make cash deposits to obtain employment;
- if workers from foreign regions are hired, the employer must pay the costs related to these hires;
- the use of prison labour is possible only when it is voluntary within the scope of a professional reinsertion programme, and paid at the market rate. Suppliers must request authorisation from L'Oréal before they use this type of labour;
- security personnel must only ensure the safety of people and property; and
- any salary withholding must be strictly authorised by law. It may not under any circumstances be used for the purpose of confiscation, for the direct or indirect benefit of the employer.

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

Working hours

Whichever the region of the world in which L'Oréal is present, the working hours in Subsidiaries and Suppliers, including overtime, may not exceed 60 hours a week for employees whose working time is monitored.

All employees must also be granted at least one day of rest for every seven-day period, or two consecutive days of rest for every fourteen-day period. They must have reasonable breaks when they work.

Freedom of association

Violations of freedom of association and the right to collective bargaining, such as discrimination against employee representatives, may occur in all regions of the world in which L'Oréal operates.

Employees' freedom of association and right to collective bargaining must be respected:

- elections of employee representatives must take place without interference from the employer by secret ballot;
- employee representatives have access to the work premises subject to safety and/or confidentiality requirements, if any; and
- discrimination against employees conducting union activities is prohibited.

In regions where freedom of association and the right to collective bargaining are limited or discouraged, L'Oréal authorises its employees to meet independently in order to discuss their professional concerns. L'Oréal requires that its Suppliers do the same.

Additional actions for Human Rights

In addition to the actions resulting from the risk analysis on the activities of the Group and the Suppliers, L'Oréal conducts actions on Human Rights in addition to those implemented in the context of the law on the Duty of Vigilance, which are described in chapter 4 "L'Oréal's social, environmental and societal responsibility" of this document.

For example, L'Oréal set up actions with the aim to improve the working conditions of the Indian communities whose livelihood depends on the mineral mica. Since 2017, L'Oréal has been one of the five founding members of the Responsible Mica Initiative (RMI), joined by 54 other organisations that use mica. The RMI has three goals:

- implement standards on the responsible workplace on 100% of mica supply chains in Bihar and Jharkhand (standards on employment, health, safety in the workplace, the environment, and non-use of child labour);
- support the abilities of communities through an inclusive programme that improves the standard of living and generates additional sources of income; and
- establish a legal framework and related control systems with mica pickers, processing units, and mica operators in Bihar and Jharkhand.

L'Oréal also participates in the development of the RMI audit standard in order to facilitate member collaboration and effectively deploy the collective actions necessary in cooperation with local authorities. L'Oréal also supports the establishment of a price calculated using the living wage approach in addition to diversified income contributing to a more resilient living conditions.

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

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

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

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

Generic risk analysis process

As is the case for any production (manufacture and filing and packing), distribution, research and general administration operations, the Group and its Suppliers are exposed to safety and environmental challenges.

Based on the risk prevention work on the Environment, Health and Safety at the workplace carried out by L'Oréal for many years, the major risks listed below have been identified. On this basis, the Subsidiaries and Suppliers must define at each of their sites, the measures designed to prevent the risks identified in this Vigilance Plan (the "Prevention System").

Specific risk analysis process for Subsidiaries

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

In addition to the generic risks, the subsidiaries identify the specific risks related in particular to cosmetics production. Thus, for example, the physical risks are the subject of SHAP (*Safety Hazards Assessment Procedure*) studies, which identify the dangers, generally and for each workstation, assess the risks and allow the implementation of the necessary means of control. Environmental risks are also analysed to characterise the aspects and impacts of the site on its environment, and to control those that lead to potentially serious impacts, or the risks of process safety are analysed using the HAZOP (Hazard and Operability analysis) guide, which focuses on operating conditions, or FMECA (Failure Mode, Effects and Criticality Analysis), which analyses risks related to failures in the process at the different steps in production.

The results and means for controlling industrial and specific risks are summarised in the GHAP (General Hazardous Assessment Procedure) programme.

Specific risk analysis process for Suppliers

Suppliers, in addition to their own risk analysis, rely at a minimum on the risks identified in the audit grid provided by L'Oréal at the signing of the Letter of Ethical Commitment (see section 4.3.1.3. "Fighting climate change and preserving natural resources" of this document) in order to implement preventive means adapted to each site concerned. This grid was prepared in accordance with the list of the major risks described below and is applied during referencing and follow-up audits.

If the specific nature of the Suppliers' activity requires identification of specific risks and/or additional prevention measures, the Suppliers are required to roll out these additional measures in accordance with best practices in their industry.

For example, in the activity of subcontracting finished products, the specific risks may involve the use of certain raw materials, electrical machines or electrical equipment in manufacturing or storage areas, handling operations that can cause accidents involving bodily injury, wastewater treatment, etc.

In the specific case of subcontracting suppliers of aerosol production or storage, bleaching powders, flammable products, the sites are subject to specific risks analyses on process safety.

Risks identified in the Environment, Health and Safety in the workplace

Risks of serious adverse impacts to Health and Safety in the workplace

(i) Risks associated with buildings and the use of equipment:

- the soundness of buildings (construction and interior fittings, including the compliance of equipment with operating authorisations and building permits issued by local authorities in compliance with the applicable legislation and, in any event, adaptation to the activity for which the buildings are intended);
- use of motorised forklift trucks and Automatic Guided Vehicles (AGV): risks caused by interactions and interference between forklift trucks, AGVs and pedestrians; and
- injuries caused by interactions between humans and machines: risks related to access to the moving parts of work equipment.

(ii) Risks related to energy sources, matter and materials:

- exposure to energy sources, fluids and hazardous emissions including electricity, high pressure, steam, vapour, hot water and high temperatures;
- fires resulting, notably, from flammable products and materials or electrical installations;
- exposure to hazardous dust and chemical products: by inhalation, ingestion or skin contact; and
- exposure to high noise levels.

(iii) Risks related to human activities:

- entry in confined spaces and/or the risk of anoxia;
- isolated work: risks associated with working alone for long periods of time;
- slipping and falls;
- ergonomics of workstations related to load handling;
- construction work (risks for the employees of Subsidiaries and Suppliers during construction work); and
- work at heights (risk of falls associated with the use of ladders and step stools, access to and work on platforms and roofs, use of lift tables and scaffolding, etc.).

Environmental risks

The risks of serious damage to the environment are the risks that could cause damage to soils, water, air and biodiversity (habitats and species) in the context of normal operation or the occurrence of an incident at a site of the Subsidiaries or Suppliers:

- gradual or accidental pollution; and
- pollution during the transport of hazardous materials.

3.4.4.3. Applicable rules to prevent risks of serious adverse impacts on the Environment, Health and Safety in the workplace

EHS Referential

The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of the employees of its Subsidiaries and Suppliers, its customers and the communities in which L'Oréal carries out its activities.

This policy is built on an EHS management system composed of standards with stringent requirements that set the principles of L'Oréal's EHS policy, internally with its Subsidiaries and externally with its Suppliers, which is all included in the EHS referential and purchasing referential.

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

Additional Environment, Health and Safety in the workplace actions

In addition to the actions resulting from the risk analysis on the activities of the Group and the Suppliers, L'Oréal conducts actions on Environment, Health and Safety in the workplace in addition to those implemented in the context of the law on the Duty of Vigilance, which are described in Chapter 4 "Corporate Social Responsibility" of this document.

L'Oréal's commitment to Environment, Health and Safety in the workplace is supported at the highest level of the Company by its Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year.

For example, this includes the following additional actions and commitments:

- in 2017, L'Oréal joined the Science Based Targets programme, an initiative of the CDP, the United Nations Global Compact, the World Resources Institute and the NGO WWF;
- in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation and, with Act4Nature, in the context of individual commitments, L'Oréal set biodiversity objectives for 2030;
- in 2019, L'Oréal was one of the first companies to sign the Business Ambition for 1.5° C pledge of the UN Global Compact, thereby committing to reach "zero net emissions" by 2050 over its entire value chain, in accordance with the 1.5° C path of the IPCC; and
- in 2020, L'Oréal became a signatory of the Task Force on Climate-related Financial Disclosures (TCFD).

(i) Additional actions intended for Sites of Subsidiaries

At its own sites, L'Oréal implements the LIFE (Life threatening Incident or Fatality Event) programme, which covers activities on all its sites that, if not controlled, could result in potentially serious injury and illness. Over time the Group is prolonging the ambition of moving towards "zero accidents" by ensuring the sustainability of actions and defining the requirements in terms of preparing for emergencies following an incident.

Moreover, the Sharing Beauty with All programme is intended, by the end of 2020, to reduce the environmental footprint of the Group's sites, particularly through the definition and dissemination of best practices in energy efficiency, reduction of CO_2 emissions, the preservation of water, biodiversity and resources, and waste reduction and treatment (the assessment of the programme is presented in Chapter 4 "L'Oréal's Corporate Social Responsibility" of this document, in particular in the table provided in section 4.4. "Sharing Beauty with All: 2020 Results"). The new commitments made by the Group for 2030 in the context of its *L'Oréal for the Future* programme demonstrate an ambition all the greater as they aim at guaranteeing the compatibility of the Group's activities with a planet with limited resources (see section 4.1 "Introduction" of Chapter 4).

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

In the context of ongoing improvement of its EHS performance, the Group has committed to an ISO certification process on its sites in order to permanently anchor the EHS policy on its industrial sites: ISO 45001 for the management of employee health and safety and improvement in their working conditions; ISO 14001 for the management of environmental impacts and improvement in environmental performance; and ISO 50001 for energy management and performance improvement.

Detailed information on these additional actions is available in Chapter 4 "L'Oréal's Corporate Social Responsibility" of this document.

(ii) Additional actions intended for Suppliers

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

Particular attention is paid to palm oil. In the context of its "Zero Deforestation" commitment, L'Oréal developed the Sustainable Palm Index (SPI), a tool to evaluate and select suppliers of palm oil and palm kernel derivatives to assess the level of commitment, progress and achievements of its direct suppliers in favour of sustainable palm oil. This tool is used annually to evaluate suppliers' progress towards the Zero Deforestation objective and their level of compliance with the Group's requirements.

The specific feature of the Sustainable Palm Index lies in its integration in the purchasing decision process. A supplier in compliance with the SPI will benefit from an allocation of volumes, long-term contracts, and will be favoured in the context of partnerships in land projects.

In 2019, L'Oréal co-founded the collective Action for Sustainable Derivatives initiative in order to share knowledge and methods with other operators to encourage the production and responsible supply of palm oil derivatives.

3.4.5. Effective application and compliance with the Vigilance Plan

The Vigilance Plan includes effective application measures intended to ensure the correct implementation of the Applicable Rules by the Subsidiaries and Suppliers. Monitoring of compliance with the Plan is carried out through audits and analyses performed by external service providers or by Group teams. In addition, the Subsidiaries and Suppliers are asked to carry out self-assessments.

3.4.5.1. Effective application of the Vigilance Plan

Adoption of Applicable Rules

(i) Adoption of Applicable Rules by Subsidiaries

The effective implementation of Applicable Rules by Subsidiaries is achieved through their incorporation in the Group's Internal Rules. For this purpose, compliance with the effective application of the Plan is based on control activities in accordance with the applicable legislation.

The communication of Applicable Rules to Group employees is described below.

(ii) Adoption of Applicable Rules by Suppliers

Suppliers undertake to comply with the Applicable Rules. In particular, the principal Suppliers sign the Letter of Ethical Commitment that covers these applicable Rules. Moreover, the Suppliers that could present the most significant risks because of their activity or geographic location may be audited on these issues in accordance with the Risk Matrix. The contents of the points that will be audited is set forth in the Letter of Ethical Commitment.

Governance

L'Oréal's commitment to human rights and fundamental freedoms, the health and safety of people in the workplace and the environment is supported at the highest level of the Company by its Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year. These commitments are also indicated in the Group's Code of Ethics and the Human Rights and Employee Human Rights Policy.

(i) Human Rights and Fundamental Freedoms governance

The Chief Corporate Responsibility Officer, a member of the Executive Committee, is responsible for overseeing the respect of human rights and fundamental freedoms in the Group. This mission has been entrusted to her by L'Oréal's Chairman and Chief Executive Officer, to whom she reports.

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

The Human Rights Committee, chaired by the Chief Corporate Responsibility Officer and composed of representatives of the various activities, functions and geographic areas (including Purchasing, HR, CSR, Safety, Security, etc.), allows coordination and exchange on the implementation of the Group's Human Rights policy. Its primary objective is to enable the emergence of a human rights culture within the Group.

Country Managers (or for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring compliance with human rights and fundamental freedoms.

The Human Resources teams are responsible for ensuring that the activities of the Subsidiaries respect employees' human rights and fundamental freedoms.

Employees may contact their manager, their Human Resources Director, their Legal Director, their Purchasing Director, their Human Rights Correspondent, their Ethics Correspondent and, ultimately, the Chief Ethics Officer if they have any questions about compliance with the Applicable Rules.

The Purchasing teams ensure that Supplier activities respect human rights and fundamental freedoms. Suppliers included in the Risk Matrix are not listed in L'Oréal's Supplier database until they have contractually committed to comply with the Applicable Rules. Purchasing teams discuss, during Management Committee meetings that include representatives from all Zones and purchasing areas, the results of audits, their consequences for commercial relations, and the related actions plans to achieve continuous improvement of results at the Group's Suppliers.

(ii) Environment, Health and Safety in the workplace governance

The Executive Vice-President of Operations, reporting to the Group Chairman and Chief Executive Officer and a member of the Executive Committee, is responsible for the general policy to prevent serious adverse impacts on the environment, and health and safety. The implementation of this policy is the responsibility of the Group's Subsidiaries and Sites.

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

- plant and distribution centre Directors who, as a result of their positions, are responsible for the deployment and effective implementation of the policies defined by the Group. Their remuneration is partly linked to their performance in the areas of the environment, health and safety in the workplace;
- EHS managers are managers trained and dedicated to compliance with the EHS policy who ensure the deployment of the rules, procedures and associated performance objectives of the Group in all of its entities; and
- country Operations Directors who are responsible for, among other things, compliance with the EHS policy by the distribution centres, the administrative Sites and stores in their country.

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

The Purchasing teams are responsible for ensuring that Suppliers included in the Risk Matrix implement the prevention measures for EHS risks via control audits carried out by third-party companies. As for Human Rights, the Purchasing teams discuss, during Management Committee meetings that include representatives from all Zones and purchasing areas, the results of audits, their consequences for commercial relations, and the related actions plans to achieve continuous improvement of results at the Group's Suppliers.

Communication and training

Communication of the Applicable Rules and training of the teams involved complete and support the effective application of the measures set out in the Vigilance Plan by L'Oréal's Subsidiaries and Suppliers.

(i) Communication on Human Rights and Fundamental Freedoms

Human Resources teams are informed of the Applicable Rules by their line manager.

In addition, all new Group employees must receive a hard or electronic copy of the Group's Code of Ethics and must confirm that they have read it. Employees must be reminded of the Code of Ethics and its contents on a regular basis.

In addition, any employee in contact with Suppliers must receive the "The Way We Buy" guide when they are hired. It explains ethical standards which apply to Supplier relations.

An Ethics intranet site is available to employees.

An annual Ethics Day, including Human Rights, has been held since 2009. This day enables employees to discuss matters such as respect for human rights and fundamental freedoms via a webchat with L'Oréal's Chairman and Chief Executive Officer and the other members of the Executive Committee. Discussions on ethics are also organised in the Subsidiaries to let employees exchange conversations with their Subsidiary's General Manager.

In 2020, the Ethics Day participation was close to 70% and over 8,900 questions were asked.

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

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

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

(ii) Training on human rights and fundamental freedoms

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

In addition, new buyers receive compulsory training on Responsible Purchasing to learn about how to ensure respect of the Group's Ethical Principles.

An e-learning course on Supplier audits, detailing the applicable audit procedure, is also available for all buyers. A Suppliers version is available on the same website as the above information. There is also an e-learning course available: Ethics e-learning for business partners.

(iii) Communication on the Environment, Health and Safety (EHS) in the workplace

EHS managers are informed of the Applicable Rules by their functional hierarchy.

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

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

In addition, a Group awareness-raising campaign about major safety risks, deployed over three years, and the implementation of a specific topic every four months, serve to develop employee awareness of risks over time.

A monthly newsletter for the Group's EHS managers and their team leaders enables performance tracking and the sharing of best EHS practices.

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

(iv) Training on the Environment, Health and Safety (EHS) in the workplace

Training sessions dedicated to L'Oréal's EHS policy and practices have been provided at all levels of the Company, as well as for temporary workers and subcontractors working on Group sites. They constitute one of the cornerstones in the implementation of risk identification and management systems, and the deployment of the EHS culture in all Group entities.

EHS training includes the various training actions for health and safety in the workplace, or the environment and covers general EHS training, EHS training by business line and specific EHS training.

General EHS training includes:

• core general training completed, for example, when a new employee arrives at a Site (L'Oréal employee or temporary staff) regardless of their position; and

• fire safety training, first aid, pollution prevention, recycling, general EHS awareness raising, etc.

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

Specific EHS training refers to EHS training for a particular workstation and the activities carried out by the employee.

In terms of ergonomics, a "manual handling" e-learning course is provided to all employees.

Lastly, a high level of expertise for global EHS Teams and the development of an EHS culture for "Top managers", managers and supervisors is assured via the deployment of training specific to each person.

3.4.5.2. Monitoring compliance with the Plan

Risk hierarchy of non-compliance with the Applicable Rules

The risk hierarchy is used to enhance controls on compliance with the Applicable Rules by defining procedures for monitoring compliance with the Rules that are adapted to the risks, including a policy of third-party audits. Other means of control are also used, such as monitoring and evaluation of Suppliers conducted by third-party companies such as Ecovadis.

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

With respect to Suppliers, the risk mapping of non-compliance with the Applicable Rules was created for Human Rights, Fundamental Freedoms, the environment, and health and safety in the workplace using a methodology that takes the following parameters into account:

- The country in which the Supplier's sites are located: a country is considered vulnerable in terms of Human Rights and Fundamental Freedoms, and environment, health and safety, if it meets at least one of the following criteria:

  1. The country is classified as "High risk" or "Extreme risk" according to the criteria of the consultancy firm Verisk Maplecroft: 12 evaluation indices are used in this methodology and aggregated in a single grade compared with the threshold values set by Verisk Maplecroft;

  2. The results of social audits conducted by L'Oréal in the country include cases of Zero Tolerance or Need Immediate Action ("NIA" rating that corresponds to the most severe compliance failures); and

  3. L'Oréal's internal experts or partners (*e.g.* Ecovadis) recommend that the country be considered for auditing.
- Business sector: each Supplier is associated with a sector area according to a governance ranking of Purchases ("Global Purchasing Categories").
- The nature of operations: the activities most heavily exposed to labour risk are the activities with high manual added value, implying work on a production line.

SUBSIDIARY AUDIT MATRIX

Type of country	Sites audited
All countries	Plants and distribution centres

MATRIX THAT TRIGGERS SUPPLIER AUDITS ACCORDING TO RISK MAPPING

Business sector	Description of business sector	Type of country	Suppliers audited
Raw materials	Suppliers of ingredients used to produce cosmetics in L'Oréal plants	Countries classified as "high risk"	Class A and B Suppliers[(1)]
Packaging	Suppliers of packaging used for production in L'Oréal plants	Countries classified as "high risk"	100% of Suppliers
Subcontractors	Suppliers producing cosmetics for L'Oréal (Full-buy, Full-service, etc.)	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of subcontractors
Dermo-cosmetic devices	Suppliers of equipment & electronics	Countries classified as "high risk"	100% of Supplier Production Sites
Manufacturing equipment	Suppliers of manufacturing equipment (manufacturing tanks, filling machines, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
Promotional items	Suppliers of promotional items (bags, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
Items intended for points of sale	Suppliers of items intended for the presentation of products at points-of-sale	Countries classified as "high risk"	100% of Supplier Production Sites
Services intended for points-of-sale	Architects, general contractors, maintenance	Not applicable	Not applicable
Co-packing	Co-packing Suppliers (sometimes called subcontractors or Co–Packers)	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "Satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of Supplier Production Sites
Logistics service providers (excluding transport)	External distribution centres	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "Satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of Supplier Production Sites

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

Audit and self-assessment system

(i) Audits

Audits of Applicable Rules

Audits of Applicable Rules are used to check that the Vigilance Plan is correctly implemented by the Subsidiaries and Suppliers included in the Risk Matrix.

Audits are done by specialist external companies.

When a Subsidiary or Supplier is audited, the process is carried out in accordance with the Risk Matrix described in section 3.4.5.2.1. "Risk hierarchy of non-compliance with the Applicable Rules" of this document. A written audit report is prepared.

With respect to the Subsidiaries, the reports are stored in a secure database available to Group Human Resources Directors and to the Country Operations Directors, in some cases. The reports on Suppliers are intended for Group buyers.

There are three types of audits:

- initial audits (first audits conducted) are a prerequisite to the start of the relationship with a new Supplier;
- follow-up audits (audits done 12 to 24 months maximum after the immediate improvement request (Needs Immediate Action or NIA), depending on the severity of the non–conformities found); and
- confirmation audits, three years after the initial audit.

The possible outcomes of the audits are as follows:

- **Satisfactory:** all criteria conform to the Applicable Rules and the best practices are highlighted;
- ***Needs Continuous Improvement:*** minor non-conformities were found, but they do not have an impact on employee safety or health;
- ***Needs Immediate Action***: non-conformities are reported either because they are serious, because they are recurring or because they have a potential impact on the health and safety of employees;
- ***Zero Tolerance***: reported, for example, in the event of a critical non-conformity because of child labour, forced labour, physical abuse, restricted freedom of movement, an immediate risk of accident for employees or attempted bribery of the auditors; and
- ***Access Denied:*** reported when the audit is refused (for example in the event of refusal to provide partial or full site access to the auditors).

In the event of a non-compliance (Needs Continuous Improvement, Needs Immediate Action, Zero Tolerance), corrective action plans must be implemented which are then audited at the level of the Subsidiary or Supplier.

Failure to implement a corrective action plan can, in the case of a Subsidiary, result in an alert being sent to the Country Manager. In addition, Subsidiaries can decide to link part or all of the remuneration of their managers and/or of their performance evaluation to the implementation of the Applicable Rules.

In the case of Suppliers, serious non-conformities (Needs Immediate Action, Zero Tolerance and Access Denied) or the failure to implement corrective action can result in the non-listing of a new Supplier or the suspension or termination of commercial relations with a listed Supplier.

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can beinitiated. In particular, visit reports are issued as part of the process of routine visits made to Suppliers. They can result, if necessary, in additional audits.

EHS audits specific to Subsidiaries

In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been set up since 1996, and was reinforced in 2001 with the presence of external auditors, who are experts in the local context and regulations. These audits take place regularly on each L'Oréal site: every three years for production sites and every four years for distribution centres, administrative sites and research centres. If the result of the audit does not meet the standard required by the L'Oréal benchmarks, a specific interim audit is scheduled for the following year. Every year, the teams responsible for EHS risks review the audit results and identify general improvement plans. The improvement plans specific to the audited Sites are established immediately after the end of the audit. In addition, any emergency measure intended to prevent an imminent risk for the health of persons at the Site is implemented by the Site EHS teams without waiting for the completion of an audit even if it is not part of the improvement plan that may exist.

There are various audit grids called "risk", "culture", or "combined risk and culture", used depending on the maturity and type of activity at the Sites. They assess in particular:

- compliance of practices and facilities with the Group's rules and procedures;
- progress in terms of EHS performance;
- any risks that the sites may present from an EHS standpoint; and
- the level of management and deployment of EHS culture on the Sites.

Each risk finding is classified in one of three categories A, B and C according to a matrix of level of impact/probability of occurrence. "A" findings are monitored monthly and consolidated annually by risk type.

The monthly reporting of safety and environmental data also enables consolidation and analysis of any anomalies and incidents leading to regulatory non-compliance, complaints and/or fines.

Specific EHS audits of subcontractor sites

Additional specific EHS audits are conducted by independent third parties for subcontractor sites for aerosol production or storage, bleaching powders, flammable products under the criteria defined by L'Oréal, which are similar to those used for the Group's sites. These audits are triggered at the time of referencing/qualification, follow-up (audits conducted between 12 months and 36 months maximum after the immediate improvement request (NIA), depending on the severity of the non-conformities found); and again at the time of confirmation, 5 years after the initial audit.

The results of these audits are the same type as those previously described: satisfactory, NCI, NIA and ZT.

Serious non-conformities (Needs Immediate Action, Zero Tolerance and Access Denied) or the failure to implement corrective actions can result in the non-listing of a new Supplier or the suspension or termination of commercial relations with a listed Supplier.

All the main non-conformities found are monitored and consolidated annually by risk type.

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can be initiated. In particular, visit reports are issued as part of the process of routine visits made to Suppliers. They can result, if necessary, in additional audits.

Additional procedures

L'Oréal also uses analyses and ratings provided by Ecovadis, an analytical company, to evaluate the policies implemented by the Suppliers, among others, in terms of the issues covered by the Vigilance Plan. This evaluation is an indicative guide that can be added to the audits described above.

By participating in the ECOVADIS assessment, L'Oréal compares its environmental and social policy with the experts and the recommendations of external auditors qualified in the analysis of multi-sector risks. This is a useful rating for ongoing improvement in our programme, but its also contributes to transparency in the practices of industries. This assessment is used to select suppliers by taking their environmental and social performance into consideration.

L'Oréal is also a co-founder of the Responsible Beauty Initiative (RBI), a sector initiative created in 2017 with ECOVADIS that brings together seven major players in the cosmetics industry for the sustainable transformation of the entire Beauty supply chain.

(ii) Self-assessment system

Human rights and fundamental freedoms

An annual ethics reporting system enables monitoring of the implementation of the Applicable Rules in the Subsidiaries, namely with regard to Human Rights and Fundamental Freedoms.

Environment, health and safety in the workplace

The Management Committees of L'Oréal Sites have self-assessment tools for their practices based on the audit standards provided to them, which enables them to implement an improvement plan, if required. These self-assessments are input data in the EHS risk audits.

To direct its performance:

Every year, each Subsidiary site defines and revises its safety and environmental roadmaps to achieve the targets set by the Group. It tracks EHS indicators monthly.

At Group level, the indicators are consolidated monthly by region and globally for the Group's results.

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

3.4.6. Whistleblowing mechanism and reporting system

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

3.4.7. Update on the effective implementation of the Vigilance Plan

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

3.4.7.1. General results of whistleblowing mechanisms and reporting

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

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

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

3.4.7.2. Results of the application of the plan to Subsidiaries

Adoption of the Applicable Rules by the Subsidiaries

The Applicable Rules are incorporated into the Group's Subsidiaries' internal rules.

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

Each EHS manager and each person working in a plant or distribution centre is trained in the Applicable Rules on Health, Safety and the Environment (EHS). All new employees are trained in the Rules on Health and Safety in the workplace and the Environment, regardless of their work location.

Monitoring and control system in respect of Human Rights

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

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

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

- 19 employees were 16-18 years of age;[1] and
- 0 employee under 16 years of age worked in the Subsidiaries.

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

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

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

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

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

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

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

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

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

In 2020, because of the Covid-19 health crisis, only 13 (versus 63 in 2019) "top managers" (managers of plants or distribution centres, Management Committee members etc.) attended the Leadership & Safety Culture seminar, held at the CEDEP, the European Centre for Executive Development at the INSEAD campus in France. Since the start of this programme, 586 senior managers have been trained. The main objectives of these seminars are to raise awareness with top managers about safety issues, increase their leadership ability and see these behaviours adopted and maintained over the long term.

34 plants are certified OSHAS 18001, or equivalent, representing 87% of the Group's plants.

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

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

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

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

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

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

3.4.7.3. Results of the application of the plan to suppliers

Adoption of the Applicable Rules by Suppliers

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

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

In 2020, 59 newly recruited purchasers in the Group received in-depth training in responsible purchases.

Monitoring and control system

The Applicable Rules are controlled through external audits. These audits cover questions on Human Rights as well as Environment, Health and Safety and cover all activities of the audited Site without being limited to the parts of the Site that operate for L'Oréal.

1,268 on-site audits were conducted in 2020, as part of regular audits, but also *ad hoc* audits following a risk analysis (45 *ad hoc* audits in 2020)[2]. Thus, 96% of Supplier production sites requiring audits were audited at least once.

The cases of non-compliance noted during these social audits that come under the Vigilance Plan are described below.

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

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

In terms of Human Rights

Results of audits by topic

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

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

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

Most cases of non-compliance concern the demand for a monetary deposit at the time of hiring, withholding of identity documents without a legal requirement, as well as the freedom for employees to end their contracts without being penalised (financially or other) except for those stipulated by social legislation. The main corrective measures requested were the return of the identity documents and the updating of employee contracts. Follow-up audits will check the effective implementation of these corrective measures.

(iii) **Freedom of association**[(1)]: 2.7% non-compliance☑.

Most of the cases of non-compliance concern the failure to freely elect employee representatives without management interference. Elections must be carried out, or in countries where such elections are not legal, employee meetings must be organised to report items to be improved.

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

These cases of non-compliance mainly concern the absence of a clear and uniform policy to ensure the absence of discrimination at recruitment or discrimination in the payment of wages and other costs.

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

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

Cases of non-compliance involved failure to comply with the Applicable Rules for work time and regular days off, but also the lack of sufficient documents to ensure correct monitoring of the Applicable Rules. In all of these cases, action plans are implemented and a follow-up audit is planned.

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

The audits did not find undue salary withholding or charges.

Most of the cases of non-compliance concerned insurance and social contributions as well as a failure to monitor payments of wages. When an audit notes a case of non–compliance with regard to the correct settlement of wages, social benefits or the correct payment of overtime, even though these are not undue salary deductions, the Suppliers are requested to correct the situation and a follow-up audit is planned.

(vi) **Sexual harassment and bullying:** 2.7% non-compliance.

Most of these cases of non-compliance concerned the absence of a written policy prohibiting sexual harassment and bullying or the absence of an internal system allowing the situation to be reported without negative consequences for the employee concerned.

Suppliers were requested to draft these policies, which will be checked in future audits.

The other cases of non-compliance did not concern serious breaches of the Applicable Rules.

Health, Safety and the Environment

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

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

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

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

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

3.5. RISK FACTORS AND RISK MANAGEMENT

3.5.1. Definitions and general framework

Risk management (events or situations, the occurrence of which is uncertain, could have a financial, non-financial, or reputational impact) is a process that applies to the Company and its consolidated subsidiaries (the "Group").

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

In order to ensure the sustainability of its development and the achievement of its objectives, the Group strives to anticipate and manage the risks to which it is exposed in its different areas of activity. In addition, the Internal Rules of the Board of Directors specify the role played by the Audit Committee which "must ensure that General Management has the means to enable it to identify and manage the economic, financial and legal risks facing the Group inside and outside France in carrying out its normal or exceptional operations".

On the basis of the work by the Internal Audit Department, the analysis of major risks, in conjunction with the processes used by subsidiaries, makes it possible to identify Internal Control improvements and update the Group's standards.

3.5.2. Risk mapping

The Group's risk mapping process is led by the Risk Management and Compliance Department with the support of all Support Divisions and Business lines. This mapping is reviewed by the Group's Executive Committee, which validates it.

The risk mapping for all of L'Oréal's activities is updated annually. This process to identify, analyse and assess significant risks strengthens Group actions and allows them to be prioritised. The results of this work are presented to the Audit Committee. The main risks to which the Group is exposed are described below.

3.5.3. Risk factors

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

For taking an informed investment decision, as required by the regulations in force, this section presents the major risks in a limited number of categories (given the probability of their occurrence and the expected magnitude of their negative impact) taking risk management policies into account. In each category, the most material risks are mentioned first. This section specifies the way in which each risk factor could affect L'Oréal as well as the management policy implemented.

Risk management work classifies the residual risks by category of importance (low, moderate or significant).

However, a wholly risk-free environment cannot be guaranteed. Moreover, the Group could be adversely impacted by other risks of which it is not currently aware or which it does not consider material at the date of this Document.

Major risks to which the Group believes it is exposed

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

* ** Most substantial risks in each category.*

3.5.3.1. Business risks

Business risks/Sanitary crisis

Risk identification

Because of its global presence, L'Oréal is exposed to epidemics or other public sanitary crises in the 79 countries in which it operates.

The primary risks identified cover different segments of the Group's operations:

- impairment of the health, safety and security of employees in the context of their duties and their business travel, and confinement of the population that prevents employees from entering their work site, particularly at the manufacturing and distribution sites;
- difficulties for the Company to operate normally because of the restrictive measures established by the authorities, which restrict employee access to the Group's sites, or as a result of the unavailability of individual protective equipment necessary to protect them;
- supply difficulties or unavailability of raw materials and components, and limited capacities to produce and distribute products related to the restrictive health measures established by the authorities of the country in which the Group operates;
- reductions in product demand related to the impact of the measures to restrict movement on access to physical points of sale, particularly in the Travel Retail network that is particularly sensitive to sanitary crises;
- financial difficulties for suppliers and clients as a result of a drastic reduction in their levels of business.

Thus, the year 2020 was marked by the Covid-19 sanitary crisis that spread around the world and continues to affect a number of geographic regions in which the Group operates.

Depending on its duration, geographic expansions and the resulting economic and social consequences, a sanitary crisis may have a material impact on the Group's activities, the achievement of its objectives, and its reputation.

Risk management

L'Oréal has set up a crisis management process led by a unit at Group level that can prevent and limit the impacts of undesirable events on all its entities.

Facing a sanitary crisis, the Group's priority is to protect the health, safety and security of its employees. The Group responds through compliance with the directives of the authorities in the countries in which it operates, the application and adaptation of its worldwide, high management standards for health and safety at its operational sites and in business travel situations.

The Group's information systems allow large-scale development of flexible and remote work methods and are the subject of adequate safety protection processes (see section 4.3.2.4. "Creating conditions for a positive and attractive work environment" of this document).

The policies to manage supply chain and inventories, and the business continuity plans of the manufacturing and logistics sites, allow the Group to anticipate the actions necessary to manage disturbances. The long-term relations with the Group's strategic suppliers, the policies to diversify sources, and operational continuity plans limit the impacts of these crises.

The Group's presence in all distribution channels, particularly online sales capacities developed with diversified partners (owned sites, e-retailers, pure players), as well as its expertise in digitised consumer relations, help to maximise development opportunities in disturbed contexts.

Finally, the Group's worldwide and balanced presence in terms of geographic areas, product categories and distribution channels, the very high responsiveness and capacity for adaptation of its teams through its strategically concentrated and operationally decentralised organisational model, as well as its robust financial position, contribute to its ability to face the economic consequences of these crises.

Business risks/Information and cybersecurity systems	
Risk identification	**Risk management**
In a context of digital transformation and constant development of the information technologies and their uses, the Group's business activities, expertise and, more generally, its relations with all stakeholders in its social and economic environment, depend on an increasingly virtual and digital operation. As a result, the malfunction or breakdown of these systems or the loss of data for exogenous or endogenous reasons (including cyberattacks, malicious acts, hacks, etc.) internally or at a third-party service provider of the Group could have a material impact on the Group's business activities.	The Global IT Department has introduced strict security rules for infrastructures, equipment and applications. Furthermore, in order to adapt to the development of new methods of communication and collaboration, L'Oréal has introduced an Information and Communication Technologies Code of Practice. To address the growing threat of cybercrime, L'Oréal takes continuous steps to strengthen the resources dedicated to information system security. This plan relies in particular on anti-intrusion equipment, regular intrusion tests, an information system security audit programme, the protection of sensitive equipment and global supervision to identify irregularities. L'Oréal's safety focus is constantly adjusted to deal with new threats of cyberattacks. For example, the Group is increasingly investing in systems for detecting and reacting to warnings and security incidents and in the periodic supervision of the effectiveness of such solutions. In addition, in order to mobilise all teams, the Group conducts a global awareness campaign every year. Online training in best cybersecurity practices is available for all employees. As at 31 December 2020, 80% of employees had validated this e-learning programme, which was updated at the end of 2019. Management of risks related to data is described in the "Data" risk section.

Business risks/Geographic presence and economic and political environment	
Risk identification	**Risk management**
L'Oréal is a global corporation that has subsidiaries in 74 countries. More specifically, global changes in the cosmetics market has led L'Oréal to develop its activities in Travel Retail and in the countries in the "New Markets" Zone (this zone represented 48.5 % of its sales in 2020). Because of this globalisation, political or economic disturbances (strong economic slowdown due to e.g. geopolitical tensions or a health crisis, international trade tensions, sovereign debt crises) in countries in which the Group generates a significant portion of its sales could have an impact on its business activities. In 2020, the Group suffered the consequences of the Covid-19 major health crisis, the impact and risk management of which are described in the "Sanitary Crisis" risk factor.	L'Oréal's global presence and its portfolio of 35 major international brands helps to maintain a balance in sales and offsets between the geographic zones, product categories and distribution channels (details on sales from the zones are presented in section 1.3 "2020 Financial results and corporate social responsability commitments" of this document).

Business risks/Crisis management	
Risk identification	**Risk management**
Prejudicial events or information relating primarily to the use or misuse of a product, or an inappropriate individual behaviour, whether proven or not, could affect the reputation of L'Oréal, its 35 major international brands and its products. The impact of the risk could be amplified, notably, by: ● the explosion of the digital universe and social networks in all countries; ● the emergence of social beauty, which is social, connected and shared beauty; ● the role of influencers as opinion leaders with a significant community of subscribers; ● societal movements and questioning of the Group or the brands by civil society, consumers, etc.	L'Oréal has set up a system of: ● training sessions in crisis communication and support for the communication teams on key issues for the Group; ● crisis risk management at corporate and local levels; ● permanent watch system that monitors English, French and Chinese-language websites. The subsidiaries deploy their own social media and web monitoring systems under the responsibility of their Director of Communication and immediately report a media risk in their country to the Corporate Communications Department; and ● L'Oréal has also set up a crisis management procedure which is tasked with preventing, managing and limiting the consequences of undesirable events on the Company across the globe. The Group crisis management officer reports directly to General Management. The deployment of the Code of Ethics throughout the Group aims at reinforcing the dissemination of the rules of good conduct which form the basis of L'Oréal's integrity and ethics. These rules of good conduct seek to guide actions and behaviour, inspire choices and make sure that the Group's values are reflected in the everyday acts of each employee. L'Oréal has also implemented a "Code of Good Practice for the Use of Social Media" for its employees. On its website, the Group has published the "Charter of values" which each influencer with whom L'Oréal collaborates agrees to respect. The Group's principles and operational processes to be applied for partnerships with influencers, have been disseminated worldwide to the collaborators concerned.

Business risks/Data	
Risk identification	**Risk management**
The data collected and processed by L'Oréal or its partners, the volume of which is increasing with the growth in digital activities, particularly personalised services for consumers, could be fraudulently used, altered or lost. Furthermore, personal data protection regulations are being reinforced throughout the world. Specifically, the European General Data Protection Regulation (GDPR) provides for significant sanctions. Any breach of data integrity or confidentiality, notably personal data processed by L'Oréal or its partners, for exogenous or endogenous reasons (including intrusions, malicious acts, etc.) could have a significant impact on its reputation and consumer confidence and thus on the Group's business activities.	The Group constantly and progressively deploys policies, training and data management tools as well as the associated organisational and technical measures. The Global IT Department has introduced strict rules with regard to data security (back-up, protection of, and access to data, in particular confidential data). The Group's principles governing the processing of personal data have been disseminated all over the world to raise the awareness of all employees about respect for ethical principles, and legal and regulatory requirements in the matter. An organisation based on a Group Governance Committee, a world Steering Committee and a network of Business Line, Zone and Country contacts responsible for personal data protection has been set up to coordinate the operational teams involved. The Group has specifically appointed a Group Data Protection Officer (DPO) and set up a network of DPOs for all countries in the European Zone and gradually in the other regions of the world. This governance notably aims to monitor the Group's compliance with different laws, such as the GDPR in Europe, by ensuring the mobilisation of all stakeholders and by adapting customer, supplier and business line processes to the Group's rules and to applicable laws.

Business risks/Market and innovation	
Risk identification	**Risk management**
L'Oréal is subject to constant pressure from many competitors in all countries due to: ● its size and the positioning of its brands in various markets in which major international groups operate; ● local brands and new players coming from the digital economy; ● rapid technological changes in emerging fields of research by new operators. If the Group fails to anticipate or respond to changes in consumer expectations, especially in the areas of natural beauty, health, personalised services, connected things and environmental commitments, with innovative and adapted product offerings, its sales and growth could be affected.	The Group continually adapts its innovation model and is constantly increasing its investments in research and digital services. L'Oréal's research teams innovate to respond to the infinite diversity of beauty aspirations all over the world. The Consumer & Market Insights Department within the Innovation Department is constantly monitoring changes in consumer expectations by product category and major regions of the world. All of these research programmes, which are part of a long-term vision, allow L'Oréal to meet the challenges of innovation (see section 1.2.6. "The bet on research, safety and innovation" of this document). The Digital General Management is responsible for accelerating the Group's digital transformation by helping the brands create enriched spaces for expression and helping teams to establish more interactive, close-knit and bespoke relationships with consumers. Consumers' expectations with regard to sustainability are also at the heart of the Sharing Beauty with All programme (see chapter 4) and are taken into account in developing the Group's brand and product portfolio. Finally, the Group's acquisition strategy always takes into account changes in the competitive environment.

Business risks/Business ethics	
Risk identification	**Risk management**
As L'Oréal is an international group of over 85,000 employees working in 79 countries at more than 422 sites, it cannot exclude potential violations of its ethical commitments (Code of Ethics based on the four Ethical Principles – Integrity, Respect, Courage and Transparency–, its Human Rights policy, support of the United Nations Global Compact and the United Nations Sustainable Development Goals, etc.), whether directly by its employees, or indirectly because of the activities of its partners, particularly its suppliers and subcontractors. In addition, civil society is expressing higher expectations with regard companies' integrity and transparency and the way in which they manage scientific and technological innovations. Such non-compliance with its commitments or the lack of a response to new ethical questions could have an adverse impact on the Group's reputation and expose it to criminal or administrative sanctions.	The Group's policies on sustainable development, social and societal responsibility, compliance and philanthropy are based on the Ethical Principles. The role and the resources granted to the Chief Ethics Officer allow him to succeed in his mission by relying on all the teams and resources of the Group (see section 3.2.1. "Organisation and environment" of this document). Specific training of management teams, regular dialogue with stakeholders and the establishment of internal working groups facilitate the inclusion of Ethics in the Group's new policies and strategic decisions. The ethical risks are mapped and regularly updated, including for suppliers and subcontractors (see section 3.4.5.2. "Monitoring compliance with the Plan" of this document). The deployment of the Code of Ethics throughout the Group, mandatory e-learning training and ongoing communication campaigns via an Ethics Day, ensure that employees are aware of the ethical standards. A network of 76 Ethics Correspondents around the world and regular meetings of the Chief Ethics Officer with the Countries ensures close contact with these employees. Regular audits of the Group's sites and those of its suppliers and subcontractors (see section 3.4. "Vigilance Plan" of this document), the Group's whistleblowing line (www.lorealspeakup.com) opened in 2018 accessible to all Group stakeholders, as well as a procedure to collect and process reports to manage any violations.

Business risks/Sales distribution networks	
Risk identification	**Risk management**
To sell its products, L'Oréal uses independent distribution channels, and may develop direct distribution to the consumer for certain brands (branded retail and e-commerce). The concentration of the Group's large customers, the restructuring or disappearance of physical supply chains, and changes in selective distribution could impact the development of the Group's brands in the country or countries involved.	The presence of the Group's brands in all types of distribution channels allows the Group to offer its products and services, whatever the consumer practices. The departments concerned anticipate trends to adapt to these changes and, in particular, have steadily developed online sales with diversified partners (e-distributors, pure players, and market places).

Business risks/Risks related to Human Resources	
Risk identification	**Risk management**
One of the keys to L'Oréal's success lies in the talent of its employees to ensure its growth. This is all the more true as L'Oréal is changing within a complex, highly competitive and rapidly changing environment (globalisation, digital transformation, diversity and inclusion challenges, sustainable development issues, etc.) that requires specific expertise. If L'Oréal fails to identify, attract, retain and train competent and engaged employees who behave responsibly, the development of its activities and its results could be affected. Moreover, given L'Oréal's activities, particularly its industrial operations, the risk of workplace accidents or occupational illnesses could become a reality.	The Group is developing a motivating, professional environment with respect for its ethical values, particularly diversity. The recruitment and development of employees occurs within a long-term perspective, also to ensure the continuity of key functions within the Group, in which training plays a core role throughout an employee's career. The remuneration policy combines external competitiveness and internal fairness. It recognises both individual and collective performance. The international global *Share & Care* programme meets the essential needs of each of the Group's employees in terms of benefits, healthcare, parenthood and quality of life at work. Actions for stress prevention and workstation ergonomics are organised. The Group has set ambitious goals for the health and safety of its employees, defining high standards that often exceed legal obligations and involve personnel at all levels. Prevention is based on the GHAP (General Hazardous Assessment Procedure) and SHAP (Safety Hazard Assessment Procedure) programmes, which identify the dangers, generally and for each workstation, assess the risks and allow the implementation of the necessary means of control (see section 4.3.2.1 "Preserving employee health and safety" of this document).

Business risks/Product quality and safety	
Risk identification	**Risk management**
Placing a product on the market that does not meet the safety requirements, or consumer or stakeholder questions about the quality and safety of L'Oréal products, whether based on proven facts or not, whether or not they are related to the use or misuse of a product, could affect the Group's sales and reputation.	Consumer safety is an absolute priority for L'Oréal: assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market. The principles governing the Group's quality and safety policy are: ● satisfaction of customer needs; ● compliance with safety requirements and laws; ● the maintenance of standards and regular updates of safety assessment approaches; and ● product quality and conformity across the supply chain. The Worldwide Safety Evaluation Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients used and the tolerance of the formulas before they are launched on the market. The same safety standards are applied worldwide to ensure identical quality across the globe. L'Oréal goes one step further in safety assessments by monitoring the potential adverse effects that may arise once the product is on the market through its international cosmeto-vigilance network in order to take the appropriate corrective measures if necessary (see "Product quality and safety: a priority" in section 4.3.3.2. "Measures taken in favour of consumers" of this document). In terms of questions that civil society may ask regarding certain substances and their effects on health and the environment, L'Oréal's position can be summarised in three points: ● vigilance with regard to any relevant new scientific data; ● co-operation with the relevant authorities; and ● precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk. L'Oréal relies on its scientific teams to answer consumers' questions about the safety of its products, primarily through its "Inside our Products" platform that has been online since 2019. Finally, production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all plants are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard. In the case of production subcontracting, the rules governing the choice of the subcontractor and its production follow the same principles. The subcontracting quality charter lays out these requirements, compliance with which is evaluated during audits.

Business risks/Safety of people and property	
Risk identification	**Risk management**
As a global group present in 79 countries and more than 422 sites (excluding stores and point-of-sales outlets of distributor customers), the Group is exposed to a variety of risks inherent to the environment in which it performs its activities (geopolitical, climate, health, economic and social risks, malicious acts, climate and natural disasters). The direct and indirect consequences of these risks may adversely affect people and the assets of the Group (tangible and intangible).	In order to permanently protect these resources (or Group assets) against malicious acts, the Security Department helps in the preventive implementation of technical, HR and operational procedures to limit the residual risk of malicious damage and support the Group's international development in high-risk countries. For this purpose, the Security Department: ● has implemented a watch and evaluation of the state of security in the countries in which the Group is active; ● conducts evaluation visits in the countries in which it is present; ● creates country security sheets for international travellers; ● defines the security standards and minimum protection to be implemented to protect the Group's activities; and ● coordinates, with related key players, the crisis management procedure which is tasked with preventing, managing and limiting the consequences of undesirable events on the Group. The security measures are adjusted and reassessed based on the local situation and the level of exposure of employees and sites.

3.5.3.2. Industrial and environmental risks

Industrial and environmental risks/Product availability	
Risk identification	**Risk management**
In the context of a globalised logistics chain and the increased geographic concentration of certain supply sources, the failure of an external supplier to deliver raw materials, packaging components or finished products, along with a major interruption of operations in a L'Oréal manufacturing unit or shipping hub, could impact the Group's sales because of the unavailability of products that could result.	L'Oréal regularly revises its inventory policies, reserves capacities with its suppliers and negotiates long-term contracts. Likewise, there are business continuity plans for each operational site. The Group is currently deploying a single methodology of business continuity plans at all its plants and distribution centres. These plans aim at planning for the unavailability of part of the Group's supply chain as far as possible and resuming business activities as quickly as possible. L'Oréal also looks for alternative sourcing of its raw materials, duplicates packaging moulds for its strategic products, implements operational continuity plans with its suppliers and reviews, if required, the design of its formulas and finished products.

Industrial and environmental risks/Climate change	
Risk identification	**Risk management**
As for any company, the Group's activities are exposed to the physical and transition risks related to climate change. The increase in risks of natural origin, both extreme and chronic, the loss of biodiversity, and the increased pressure on water resources could impact the availability of finished products by disturbing the Group's operations and supply chain. The scarcity of resources and the implementation of the transition towards a low-carbon economy could also increase production costs. In addition, insufficient consideration of these impacts related to the usage phase during product design could represent a risk for sales in certain areas of the world affected by water scarcity or the lack of adapted infrastructures to collect and treat effluents and waste. Finally, the consumption choices made by certain categories of consumers could be increasingly influenced by the impact of carbon and water on products and their impact on biodiversity along with the Group's total environmental performance. As a result, if the Group did not sufficiently anticipate all these impacts and did not initiate a voluntary process to adapt to climate change, its financial performance and reputation could be impacted.	Through its Sharing Beauty With All programme, since 2013 the Group has pursued its initiatives aimed at reducing its environmental footprint by setting ambitious and concrete targets (see chapter 4). Thus, L'Oréal has undertaken to reduce the environmental footprint of its operations by 60% in 2020 from a 2005 baseline. This programme also aims to reduce the environmental footprint of its product formulas and to respect biodiversity through a sustainable and responsible sourcing policy for raw materials, the eco-design of packaging and commitments to "zero deforestation" so that 100% of created or renovated products had an improved environmental or social profile by the end of 2020. L'Oréal is also committed to ensuring that 100% of its plastic packaging will be refillable, reusable, recyclable or compostable by 2025. This objective will have a direct effect on the end of life of packaging and stimulate a circular economy. In addition, by relying on recent scientific developments, particularly in the area of biotechnology, the Group also initiated a Green Sciences programme to drive change in its portfolio of raw materials through the development of ingredients with a favourable environmental profile, by minimising the environmental impacts linked to the cultivation of plants that are the source of these ingredients (deforestation, soil depletion, and consequences for biodiversity, for example), and by relying on eco-friendly transformation procedures that prevent upstream pollution. Finally, L'Oréal has sought to cover all impacts associated with its value chain and had its commitment validated in late 2017 with the Science Based Targets initiative: ● from 2025, all its manufacturing, administrative and research sites will be carbon neutral; ● by 2030, the Group will have reduced all its greenhouse gas emissions by 25% in absolute value compared to 2016 (Scopes 1, 2 and 3); and ● as a signatory of the Business Ambition for 1.5°C call to action, L'Oréal has made a commitment to reach net zero emissions by 2050. In June 2020, with its new *L'Oréal for the Future* programme of environmental and social targets for the next ten years, L'Oréal announced that, by 2030, all the water used in the Group's manufacturing processes would be recycled and reused in a loop at its sites. Deployment of the necessary equipment will be prioritised according to the water situation of the drainage basins in which L'Oréal operates. Management of potential consequences of extreme events is described in the section on "product availability" risk.

Industrial and environmental risks/Environment and safety	
Risk identification	**Risk management**
The L'Oréal Group, with its 90 industrial sites (owned plants and distribution centres), including 4 classified as "Seveso high threshold", is exposed to various industrial risks related to the environment and safety (fires, explosions, failure of installations or safety systems, or even human failure in the operation of the existing facilities or management of the work, etc.), which can result in human injuries and/or accidental pollution at Group sites, or outside those sites, particularly when they are located in a populated area.	The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of employees, customers and the communities in which L'Oréal carries out its activities. As a result of this policy, the risks inherent in our business activities are systematically identified and brought under control. The Operations Department issues Internal Rules that set out the principles of L'Oréal's EHS policy. Each site is covered by an EHS officer. Training programmes are systematically organised. EHS performance indicators are collected monthly from all plants, distribution centres, and administrative and research sites with over 50 people. Specific audits are conducted by internal EHS teams, and external independent experts. Fire risk is dealt with in the framework of very strict fire prevention standards (National Fire Protection Association standards). Industrial sites classified as "Seveso" are subject to specific procedures adapted to the nature of the risks related to storage of chemicals or flammable materials and are in compliance with the regulations. Across all sites, the Group strives to reduce its greenhouse gas emissions, its water consumption and its waste generation. It also pledges to reduce the footprint from transportation of its products and to no longer send waste to landfill.

3

3.5.3.3. Legal and regulatory risks

Legal and regulatory risks/Non-compliance	
Risk identification	**Risk management**
Many general and specific laws and regulations apply to the L'Oréal Group, such as the European REACH and CLP ("Classification, Labelling, Packaging") regulations intended to strengthen the human and environmental safety of chemical products, the European Cosmetics Directive governing animal testing of ingredients, and the regulations on competition law and corruption. The diversity and constant reinforcement of the regulatory environment expose the Group to a risk of non-compliance or increased compliance costs. L'Oréal could be exposed to a failure or an act of fraud, which could have an impact on the reputation, operations and results of the Group. Finally, in the ordinary course of its business, the Group will potentially be involved in all types of legal actions and may be subject to tax, customs and administrative audits.	The Legal Charter reaffirms the obligation to comply with local legislation and, in particular, sets out the internal principles for signatures, the general and specific rules relating to contracts, trademark law, intellectual property law, company law, competition law, embargoes and economic sanctions and the protection of personal data. Furthermore, the Group's Legal Department has set up a training programme on competition law for the employees concerned. L'Oréal is involved in an ongoing dialogue with national or regional authorities in charge of specifically regulating products in its sector through the professional associations to which it belongs. With regard to the REACH and CLP regulations, L'Oréal regularly reviews its management process and communicates proactively with its European suppliers in order to ensure a continuing supply of compliant raw materials. An action plan has been drawn up at L'Oréal in order to improve the design and methods used to assess the safety of raw materials. It led to the end of testing finished products on animals in 1989 (14 years before it became a legal obligation in Europe) and the development of predictive evaluation strategies to meet European regulations. The components of the Internal Control and Risk Management system implemented are detailed in this chapter. In the areas of fraud and corruption, the deployment to all Group subsidiaries of programmes to prevent corruption and raise awareness of the fraud risk (see section 4.3.4. "Policy to prevent corruption" of this document) contribute to the management of these risks. The Company has no knowledge of any governmental procedures, legal or arbitration proceedings, which are pending or threatened, that may have, or have had over the last 12 months, material effects on the financial position or profitability of the Company and/or the Group, other than those described in note 12.2. to the Consolidated Financial Statements. The main legal risks are reported to the General Management and presented to the Audit Committee.

Legal and regulatory risks/Intellectual property: trademarks, designs & models, domain names, patents	
Risk identification	**Risk management**
The brands, particularly the 35 major international brands, designs, models, domain names and patents filed are strategic intangible assets for the Group. Given the image and reputation of the Group around the world and given the large number of patents (500 in 2020) and trademarks filed by L'Oréal, third parties could: ● dispute the validity of L'Oréal's intellectual property rights, or attempt to enforce their intellectual property rights against the products marketed by L'Oréal; ● infringe on L'Oréal's intellectual property rights (patents, trademarks, designs and models, copyrights), reproduce or imitate the Group's packaging and products in order to benefit illegitimately from this name or technology and thus illegally draw a profit from the efforts and investments made by the Group. Given the competitive context in which a growing number of patents and trademarks are filed, and in which some intellectual property rights result from acquisitions or are developed by third parties ("open development"), the free use of a technology or full availability of a brand before any launch cannot, therefore, be completely secured by L'Oréal.	Special care is given to the protection of trademarks, designs, models and domain names belonging to the Group. This responsibility is entrusted to a special unit of the Legal Department. The department ensures the worldwide protection, management and defence of intellectual property rights via searches for prior rights, monitoring of registration and renewal procedures, the implementation of monitoring services and the initiation of appropriate legal action against counterfeiters. In order to protect the Group against the risk of appropriation of a molecule, a production or packaging process by another company, L'Oréal has set up the International Industrial Property Department, a specific structure which is part of the Research and Innovation Department. It is responsible for filing the Group's patents, their use and defence on a worldwide basis. It also conducts studies on the free use of Group products with regard to third-party patents and monitors the legality of competitors' products with regard to the Group's patents. The L'Oréal Group is also an active member of organisations which have set themselves the goal of combating counterfeiting and promoting best commercial practices. This is the case of the French Manufacturers' association (Union des Fabricants), the Association des Praticiens du Droit des Marques et des Modèles (APRAM) and the AIM.

Legal and regulatory risks/Product claims	
Risk identification	**Risk management**
In its communications, L'Oréal highlights the innovative nature, quality and performance of its products. These communications may be challenged by authorities, organisations or consumers, despite every care used to guarantee their accuracy and fairness.	The Worldwide Claims Substantiation Department ensures the conformity of product communications before they are introduced on the market. The Group's Code of Ethics sets out the fundamental principles of responsible communication and L'Oréal has made a commitment to implement the International Chamber of Commerce Consolidated Code of Advertising and Marketing Communication Practice and the Cosmetics Europe Charter and Guiding Principles on responsible advertising and marketing communication to which the key global cosmetics industry players in Europe adhere. The Group's principles for "responsible product advertising" are described in a summary brochure disseminated worldwide in order to raise employee awareness about compliance with ethical principles, specific legal and regulatory requirements, and operational processes for the prior control of product communications.

3.5.3.4. Financial and market risks

Financial and market risks/Currency risk	
Risk identification	**Risk management**
Due to its international presence, L'Oréal is naturally exposed to currency fluctuations. In addition, commercial flows resulting from purchases and sales of items, products, royalties and services arise between subsidiaries in different countries. Procurement by subsidiaries is mainly in the currency of the supplier's country. Fluctuations between the main currencies may therefore have an impact on the results of the subsidiaries, but also on the Group's results during the conversion of non-euro subsidiaries' accounts into euros and, as a result, make it difficult to compare performances between two financial years. The impact of hedging on equity and the analysis of sensitivity to currency fluctuations are detailed in note 11.3. "Other comprehensive income" in the Consolidated Financial Statements. Finally, the impact of foreign exchange gains and losses on the income statement is described in note 10.2. "Foreign exchange gains and losses" of the Consolidated Financial Statements.	The Financial Code and the currency risk management standard specify, in particular, the principles to be applied by Group entities to ensure that management of currency risk is both prudent and centralised. To limit currency risk, the Group adopts a conservative approach whereby it hedges a significant portion of its annual requirements for the following year through currency forward contracts (purchases or sales) or through options. Hedging requirements are established for the following year on the basis of operating budgets of each subsidiary. These requirements are then reviewed regularly throughout the year in progress. In order to obtain better visibility over the flows generated, currency risk management is centralised through the Treasury Department at head office (Group Corporate Finance Department), which uses a specific tool for centralising the subsidiaries' requirements by currency (FX report). The system of foreign exchange risk hedging is presented to the Audit Committee. The hedging methodology and the equities involved are described in note 10.1. "Hedging of currency risk" of the Consolidated Financial Statements.

Financial and market risks/Financial equity risk	
Risk identification	**Risk management**
The main equity risk for L'Oréal is the 9.39% stake it held in Sanofi at 31 December 2020 (see note 9.3. "Non-current financial assets" of the Consolidated Financial Statements), the value of which fluctuates primarily as a function of global market trends, Sanofi's results and, more generally, economic and financial data from Sanofi and its sector. A significant decrease in the amount of the dividend paid by Sanofi or a significant or extended decline in its market price could have an impact on L'Oréal's share price.	This interest and changes in the market in which Sanofi operates are monitored on a regular basis. As at 31 December 2020, the market value of the Sanofi share was significantly higher than the value recorded on the L'Oréal balance sheet (see note 9.3. to the Consolidated Financial Statements).

Financial and market risks/Risk relating to the impairment of intangible assets	
Risk identification	**Risk management**
L'Oréal's intangible assets, which are primarily its 35 major international brands, and the goodwill recognised at the time of external growth transactions, are susceptible to impairment.	As described in note 7. "Intangible assets" of the Consolidated Financial Statements, brands with an indefinite useful life and goodwill are not amortised but are tested for periodic impairment at least once a year. Where the recoverable amount of a brand is lower than its net book value, an impairment loss is recognised. Similarly, any difference between the recoverable amount of each cash-generating unit and the net book value of the assets including goodwill would lead to an impairment loss in respect of the asset, recorded in the income statement. The amounts for the last three financial years are provided in note 4 "Other operational income and expenses" of the Consolidated Financial Statements. The data and assumptions used in impairment tests carried out on Cash-Generating Units for which the goodwill and non-amortisable brands are significant, are presented in note 7.3. "Impairment tests on intangible assets" of the Consolidated Financial Statements.

4.

L'ORÉAL'S SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY*

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

This chapter reports on the social, environmental and societal policies and progress, and presents the assessment of the first generation of L'Oréal's sustainable development commitments at the end of 2020: Sharing Beauty With All programme initiated in 2013. Confronting the acceleration of the environmental and social challenges facing the world, in June 2020 L'Oréal announced its new sustainability programme, *L'Oréal for the Future*, with a new series of particularly ambitious commitments for 2030.

L'Oréal also presents its progress and achievements in its *Sharing Beauty With All* Progress Report, on its website www.loreal.com/sharing-beauty-with-all, and through its annual *reporting* made to the United Nations Global Compact. L'Oréal participates in 16 of the United Nations' 17 Sustainable Development Goals(1).

4.1. INTRODUCTION

L'Oréal's strategy is based on Universalisation, which is globalisation with profound understanding and respect for differences in order to meet the beauty expectations and needs of women and men around the world, while at the same time being an environmental and societal leader.

L'Oréal's Ethical Principles – Integrity, Respect, Courage and Transparency – guide the Group's development and help establish its reputation. It is on these principles that its sustainable development, social and societal responsibility, compliance and philanthropy policies are based.

Firmly believing that acting ethically is the only way for a company to succeed in the long term, the Group has created the Office of the Chief Ethics Officer reporting to the Chairman and Chief Executive Officer.

To guarantee greater strategic consistency between the measures the Group takes to integrate the sustainable development dimension across its entire value chain and its philanthropic work, the Chief Corporate Responsibility Officer reports directly to the Chairman and Chief Executive Officer(2).

At the end of 2013, L'Oréal defined its first generation of sustainable development commitments by 2020, through its Sharing Beauty With All programme, which covers the Group's entire value chain and addresses all the impacts of its products, from their design to their consumption. These commitments provided a demonstration of the Group's ability to decouple its growth from its environmental impact and to involve its consumers by offering them products that are both aspirational and growingly sustainable, encouraging them to make sustainable consumption choices.

Innovating sustainably
By the end of 2020, 96% of the Group's products have an improved environmental or social profile.

Producing sustainably
By the end of 2020, the Group has reduced the CO_2 emissions generated by its plants and distribution centres by 81% in absolute terms, as compared to 2005, while concurrently developing its presence worldwide.

Living sustainably
By the end of 2020, the Group offers its consumers sustainable consumption choices.

Developing sustainably
with employees - By the end of 2020, L'Oréal employees have access to healthcare coverage, social protection and training, wherever they are in the world;
with suppliers - By the end of 2020, 99% of the Group's strategic suppliers participate in our sustainability programme designed for them;
with communities - By the end of 2020, the Group's actions have enabled more than 100,000 people from underprivileged or poor communities to access work.

As the Sharing Beauty with All programme ended on 31 December 2020, this document reports on the achievements of L'Oréal and the achievement of the targets set in 2013. These results are summarised in the table presented in section 4.4 of this chapter.

As the acceleration of the environmental and social challenges to be met calls for a more radical transformation, in June 2020 L'Oréal announced its new sustainability programme *L'Oréal for the Future*, with a new series of particularly ambitious commitments for 2030.

(1) L'Oréal's contribution to the United Nations Sustainable Development Goals is detailed on its website at https://www.loreal.com/en/articles/sharing-beauty-with-all/loreals-contribution-to-the-united-nations-sustainable-development-goals/
(2) The Chief Corporate Responsibility Officer is a member of the Executive Committee and the Executive Vice President of the L'Oréal Foundation.

L'Oréal for the Future marks the launch of a new phase of L'Oréal's sustainable development approach, with the intention of building on the Group's earlier achievements to accelerate its transformation towards an increasingly sustainable business model. L'Oréal wants to engage its entire ecosystem and demonstrate that companies can be part of the solution to the challenges the world is facing.

The *L'Oréal for the Future* programme, the implementation of which will begin on 1 January 2021, and which will be reported every year, is based on three pillars:

- Transforming L'Oréal's business to respect the "planetary boundaries", i.e. in the context of what the planet can withstand, as defined by environmental science;
- Empowering L'Oréal's business ecosystem and helping its transition to a more sustainable world. ; and
- Contributing to solving the challenges of the world by supporting urgent social and environmental needs.

L'ORÉAL'S NEW COMMITMENTS

Transforming the Group's activities			
Fighting climate change			
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 its consumers to reduce their greenhouse gas emissions resulting from the use of its products by 25% compared to 2016 per finished product.	**By 2030,** the Group will reduce by 50 % on average and per finished product, the greenhouse gas emissions linked to the transport of its products compared to 2016.	**By 2030,** the Group's strategic suppliers will reduc their 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,** the Group will innovate to enable its consumers to reduce by 25 % on average and per finished product, the water consumption linked to the use of its products compared to 2016.	**By 2030,** 100% of the water used in our industrial processes will be recycled and reused in a loop.	**By 2030,** all the Group's 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.	**By 2030,** the Group will hold flat the total land occupancy vital to the sourcing of our ingredients, compared to 2019.	**By 2030,** all 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 our ingredients in formulas will be biobased, derived from abundant minerals or from circular processes. **By 2030,** 100% of the plastic used in our packaging will be either from recycled or biobased sources (we will reach 50% by 2025).	**By 2030,** we will reduce by 20 % in intensity the quatity of packaging used for 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 sustainabilityprinciples.	**By 2030,** 100% of the waste generated in our sites will be recycled or reused.
Empowering the Group's business ecosystem			
By 2030, 100% of the Group's 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.	**By 2030,** L'Oréal will help 100,000 people from disadvantaged communities gain access to employment.	**By 2030,** 3 million people will benefit from our brands' social engament programmes.	**By 2022,** the Product Environmental and Social Labelling system will apply to all the Group's rinse-off products. **By 2030,** all the Group's products will be ecodesigned.
Contribute to solving the challenges of the world			
By 2023, the Group will have invested €50 million to support the highly vulnerable women.	**By 2030,** the L'Oréal Fund for Nature Regeneration will have invested €50 million to help restore 1 million hectares of degraded ecosystems.	**By 2030,** the Fund will have helped capture 15 to 20 million tonnes of CO_2 and we will have created hundreds of jobs opportunities.	**By 2030,** the Group will have invested €50 million to finance projects that will help promote a more circular economy.

4.1.1. A Group with a longstanding commitment

1968
- Signature of the mandatory profit **sharing agreement** for French employees

1979
- First production of reconstructed skin

1988
- Signature of the **incentive profit-sharing agreement** for French employees

1989
- **End of animal** testing for finished products

1995
- Creation of environmental research laboratory

1996
- Creation of the **Instance Européenne de Dialogue Social**

1998
- Launch of the **L'Oréal-Unesco For Women In Science** international programme

2000
- Publication of the Group's first **Code of Ethics**

2001
- Implementation of the **« Worldwide Profit Sharing Program – WPS »**

2002
- Completion of the first **social audits** at suppliers

2003
- Launch of the **ISO 14001 certification** programme
- First participation In the **Carbon Disclosure Project** – CDP
- L'Oréal signs the **United Nations Global Compact**

2004
- First prize in the **Diversity Leadership Award** presented to L'Oréal by Diversity Best Practices
- Publication of the **first diversity charter** and the Group's first **sustainable development report**

2005
- The Group's commitment to using plant-based raw materials in accordance with the principles of the Convention on Biological Diversity

2006
- L'Oréal receives **the Global Business Coalition Against HIV award**

2007
- Creation of the **L'Oréal Foundation**
- First recognition as **"One of the World's Most Ethical Companies"**

2008
- First edition of **Ethics Day**

2009
- L'Oréal pledges to reduce CO_2 emissions, **waste generation and water consumption by 50%** at its production sites and distribution centres by 2015
- First participation in the **CDP Supply Chain** for 2008

2010
- Creation of a global **Solidarity Sourcing programme**
- First **European gender equality label**, the Gender Equality European & International Standard (GEEIS), awarded to **eight Group entities**

2013

SHARING BEAUTY WITH ALL

- Launch of the ***Sharing Beauty With All* programme**
- Launch of the ***L'Oréal Share & Care* programme**
- Listing on the **United Nations Global Compact 100** stock index
- **The Way We Prevent Corruption** manual

2014
- Award of the **Best Performer in Climate Change Leadership** prize
- Signature of the **Women's Empowerment Principles**, a United Nations initiative to promote gender equality
- L'Oréal joins **Transparency International** France

2015
- Launch of the **Carbon Balanced** programme
- **Signature of the Global Disability Charter**

CO_2

2016
- Rated **"3A"** by the CDP
- **First Palm Oil Progress Report**

2017
- Rated **"3A"** by the CDP for the second consecutive year
- Founding partner of **Women4Climate** with C40
- Launch of the second stage of the ***Share & Care*** programme
- Validation of the **Science Based Targets**
- Human Rights Policy

2018
- First and only company worldwide to be rated **"3A"** by the CDP for the third consecutive year
- Achievement of the **"zero waste to landfill"** target for industrial sites.
- L'Oréal recognised as a **LEAD company** by the United Nations
- Tenth **Ethics Day**
- Circulation of the **Report Collection and Processing** procedure
- **First employee shareholding plan**
- **Act4Nature** biodiversity commitment

2019
- Only company worldwide to be rated **"3A"** by the CDP for the fourth consecutive year
- UN Global Compact: **Business Ambition for 1.5°C**, signature of the pledge (Net Zero Emissions 2050)
- **GEEIS award** (Gender Equality European & International Standard) of the United Nations for L'Oréal's **Solidarity Sourcing** programme
- L'Oréal joins the **One Planet Business for Biodiversity coalition**

2020

L'ORÉAL POUR LE FUTUR

- Launch of the ***L'Oréal for the Future*** programme
- Only company in the world to receive a **"AAA"** rating from the CDP for the fifth consecutive year
- Signing of the **TCFD**
- Signing of the United Nations **Statement from Business Leaders for Renewed Global Cooperation**

4.1.2. Constant dialogue with stakeholders

L'Oréal is perfectly aware that, to grow sustainably, a company must take into consideration its ecosystem composed of all its stakeholders. The Group attaches great importance to dialogue with all stakeholders.

Within the framework of ongoing dialogue and as part of a process aimed at making continual progress, L'Oréal endeavours to take into account its stakeholders' expectations in its strategy. For this purpose, the Group has defined and developed a method of *ad hoc* interaction, that it considers the most efficient and appropriate, with all those involved.

The dialogue conducted by L'Oréal with its stakeholders has grown in importance over time. Stakeholders were consulted in the context of the construction of the Group's first sustainability programme, *Sharing Beauty with All*, both before the definition of its commitments and during follow-up.

In defining the *L'Oréal for the Future* programme for 2030, seven internal expert panel have been working since April 2019, coordinating independent studies and working with outside partners and civil society to define and refine L'Oréal's next steps in sustainability.

The outcome of these dialogues and consultations is an ambitious strategy, built on measurable, time-bound impact reduction targets and make a positive contribution to its ecosystem.

The Group conducts ongoing dialogues with NGOs, associations and experts on a large number of environmental and societal issues, around the world, in order to review its policies and action plans and ensure their relevance.

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2020
Employees	L'Oréal sets up a large number of dialogue arrangements with its employees to ensure their health, safety and well-being at work while listening to their concerns.	Nearly 70% of the Group's employees took part in *Ethics Day* in 2020 and more than 8,500 questions were asked worldwide. In 2020, 92% of the employees invited took part in the "Pulse" engagement survey, which showed significant progress on all the Simplicity topics.
Suppliers	L'Oréal maintains an extensive dialogue with its suppliers and shares with them its ambitions and best practices in the area of sustainable development.	During annual Business Reviews[(1)], L'Oréal discusses five primary issues with its suppliers: quality, CSR, innovation, delivery/*supply chain* and competitiveness. In 2020, 356 *Business Reviews* took place. L'Oréal shares the information and best practices with its suppliers around the world: since 2018, more than 700 suppliers of "Retail & Pomo" Sourcing Domain have been trained on the eco-design of POS materials[(2)].
Consumers	L'Oréal is heedful of both current and future needs and concerns of its consumers, in particular with regard to sustainable development.	In 2020, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its policy of actively listening to consumers on sustainable development issues through consumer panels in the United States, India, China and Europe in order to understand their expectations and fine-tune its policies.
Shareholders	L'Oréal is committed to developing a relationship of trust with all its shareholders, particularly in the context of the Covid-19 health crisis. Thus, the Financial Communications Department offers a range of multimedia and digital tools, organises regular meetings with shareholders and their associations, and takes part in the discussions of professional associations.	• The Group published an interactive and enriched digital Annual Report and an Integrated Report. • "Letters to Shareholders" and *newsletters were distributed;* • The 2020 Annual General Meeting was broadcast live and pre-recorded on the loreal-finance.com website with the possibility for shareholders to ask questions to the Chairman and Chief Executive Officer through a dedicated email address; on this occasion, the Chief Corporate Responsibility Officer presented the *L'Oréal for the Future* programme. • The Group participated in the second edition of the *Investir Day* shareholders fair in a 100% digital version. • Multi-annual meetings with business school students and meetings of the Advisory Committee with individual shareholders were maintained in a 100% digital version.
Customers (distributors)	As it does with its suppliers, L'Oréal builds close relationships with its distributors by involving them in the preparation of joint sustainable development projects.	L'Oréal has deployed Take Back initiatives for packaging. This initiative is currently in place in 15 countries. In some countries, the Group's retailers are partners in the programme, giving access to a large number of collection points (*e.g.* 1,000 collection points have been deployed in the United Kingdom in partnership with Boots, Superdrug and Tesco).

(1) Annual review of the supplier's business activity, its performance over the past year and objectives for the following year.
(2) Point-of-sales materials.

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2020
Employee commitment	Once a year, all L'Oréal's employees are invited to spend a day on volunteering actions for associations and not-for-profit organisations, on public utility projects and supporting the surrounding communities, while continuing to receive their salary.	In 2020, during its 11th edition, and given the Covid-19 health crisis, *Citizen Day* format was adapted to a remote solidarity mobilisation, primarily through e–volunteering missions, *online* solidarity hackathons and crowdfunding campaigns.
NGOs and associations	The Human Rights Department is engaged in a dialogue and partnerships with outside stakeholders, including NGOs, institutions and associations specialised in this area. Thus, L'Oréal maintains a partnership with: • the *Danish Institute for Human Rights*, the independent national Human Rights institution of Denmark; • *Fair Wage network*, an NGO based in Geneva which provides the Group with a data base on living wages in 200 countries and assists it in defining its strategy for deployment in operations and with strategic suppliers; • The SciencesPo Law School clinic; and • The United Nations Global Compact.	In addition, in 2020 L'Oréal joined: • the *Shift Business and Human Rights Learning Program* at Harvard; • the *Human Rights Coalition* of the *Consumer Goods Forum*; and • Open for Business, a coalition of companies committed to LGBTQIA+ inclusion.
Non-financial rating agencies and investors	Every year, L'Oréal makes every effort to improve the information made available to its stakeholders, and regularly discusses CSR topics with non-financial rating agencies and investors.	L'Oréal is in regular contact with numerous non-financial ratings agencies, including Vigeo-Eiris, ISS-OEKOM, CDP, MSCI etc. These interactions enable discussions on the Group's non-financial performance and the identification of potential vectors for improvement.
The scientific community including researchers and academics	Research and Innovation is an integral part of L'Oréal's identity and maintains close links with a large number of public or private research centres all over the world, in the form of partnerships or collaborations, in areas as varied as green chemistry, synthetic biology, genomics, skin stem cells, microfluidics, *bioprinting* and microbiomes. The Group's researchers also participate in the implementation of sustainable agricultural practices, optimising tools and measurement methods with agronomic research institutes to monitor the environmental benefits of more resilient practices on-site. These agile tools are designed to be effective, regardless of the level of development of the country in which they are used. This is the case of Biofunctool[(1)] which aggregates land indicators to monitor soil health and assess practices, in the plantations, for example.	• Through the L'Oréal Foundation's *For Women in Science* programme, the Foundation recognises women scientists and awards scholarships to young female researchers. • L'Oréal's teams continue their collaboration with the *Stockholm Resilience Centre*[(2)] to define its sustainable development goals by integrating the concept of planetary boundaries which, if crossed, will compromise the survival of humans on Earth. • The environmental research teams continue to work with the University of Nantes to develop innovative methods for being able to easily assess the biodegradability of mixtures of chemical substances. Moreover, these teams are collaborating with the *Frauenhofer Institute* in the development of one method to evaluate the bioaccumulation of substances in aquatic environments. • The Group's researchers participate in various programmes to identify and test substances susceptible to endocrine disruption, both in France (FEATS ANR), Europe (ERGO – EndocRine Guideline Optimization) and the US (HESI – Health and Environmental Sciences Institute).
The public authorities	At local, national or international level, L'Oréal maintains close relationships with the public authorities, in particular via professional associations and its own associations.	L'Oréal is a member of many associations all over the world, including: the FEBEA (*Federation of Beauty Enterprises*), Cosmetics Europe, AIM (*European Brands Association*), WFA (*World Federation of Advertisers*), the US *Cosmetics Industry Association*, CAFFCI (*China Association of Fragrance Flavour and Cosmetic Industries*), ISTMA (*Indian Soap and Toiletries Mfrs Association*), CTPA (*Cosmetic, Toiletry & Perfumery Association*), etc.
Students and young graduates	L'Oréal is recognised as one of the most attractive companies for students. The Group has unique know-how in working on campus, allowing it to play a central role in meeting the expectations and needs of students around the world.	• Brandstorm, an international student competition, brings together more than 48,000 students from 65 different countries. • L'Oréal awards several scholarships every year to students from partner schools in order to support the academic path of students who share the Group's values of innovation, entrepreneurship and diversity. • L'Oréal provides financial support for several academic chairs, such as the "Audencia Global Performance and Multi-Capitals Chair" and the "Chief Value Officer" executive MBA at Audencia, the Marketing Chair at the *Saïd Business School* at Oxford University, the Entrepreneurship Chair at the HEC business school, the Leadership and Diversity Chair at the ESSEC business school in France, the Master and Chair in Business Law and Ethics at the University of Cergy-Pontoise and the Marketing, Innovation & Creativity Chair at INSEAD. • L'Oréal is also a long-standing partner of CEMS, an alliance of more than 30 business schools worldwide, including Bocconi University, LSE, Stockholm School of Economics, ESADE, Tsinghua University School of Economics, etc.

(1) A low tech and low cost toolbox created by the Institut de Recherche pour le Développement (IRD) and the French agricultural research and international cooperation organization (Centre International de Recherche Agronomique pour le Développement, CIRAD).
(2) The result of cooperation between Stockholm University and the Beijer Institute of Ecological Economics at the Royal Swedish Academy of Sciences.

Efforts that have been recognised and rewarded

In 2020, L'Oréal was named one of the 41 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.

In 2020, L'Oréal ranked No. 5 worldwide in the Covalence EthicalQuote ethical reputation index. This index ranks 9,124 large companies worldwide, reflecting the perceptions of stakeholders, the media and company communications on corporate social responsibility needs.

As in previous years, L'Oréal was also acclaimed by the most demanding organisations in this field in 2020, and in particular:

- L'Oréal is the only company to have been awarded an "A" for five consecutive years for each of the three issues evaluated by the CDP[1]: efforts to fight climate change, forest preservation, and water security. Only 10 companies in the world earned this triple "A" score in 2020;
- for the ninth consecutive year, the non-financial rating agency ISS-Oekom gave L'Oréal Prime status, a rating awarded to top-performing companies;
- the non-financial ratings agency MSCI awarded L'Oréal an AAA rating;
- L'Oréal was recognised for the 11th time as one of the "World's Most Ethical Companies" by the Ethisphere Institute; and
- L'Oréal was again recognised by the Bloomberg Gender-Equality Index acknowledging the most advanced companies in the area of gender parity.

The Group's good performance means that it is regularly included in the indices requiring the highest standards:

- the Solactive Europe Corporate Social Responsibility and Solactive Global Corporate Social Responsibility indices, (formerly the "Ethibel index");
- the Euronext-Vigeo Eiris indices which highlight the top performing companies in the areas of the environment, corporate social responsibility and governance.

4

4.2. MAIN NON-FINANCIAL RISKS

L'Oréal presents its Corporate Social Responsibility strategy[2] in order to meet the requirements of the Non-Financial Information Statement[3] in particular. This Declaration sets out the Group's main non-financial risks and then describes the policies implemented to address them, which are monitored and measured by performance indicators and their results. This presentation refers to the Group's business model, set out in section 1.2. "Business model: economic and corporate excellence to create lasting value for all" of this document.

As L'Oréal has had a long-standing commitment to corporate social responsibility, section 4.3. "Policies, performance indicators and results" of this document also includes the policies and actions voluntarily implemented beyond a response to the main risks.

4.2.1. Risk identification process

In application of the European Directive of 22 October 2014 on the disclosure of non-financial information, as transposed into French law, the main environmental, social, Human Rights risks and risks related to the fight against corruption[4] are detailed in this section 4.2. "Main non-financial risks", to the extent necessary to gain an understanding of the Company's position, business development, economic and financial results, and activity.

The Group's significant risks, *i.e.* the risks that could have a material impact on its business, financial position or outlook, are described in chapter 3 of this document (see section 3.5. "Risk factors and risk management" of this document) and have been established in conjunction with Group risk mapping (see section 3.5.2. "Risk mapping" of this document).

These risks cover all areas of the Group's activities. Some of these risks are specific to non-financial issues; others are broader, and may stem from environmental or societal causes. These so-called "CSR" risks were the subject of detailed analysis in order to select the main risks within the meaning of the Non-Financial Information Statement. This analysis was carried out on the basis of the work of Group experts, in conjunction with the *Risk Management* Department and consistent with the Group's business model. This work also draws on the sustainable development materiality analysis, the Group's Human Rights and corruption mapping, also conducted for each country on corruption, as well as on the risk analysis carried out within the framework of the Vigilance Plan (see section 3.4. "Vigilance plan" of this document).

The risks associated with climate change have been the subject of a long-term approach – more than 10 years – given their specific nature.

The main risks have been validated at the highest level of responsibility of the organisation by the relevant General Managements.

(1) The CDP is a non-profit organisation that encourages companies to publish their environmental data and assesses their sustainable development performance as well as their transparency efforts.
(2) The acronym "CSR" refers to Corporate Social Responsibility.
(3) DPEF Non-financial statement – Prepared pursuant in particular to Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code, resulting from Order no. 2017-1180 which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial information.
(4) In accordance with the regulations, information on the fight against tax evasion is given in section 4.3.5 "Tax Policy" of this document.

4.2.2. Main risks for corporate social responsibility, Human Rights and corruption

The main risks in respect of corporate social responsibility, Human Rights and corruption identified by the L'Oréal Group, as described in section 4.2.1. "Risk identification process" of this document, are set out below. Other risks, of which the Group is not currently aware or which it does not consider material at the date of this Document, could have a negative impact.

For the main environmental risks, the concept of risk covers both risks related to the impact of the Group's business activities on its ecosystem and the risks of the impact of climate change in the short and medium terms on its business model, activity and financial performance[1].

Main environmental risks

Industrial risks

As with any production, distribution, research and general administration activity, L'Oréal is exposed to a variety of industrial risks that may impact the environment and safety: fires, explosions, technical failure of safety system installations, or even human failure in the operation of existing facilities (such as those dedicated to the treatment of effluents and/or their discharge), or when managing exceptional works. These events can generate accidental pollution (surface and underground water, air, soils) that may have consequences inside or outside the sites, which are sometimes located near an inhabited area.

Physical and transition risks associated with climate change

The Group is exposed to risks of natural origin in many countries. Risks of natural origin are those related to the occurrence of extreme weather events such as cyclones or floods, or those resulting from long-term climate change such as the rise in average temperatures, noticeable change in precipitation levels and the reduction of available water. The increase in these risks could impact the availability of finished products by disturbing the Group's operations and/or supply chain. To be sold, the products manufactured by the Group must be available on the market on the dates scheduled so as to respect consumer demands and launch plans, in a cosmetics market where the need for responsiveness is growing constantly. A major stoppage of activity at a plant or distribution centre could therefore have an adverse effect on the achievement of commercial objectives.

These risks may impact the Group directly on its sites, or indirectly via the sites of suppliers and subcontractors, thereby reducing the availability of raw materials or packaging components necessary to manufacture products. For instance, an exceptionally steep rise in the price of basic raw materials because of their scarcity, or in the energy costs necessary for their production due to carbon taxation, or even their total unavailability or the resulting failure of suppliers, could affect the Group's performance.

Risks related to the use and end of life of products

The use of cosmetics and their disposal after use by consumers and professional customers (mainly hairdressers and beauticians) generate environmental impacts. So-called "rinsed" formulas (shampoos in particular) require water for their use, and the ingredients used in their composition can be found after use in domestic wastewater, the treatment of which is dependent on existing sanitation systems in place in the relevant geographic areas. Insufficient consideration of these impacts related to the usage phase during the design of L'Oréal products could represent a risk in certain areas of the world affected by water scarcity or the lack of adapted infrastructures for the collect and treatment of effluents. Similarly, the use of predominantly plastic containers may represent an environmental risk resulting from the disposal of plastic waste, depending largely on the collect and treatment channels available.

Risk related to changing stakeholder and consumer expectations in terms of environmental and social performance

The Group anticipates that the choices made by certain categories of consumers could be increasingly influenced by the carbon impact of the products and the global environmental performance of industrial producers. If the Group is unable to anticipate changes in such behaviours, meet stakeholders' expectations, overcome major environmental and social challenges and respond notably with appropriate product innovation, a significant contribution in the transition towards a low carbon economy and the preservation of water and natural resources within its value chain, the Group's performance and reputation could be affected.

Risk of regulatory non-compliance

L'Oréal operates through subsidiaries located in many countries. Like any international business, L'Oréal is subject to a wide range of constantly changing local laws and regulations in the areas of safety and the environment, including efforts to fight climate change, and the preservation of water resources and of biodiversity. This exposes it to the risk of regulatory non-compliance or higher compliance costs for its activities in a broad context of increasingly diverse norms.

Main social risks

Employee health and safety risk

Given L'Oréal's activities, particularly its industrial operations, the risk of work accidents or occupational illnesses could become a reality.

Human Resources management risk

One of the keys to L'Oréal's success lies in the talent of its staff to ensure its development. This is all the more true as L'Oréal is evolving within a complex, highly competitive and rapidly changing environment (globalisation, digital transformation, sustainable development challenges, etc.) that requires specific expertise. If L'Oréal fails to identify, attract, retain and train competent and engaged employees who behave responsibly, the development of its activities and its results could be affected.

(1) Pursuant to AMF recommendation no. 2018-12 of 29 October 2018, the 2019 AMF report on the "Corporate social responsibility of listed companies", and the Guidelines of the European Commission on Climate of 20 June 2019.

Main Human Rights risks

Following an initial analysis conducted in 2017, the Group wanted to expand its mapping in 2020, by identifying the potential salient Human Rights risks. To do so, L'Oréal relied on the reporting framework of the Guiding Principles on Business and Human Rights (UNGP Reporting Framework). This identification process takes into consideration the severity, scale and remediability of its impact on people throughout its value chain. To date, the identification process on a global level and in a few pilot markets has been finalised. The next phase will allow the results' testing in all markets and with external stakeholders. This mapping should be finalised in 2021.

The following list of the main risks results from the 2017 risk analysis, complemented by the work to date to identify the detected salient risks:

- the Human Rights of L'Oréal employees (discrimination because of gender, age, disability, gender identity and sexual orientation);
- the Human Rights of L'Oréal's suppliers' employees (child labour, forced labour, discrimination because of gender, age, disability, gender identity and sexual orientation, lack of a living wage);
- the Human Rights of consumers (failure in the quality and safety of products, lack of protection of personal data); and
- the Human Rights of communities (stereotypes in advertising).

Another identified risk concerns the Human Rights of communities potentially impacted by the Group's activities (respect for the environment, right of access to water, consideration of Human Rights in the choice of raw materials and, in particular, the right of access of local populations to their land and respect for their traditional knowledge under the Nagoya Protocol).

Main corruption risks

L'Oréal operates in many countries where the risk of corruption can be significant and could lead L'Oréal employees, as well as third parties acting in its name or on its behalf, directly or indirectly, voluntarily or involuntarily, to adopt practices contrary to the Group's ethical principles and the prevailing regulations. Corruption takes a variety of forms that are not necessarily easy for employees to identify. For instance, the exchange of gifts or invitations of excessive value could be perceived as corruption.

The assessment of corruption risk is materialised by specific mapping, carried out at Group level and by each country in its local context.

The Group's activities involve in particular relations with:

- public authorities and their representatives, either directly or *via* intermediaries or professional bodies, to obtain the authorisations necessary for the Group's activities, for instance. The countries in which the Group operates must be given support in the fight against public corruption;
- the Group's customers and suppliers; and
- journalists, doctors, etc., to whom products can be given so that they can recommend them. Relationships are also maintained with third parties that, beyond the Group's products themselves, issue various or general opinions on the Company. Any action potentially deemed as being intended to cause the persons in question to breach their obligation of loyalty must be avoided.

Any breach of the Group's corruption prevention principles may be detrimental to L'Oréal and its partners. Equally, any failure of a partner may be detrimental to L'Oréal.

4.3. POLICIES, PERFORMANCE INDICATORS AND RESULTS

The Group's policies, described in this section, address the need to prevent the main CSR risks and mitigate their impact. By contributing to preventing and controlling the risks to which the Group is exposed, these policies are intended to contribute to the Group's sustainable growth in a controlled environment suited to its business lines. There are however limits inherent in any system and process. These limits result from a number of factors, in particular the uncertainties of the outside world or malfunctions that may occur due to technical or human failures.

These policies also reflect a proactive approach by the Group that takes stakeholder expectations into consideration (see section 4.1.2. "Constant dialogue with stakeholders" of this document).

4.3.1. Environmental policy

L'Oréal, whose strategy is one of Universalisation, sees its economic performance and its environmental and social performance as being inextricably bound. Long committed to reducing its environmental footprint, the Group aims to be one of the best companies in the field by proving that it is possible to decorrelate growth and impact, and to contribute positively to its ecosystem, throughout the world.

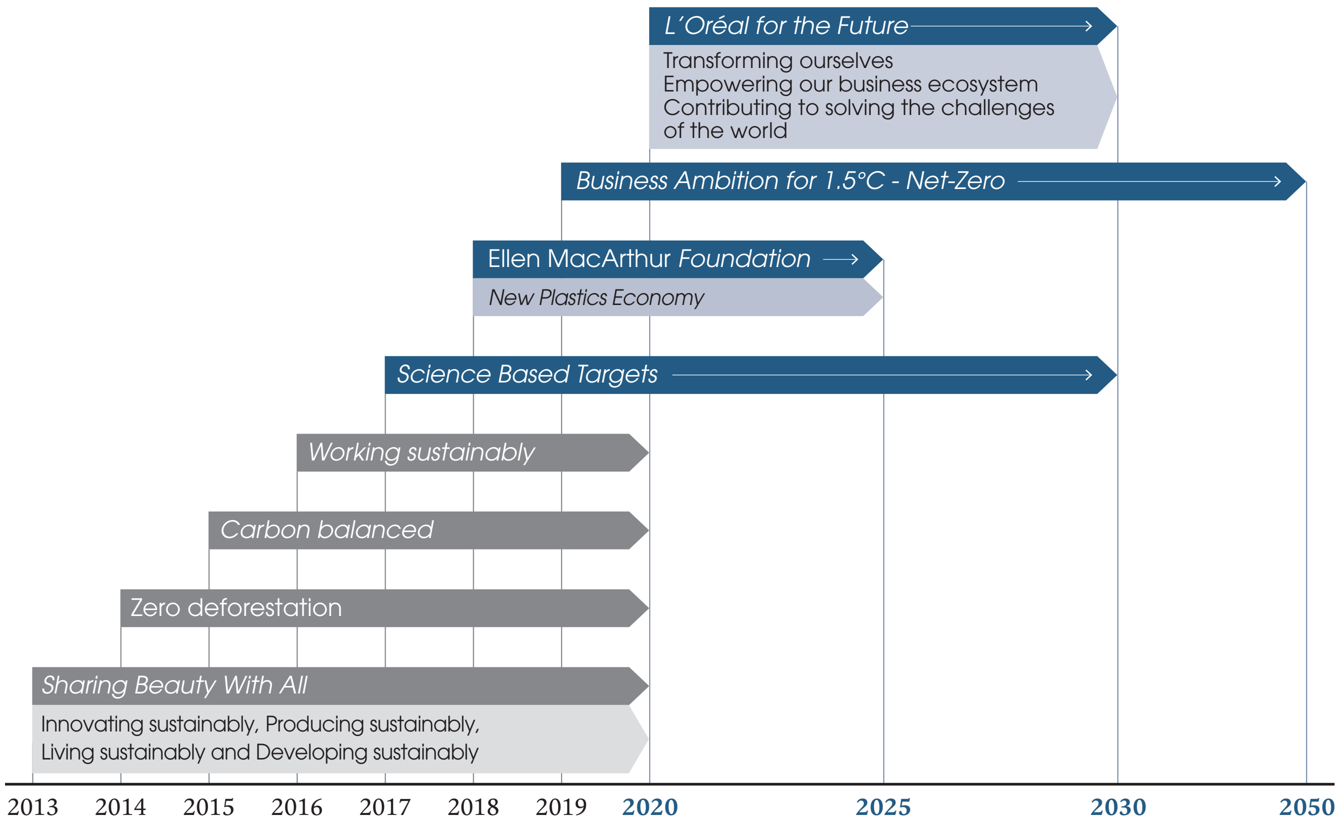
In 2013, L'Oréal intensified its environmental ambitions by launching the *Sharing Beauty With All* programme based on four pillars: "Innovating sustainably", "Producing sustainably", "Living sustainably" and "Developing sustainably". In 2015, the Group announced its aim of becoming a Carbon Balanced company by the end of 2020. In 2016, a programme was rolled out within *Sharing Beauty With All: Working sustainably*. It brings administrative sites and research centres into the process of improving L'Oréal's environmental and social impacts. In 2017, through its membership of the Science Based Targets programme, an initiative of the CDP, the United Nations Global Compact, the World Resources Institute and WWF, L'Oréal signalled its goal of reducing its global greenhouse gas emissions by 25% compared to their 2016 levels by the end of 2030 and of going one step further by putting its environmental policy at the service of a major collective challenge, namely efforts to fight climate change. To progress further, in 2018, in the context of the individual *Act4nature* commitments, L'Oréal set a goal of 100% renewable raw materials coming from sustainable sources by 2030. Also in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation, with the aim of adopting refillable, reusable, recyclable or compostable plastic for 100% of packaging by 2025. Finally, in 2019, L'Oréal was one of the first companies to sign the Business Ambition for 1.5°C pledge of the UN Global Compact, thereby committing to reach "zero net emissions" by 2050 over its entire value chain, in accordance with the 1.5°C paths of the IPCC[1].

(1) *Intergovernmental Panel on Climate Change.*

Together, these programmes have allowed L'Oréal to broaden the scope of its actions. Beyond its commitment to preserving the health and safety of its employees and reducing the impact of its sites on their environment, the Group has implemented an ambitious policy to reduce its environmental footprint by preserving natural resources (energy, water, materials, biodiversity) on all sites operated and throughout the product life cycle, from the supply of raw materials to the end of life of products. L'Oréal is increasingly involving its suppliers in this process, sharing its ambitions and best practices, with the vision of a comprehensive and inclusive environmental policy.

In June 2020, L'Oréal also announced its new *L'Oréal for the Future* sustainability programme built on three pillars: "Transforming ourselves", "Empowering our business ecosystem", and "Contributing to solving the challenges of the world". In order to reconcile the Group's needs to preserve a planet with limited resources, L'Oréal has raised its goals and defined targets for improvement by 2030 that cover all its direct and indirect impacts, related for example to the activity of its suppliers or the use of its products by consumers.

L'Oréal's commitment is to ensure that its activities respect the "planetary boundaries", meaning what the planet can withstand, as defined by environmental science.



POLICY	INDICATORS AND PRINCIPAL RESULTS
An ambitious EHS policy shared by all	● a worldwide organisation and a unique reference manual ● trainings in EHS policy and practices: *14,052 training actions* worldwide ● a worldwide audit programme: *48 EHS audits* ● a continuous improvement process: *33 ISO 14001 certifications, 27* ISO 50001 *certifications, 34 OHSAS 18001/ISO 45001 certifications (plant scope)* ● a process of systematic integration of new sites
Managing risks and controlling the impact of sites on their environment	● an environmental analysis at least every three years ● consideration of biodiversity and soil use in the design or operation of sites ● monitoring of surface water: 2 *accidental spills* ● monitoring of industrial effluents: *quality index for effluents after treatment: 0.65g of COD/FP* ● monitoring of air emissions, excluding greenhouse gases: *SO_2 0.4t; VOC 143t; ozone-depleting substances: 0.8t*☑ ● monitoring of noise pollution
Fighting climate change and preserving natural resources on the sites operated: ● **producing sustainably** ● ***working sustainably***	● reducing greenhouse gas emissions (Scopes 1 and 2, according to the GHG Protocol): *-81% for* industrial *sites (vs 2005); -76% for administrative sites and research centres (vs. 2016)* ● Scopes 1 and 2 CO_2 emitted by sites; 72 *carbon neutral sites at the end of 2020* ● reducing energy consumption: *total energy consumption of sites: 738,714 MWh* ☑*for* industrial *sites and 158,334 MWh for administrative sites and research centres* ● increasing renewable energy use: part *of renewable energy consumed by sites: 72% for* industrial *sites;*☑ *76% for administrative sites and research centres* ● reducing Group emissions from product transport (Scope 3 as per the GHG Protocol): *CO_2 emitted by transport: -24% (tCO_2eq./sales unit/kilometre* vs *2011)* ● preserving water resources: total water consumption of sites: *-49% for* industrial *sites* (in litres per finished product *vs 2005); -5% for administrative sites and research centres (in litres per 100 hours worked vs 2016); 5 "Waterloop Factory" plants* ● preserving biodiversity: 44 biodiversity inventories completed ● reducing waste and preserving material resources: *total generation of transportable waste of sites; -37% for industrial sites (in grams per finished product vs. 2005); -8% for administrative sites and research centres (in kg per 100 hours worked vs. 2016); recovery index: 96% for industrial sites;*☑ *94% for administrative sites and research centres; material recovery index: 58% for* industrial *sites;*☑ *49% for administrative sites and research centres*
Fighting climate change and preserving natural resources: within the supply chain	● encouraging strategic suppliers to reduce their greenhouse gas emissions: *484* suppliers *participated in the CDP supply chain, representing 87% of the expenditures for direct suppliers* ● engaging strategic suppliers: 99% *of strategic suppliers conducted a self-assessment; 1,268 social audits carried out in 2020*☑ ● selecting and evaluating strategic suppliers: *97% of strategic suppliers assessed and selected on the basis of their social and environmental performance* ● using the Group's purchasing power to serve social inclusion: *49% of created or renovated products that have an improved social profile, particularly because of the Solidarity Sourcing programme*
Fighting climate change and preserving natural resources: throughout the life cycle of products	● created or renovated products with an improved environmental or social profile: *96%* ● created or renovated products with an improved environmental profile due to improved packaging: *85%* ● *59%* by volume of raw materials used by the Group are renewable ● created or renovated products with an improved environmental profile due to a new formula incorporating renewable raw materials that are sustainably sourced or respect the principles of green chemistry: *69%* ● "Zero deforestation" commitment: *100% of purchases of palm oil and of palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria* ● created or renovated products with an improved environmental profile due to a new formula with a reduced environmental footprint: *39%* ● brands that have assessed their environmental and social impact: 100%(1) *of the Group's brands* ● brands that have conducted a consumer awareness initiative: *79% of the Group's brands*
Fighting climate change: over the entire value chain	● Greenhouse gas assessment: an annual exercise: Scopes 1, 2 and 3: *11,225 thousand tonnes CO_2* equivalent ● Science Based Targets commitment ● *UN Global Compact Pledge: "Business Ambition for 1.5°C"*

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*
(1) 100% of the Group's brands present in 2013 have assessed their environmental and social impact. If acquisitions since 2013 are included, this percentage would be 89%.

4.3.1.1. An ambitious EHS policy shared by all

A pioneering, socially responsible company, L'Oréal applies an ambitious policy with regard to the Environment (E), Health (H) and Safety (S) in order to minimise its environmental impact and guarantee the health and safety of employees[1], customers and the communities in which the Group carries out its business activities.

This has been reflected, for a number of years, in the desire to systematically control the risks related to the safety of people and the environment that are inherent in the Group's business activities. Any establishment or renovation of a site, any launch of new equipment or production processes, any changes in industrali processes give rise to a risk assessment and action plans that make it possible to reduce their potential impact.

This commitment has led to deployment of the Group's EHS policy over the entire spectrum of its business activities, but also beyond it. Indeed, the Group strives to ensure the regulatory compliance of its activities, compliance with its own standards on its sites (industrial or administrative sites, research centres, stores), and makes sure that its subcontractors and suppliers ensure the safety of people and the environment through a specifically dedicated audit programme.

(1) The Health and Safety policy addressing the health and safety risk of employees ("see section 4.2.2 "Main social risks" of this document) is presented and described in the Human Resources policy (section 4.3.2. "Human Resources policy" of this document).

A SYSTEM BUILT UP OVER MANY YEARS

Three "A"s obtained in the context of the CDP* for the fifth year. Signing of the TCFD. Launch of the *L'Oréal for the Future* programme. 17 RoSPA recognitions	2020	
	2019	Three "A"s obtained in the context of the CDP* for the fourth year. UN Global Compact: *"Business Ambition for 1.5°C", signing of pledge.* 1st worldwide Biodiversity days. Safe@Work Safe@Home award in partnership with RoSPA. Five RoSPA recognitions.
Three "A"s obtained in the context of the CDP* for the third year. Achievement of the "0" landfill waste objective for the industrial sites. Triple RoSPA* recognitions. Launch of GHAP* (new general SHAP*). Act4nature: individual commitments of L'Oréal.	2018	
	2017	Three "A"s obtained in the context of the CDP* for the second year. Validation of the Science Based Targets*. First Waterloop Factory of the Group and 1st administrative site certified ISO 50001. Launch of Energyscan*. Safe@Work Safe@Home programme. Launch of the LIFE* programme.
Three "A"s obtained in the context of the CDP*.	2016	
	2015	Achievement of the "zero landfill waste" objective for the plants.
Achievement of the -50% target for CO_2 emissions vs 2005 for plants and distribution centres. Launch of ISO 50001 certification of plants.	2014	
	2013	Launch of the SBWA programme and new commitments to reduce the environmental footprint of Operations. Launch of Waterscan*. Deployment of the EHS Manual.
Creation of the EHS position in L'Oréal stores.	2012	
	2011	Launch of the Ergonomic Attitude programme.
Creation of EHS culture audits.	2010	
	2009	First response to the CDP Supply Chain for the Group's suppliers. First environmental commitments of the Group: -50% in CO_2 emissions, water consumption, and waste production between 2005 and 2015. Launch of MESUR* and SIO* tools for Safety.
Evaluation of the Group's Carbon balance	2008	
	2007	Measurement and reporting of CO_2 emissions (Scope 1 & Scope 2). OHSAS certification of plants.
First environmental objective for the Group (reduction in energy consumption).	2004	
	2003	14001 certifications of plants. Creation of EHS functions at the R&I sites and administrative sites. Creation of the first procedures for R&I.
Strengthening of EHS Audits with the presence of external local experts.	2001	
	2000	Organisation of a worldwide EHS governance: a Corporate team and an EHS Director by zone. Launch of SHAP* tools and Root Cause analysis.
First EHS audits.	1996	
	1993	Creation of Internal EHS Awards.
1st EHS seminar. Launch of on-site fire prevention inspections.	1992	
	1991	Creation of the "Industrial Risks" Department of Operations and the ETNEHS* function at the sites. Creation of the first EHS procedures and EHS reporting.

CDP: Carbon Disclosure Project.
Energyscan: A tool that makes it possible to quantify possible savings of energy used in a plant.
ETNEHS: EHS and Facilities.
GHAP: General Hazard Assessment Procedure.
LIFE: Life-threatening Incidents or Fatality Events.
MESUR: Managing Effective Safety Using Recognition and Realignment.
RoSPA: Royal Society for the Prevention of Accidents.
Science Based Targets: Commitment to reduce greenhouse gas emissions over the long term and across the entire value chain, in accordance with the Paris Agreement.
SHAP: Safety Hazards Assessment Procedure.
SIO: Safety Improvement Opportunity.
TCFD: Task Force on Climate-related Financial Disclosures.
Waterscan: A tool that allows to quantify possible savings of water used in a plant.

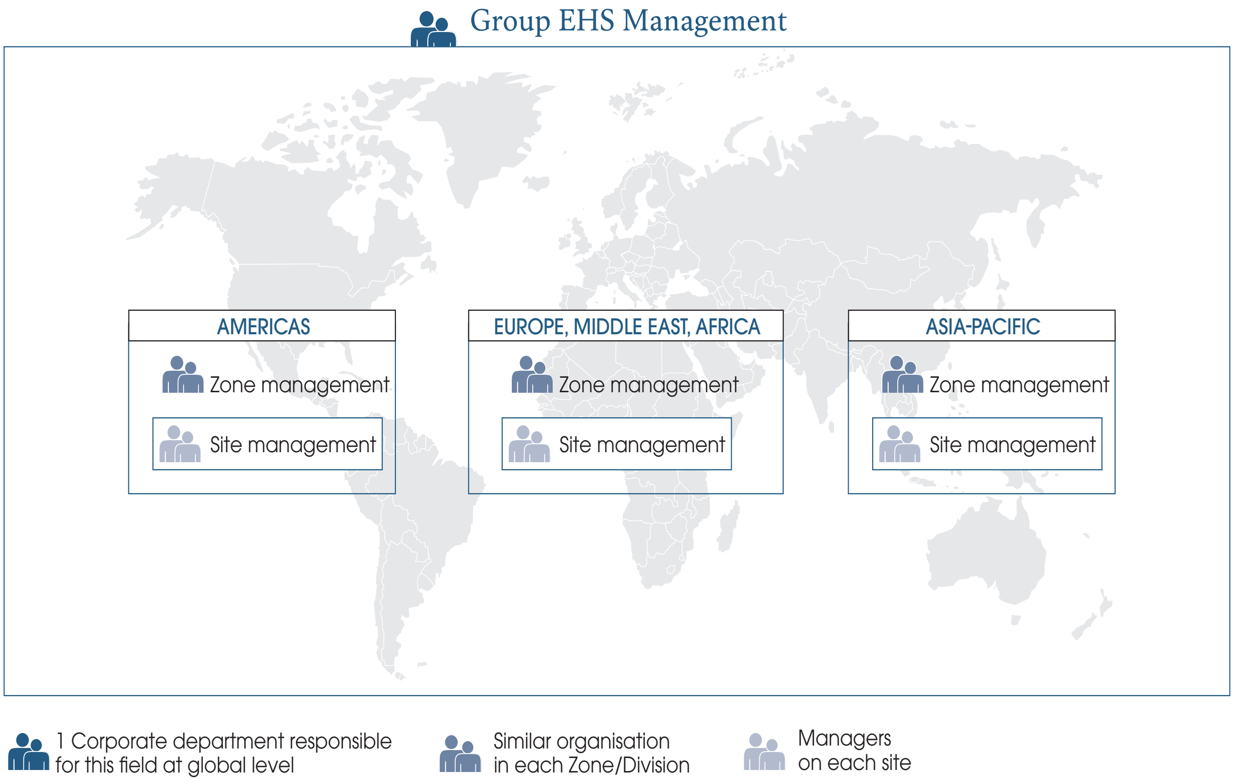
A unique reference manual

The Group's EHS policy is based on a set of stringent standards, compiled in an EHS manual that is a reference manual for all the sites all over the world. While knowledge of and compliance with these procedures are fundamental, the lasting improvement of the safety results and environmental performance essentially requires the dissemination of a sustainable EHS culture to each and every employee and large programmes of actions aimed at improving the safety and environmental impact of its activities. A dedicated training programme has been established for this purpose with the aim of passing on this EHS culture at every level of the organisation. Lastly, in a manner consistent with this entire approach, an audit system combining both a "risk" and a "culture" evaluation serves to assess the compliance of activities with the key regulatory requirements, the proper application of the Group's standards and the degree to which the EHS culture is spread.

A worldwide organisation

The EHS organisation, under the responsibility of Operations, is built in line with the Group's worldwide organisation. It includes a Group "Métier" (business activity) Department, mirror organisations in each geographic zone and managers at each site.

WORLDWIDE EHS ORGANISATION



In support of this organisation, the EHS manual is the reference tool for the Group sites. It is essential to the improvement of their performance and respect for the key EHS commitments: moving towards "zero accidents" for the Group and to reduce the sites' environmental footprint (see "*A continuous improvement process*" section below). It defines the EHS management system and the responsibilities shared at all levels of the organisation, up to the operational responsibilities:

General Management	The Executive Vice-President Operations, who reports to the Chairman and Chief Executive Officer, is responsible for the Group's Environment, Health and Safety.
Site managers (plants, distribution centres, administrative sites, research centres)	Site managers are responsible for the deployment and effective implementation of the policies defined. Their remuneration is partially tied to their performance in the areas of the environment, health and safety.
EHS managers	Managers dedicated to compliance with the EHS policy ensure compliance with local regulations and the implementation of the rules, Group procedures and associated performance objectives in all the Group's entities.

The EHS manual also defines the measures to be applied to control the facilities and activities, in particular to reduce to the greatest extent possible the risks of injury to people and damage to the environment and property[(1)]. It covers the following areas in particular:

- the safety of people and property;
- fire protection;
- maintenance and work;
- pollution risks;
- efficiency of the use of resources, water and energy consumption;
- preservation of biodiversity;
- greenhouse gas emissions, effluent discharges, waste generation and treatment.

This EHS policy is accompanied by monthly reporting of detailed indicators used to monitor evolutions in results in each of these areas and to identify anomalies and incidents.

The EHS manual is rolled out at all industrial sites, research centres and administrative sites, free standing stores and point of sales.

Training in EHS policy and practices

Training sessions dedicated to L'Oréal's EHS policy and practices have been provided at all levels of the Company. They constitute one of the cornerstones of implementing risks identification and management systems, and deploying the EHS culture in all Group entities, with the following main objectives:

- defining and sharing the EHS vision, challenges and values across the Group;
- enabling managers to implement the EHS policy effectively within their entities;
- identifying the EHS risks inherent in a role, task, behaviour or the use of equipment and adopting appropriate preventive and corrective measures; and
- enabling managers to identify, in their activities, the actions that could help to improve the EHS performance of their site.

TRAINING	OBJECTIVE	PROFILES CONCERNED	2020 RESULTS
EHS expertise	Guaranteeing a high level of expertise for EHS managers in the Group	EHS teams	11 people trained worldwide
Leadership & Safety culture	Training managers in the EHS culture of their unit	Top managers	13 people trained worldwide
EHS for DOP		Operations Directors (DOP)	40 people trained worldwide
EHS Operations & Labs		Managers and operational supervisors	20 people trained worldwide 16 EHS people trained as trainers
EHS for stores		Managers of free standing stores	35 people trained worldwide
Ergonomic Attitude programme	Training in health and safety issues specific to Operations sites	Experts, managers and employees	30 experts and 13,094 employees trained (managers, technicians, etc.)

In 2020, in the context of the Covid-19 health crisis, a smaller number of training sessions were organised. However, work was done to restructure the different EHS training courses to make them more compatible with remote learning. More webinars were rolled out to mobilise the different EHS programmes:

- *Safe@Work Safe@Home*: 251 participants;
- *We care*: 109 participants; and
- *Green steps TOP drivers*: 433 participants in 8 sessions.

In addition to these specialist trainings sessions, eveyr new L'Oréal employees receive general and specific training at their workstation including the Group's EHS rules before taking up their position.

A worldwide audit programme

In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been set up since 1996, and was reinforced in 2001 with the presence of external auditors, who are experts in local contexts and regulations. These audits take place regularly at all L'Oréal sites: every three years for production sites and every four years for distribution centres, administrative sites and research centres. A follow-up visit is scheduled for the following year for the sites where it is necessary.

Two types of audits known as "risks" or "culture" are performed depending on the maturity and type of activity at the sites. The risks audits primarily assess:

- compliance of practices and facilities with the significant requirements of local regulations and Group procedures and rules;
- controls of risks to health, safety and the environment generated by technical equipment, processes and operating modes implemented and used by employees; and
- progress in environmental, health and safety performances.

These audits are carried out by external independent experts.

The results of these audits give the Group's General Management objective knowledge of the risks in the areas of EHS on L'Oréal sites and provide the assurance that they are under control.

(1) *In collaboration with the Security and Real Estate Departments for property.*

In the same way, the culture audits primarily assess:

- leadership of site management, all operational managers, and the deployment level of EHS culture with all employees.

  These audits are carried out by internal EHS specialists through interviews with at least 20% to 30% of the site's workforce.

  The results of these audits provide information on the level of knowledge of EHS management tools and the maturity of audited sites with regard to the culture of safety and the environment at all structural levels.

Depending on the case, EHS audits are exclusively risks or culture audits, audits that combine risks and culture, or even audits that combine risks, culture, quality and performance.

Because of the Covid-19 health crisis that affected the entire world in 2020, specific new audits were rolled out to evaluate the level of prevention necessary to avoid the spread of Covid-19. An initial audit is carried out and, on the basis of the results, a follow-up audit may take place after one month. Most of these audits were conducted remotely.

L'Oréal also shares with its subcontractors the objective of improving Environmental, Health and Safety performances. Audits are carried out in addition to social audits by independent third party specialists on manufacturing or logistics subcontracting sites, in accordance with the criteria defined by L'Oréal and similar to those used for the Group's entities.

In 2020, in the context of the Covid-19 health crisis:

- only three combined risks and EHS culture audits were conducted on site;
- 167 COVID audits were carried out, most of them remotely; and
- 28 additional EHS audits of subcontracting sites were carried out in plants and 17 in distribution centres. All of these audits were conducted on site.

In addition to these audit programmes, prevention inspections are regularly conducted by experts from the Group's insurance companies as part of external Fire and Environment insurance policies. In 2020, given the COVID-19 health crisis, site inspections were reduced: 2 sites (1 distribution centre and 1 administrative site) were inspected for environmental risks in 2 countries (France and China). A dozen remote reviews were also completed to ensure progress in the effective implementation of recommendations made during previous inspections. With regard to fire prevention inspections, only 4 sites were inspected in 2020 (2 plants, 1 distribution centre and 1 research centre) in 2 countries (Germany and France). About fifty sites around the world were reviewed remotely.

100% of all preventive audits and inspections described above involved a risk component which is always carried out by external independent auditors specialising in the area being audited.

A continuous improvement process

The implementation of the standards, the spread of the L'Oréal EHS culture and the governance system in place contributes to the continuous improvement of the Group's EHS performance. Major developments occurring within the framework of the Group's operations are also included with this same goal, whether it involves the construction of a new plant, the purchase of new equipment or the definition of new processes, each industrial development is an opportunity to reduce the environmental footprint and safety risks.

Lastly, some major programmes within EHS, or more generally within the Group, are vectors for progress in the areas of safety or the environment for all entities, and are the subject of detailed improvement plans, the effectiveness of which is evaluated during the audits.

LIFE programme (*Life threatening Incidents or Fatality Events*)

For all L'Oréal sites, this programme covers activities posing risks that, if not controlled, could result in serious injury or illness. Over time the Group is prolonging the ambitious of moving towards "zero accidents" by ensuring the sustainability of actions and defining the requirements in terms of preparing for emergencies following an incident. It is backed up by a three-year communication campaign relayed by managers to cover the 10 identified families of LIFE risks.

The *Sharing Beauty with All* programme

The Producing Sustainably component of this programme has contributed to the continuous improvement of environmental performance in industrial sites for several years, notably via the definition and dissemination of best practices in energy efficiency, CO_2 emissions, consumption of water and resources, and waste reduction and treatment.

The programme's Working Sustainably component aims to achieve continuous improvement of the environmental performance of administrative sites and research centres. It aims to reinforce the commitment of administrative sites and research centres with regard to the environment and to encourage them to identify and formalise improvement plans. It also involves engaging employees at these sites in the development of eco-responsible behaviour.

2020 TARGETS – CO_2

PRODUCING SUSTAINABLY	*WORKING SUSTAINABLY*
Reducing the CO_2 emissions generated by plants and distribution centres by 60% in absolute value, compared to 2005	Reducing the CO_2 emissions generated by administrative sites and research centres by 60% in absolute value, compared to 2016

2020 TARGETS – WATER

PRODUCING SUSTAINABLY	*WORKING SUSTAINABLY*
Reducing the water consumption of plants and distribution centres by 60% per finished product, compared to 2005	Reducing the water consumption of administrative sites and research centres by 20% per 100 hours worked, compared to 2016

2020 TARGETS – WASTE

PRODUCING SUSTAINABLY	*WORKING SUSTAINABLY*
Reducing the waste production of plants and distribution centres by 60% per finished product, compared to 2005	Reducing the waste production of administrative sites and research centres by 20% per 100 hours worked, compared to 2016
Sending "zero" waste to landfills (without regulatory requirements)	

The Group is committed to an ISO/OHSAS certification process to permanently anchoring EHS performance on its industrial sites:

- Since 2003, L'Oréal has committed to ISO 14001 certification "Environmental Management" in all of its plants;
- In 2015, the Group launched an ISO 50001 "Energy Management" certification programme with the goal of certifying all its plants in accordance with a clearly defined roadmap. Some administrative sites and research centres have also initiated this process; and
- Since 2007, L'Oréal has committed to OHSAS 18001 certification, and then ISO 45001 "Occupational Health and Safety Management" certification to all its plants.

2020 Certifications	ISO 14001		ISO 50001		OHSAS 18001/ISO 45001	
	number of sites	%	number of sites	%	number of sites	%
Plants	33	85	27	69	34	87

An internal Group communication system exists so that each site is informed when accidents, near accidents or significant incidents occur. Specific communication is circulated worldwide so that the facts and lessons to be learned, the existing rules and the new requirements to be applied are taken into account. Finally, a historical record is accessible by each site covering the nature and root causes of EHS incidents/accidents that have occurred in all sites.

A process of integrating new sites

The Group regularly acquires new sites. A formal integration process then makes it possible to provide these sites[(1)] with extra support and assistance in order for them become compliant with all EHS requirements defined, and to bring potential risks under control.

The purpose of this process is to enable these sites to rapidly achieve the performance level expected by the Group. It comprises:

1. a regulatory compliance audit carried out by an independent third party within six months of the acquisition;
2. deployment of the EHS processes described above (EHS manual, EHS reporting, training, audit programme); and
3. monitoring of the integration within the Group.

(1) *Excluding stores.*

4.3.1.2. Managing risks and controlling the impact of sites on their environment

The Group systematically anticipates industrial risks of its activities, specifically the environmental impacts in the places where it operates, whether they concern soil, water or air.

Controlling and limiting risks to the environment

Each site has a general environmental analysis that must be updated at least once every three years or whenever a significant change occurs.

All activities performed by employees (permanent or temporary) are covered by an environmental aspects analysis, including routine and maintenance activities. The preventive measures described in the internal procedures must be complied with in order to avoid all forms of pollution (soil, surface water, groundwater, air, etc.). Contingency plans in the event of accidents are planned and are the subject of training for the people concerned. Proper implementation of these measures is verified during prevention inspections by insurers and periodic EHS audits.

Depending on the site, if significant risks are identified or if L'Oréal's standards or regulations impose specific requirements, a more detailed evaluation is carried out for the activities concerned. Appropriate action plans – with immediate action where necessary – are implemented to reduce significant risks to an acceptable level.

Any establishment or site renovation, any introduction of new equipment or manufacturing processes, and any change in industrial processes is also the subject of a risk assessment and action plans to reduce the potential impacts.

In the same way, at the time of purchasing land or buildings, L'Oréal conducts due diligence, which includes, in particular, a review of the environmental aspects.

Biodiversity and soil use

L'Oréal's biodiversity and soil use commitments are based on the following fundamentals:

- establish an ecological inventory of the site. The purpose of the inventory is to preserve, restore and develop the site's biodiversity in its ecosystem. This inventory is performed by a local expert and may be based on the SITESv2 standards *(Reference guide for Sustainable Land Design and Development)*, which is aligned with the LEED environmental certification *(Leadership in Energy and Environmental Design)*;
- reduce the impact of construction on the environment, for instance by choosing a zone that is already industrially developed, or an existing industrial site or brownfield site or, for administrative sites, an urban area with a high population density close to a residential neighbourhood, ideally located in the city centre or in a neighbourhood well served by public transport. A sustainable building site charter includes these recommendations and requires selective sorting of building site waste and minimised impact on residents during the project phase;
- if possible, place the site on land located more than 30 metres from any body of water (sea, ponds, lakes, rivers, etc.), outside natural areas, public green spaces, land with endangered or threatened species, or any other undeveloped areas (farmland, etc.);
- prevent soil erosion that may result from rainwater runoff or wind erosion during construction, inter alia by protecting the stored arable soil layer to enable it to be reused;
- maintain or restore native natural habitats and biodiversity;
- maximise green space areas or natural spaces on the site (even in excess of local regulations) and minimise impermeable surfaces;
- clean up polluted sites (brownfield site) where development is more difficult due to environmental contamination (real contamination or contamination perceived as such), thus avoiding construction on natural or undeveloped land; and
- for future administrative sites, lease buildings that are certified LEED Gold or equivalent in mature real estate markets.

Surface water

The Group has adopted standards for rainwater management in order to monitor its quality and avoid polluting it. For instance, sites are equipped with oil separators for parking areas. Similarly, any retention and operating area where spills are liable to occur must have adequate retention capacities. Sites must also have retention capacity to contain fire extinguishing water.

In 2020, two accidental spills were recorded:

- A gradual shampoo leak at the level of the finished products' compacter in the Vémars distribution centre (France). A small quantity of product was carried by rain water outside the site, resulting in a formation of foam in the nearby stream. As soon as the problem was detected, the site was isolated and analyses were carried out by the local industrial water clean-up station (SIAH). The results of these analyses revealed that the foam observed had no impact on the quality of the water in the waterway.
- Following an accidental overflow of effluents from the wastewater treatment plant at the Rambouillet (France) plant, effluents were spilled into the city's rainwater run-off network, causing the appearance of foam in front of the plant which extended over about 3 metres.

Industrial effluents

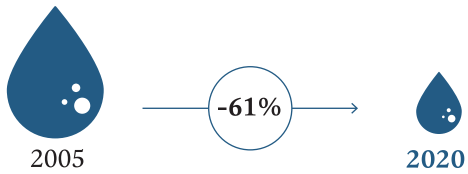
30 L'Oréal plants have their own effluent treatment plant. They use a range of technologies, including physical, chemical and biological processes adapted to the characteristics of the effluent and local discharge conditions. L'Oréal continues to install its effluent treatment plants, as for example in France and Poland in 2020.

Equipment operation and effluent management are the sites' responsibility, and are subject to specific procedures and instructions. An internal audit or self-assessment of the corresponding facility is organised and documented at least once each year.

A self-monitoring system representative of effluent discharges has been established in each plant, and serves to monitor regulated and contractual parameters such as chemical oxygen demand (COD), biochemical oxygen demand (BOD), pH, the temperature of effluents and substances that could disturb the operation of an internal or external effluent management facility. This self-monitoring is a tool for detecting the risk of overshooting, which helps anticipate any non-compliances and initiate corrective actions.

In 2020, total chemical oxygen demand of the Group's effluents leaving the site was down 50% in tonnes and 61% in grams per finished product (0.65 g per finished product) from 2005.

EFFLUENT QUALITY INDEX



(grams of COD per finished product)

Scope of industrial sites	2019	2020
Accidental spills *(m^3)*	0	2
Effluents at the exit of the site *(m^3)*	1,064,860	1,065,497
COD at the exit the site *(in tonnes)*	4,209	3,754

The Group's air emissions, excluding greenhouse gases

industrial sites have an inventory and mapping of air emissions, which is updated once a year. The operation and maintenance of air emission collection and treatment facilities are subject to specific procedures and instructions.

Scope of industrial sites (in tonnes)	2019	2020
SO_2	0.3	0.4
VOC	173	143
Ozone depleting substances	1.5	0.8 ☑

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

Noise pollution

L'Oréal's industrial activities are not particularly noisy. The sites comply with the noise standards to which they are subject. Internal environmental reporting is one way in which to ensure monthly readings of any non-compliance on this issue.

Provisions for environmental risks

The amount of the provisions for environmental risks is not material (see Note 13.3 of the "Consolidated Financial Statements").

4.3.1.3. Fighting climate change and preserving natural resources

L'Oréal has set itself a major objective of fighting climate change and preserving natural resources in the overall exercise of its activity. All efforts are being made to achieve this objective in the sites where its activities are performed and across its entire value chain, from the search for renewable ingredients and the sustainable sourcing of raw materials to the transport of products, their consumption and their end of life. L'Oréal is committed to continuously improving the impact of its products throughout their life cycle.

4.3.1.3.1. On operated sites

As part of the Sharing Beauty With All programme, L'Oréal is committed to improving the environmental footprint of all operated sites.The Group strives to reduce greenhouse gas emissions[(1)], water consumption, waste generation, and to protect biodiversity. It is also committed to reducing the footprint of product transport, and no longer sending waste to landfill apart from regulatory constraints.

The specific context of the Covid-19 health crisis had a significant impact on the activities of the L'Oréal Group in 2020:

- Production of the industrial sites fell by 6% from 2019 and was accompanied by a major change in the categories of products manufactured; generally, the volumes of makeup products declined, and quantities of skincare, hair colour and hair care products increased;
- Hours worked at the administrative sites and research centres decreased by 47% from 2019, because of the different lockdown periods that resulted in the periodic or partial closure of some of these sites as well as an increase in telecommuting for eligible positions. The nature of the activities maintained on the sites – laboratories, pilots, etc. – which generally consume more resources than the administrative activities, increased the effects of this activity decline on certain environmental ratios (energy, water, waste per 100 hours worked).

A/ Fighting climate change

As the cosmetics industry has low energy consumption and low CO_2 emissions compared with other industries, L'Oréal is not subject to the CO_2 emission quotas provided for by European regulations, whether for the industrial sites, administrative sites or research centres. However, L'Oréal, which has been committed to the efforts to combat climate change for many years, applies a particularly proactive policy for the reduction of its CO_2 emissions.

Group greenhouse gas emissions

(Scopes 1 and 2, according to the *GHG Protocol*)

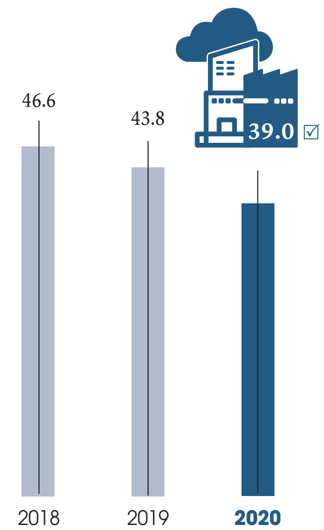
To limit its impact on climate change and fulfil its objective of reducing greenhouse gas emissions (Scopes 1 and 2), L'Oréal has implemented a strategy based on three pillars:

1. Reducing its energy needs by improving energy efficiency across all its facilities (buildings, equipment, etc.);
2. Increasing the use of local renewable energy wherever possible;
3. Achieving the targets defined for the sites without recourse to carbon offsetting.

(1) *In this Document, the Group's performance in terms of CO_2 emissions is expressed in CO_2 equivalent, i.e. CO_2 eq. As per the Greenhouse Gas Protocol (GHG Protocol): Scope 1: "direct emissions from sources owned or controlled by the reporting entity"; Scope 2: "indirect emissions related to the consumption of electricity, heat or steam necessary for product manufacturing or operating the reporting entity"; Scope 3: "other indirect emissions related to product supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".*

CO_2 EMISSIONS – SCOPE 1 OF INDUSTRIAL SITES

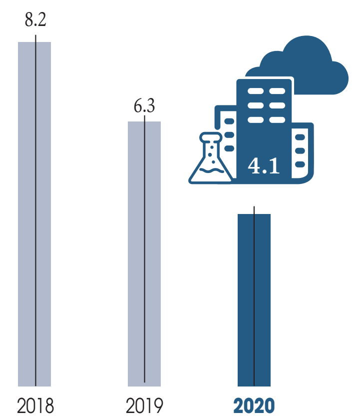
(thousands of tonnes of CO_2 equivalent)[1]



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

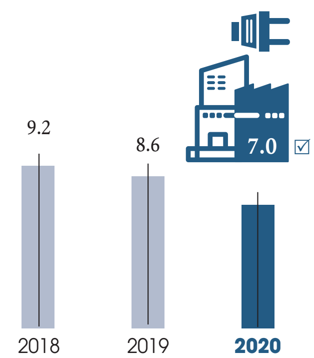
CO_2 EMISSIONS – SCOPE 1 OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

(thousands of tonnes of CO_2 equivalent)[1]



CO_2 EMISSIONS – SCOPE 2 OF MARKET BASED INDUSTRIAL SITES

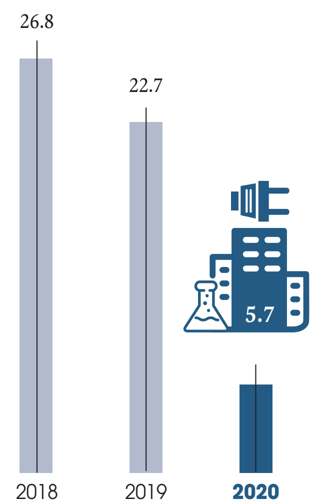
(thousands of tonnes of CO_2 equivalent)[1]



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

CO_2 EMISSIONS – SCOPE 2 OF MARKET BASED ADMINISTRATIVE SITES AND RESEARCH CENTRES

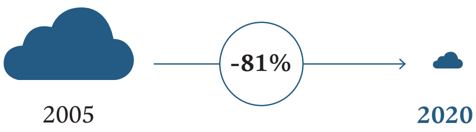
(thousands of tonnes of CO_2 equivalent)[1]



(1) In this Document, the Group's performance in terms of CO_2 emissions is expressed in CO_2 equivalent, i.e. CO_2 eq. As per the Greenhouse Gas Protocol (GHG Protocol): Scope 1: "direct emissions from sources owned or controlled by the reporting entity"; Scope 2: "indirect emissions related to the consumption of electricity, heat or steam necessary for manufacturing the product for operating of the reporting entity"; Scope 3: "other indirect emissions related to the supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".

CO_2 EMISSIONS – SCOPES 1 AND 2 OF INDUSTRIAL SITES

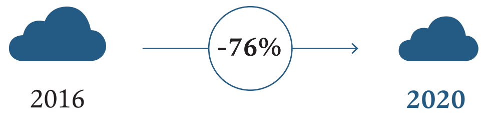
By 2016, the 2020 targets had been exceeded, with a 67% reduction in emissions. In 2020, an 81% reduction in CO_2 emissions was achieved on a 29% increase in production compared with 2005.



(in absolute terms: tonnes of CO_2 equivalent at constant scope, as per the *GHG Protocol*)

CO_2 EMISSIONS – SCOPES 1 AND 2 OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

In 2020, the 76% reduction in CO_2 was achieved thanks to the decrease in energy consumption and the increased use of renewable energy for a large number of administrative sites and research centres. In fact, energy consumption was down 15% from 2019, and the share of renewable energy rose to 76% (compared with 54% in 2019). In addition to the improvement projects in place, which continued in 2020, the Covid-19 health crisis also had a favourable impact on this result due to the lower number of hours spent on site by teams.



(in absolute terms: tonnes of CO_2 equivalent at constant scope, as per the *GHG Protocol*)

Carbon Balanced project: towards a low-carbon company by the end of 2020

In 2015, faced with the climate emergency, the Group committed to balance its residual CO_2 emissions (Scopes 1 and 2, downstream transportation of its finished products) by the end of 2020, in order to become a Carbon Balanced company. This new ambition was to strengthen the low carbon strategy of L'Oréal, applying a twofold approach to reduce its carbon footprint:

- a 60% reduction in absolute value in emissions related to its industrial activities by the end of 2020 compared to 2005, through the growing use of renewable energy and by improving energy efficiency at its industrial sites; and
- reaching a balance, by the end of 2020, in the remainder of those emissions by reducing carbon emissions from its sustainable sourcing of raw materials, in partnership with its suppliers. With this new ambition, L'Oréal wants to avoid carbon emissions in a quantity equivalent to its residual greenhouse gas emissions (approximately 400,000 tonnes of CO_2 equivalent per year in 2014).

This innovative programme has been rolled out since 2016 via various projects structured around three main components in line with the methodologies developed by international standards and the Kyoto protocol:

- improvement in energy efficiency;
- promotion of productive, low-carbon agricultural practices; and
- development of forest management and agroforestry projects.

To evaluate and support this approach, L'Oréal has developed, with the help of a committee of independent experts who are carbon specialists, the Carbon Balanced Programme Framework, a methodology used for the selection, development and monitoring of such projects, and shared with all its suppliers, project carriers and the assessment organisations involved. In 2020, L'Oréal continued to exchange views with external experts on issues relating to Insetting mechanisms, notably within the International Insetting Platform, or on accounting methodologies for Scope 3 emission reductions by joining the Value Chain Intervention Consortium led by the Gold Standard.

In 2020, it was estimated that the nine projects in place generated carbon savings of 405,241 tonnes CO_2 equivalent, thus reaching the target set in 2015 to balance all the residual emissions of its Scopes 1 and 2, as well as the emissions related to transportation of the Group's products, which represented a total of 403,721 tonnes CO_2 equivalent in 2020.

For example, in north-eastern Madagascar, the L'Oréal Group supports the local NGO Fanamby for the reforestation of 213 hectares of mangroves and large continental forest tracts in the protected zone of Loky Manambato, in addition to the technical and economic support provided to the vanilla producers of the region. The reforestation activities carried out in 2020 permitted the sequestration of 22,588 tonnes of CO_2 equivalent estimated ex-ante at 10 years.

Example in Burkina Faso: a long-term collaboration with impacts that go well beyond carbon savings

Since 2016, L'Oréal has been supporting the activities of the social enterprise Nafa Naana which, over the entire duration of the project, has given more than 5,350 women, all shea gatherers in the South-West region of Burkina Faso, access to improved cooking equipment, fighting energy poverty and its consequences in terms of poverty and deforestation.

Since the start of the project, the emission of more than 31,800 tonnes of CO_2 equivalent and the cutting of more than 15,500 tonnes of wood traditionally harvested in forests have been avoided. The use of the 7,250 cooking items distributed since 2016 has reduced unpaid domestic work, primarily spent preparing meals and collecting wood, often at the expense of income-generating activities, by more than 70 hours a year per woman. Thanks to the wood savings achieved, energy expenditures, which represent up to 30% of the household budgets, have been reduced by more than CFA 20,000 per woman per year. Finally, 31 jobs for artisans making cooking equipment have been created locally for the project.

Reducing energy consumption

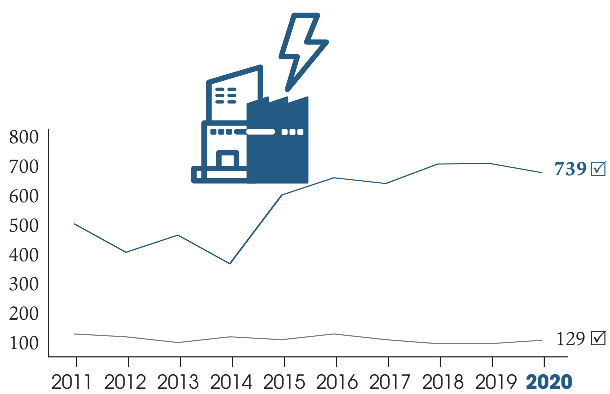
For over 20 years, the Group has been endeavouring to reduce its energy consumption. These efforts essentially concern two areas:

- ongoing improvement of industrial processes and the performance of associated equipment; and
- optimisation of energy consumption in the buildings. In this respect, any new Group building has to comply with the strictest environmental standards.

This policy led to a 33% decline in consumption in kWh at plants and distribution centres per 1,000 finished products between 2005 and 2020.

The administrative sites and research centres also pursued this approach, obtaining a 21% drop in total energy consumption in kWh between 2016 and 2020. However, the Covid-19 health crisis resulted in a decrease of 41% in hours worked on these sites compared with 2016, with the result of a 34% increase in the consumption of the administrative sites and research centres in kWh/100 hours worked between 2016 and 2020.

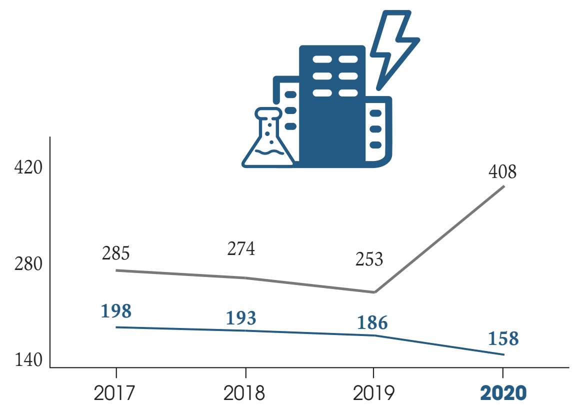
TOTAL ENERGY CONSUMPTION OF INDUSTRIAL SITES IN KILOWATT-HOURS



In millions of kilowatt-hours
In kilowatt-hours per 1,000 finished products

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

TOTAL ENERGY CONSUMPTION OF ADMINISTRATIVE SITES AND RESEARCH CENTRES IN KILOWATT-HOURS



In millions of kilowatt-hours
In kilowatt-hours per 100 hours worked

DATA ON CONSUMPTION WITH AN IMPACT ON CLIMATE CHANGE

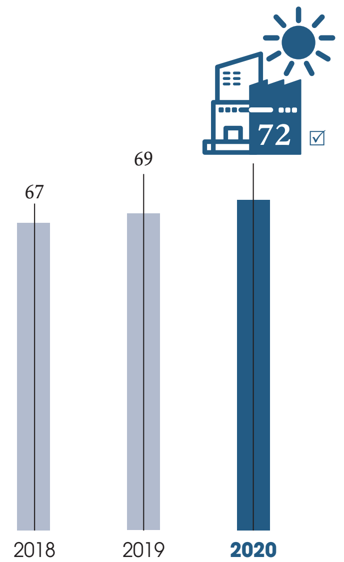
	Administrative sites and research centres		Industrial sites	
	2019	2020	2019	2020
Renewable electricity (MWh)	85,330	102,216	377,928	371,732 ☑
Biogas (MWh)	5,909	5,014	80,904	96,346 ☑
Other renewable energies (MWh)[1]	8,707	12,621	62,641	60,905
Total renewable energy consumption (MWh)	**99,946**	**119,852**	**521,472**	**528,983** ☑
Non-renewable electricity (MWh)	44,804	11,461	17,673	15,229 ☑
Gas (MWh)	25,537	14,751	193,166	175,201 ☑
Fuel (MWh)	171	143	6,599	6,634 ☑
Other non-renewable energies (MWh)[2]	15,219	12,128	16,269	12,666
Total non-renewable energy (MWh)	**85,730**	**38,483**	**233,708**	**209,730** ☑
TOTAL ENERGY CONSUMPTION (MWH)	**185,677**	**158,334**	**755,180**	**738,714** ☑

☑ *The Statutory Auditors have expressed reasonable assurance with regard to this indicator.*
(1) *Biomass, including wood and wood waste, biofuel, heat pump, geothermal energy, solar thermal energy.*
(2) *Non-renewable heating and cooling networks.*

Making increased use of renewable energ

SHARE OF RENEWABLE ENERGY CONSUMED BY INDUSTRIAL SITES

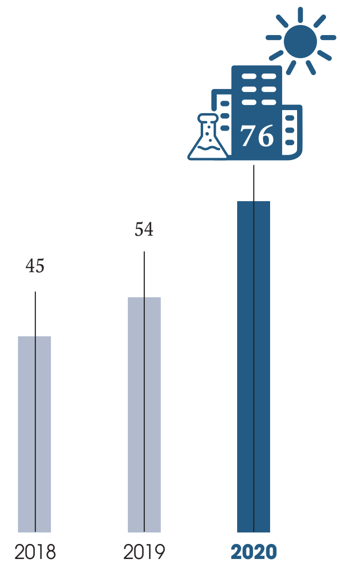
(as a percentage)



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

SHARE OF RENEWABLE ENERGY CONSUMED BY THE ADMINISTRATIVE SITES AND RESEARCH CENTRES

(as a percentage)



L'Oréal has drafted a strategy involving the use of renewable energy, based on the possibilities offered by each local context.

In recent years, many projects have been rolled out that allow some sites to directly produce their own renewable energy, establish PPAs (Power Purchase Agreements) or use locally produced renewable energy.

In 2020, 72% of the energy consumed by the plants and distribution centres and 76% of the energy consumed by the administrative sites and research centres is renewable.

Certain sites are now able to claim the status of "carbon neutral" if they meet the following two requirements:

- Direct CO_2 (Scope 1) = 0 with the exception of the gas used for catering, the fuel oil used for sprinkler tests or maintenance, cooling gas leaks if they are lower than 150 tonnes CO_2eq/year; and
- Indirect CO_2 Market Based (Scope 2) = 0.

The renewable energy sources must be located on site or less than 500 kilometres from the site and be connected to the same distribution network.

72 of the Group's sites were carbon neutral at the end of 2020:

"CARBON NEUTRAL" SITES						
Type of site	**Industrial sites**	plants	distribution centres	**Administrative sites and research centres**	administrative sites	research centres
Number of neutral sites	50	19	31	22	18	4
% of total number of sites	**60%**	49%	69%	**26%**	23%	50%

Reducing emissions from product transport (Scope 3 as per the *GHG Protocol*)

The *Sharing Beauty With All* programme initiated the reduction in greenhouse gas (GHG) emissions generated by the transportation of its products with the goal of a 20% reduction per sales unit per kilometre between 2011 and 2020. The scope of consolidation covers the transportation flows of finished products from the production sites up to the first customer delivery point(1).

The Sharing Beauty With All commitments were shared with the entire internal and external transportation ecosystem: sustainable transportation was ranked as a priority. As from In 2018, in support of the sustainable transport strategy, seven priorities were communicated to the country transport teams via a manifesto. The first being reduction at source, especially with the study of the network in order to reduce distances travelled and the number of deliveries, as well as to optimise the fill rate. It was also stated that all Group entities should make a contribution. The process to select the Group's carriers also includes the criteria of Sustainable Development. In parallel with the implementation of the strategy and the manifesto, a more in-depth analysis of results placed a spotlight on the biggest emissions contributors in transport: the use of air and urban transportation.

In 2020, the sustainable transport strategy was built on three pillars:

1. **Increasing the reduction of air transport and set-up of the *Global Freight Cockpit***

The reduction of air transport is a pillar of the distribution strategy, at the same level as service quality. It is included in the 2020 budget targets of each of the divisions and is integrated into our sourcing strategies; for example, by favouring local production.

Thanks to global and collaborative management, including the sales and marketing teams, the production development services, purchasing, and the supply chain, the luxury division reduced the tonnage of CO_2 emissions from air transport by 43% compared to 2019 leaving the international distribution centre of Roye (France). In the same way, the *Travel Retail* Asia Zone also reduced the tonnage of its COl_2 emissions by 40% compared to 2019.

In 2020, the implementation of the *Global Freight Cockpit* provided precise monthly management of the air transport activity, with visibility by site, by brand, and by each flow line, leading to more informed and proactive decision-making according to the trend.

2. **The *Greener Lanes* programme dedicated to long-distance road transport (excluding air transport)**

This programme implements solutions that will reduce CO_2 emissions on long-distance road flows with the highest emissions.

In the United States, the Group is developing multimodal transport that prioritises rail.

For example, in 2020, since the recovery of activity in early August, most of the volumes from the San Luis Potosi (Mexico) plant to the Dallas (USA) distribution centre were carried by this form of transport, resulting in an approximately 50% reduction in CO_2 emissions for this flow.

Multimodal transport solutions are one of the primary ways to reduce the Group's CO_2 emissions linked to transport. New solutions are progressively being rolled out over all flows between the Group's plants, distribution centres and customers:

- biogas vehicles as an alternative to diesel; and
- multimodal transport with the use of river or rail freight as an alternative to roads.

3. **The GLAM (*Green Last Mile*) programme which targets the implementation of solutions that will reduce CO_2 emissions from urban transport.**

At the beginning of 2019, the GLAM programme was launched in cities selected for the large quantities of deliveries they represented, and then rolled out in all geographic zones.

Since the launch, 20 innovative initiatives have been deployed in 12 countries.

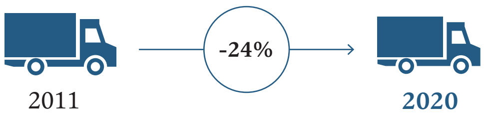
(1) *The indicator excludes upstream transportation of raw materials and semi-finished products as well as the flows linked to direct e-commerce and returns. The data are consolidated over the period from 1 November 2019 to 31 October 2020.*

More specifically in 2020:

- in Belgium, bicycle deliveries were extended from Brussels to Antwerp;
- Chile established a partnership for deliveries by bicycle or electric vehicles that could represent up to 118,000 deliveries per year; and
- Italy set up an initiative for bicycle deliveries for a volume of 11,000 deliveries annually with the use of biogas vehicles to deliver hair products to eight cities.

The goal for 2025 is to expand this programme to 50 cities. Initiatives are increasing, combining deliveries on bicycles, in biogas and electric vehicles, which also contributes to a reduction of emissions of fine particles in urban areas.

On the occasion of the **3rd edition of the *CO_2 challenge***, the *Greener Lanes* and GLAM programmes are offered in order to promote the innovation with all the teams. The resulting initiatives are assessed on the basis of four criteria: quantitative, innovative, collaborative and transposable, so that the best of these will then be deployed throughout the Group.



(tonnes of CO_2 equivalent per sales unit and per kilometre)

Product transport resulted in 347,942 tonnes of CO_2 equivalent emissions in 2020, representing 0.0209 g CO_2/sales unit/km.

The tonnages shipped by air declined 43% over 2020 vs 2019, which generated a reduction of around 41% in CO_2 emissions via this transport method. These reductions are occurring globally in all zones and are the result of the combined effect of the Covid-19 crisis and the use of new transport methods. Road transportation emissions fell by 3% while emissions from rail transport were up 53%. In effect, the quantities shipped by rail rose by 30% in 2020.

At Group level, CO_2 emissions related to the downstream transportation of the Group's products declined by 20% (absolute value) in the 2020 financial year compared to that in 2019.

B/ Preserving water resources

L'Oréal Group is committed to preserving water resources throughout its value chain, especially on each of the sites operated. The "Producing Sustainably" and "Working Sustainably" pillars establish a goal for sustainable management of this vital resource. The action plans implemented around the world are based notably on the following key principles:

- mapping of the consumption of the Group's plants using the Waterscan tool, a standard tool for exhaustive mapping of water consumption;
- the installation of reduction equipment and processes, particularly during the cleaning phase of production equipment and plant packaging lines, following the OPTICIP (*OPTimisation Cleaning In Place*) approach; and
- the reuse of untreated industrial water for a new purpose and recycling of the water used, after a specific additional treatment step.

By the end of 2020, 17 Group plants had such recycling installations allowing them to reuse process water.

The "Waterloop Factory" concept

The "Waterloop Factory" concept consists of using city mains water only for human consumption and for the production of the high-quality water used as raw material for product manufacture; all the water required by the utilities (cleaning equipment, steam production, etc.) is derived from water that is reused or recycled in a loop on the site.

It involves the implementation of a two-step system:

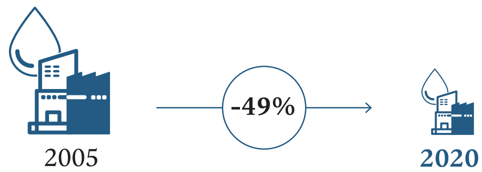
- optimisations of industrial processes in order to minimise water consumption; and
- the installation of a water recycling system: industrial effluents, after pre-treatment in the on-site treatment plant, are reprocessed using various technologies (ultrafiltration, reverse osmosis, nanofiltration, etc.) in order to extract very high quality water. This is then used in a loop to clean production tools and services as a replacement for municipal mains water. As such, water requirements for utilities are fully covered.

The Waterloop Factory concept was adopted for the first time in 2017 by the Burgos plant in Spain. In 2020, this concept was also extended to the plants in Settimo in Italy, Vorsino in Russia, Libramont in Belgium and Mexico City in Mexico. It will gradually be deployed to all Group plants.

WATER CONSUMPTION OF INDUSTRIAL SITES

Total water consumption of the industrial sites was 2,097,000 m^3 in 2020 ☑, down 3% from 2019. L'Oréal has also reduced the water consumption of its plants and distribution centres by 35% in absolute terms in this way compared to 2005, while the production of finished products rose by 29% over the same period.

Water consumption is 0.37 litres per finished product for 2020☑, which is a decrease of 49% from 2005.



(in litres per finished product)

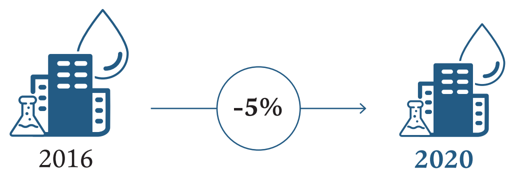
WATER CONSUMPTION OF ADMINISTRATIVE SITES AND RESEARCH CENTRES

Total water consumption in the administrative sites and research centres was 254 thousand m^3 in 2020, a decrease of 36% decrease compared to 2019.

Water consumption is 653 litres per 100 hours worked for 2020, representing a 5% decrease from 2019.

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease in hours worked on site of 47% compared with 2019. This difference between the drop in hours worked on site and the consumption of water is primarily linked to the nature of activities that continued on the sites (laboratories, pilots, etc.), which itself consumes water.

This decrease in hours worked represents a drop of 41% from 2016, causing a decline in the performance of water consumption per 100 hours worked: these consumptions were down 5% in 2020 compared with 2016; they had been reduced by 21% in 2019.



(in litres per 100 hours worked)

The Water Disclosure Project: a CDP initiative for transparency in information on water and water risk management across the value chain

Since 2010, L'Oréal has taken part in the Water Disclosure Project, of which it is one of the Founding Responders. This programme is aimed at encouraging companies to publish every year their water management strategy, their results and the projects they have launched to improve their performances and to reduce the risks with regard to their activities related to water consumption. It was launched by the CDP, an important, independent not-for-profit organisation that promotes transparency and environmental information reporting on several issues: climate change, water, deforestation, etc.

In 2020, L'Oréal was recognised for the fifth consecutive year as one of the world leaders for its strategy and actions in sustainable water management throughout its entire value chain, from the production of raw materials to the use of products by consumers, receiving a score of "A", which is the highest possible level of performance in the CDP ranking.

L'Oréal is also working with its supply chain on sustainable water management (see Section 4.3.1.3.2. "Within the supply chain" of this document).

C/ Protecting biodiversity

L'Oréal Group is committed to limiting the impact of its activity on biodiversity throughout its value chain, especially on each of the sites it operates. Projects that promote the protection or development of biodiversity were initiated on most of the sites, along with actions to raise awareness among employees. All these actions must be harmonised with the environment in which these sites are located.

In 2018, in addition to the rules laid down by L'Oréal on the use of soils (see section 4.3.1.2. "Managing risks and controlling the impact of sites on their environment", it was proposed that each of the sites implement an adapted organisation deploy a specific biodiversity roadmap and establish a partnership with external organisations such as the League for the Protection of Birds (LPO) for example. Biodiversity inventories were conducted in order to establish an overview of the biodiversity on the sites. They take into account local, regional and national challenges, and cover soil permeability, the proportion and connection of green spaces, the diversity of habitats and plant populations, the number of species (flora and fauna), including protected and endangered species. In this way, the inventories contribute towards a basis of scientific knowledge in order to define targeted biodiversity action plans, conducted with associations or local experts, in line with the ecosystem in which the sites operate. These projects may have a transformation component of the available spaces in favour of biodiversity at the site itself and/or an educational component intended for L'Oréal employees and stakeholders by leading them to a stronger connection with nature.

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

In the context of the *Act4nature* programme, 68% of the Group's plants implemented at least one such action at the end of 2019 to protect and develop local biodiversity. At the end of 2020, 67% of the total number of sites operated[1] by the Group deployed projects, some of which were based on the biodiversity inventories carried out simultaneously.

At year-end 2020, 44 biodiversity inventories were conducted in the Group, 73% of which by industrial sites.

By the end of 2020, **44** sites have conducted a biodiversity inventory.

In addition, as L'Oréal wants to eradicate the use of phytosanitary products in the maintenance of green spaces, the sites are now requested to report on the use or non-use of products for eliminating insects, fungus or plant diseases, such as insecticides, fungicides or herbicides.

At the end of 2020, 113 sites, *i.e.* 86% of L'Oréal sites[1] do not or no longer use phytosanitary products to maintain green spaces.

Biodiversity, a major challenge of the new *L'Oréal for the Future* programme

In the context of the new *L'Oréal for the Future* sustainability programme against the exceptional backdrop of the Covid-19 health crisis, in May 2020 L'Oréal's Board of Directors decided to create an impact investing fund for total of €100 million. For this purpose, the €50 million L'Oréal Fund for Nature Regeneration aims at simultaneously generating positive social and environmental impacts as well as economic effects with the goal of supporting projects to restore degraded land and marine natural habitats. This means going beyond efforts to reduce the Group's impact on biodiversity across the value chain through the regeneration of damaged natural ecosystems and the fight against climate change. Strategic reflections on the structuring of a fund are in progress to invest the amount of €50 million in an investment fund with an impact that will finance innovative projects in the area of recycling and management of plastic waste.

D/ Preserving resources and reducing waste

For several years, an ambitious approach to waste optimisation that goes well beyond regulatory compliance has been implemented in the Group within the framework of the *Sharing Beauty With All* programme, through the "Producing Sustainably" and "*Working Sustainably*" pillars. An ambitious challenge, in light of L'Oréal's exacting definition of waste. Indeed, any solid discharge that is not a finished product intended for consumers is considered as waste, whatever its treatment and future recovery. This includes, for example, raw material packaging or packaging components, sludge from effluent treatment plants, broken pallets, etc. At the same time, the Group has committed to recovering over 99% of the waste generated by reusing, recycling, or using is as an energy source. For the industrial sites, the Group has set a goal for materials recovered (reuse or recycling) of 70% by the end of 2020.

Reducing waste generation at source

Waste reduction requires the involvement of a large number of players. It is an environmental performance indicator, first for its industrial sites, administrative sites and research centres, but also across the entire value chain of the Group:

- for the packaging teams, who are mobilised through an eco-design approach to packaging components and transportation packaging (reduction of weight, optimisation, reuse, etc.) aimed at reducing waste and improving their recyclability;
- for the purchasing teams, privileged contacts with suppliers, with the aim of optimising packaging used for the transportation of raw materials and packaging components received in the Group's plants, a major source of waste. The development of the wall-to-wall approach (production of packaging components close to the Group's production facilities) is a particularly effective means of reducing waste related to the supply of components at the source;
- for the industrial teams involved in a process of continuous improvement of manufacturing and packaging processes in order to reduce losses during production;

(1) *The scope of these indicators covers all the industrial sites, research centres and administrative sites which accounted for over 50,000 hours worked on average per month in 2019 (for L'Oréal's permanent and temporary personnel).*

- for the *supply chain* teams who are working to reduce obsolete inventories, which is essential for the reduction of waste related to the Group's business activities. In each zone, programmes combine industrial agility and improved sales forecasts with the aim of reducing obsolete products, and ensuring better flows via the establishment of *outlets, family sales*, sales to staff and donations to not-for-profit organisations.

Furthermore, the Group has initiated a campaign against wasting food. Because of the Covid-19 health crisis, 4,606 meals were served daily in the Paris regions, down sharply from 2019.

L'Oréal adopts best practices in its directly managed restaurants. A genuine awareness programme for employees, the recovery of 100% of food waste via the Bio-Waste system, very strict monitoring of use-by dates and inventories, real-time and on-demand cooking methods, and attention to the quantities served have been implemented in the restaurants.

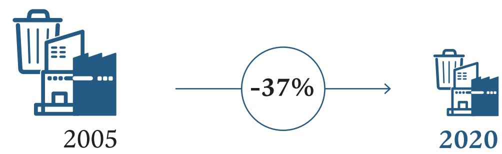
A number of initiatives are also taken to develop responsible, fair and sustainable food in the Group's restaurants and cafeterias. For example, the development of a fair trade coffee supply, the proportion of local products from organic farming, or the priority given to seasonal fruits and vegetables in menu preparation are applied.

The donation of surplus food is requested of company restaurants managed directly and those run as concessions with not-for-profit organisations such as Le Chaînon Manquant.

The campuses in the Paris region also initiated actions to reduce plastic use (elimination of plastic bottles and glasses for services in rooms and the elimination of plastic glasses in cafeterias) and to recycle cooking oil into biofuel.

For example, the Aulnay-sous-Bois campus developed a special partnership with the French Restaurants du Cœur charity based on a food donation agreement for more than 1,265 meals in 2020 and solidarity sales. It also made the choice for supplies exclusively based on free range eggs. Finally, for all its efforts, it earned the "Mon restau responsable" label established by the Fondation Nicolas Hulot for a quality food service that respects the environment. This label is granted for four areas: the well-being of guests, sustainable meals, eco-friendly practices, and a social and local commitment.

GENERATION OF TRANSPORTABLE WASTE FROM INDUSTRIAL SITES



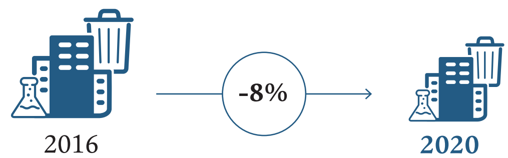
(in grams per finished product, excluding returnable packaging in rotation, with returnable packaging accounted at source)

Waste production at the industrial sites represented 85,398 tonnes in 2020☑, which is a decrease in absolute value of 9% compared with 2019.

This result is tied to the economic decrease in units produced (-6%) but also to the projects conducted on a targeted basis to reduce the waste from finished products, which offset the increase in the tonnage of sludge generated (+3%) by the deployment of new wastewater Treatment Plant within the Group.

In 2020, waste production for the industrial sites was 14.9 grams per finished product.

GENERATION OF TRANSPORTABLE WASTE FROM ADMINISTRATIVE SITES AND RESEARCH CENTRES



(in kilograms per 100 hours worked, excluding returnable packaging in rotation, with returnable packaging accounted at source)

Waste production from the administrative sites and research centres represented 4,219 tonnes in 2020, which was a decrease in absolute value of 34% from 2019.

In 2020, waste production for these sites was 10.9 kilogrammes per 100 hours worked.

These results are primarily linked to the effects of the Covid-19 health crisis, which led to the complete or partial closure of several sites around the world resulting in a decrease of 47% in hours worked on site compared with 2019. This difference between the drop in hours worked on site and the generation of waste is primarily due to the nature of activities that continued on the sites (laboratories, pilots, etc.), which generate waste themselves.

This decrease in hours worked represents a drop of 41% from 2016, causing a decline in waste production per 100 hours worked: this waste production was down 8% in 2020 compared with 2016; it had been reduced by 26% in 2019.

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

	Administrative sites and research centres		Industrial sites	
	2019	**2020**	**2019**	**2020**
Transportable waste excluding returable packaging in rotation with returable packaging at the source (in tonnes)	**6,367**	**4,219**	**93,783**	**85,398 ☑**
Returnable packaging in rotation (in tonnes) [(1)]	2.06	0.104	20,605	18,340 ☑
Total recovered (in tonnes)	5,461	3,807	109,425	98,912 ☑
Recovery index (%)	**89**	**94**	**96**	**96 ☑**
Total recovered material (tonnes)	3,121	1,989	65,256	59,763 ☑
Material recovery index (%)	51	49	58	58 ☑

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

In addition to tracking of waste by type, a new approach to account for waste by cause has been used since 2019 at all the Group's plants and distribution centres. This method identifies and quantifies the sources and causes of waste generation in the different flows of a site. This approach enhances the action plans to reduce waste and is an additional vector of progress for the sites.

At each Group site, specific tracking (volumetry, collection streams, treatments, etc.) of waste that is subject to special regulations (flammable, toxic, etc.) is implemented, taking into consideration the specific characteristics of each country in which the site operates. Regulated waste benefits, as does all waste, from a continuous improvement approach.

Regulated waste (tonnes)	2018	2019	2020	Variation vs. 2019
L'Oréal Group	17,774	19,253	17,812	-7%
Industrial sites	17,225	18,690	17,359	-7%
Administrative sites and research centres	549	563	453	-19%

The proportion of regulated waste generated in the Group was down in 2020, at 17,812 tonnes. This is particularly the result of the decrease in waste from the bulk category and regulated finished products.

Recovering the waste generated

The Group has adopted a systematic approach to the preservation of materials. As such, beyond the reduction at source, the Group is also committed to finding the best solutions to energy recovery the waste it produces.

Work in collaboration with the L'Oréal Research laboratories and a waste treatment company began in 2020 to find solutions for recycling finished products that cannot be sold or donated.

A study also began in 2020 with the L'Oréal Research Laboratories to find material recovery alternatives for the sludge coming from the Group's purification stations.

In 2020, 96% of the waste generated by industrial sites was recovered through re-use, recycling or energy recovery, and 58% was recovered through re-use or recycling, thereby preserving the material☑.

L'Oréal has set itself the goal of achieving "zero waste to landfill" by the end of 2020 for all sites (without regulatory constraints). Work has been done with specialised companies and local authorities to implement appropriate treatment solutions. The mobilisation of all the plants and distribution centres ensured the achievement of the "zero waste to landfill" objective for the third consecutive year (excluding regulatory requirements and excluding food waste from 2 sites).

0 tonne ☑

In 2020, all of the Group's plants and distribution centres achieved the "zero waste to landfill" target (without regulatory constraints and with the exception of food waste from two sites).

SHARING BEAUTY WITH ALL

Target 2020 0 tonne achieved

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

At the administrative sites and research centres, the process is more recent, but has accelerated: the waste sent to landfill (excluding regulatory requirements) was reduced in 2020 by 76% from 2019, representing a quantity of 59 tonnes.

Achievement of the "zero waste to landfill" target is part of the more global circular economy approach the Group is engaged in. As far as possible, L'Oréal seeks to promote the local treatment of waste, in order to reduce the environmental impact and to create potential synergies with other local stakeholders.

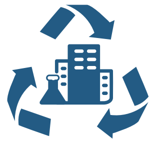
Use of landfills due to regulatory requirements totalled 20 tonnes for the plants and distribution centres, ☑ and 182 tonnes for the administrative sites and research centres.

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

(1) *Returnable ackaging is a packaging element that is reused in a closed loop between a L'Oréal site and a supplier. Thus, its reuse is scheduled in advance in a short cycle and implies predetermined operators once and for all.*

96%
waste recovery in 2020 for industrial sites. ☑

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*



94%
waste recovery in 2020 for administrative sites and research centres.

96% of the waste was recovered in 2020 for the industrial sites ☑, *i.e.* 9 points more than in 2005. 22 plants and 22 distribution centres had a recovery rate of 100% in 2020.

4% of waste was destroyed without recovery in 2020, representing 3,791 tonnes ☑.

94% of the waste generated on administrative sites and research centres was recovered in 2020. 45 administrative sites and 5 research centres had a recovery rate of 100% in 2020.

6% of waste was destroyed without recovery in 2020, representing 229 tonnes.

4.3.1.3.2. Within the supply chain

The Group's commitment and actions with its suppliers during the health crisis

Strongly mobilised since the start of the Covid-19 health crisis, L'Oréal has taken aboard social issues while considering its responsibility to take action with its stakeholders.

The Group has taken action with its suppliers through a number of adapted and customised decisions, such as shortening the payment periods for a large number from May 2020, and even the decision for a cash payment when the situation required.

The Group also supported its partners by sharing best practices for health measures with them and set up a solidarity fund to assist the local communities of its Solidarity Sourcing programme (farmers, collectors) within the framework of the needs identified by NGOs in the field. It responded to their urgent needs (food baskets, hygiene kits with hand sanitisers and personal protective equipment, etc.).

Certain suppliers also contributed to L'Oréal's production of hand sanitisers by making the supply of alcohol and packaging possible.

The collaboration with its suppliers, which was in line with the values and *raison d'être* of L'Oréal, enabled the Group to continue its activities in this extraordinary situation.

Above and beyond its strict requirements with regard to its own sites, L'Oréal has for a number of years applied an environmental policy throughout its value chain.

Indeed, L'Oréal works in partnership with its suppliers to improve the environmental and social profile of its products via the eco-design of packaging, ingredients and formulas and their method of transportation. There are thousands of suppliers around the world that cover the Group's needs for packaging, raw materials, sub-contracting, production equipment, promotional and advertising articles, etc.

In 2020, despite the context that prevented the organisation of in-person events, L'Oréal maintained its leadership through a number of Webinars (titled *"Spread the green vibes"*) around the world in order to share its commitment to decarbonisation (*Science Based Targets*) and to introduce its *L'Oréal for the Future* programme more widely. More than 800 suppliers participated in these interactive exchanges.

The Group's subcontractors and its suppliers of raw materials, packaging, production equipment and POS/promotional advertising items located in countries identified as being at risk according to *Verisk Maplecroft* are subject to a mandatory social audit (and prior to any inclusion on the supplier panel) aimed notably at ensuring compliance with applicable laws, Human Rights and labour law. This audit also covers employee safety and working conditions, and the way in which the impact of activities on the environment is taken into account.

The social audits are carried out on behalf of L'Oréal by independent external service providers.

The initial audits and re-audits three years later are financed by the Group. Follow-up audits that make it possible to verify the effectiveness of the action plans are paid for by the suppliers.

Ten areas are audited:

- child labour;
- forced labour;
- the environment, health and safety;
- compliance with the laws relating to trade unions;
- non-discrimination;
- disciplinary practices;
- harassment or a hostile working environment;
- due payment of remuneration and benefits;
- working time; and
- relations with subcontractors.

L'Oréal's social audit is largely based on the internationally recognised SA 8000 standard. The Group has also imposed more stringent criteria, particularly with regard to the minimum age for child labour. It is set at 16 years of age for all employees working for suppliers, a higher age limit than the minimum age required by the Fundamental Conventions of the International Labour Organization (ILO).

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

Social audits: a rigorous and continuous improvement process

A tool to manage social audits organises the planning of all audits with the external service provider's system and manages all results and action plans for all the suppliers concerned.

An e-learning module is available to all purchasers as an addition to the Sourcing Discovery training module, which explains to every new purchaser the importance of the social audit programme, and the way in which purchasers must make it part of their daily process.

The Group's purchasers accordingly promote the continuous improvement of their suppliers in line with the Group's standards.

Key figures

1,268 audits[1] ☑ were carried out in 2020, which is more than 13,600 audits since the implementation of the reporting tool in 2006, corresponding to 8,883 supplier sites (see section 3.4.5.3. "Results of the application of the plan to suppliers" of this document):

- In the context of the Covid-19 health crisis, technical resources were deployed by the Group to organise remote audits of sites and thus guarantee health protection and social compliance. In 2020, several social audits of supplier sites were organised remotely.
- Follow-up audits, which verify the correction of non-conformities, represent 34% of the total number of audits conducted in 2020 and allowed 74% of the suppliers audited to improve their results; and
- 96% of supplier production sites requiring audits have been audited at least once.

Encouraging suppliers to reduce their greenhouse gas emissions

Since 2009, L'Oréal has associated its suppliers in the process for measuring and reducing its greenhouse gas emissions by encouraging them to work with the CDP, within the framework of the CDP Supply Chain programme. This international not-for-profit organisation, of which L'Oréal has been a member since 2003, invites companies to publish their environmental impact and provides them with measurement, evaluation and communication tools.

In 2020, 484 suppliers participated in the CDP *Supply Chain*, representing 88% of the 549 suppliers invited. They were selected in the six purchase categories (raw materials, packaging components, production equipment, subcontracting, POS advertising/promotional items and materials and indirect purchases) all over the world, whether large manufacturing groups or SMEs. The average of the 2020 Supplier results was "C".

In the direct purchases category, the suppliers participating in the CDP Supply Chain programme account for 87% of expenditures made in 2020. Among them, 246 suppliers have assigned their emissions to L'Oréal. The average score of the direct suppliers is "C".

In December 2015 at the time of the COP21, L'Oréal strengthened its objectives to accelerate the implementation of efforts to combat climate change. Since then, suppliers have been encouraged to:

- participate in the CDP Supply Chain;
- set targets for reducing greenhouse gas emissions; and
- communicate about their action plans in order to succeed in those plans.

At the end of 2020, the suppliers meeting this commitment represented 71% of expenditures on direct purchases. The average score of these suppliers is "B-", the best score since the start of the programme.

L'Oréal continues to be recognised by the CDP as one of the companies most committed to reducing greenhouse gas emissions. The majority of the Group's suppliers who are partners of the CDP testifies to this fact. This growing commitment results in particular from the strong commitment of L'Oréal's Purchasing and Environmental teams who transmit results with comments and opportunities for improvement to the suppliers who participated. In 2020 these teams:

- organised, together with the CDP, meetings to explain and train on climate change, particularly for suppliers of direct purchases, transport and distribution centres;
- led online conferences for suppliers entering the programme; and
- continued to develop online toolboxes to help suppliers understand these issues.

The CDP Supply Chain assessment is at the heart of the discussions during annual business reviews, but also throughout the year, in the context of our interactions with suppliers.

4

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

(1) *Audits where the auditor was unable to access the site or sufficient data are included in the number of social audits carried out. They represent 2.9% of the total number of audits. Note that these cases are excluded from the analysis of non-compliance by chapter as described in the Vigilance Plan.*

Associating the Group's suppliers in the CDP *Water Disclosure Project*

As part of the Sharing Beauty With All programme, L'Oréal has undertaken to reduce its water footprint, joining the Water Disclosure Project, an initiative aimed at measuring and reducing suppliers' water footprints, as soon as it was launched in 2013.

In 2020, for the seventh edition of the Water Disclosure Project Supply Chain programme, L'Oréal selected 173 of its suppliers, mainly of raw materials, packaging components and subcontracting on the following three criteria: technology consuming particularly large amounts of water, location of at least one production site in a water-stressed area and the size of L'Oréal's purchase volumes. 139 of them agreed to take part in the programme and will be given an individual results sheet showing the comments of the Group's environmental experts, which will enable them to identify the key points for progress. L'Oréal also encourages these suppliers to measure, report and set water consumption reduction targets for each of their production sites and to deploy a water-related risk assessment and management system.

At the end of 2020, suppliers fulfilling this commitment represented 61% of the expenses incurred on all suppliers, raw materials, packaging components and subcontracting selected. Their average score was B-.

Associating the Group's suppliers in the CDP *Forest Disclosure Project*

L'Oréal is committed to a target of Zero Deforestation to ensure the traceability of products linked to deforestation (palm oil and derivatives, paper, soya, replanting projects, etc.) and has also participated in CDP Forest since 2012.

With the new CDP Forest programme devoted to the *Supply Chain* which was launched in 2018, L'Oréal has encouraged its 85 main suppliers of paper, palm oil and soya to participate in the CDP *Supply Chain*.At the end of 2020, 49 of the selected suppliers had participated in this third year. Suppliers that reported and implemented a zero deforestation policy and related initiatives represented 41% of expenditure in respect of all selected suppliers (raw materials, packaging components and subcontracting).

Their average score was B-.

Encourage strategic suppliers to conduct a self-assessment of their sustainable development policy

In 2014, L'Oréal initiated a programme for assessing strategic suppliers[1] and their Sustainable Development policy. In addition to its own assessment, L'Oréal has mandated Ecovadis to evaluate its suppliers' sustainable development policies with the aim of fine-tuning the analysis of supplier performance and assisting suppliers in improving their performance by identifying areas for improvement. The Ecovadis assessment allows L'Oréal not only to involve its suppliers in Sustainable Development, but also to encourage them to develop their ethics policies with a focus on combating corruption, monitoring the health and safety of their employees and the application of their sustainable purchasing policies (see section 4.3.3. "Human rights policy" of this document).

2020 results

In 2020, 769 suppliers conducted an Ecovadis assessment of their social, environmental and ethical policies, as well as the implementation of those policies by their own suppliers in 2020 (an increase of 56 suppliers compared with 2019). 173 of them represented 99% of the Group's strategic suppliers.

In 2020, **99%** of strategic suppliers completed a self-assessment of their sustainability policy with L'Oréal's support.

SHARING BEAUTY WITH ALL

Target 2020
100 %

Selecting and evaluating strategic suppliers based on their environmental and social performance

The Group has decided to use its partners' environmental and social performances as a selection criterion. On this basis, the commitments under the Sharing Beauty With All programme fit in with, and follow on from, those in the Group's responsible purchasing policy initiated in 2002 with the L'Oréal Buy & Care programme. This contributes to sharing best practices and the Company's values and standards with its suppliers.

(1) *Strategic suppliers are suppliers whose added value is significant for the Group by sustainably contributing to L'Oréal's strategy by their weight, their innovations, their strategic alignment and their geographical deployment.*

The CSR commitments and performance of suppliers play a significant role in the choice of the Group's business partners. In this respect, L'Oréal's purchasing teams have defined five performance pillars that make it possible to assess and choose suppliers:

- quality;
- corporate social responsibility;
- innovation;
- the Supply Chain & Service; and
- competitiveness.

These pillars form the basis both for daily performance and for long-term strategies. A global scorecard has been deployed for all purchasing fields and makes it possible to accurately measure supplier results, in particular their compliance with their corporate social responsibility commitments which represent 20% of the final assessment.

The CSR strategy and action plans of the suppliers are fully integrated into their relationship with L'Oréal and are therefore discussed at strategic meetings (Business Reviews). Thus, in 2020, 356 business reviews were carried out, a lower number in 2020, given the COVID-19 health crisis. The evaluation of suppliers on the CSR pillar is based, in particular, on their compliance with their social audits, the implementation of Solidarity Sourcing projects and their results in the "CDP Supply Chain" programme for the reduction of CO_2 emissions.

In 2020, **97%** of strategic suppliers were assessed and selected to date on the basis of their environmental and social performance.

SHARING BEAUTY WITH ALL

Target 2020 100%

All the suppliers evaluated represent more than 85% of total direct purchases (raw materials, packaging components and subcontracting).

To give suppliers access to L'Oréal training tools designed to optimise their sustainable development policies, an online site dedicated to suppliers has been operational since 2016. It offers *e-learning* modules, videos, presentations on ethics, climate change, social audits, etc. Today, it is open to all the Group's strategic suppliers and is being progressively expanded to all suppliers.

Using the Group's purchasing power to serve social inclusion

The objectives of the *Sharing Beauty With All* programme express L'Oréal's conviction that the reduction of the environmental footprint of its products has to be accompanied by an improvement in their social and societal benefit.

Due to its many manufacturing and administrative sites all over the world, L'Oréal is strongly involved in the life of the local communities. While being a company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects. As a general rule, the Group's establishments and subsidiaries build good relations with the communities in the areas in which they operate, and make every effort to share their growth with them.

Within the Sharing Beauty With All programme, this goal has resulted in a commitment to allow more than 100,000 people from underprivileged or poor communities to access work by the end of 2020. This means that L'Oréal's goal is to support as many people outside the Company as there are employees in the Group.

Created in 2010, Solidarity Sourcing is L'Oréal's global inclusive purchasing programme. In 2020, 81,138 economically or socially vulnerable people benefited from decent, lasting employment under this programme (see section 4.3.3.5. "Solidarity sourcing" of this document).

Its aim is to use the Group's purchasing power to serve social inclusion. It consists of dedicating part of its purchases to suppliers giving people who are generally excluded from the labour market access to work and a sustainable income.

The Group is therefore continuing to open up its procurement process to companies who employ people from economically vulnerable communities, including small companies and those who have more difficulty in having access to multinational companies. Fair practices in the business and equal opportunities have gradually become major pillars of the Group's Solidarity Sourcing programme, sustainable purchasing strategy, and growth model.

Convinced of the need to act collectively to transform the corporate business model and increase the impact, the Group joined the Business For Inclusive Growth (B4IG) coalition from the beginning. This initiative, which was officially launched at the G7 summit in Biarritz in August 2019 and is housed within the OECD, covers 40 international companies that decided to join forces around the central issue of fighting inequalities.

In this framework, L'Oréal:

- also made a commitment as the leader of the working group on inclusive purchasing and the issue of living wages in supply chains;
- provided the complete method and 10-year experience of its inclusive purchasing Solidarity Sourcing programme to the coalition; and
- is also a driver in several business projects with a positive social impact within the B4IG incubator.

In 2020, **49%** of new or renovated products have an improved social profile, thanks in particular to the Solidarity Sourcing programme.

(see section 4.3.1.3.3 Assessing the footprint of products using the SPOT tool)

In the particular case of raw material purchases, a prerequisite for Solidarity Sourcing projects is that they combine responsible agricultural practices, environmental protection and biodiversity, and that they generate a positive societal impact, notably through the implementation of fair trade principles.

Examples include the following *sourcing:*

- the *sourcing* of shea butter:
  - since 2014, 100% of our shea butter volumes have been sourced from Burkina Faso; the Group's purchasing contracts ensure prefinancing of crops, respect for a fair price, access to training and the establishment of community projects for 39,100 women working together within groupings of women producers,
  - in Burkina Faso, less than 3% of families have access to electricity and 87% of households use wood for cooking. Energy expenses represents nearly one third of household budgets and 105,000 hectares of forest disappear every year. Since its introduction in 2016, the sustainable and fair sourcing system has striven to combat energy poverty and deforestation by facilitating the distribution of so-called improved stoves to women. The project is multiplying its impacts:
    - household wood consumption has reduced by half and significant savings are being achieved,
    - thousands of hours of unpaid work are avoided (collecting wood, cooking),
    - working conditions have improved (60% less smoke in rooms), and
    - CO_2 emissions have reduced.

    In the ongoing progress approach, 2020 saw significant advances in the shea butter project:
  - the shea nuts purchased by the Group obtained the *Fair for Life* fair trade certification standard, and
  - an inclusive pilot insurance project was created in collaboration with several partners, including the Group's shea butter suppliers and an insurance specialist. This unique, innovative health and crop loss micro-insurance project is designed to improve the economic resiliency of producers by offering them security in the event of hospitalisations or life-threatening injuries;
- the sourcing of beeswax: at the beginning of 2020, a new project was launched in West Africa in collaboration with the Group's suppliers. This partnership promises a new activity that will secure and diversify the income of 7,479 producers.

4.3.1.3.3. Throughout the product life cycle

For L'Oréal, the preservation of resources covers the entire product life cycle, from research to use. Through its brands, the Group involves the consumer in a responsible consumption approach. The Packaging & Development teams, the CSR team and the laboratories conduct, together with the Management Committees of the international brands, analyses of their portfolios of formulas and their packaging. The aim is to define sustainable innovation plans in order to systematically identify the possible improvement drivers for each range and product in order to activate them.

Within the framework of the "Innovating sustainably" pillar of the Sharing Beauty With All programme, the Group has made the commitment that 100% of L'Oréal products will have an improved environmental or social profile by the end of 2020. Whenever a product is created or updated, its environmental or social profile is improved. The Group is promoting sustainable innovation by reducing the environmental footprint of its product formulas, by respecting biodiversity through a raw materials sustainable sourcing policy, packaging eco-design and committing to "zero deforestation".

In 2020, **96%** of new or renovated products have an improved environmental or social profile.

SHARING BEAUTY WITH ALL

Target 2020
100%

In 2017, the SPOT (Sustainable Product Optimisation Tool) was rolled out to all Group brands (except recent acquisitions). This tool calculates the complete environmental and social footprint of a product in accordance with the European Commission recommendation (Product Environmental Footprint) on the use of common methods to measure and communicate the environmental performance of products and organisations.

A method for measuring the social impact of products has been jointly developed with internal expertise (formula, packaging, plant, stakeholders) and nine international experts in social life cycle assessments (see Section 4.3.1.3.2 "Using the Group's purchasing power to serve social inclusion" of this document).

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 has replaced the previously used environmental and social improvement assessment systems for formulas and packaging. SPOT takes account of more criteria and allows for a more complete and demanding analysis where the different impacts are weighted according to their contribution to the product's overall impact. This tool has allowed assessment the environmental and social footprint of all products developed in 2020.

100% of new or renovated products in 2020 were assessed using the product assessment tool.

SHARING BEAUTY WITH ALL

Target 2020 100% achieved

Improving the environmental profile of packaging: the 3Rs

Packaging represents a significant part of the environmental impact of cosmetic products (depends on product category). The reduction in the environmental footprint of packaging is therefore naturally part of the "Innovating sustainably" commitment under the Sharing Beauty With All programme and the new *L'Oréal for the Future* programme.

In 2007, L'Oréal launched a Packaging and the Environment policy and strategy based on three pillars, called the "3Rs":

- Respect: respecting consumers, the environment and biodiversity;
- Reduce: designing packaging components and finished goods with an optimised weight and size for the service delivered; and
- Replace: replace non-renewable sourced materials with alternative materials such as recycled materials or biosourced materials when with lower environmental footprint.

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. This process is continually enhanced with documents and tools, for example, in the context of the new *L'Oréal for the Future* programme, the "6R" packaging levers (reduce, recycle, replace, recharge, refill and reinvent). L'Oréal's sustainable development commitments are an integral part of the Group's packaging strategy.

This approach has been extended to POS advertising display stands. An eco-design process based on detailed best practices and key performance indicators has been defined.

In 2020, **85%** of new or renovated products have an improved environmental profile due to improved packaging.

Respect: materials vigilance and preservation of resources

L'Oréal requires a food-grade level for all materials used in its packaging that is in contact with its products. The Group also takes a proactive approach with its suppliers in order to ensure that packaging does not contain any sensitive substances. Audits are conducted regularly to ensure the conformity of the packaging components delivered, thus ensuring an uncompromised level of quality and safety for consumers.

L'Oréal pledged not to produce finished products containing PVC from 1st January 2018. This commitment has been kept since, no PVC packaging was used in the manufacture of finished products in 2020 (scope excluding recent acquisitions).

Controlling the source of materials used in packaging is a major challenge that requires responsible sourcing. L'Oréal has set itself the target of using, for its paper, cardboard or wooden packaging, materials from sustainably managed forests, exploited with respect for populations and forest ecosystems. The paper and cardboard used for packaging come from forests that are FSC preferably or PEFC certified (or have obtained any other certification recognised by PEFC International). In 2020, 100% of the paper used for product leaflets and 100% of the cardboard used for folding boxes for finished goods were certified as coming from sustainably managed forests. This certification process is also used for POS advertising (cardboard stands, graphic prints): in 2020, 99.4% of the paper/cardboard tonnages used in POS & Promotional materials came from FSC or PEFC sources (this figure covering 99.9% of spend in this category). Since the last quarter of 2020, 99.9% of these volumes have been certified sustainable: 3 suppliers (representing less than 0.01% of our volumes) were unable to deliver the certified quality. In 2020, an independent documentary audit covering our entire POS and Promotional scope was conducted to identify areas for improvement to be included in our new "zero deforestation" policy to be published in 2021.

Since 2010, L'Oréal has been a member of the Forest Stewardship Council (FSC) in France and the FSC branding is the only one claimed on packaging for the Group's products.

Finally, with the aim of improving the recycling of the products put on the market, the Group's brands have worked to provide consumers with detailed sorting instructions and to design packaging that is at most compatible with existing sorting and recycling streams, eliminating disruptors and thereby promoting material recovery after use of the product for a true circular economy.

In addition, several brands sold by L'Oréal in France (Ushuaïa, L'Oréal Paris, Garnier, Cadum, Narta, Vichy, and others), in partnership with the eco-organism CITEO, have launched and reinforced a sorting awareness campaign (media advertising, etc.) via the "Trionsenbeauté.fr" platform, designed to support consumers in their process to sort their beauty products at the end of life.

Weight and volume reduction: optimising resources used

The reduction of the weight and volume of product packaging, an integral part of the design, is a major driver for improving their environmental profile. Every year, L'Oréal launches new initiatives aimed at reducing the quantity of materials used in packaging.

A continuous process is in place to reduce the weight of existing products. As an illustration, two initiatives implemented in 2020 can be mentioned:

- removal of the 5.5g plastic brush from Franck Provost hair colouring kits, representing 14 tonnes of plastic saved;
- a reduction of 18% in the weight of the L'Oréal Paris Studio Line plastic caps, which represents 11 tonnes of plastic saved.

After the first PET compressed aerosol deodorant under the Ushuaïa brand in 2019, L'Oréal is continuing the initiative with, for example, the Vichy brand, which launched a compressed 100ml aerosol equivalent in number of uses to the same product containing 200 ml with substantial improvement in the environmental impact.

Moreover, to reduce the resources intended for packaging, L'Oréal puts on the market a growing number of reusable products, including the reloadable or re-fillable systems with, for example, products from the Luxury Division: the refill of the *Face Color* palette from Shu Uemura, the refillable bottles for the *My Way* perfume from Armani, and the 50ml *The Shots Night Reboot* Pure Shot serum from YSL.

To limit packaging cubic volumes for its finished products, L'Oréal has established its own procedures for reduction at source. L'Oréal's requirements are respectful of local regulations, and even exceed the regulations of most countries.

To optimise the flow of components, L'Oréal has developed wall-to-wall[(1)] production to reduce the environmental impact.

To evaluate the impact of its finished products, the Group makes the following tools available in its design centres:

- an innovative tool, SPOT *(Sustainable Product Optimisation Tool)*, to meet the *Sharing Beauty With All* commitments (see Section 4.3.1.3.3. "Assess the footprint of products using the SPOT tool" of this document); and
- a tool to help in reducing the environmental impacts of transportation packaging for packaging components from suppliers to plants and finished products from plants to the Group's distribution centres, particularly through optimisation of palletisation.

To share its research and results with the cosmetics industry, in 2018 the L'Oréal Group created the SPICE initiative *(Sustainable Packaging Initiative for Cosmetics)* with Quantis (an environmental consulting firm). The purpose of SPICE is to share the best practices and methodologies of each cosmetics player in order to harmonise and enhance the methods used to assess the cosmetic packaging environmental footprint to make it easier to understand for consumers. L'Oréal shares its own SPOT-PKG methodology. Tracking of work and achievements, as well as the plan for the coming months, are accessible on the open platform www.Open-Spice.com. The SPICE initiative now has more than 25 members worldwide (*Corporate members*: Albéa, Aptar, Avon, Axilone, Berry, Bormioli Luigi, Chanel, Clarins, Coty, Estée Lauder, Heinz Glass, Hermes, L'Occitane, L'Oréal, LVMH, Mary Kay, Meiyume, Pochet, Puig, Schwan Cosmetics, Shiseido, Sisley, Unilever Prestige and *Associate members:* Citeo, Cosmetic Valley, Elipso, Febea, Feve, PCPC, Recyclass). The dedicated SPICE tool was launched in July 2020.

Since 2018, L'Oréal has been implementing a program to eco-design POS materials and furnishings with its teams and suppliers:

- 14 robust and pragmatic golden rules;
- training support for teams and suppliers;
- indicator monitoring sharing best practices and inter-team challenesg.

The principles included recycled and biosourced materials, plus their weight, recyclability and separability. They also cover the optimisation of electricity consumption for the permanent POS. L'Oréal is testing and developing circular economy processes with its suppliers and local operators, notably in the context of uninstalling, recycling or donations. L'Oréal has also moved towards sharing best practices, through the FEBEA (French Federation for Beauty Companies) guide, for example.

(1) *Since 2010, the Group has implemented wall-to-wall production, which consists of setting up, within its plants, a production unit for packaging operated by a supplier. This partnership makes it possible to develop reactivity and manufacturing flexibility, while reducing the transportation of packaging and generation of waste related to its production.*

In 2020, L'Oréal launched a new programme aligned with the highest standards, providing concrete actions for design, responsible construction of its branded retail (materials, energy, accessibility, water management, construction waste, interior air quality, ergonomics, etc.) for their certification. For our permanent POS materials, but also for our free-standing stores, the Group uses design firms that are experts in lighting to optimise energy consumption without compromising the quality of in-store lighting. The first pilot projects are very promising, in particular for the reduction of environmental impacts. This new initiative also benefits the Group's distributors, helping them to improve and optimise their energy consumption.

Replace: new sources of materials

Aware that non-renewable resources will not last forever, the Group seeks to replace them with recycled or biomass materials. L'Oréal is committed to using non-fossil sources for 50% of its plastics by 2025, with an initial target of 40% for PET plastic in 2020. This stage was exceeded since 54.8% of the world's quantity consumed by the Group is recycled PET. Moreover, in the context of *L'Oréal for the Future*, L'Oréal is aiming at reaching 100% non-fossil plastic by 2030.

Several brands use up to 100% recycled plastic or recycled glass in their bottles. 57,096 tonnes of recycled materials[(1)], including 28,439 tonnes in primary and secondary packaging, saved the equivalent amount of virgin materials in 2020. 54.8% of the PET quantity consumed worldwide by the Group is recycled PET. For example, the 500g jars of the Bleach Paste line from L'Oréal Professionnel are made from 100% recycled PET plastic, thus saving up to 44 tonnes of virgin plastic each year. The same efforts are being made on both tube and bottle PE containers (up to 100% PE PCR).

In addition to the brands whose bottles are now made with 100% recycled PET, such as Garnier and Elvive, the SLM gloss bottles from Maybelline in Asia are made with 50% recycled PET. This change has still allowed to save 27 tonnes of virgin PET per ear.

Within the framework of a partnership on innovation in responsible *packaging*, in 2019 L'Oréal and Albéa developed a breakthrough innovation: the first cosmetics tube with cardboard, thus replacing a significant portion of plastic with a renewable material. This innovation became a reality in June 2020 for the La Roche Posay and Garnier brands enabling a reduction in plastic weight as high as 49%.

Regarding glass packaging, Sanoflore enriched the Group's existing "recycled glass" initiatives by launching its jar made with 25% recycled glass thanks to an improved formula in 2020. This trend has spread to other categories than skin care, such as makeup and perfumes, which offer products with packaging containing up to 10% recycled glass. An example of this is the *My Way* perfume refill from Armani. In addition, the first loop of the premium glass circular economy was established by L'Oréal in 2018, in partnership with glassmaker Pochet. Glass waste from "Perfumery and Cosmetics" was recycled to produce the *"Flowerbomb"* bottles from the Viktor & Rolf brand (for their Christmas editions).

In order to find new solutions to optimise the end of life of its packaging, L'Oréal is collaborating with an ecosystem of partners to develop better recycling technologies:

- L'Oréal has created a consortium with Carbios to develop a biorecycling process using very specific enzymes that will recycle PET plastics and polyester fibers more broadly. This innovative process will produced a recycled PET equivalent to virgin PET. In April 2019, Suntory, Nestlé Waters and Pepsi-Co joined this consortium;
- since 2018, L'Oréal has signed a partnership with *LOOP Industries®* to produce food quality PET through chemical recycling;
- L'Oréal signed a partnership with PURECYCLE in order to produce recycled food quality 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.

In 2017, L'Oréal joined the *New Plastics Economy* (NPEC) initiative of the Ellen MacArthur Foundation, the objective of which is to rethink the life-cycle of plastic so that plastic packaging never becomes a waste product, and is re-inserted into the circular economy in the form of materials with biological or technical value. Since 2018, L'Oréal has been a partner of the Ellen MacArthur Foundation (NPEC), with the goal, for example, of using 100% reusable, recyclable and/or compostable plastic *packaging* by 2025. This ambition is one of L'Oréal's major commitments within the framework of the Ellen MacArthur *Global Commitment*.

57,096 tonnes
of recycled materials used
in the Group's packaging.

(1) *Excluding the plants whose reporting is not performed via the Group's systems.*

Giving preference to the use of sustainably sourced renewable raw materials

The Group's constant concern with regard to the sourcing of its raw materials is, over and above quality considerations, to guarantee the sustainability of resources.In 2010, the signatory countries to the Convention on Biological Diversity adopted the Nagoya Protocol, aimed at regulating access to the genetic resources of a given region and the fair sharing of benefits arising from the use of those resources.

Conscious of these issues well before the Nagoya Protocol came into force, L'Oréal's Research Department has continuously strived, since 2005, to adopt an approach aimed at securing its sourcing channels for the future to respond to the issues of sustainable use of biodiversity. To do so, the Group gives preference, in particular, to the use of renewable raw materials[1] and ensures that they are responsibly sourced. L'Oréal has adopted green chemistry principles to promote the use of renewable raw materials, to design products serving to reduce waste and preserve the water cycle. For more than ten years, green chemistry has been a catalyst for L'Oréal's sustainable innovation policy. In the broadest sense, green chemistry aims to prevent upstream pollution and to combat the use and contamination of the environment at source. The increasing use of plant-based ingredients presents risks in terms of supply related to the consequences of climate change (availability and price), and can also result in environmental consequences through the cultivation of the crops that produce these ingredients (deforestation, soil depletion, consequences on biodiversity, for instance). Between 2013 and 2020, the percentage of raw materials by volume increased from 43% to 59%. Over the same period, the percentage in volume raw materials meeting green chemistry criteria increased from less than 10% to 29%[2]. This represents more than 775 raw materials. In 2020, 27 new raw materials based on green chemistry principles were registered, representing 32%[2] of the total.

59% (by volume) of the raw materials used by L'Oréal are renewable, *i.e.* roughly 1,568 raw materials from nearly 343 plant species from over 100 countries.

In 2020, of the Group's newly registered raw materials, **53%** are renewable and **32%** are based on green chemistry principles.

Products marketed in 2020 had a proportion of renewable raw materials above 98%	
Ushuaïa – Hibiscus – Brume Bio	Ushuaïa
Botanicoil cleansing oil	Shu Uemura
Romarin Lotion anti-imperfections	Decleor
Deep purifying cleanser	Lancôme

L'Oréal finalised the traceability campaigns launched with all its suppliers, thus making it possible for 100% of plant-based ingredients to now be traced to their country of production, or even as far as the biomass production site.

With regards to raw materials, the Group promotes green chemistry principles which encourage the development of ingredients with a favourable environmental profile made from plant raw materials, which minimise the number of synthesis stages, the consumption of non-toxic solvents and energy, and the production of by-products.

Respect for biodiversity and societal contribution

In 2018, as part of the *Act4nature* initiative, L'Oréal set a goal of having 100% renewable raw materials coming from sustainable sources by 2030. To be included in this category, they must be traceable, with an identified botanic and geographic origin. The respect for Human Rights in accordance with ILO principles is now expected throughout the production chain. At the level of plant growing and harvesting, attention is also placed on the economic development of the producers and respect for the traditional knowledge coming from biodiversity in accordance with the principles of the Nagoya Protocol (preservation of biodiversity, and fair and equitable sharing of the benefits with local communities).

By relying on sustainable sourcing for the supply of renewable raw materials, L'Oréal contributes to the social inclusion of disadvantaged population groups while ensuring environmentally friendly sourcing. Fair trade and equal opportunities have gradually become major pillars of the Solidarity Sourcing responsible purchasing programme launched in 2010 (see Section 4.3.3.5. "Measures taken in favour of communities" of this document).

(1) This means that the carbon content is primarily of plant origin.
(2) Determined according to 2020 provisional purchases.

In 2020, 100% of the renewable raw materials used by the Group were reassessed on the basis of criteria such as respect for biodiversity and forced labour (see SCAN Index below). Out of the 343 plant species that are the source of the renewable raw materials used by the Group, around 12.5%[2] present significant Biodiversity challenges (endangered species, impact of production on natural environments) depending on their geographic origin and the method of extraction or production used. They are the subject of specific action plans initiated with suppliers and, if necessary, benefit from the systematic support of independent external third parties, in order to manage the real impacts on the territories of origin of the ingredients.

- For the palm oil and its by-products segment, which are the subject of a specific "Zero deforestation" approach (see below), at year-end 2020, 100% of the supplies were covered by action plans with the suppliers concerned.
- For other streams of renewable raw materials, which represent 17% of the portfolio of renewable raw materials in volumes and 74% in number, L'Oréal, on the basis of environmental, social and economic indicators from external databases (IHDI of the UNDP, EPI from Yale University, *Verisk Maplecroft Country Index*), has defined indicators of *"sustainable sourcing challenges"* to assess renewable raw material streams with regard to their sustainability. These indicators are consolidated within the SCAN (Sustainable CAaracterisatioN) index, allowing the Group to prioritise the implementation of its sustainable sourcing action plans. The Group updates the information collected regularly. 66% of volumes and 34% of raw materials identified as representing sustainable sourcing challenges, according to the SCAN index, are already the subject of plans or improvement initiatives with the relevant suppliers to ensure sustainable supply. The goal is for 100% of the Group's renewable raw materials to come from sustainable sources. To achieve this, L'Oréal launched a support and training programme for more than 200 suppliers on the issues of sustainable *sourcing* of raw materials in order to guarantee the traceability of the raw materials delivered to L'Oréal and ensure the associated streams are secure. Depending on the level of environmental and/or social risk identified on these streams, suppliers are notably asked to deploy the field audit procedure for producers (88 indicators), developed by L'Oréal with the support of the *Rainforest Alliance* NGO and reviewed in 2019 by EcoCert, *The Biodiversity Consultancy* and *The Danish Institute for Human Rights*. They are also invited to rely on sustainable *sourcing* certifications adapted to the challenges of their streams (*Fair Trade*, *Sustainable Agricultural Network*, Organic, etc.).

In 2020, **69%** of new or renovated products have an improved social/environmental profile due to a new formula incorporating renewable raw materials that are sustainably sourced or based on green chemistry principles.

Bees of Africa: sustainable *sourcing* of beeswax in West Africa

Beeswax is the most consumed natural wax by L'Oréal. A wide range of products, from baby care to makeup contains beeswax for its emulsifying or stiffening properties.

This market is dominated by China, where production is faced with problems of traceability and adulteration. Beeswax production in Europe is low and primarily dedicated to artisanal markets. At the same time, beekeeping is threatened by the collapse of colonies (*Colony Collapse Disorder* - CCD) which are widespread in all countries with an intensive agricultural system.

In West Africa, bee colonies benefit from better conditions in an environment that is less impacted by farming activities, and the wax is not yet recovered by beekeepers since they only sell the honey. There are also challenges to be met in the region: weak organisation of beekeepers, a lack of technical knowledge and modern equipment to ensure optimal well-being of the bees and good quality beeswax.

In 2020, L'Oréal, its supplier Koster Keunen and the NGO *Fair Match Support* (FMS) signed a *Solidarity Sourcing* partnership on beeswax in Western Africa aimed at increasing the incomes of around 10,000 beekeepers while promoting sustainable beekeeping practices (inspired by the European bio standard) to ensure the well-being of the bees. The project will lead to the installation of several hives in areas of shea tree populations and to plantations of fruit or nut trees. The produce from fruit trees would thereby be improved by the increased pollination provided by the hives and lead to better harvests for the local populations.

"Zero Deforestation" commitment

As part of its "Zero Deforestation" policy published in 2014, the Group pledged that by 2020 none of the ingredients and raw materials used in its products would be linked to deforestation. Since 2007, L'Oréal has been deploying action plans in order to guarantee a sustainable supply of agricultural raw materials that could be the cause of deforestation, including palm oil, soybean extract, and fibrewood-based products.

In 2020, L'Oréal consumed 266 tonnes of soybean extract and 48 tonnes of soybean extract derivatives. In 2020, 100% of the soybean extract used by L'Oréal and coming from Latin America is from a land project certified RTRS, Bio and *Fair For Life*, aimed at supporting 36 small soybean producers in Brazil and Paraguay, or from certified sources (IP – *Identity Preserved Proterra*). Most derivatives come from areas classed without risk of deforestation.

Regarding materials used by L'Oréal for its packaging, 100% of the paper used for notices and product leaflets and 100% of the cardboard used for boxes is certified as coming from sustainably managed forests (FSC or PEFC certified).

In 2020, L'Oréal consumed less than 310 tonnes of palm oil and 75,000 tonnes of palm oil derivatives (which come from palm fruit pulp) and palm kernel oil (extracted from palm fruit kernels). These two oils are used to produce glycerine, fatty acids and fatty alcohols which form part of the composition of the Group's products.

As part of its "zero deforestation" commitment, L'Oréal is rolling out a specific strategy for palm oil derivatives, in partnership with all stakeholders (producers, NGOs and suppliers):

- 100% of purchases of palm oil, and palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria (www.rspo.org) since 2012; and
- 92% of the main derivatives come from sources that are identified (as far as mills).

In terms of certification, 100% of the volumes of palm oil used by L'Oréal meet the standards and procedures of the Roundtable on Sustainable Palm Oil (RSPO), via one of its most demanding traceability models, the SG (Segregated) model. 100% of the derivatives are also certified. L'Oréal had increased the proportion of its physically certified purchases to 95% of RSPO *Mass Balance* at the end of 2020, compared with 70% in 2019 and 54% in 2018. The remainder continues to be covered by the RSPO Book & Claim model. To complete its certification objectives, L'Oréal made a commitment for at least 30% of its volumes to be connected to field projects that support small, independent planters. In 2020, approximately 30% of these volumes were physically connected to sustainable sourcing projects in Indonesia and Malaysia.

Within the framework of its "Zero Deforestation" commitment made in 2014, the Group had pledged to trace the main palm and palm kernel derivatives that it uses as far as the mills by the end of 2015. This was a difficult task as the process for transforming derivatives involved a large number of players and many branches of the supply chains.

An initial phase involving a survey was conducted in 2014, with the support of a firm of independent experts, of L'Oréal's strategic suppliers, who supply more than half its palm and palm kernel derivatives. Since 2015, L'Oréal has progressively updated and enriched its data collection by extending the scope to cover all suppliers in order to be able to trace and identify the origin of 100% of its main palm and palm kernel derivatives. The results of this work show that Malaysia and Indonesia are the main countries from which supplies are obtained and that, for 2019, 98% of these volumes of palm and palm kernel derivatives can be traced to the refineries, 92% to the mills and 27% as far as the plantations.[1]

In 2020, on the basis of this work and with the goal of greater transparency, for the third consecutive year, L'Oréal published the list of the 970 mills indirectly connected to its supply chain and representing over 90% of its palm derivative volumes, as well as the list of its direct suppliers of derivatives.

In 2016, L'Oréal rounded out its evaluation and selection tools for palm oil and palm kernel derivative suppliers with a specific tool, the Sustainable Palm Index, to assess the level of commitment, progress and achievements of its direct suppliers in favour of sustainable palm oil. This tool is used annually to evaluate suppliers' progress towards the zero deforestation objective and their level of compliance with the Group's requirements. It was first made public in 2016 to enable it to be used by all players in the supply chain.

In 2018, to take its commitment further, L'Oréal initiated the development of a new tool in collaboration with ZSL (Zoological Society of London) and Transitions, to evaluate refineries and crushers (which extract the oil from the kernels), on the basis of their reporting, policies and procedures. The indicators used for this evaluation were aligned with the requirements of the Group's standards in respect of deforestation. This tool was made public in 2019 and is now available.

At mill level, since 2016, the L'Oréal Group has relied on Global Forest Watch's risk assessment tool to ensure that no derivative traced to mills is linked to deforestation.

In 2018, the procedure for dealing with cases of non-compliance with our zero deforestation commitment by direct or indirect suppliers was also made public.

Since November 2019, in order to contribute to the sector transformation, L'Oréal has been a founding member of Action for Sustainable Derivatives (ASD), an initiative coordinated by BSR and Transitions within which L'Oréal has actively contributed, in particular by sharing all its methodologies and tools developed since 2014.

(1) *The proportion of traceable volumes is calculated over the period from January to October 2019 with an estimate/extrapolation for the months of November and December 2019.*

Indonesia: a territorial project in the Berbak region

In 2018, L'Oréal, in collaboration with the Dutch NGO SNV (Netherlands Development Organisation), established a sustainable sourcing project for palm derivatives in the Berbak region in Jambi province on the Indonesian island of Sumatra. The project aims to support 12,500 independent small farmers in the next five years in the improvement of production practices with the goal of preventing deforestation activities, while improving their standard of living. The involvement of all stakeholders in the supply chain to support the project, from the mill to the derivatives manufacturer, reinforces traceability and improves the control of production practices to ensure the absence of deforestation.

In 2020, 9,675 small independent producers received training in best agricultural practices offered by SNV. The increase in the quality of the crops and the yields from plantations secured and boosted their income, which is a major challenge of *Solidarity Sourcing*.

Since 2019, L'Oréal has worked in a research partnership with the French Agricultural Research and International Cooperation Organisation (CIRAD) to assess the impacts of the agricultural practices of the small independent producers of two project cooperatives on soil quality and the productivity of palm plantations. The results obtained in 2020 will permit the formulation of individual recommendations to farmers to improve their agricultural practices and reduce their environmental impact. In order to boost the territorial impact of the project, L'Oréal is also supporting the restoration of 22,000 hectares of peat bogs in the region, contributing in this way to the protection of a biodiversity corridor and preventing the emission of 100,000 tonnes of CO_2 in 2020 recovered as part of the Group's Carbon Balanced Programme.

Reducing the environmental footprint of formulas

Most of the ingredients used in the formulas (>90% by weight) have an end of life in domestic wastewater, and are treated by more or less advanced sanitation systems depending on the geographic area.

All formulas marketed by the Group are safe for the environment. However, as some of the ingredients used in the formulas may have a more or less significant environmental impact, L'Oréal opened its first environmental research laboratory in 1995 to evaluate and reduce the environmental footprint of its formulas. Through this initiative, the Group has developed expertise with regard to the potential impacts of its cosmetic products on aquatic environments. Raw materials used in the formulation of products from the design stage are evaluated in such a way as to allow a strict selection of ingredients.

Measuring the environmental impact of formulas

In 2013, an index was developed to quantify the environmental performance of a cosmetic formula in respect of the aquatic environment. To do this, a calculation method for the Water Footprint specific to cosmetic products was also applied to the entire portfolio of formulas (performance index for a formula based on the environmental profile of its ingredients in terms of biodegradability and aquatic eco-toxicity). This methodology has now been integrated into the SPOT tool.

For several years, L'Oréal has carried out analyses of the life cycles of its products in order to identify, evaluate and improve their environmental impact.

Since 2017, the SPOT tool, applied to all of the Group's brands, has been used to calculate the full environmental and social footprint of the Group's created or renovated products.

In 2020, 39% of created or renovated products have an improved environmental profile due to a new formula with a lower environmental footprint. Because of the Covid-19 health crisis, the number of new product launches was reduced this year, which impacted this indicator.

In 2020, **39%** of new or renovated products have an improved environmental profile due to a new formula with a lower environmental footprint.

Improving biodegradability through eco-design

The Group is working to measure and increase the biodegradability of its formulas and reduce their water footprint. These two parameters have been integrated in the SPOT product eco-design tool.

To classify the products according to the benefits offered to the consumer, all 19 product types manufactured by the Group (shampoos, hair care products, shower gels, skin care products, cleansers, hair colours, styling products, deodorants, sun care products, make-up, perfumes, etc.) were analysed. After defining 143 product categories and screening more than 40,000 formulas between 2014 and 2015, the performance of each consumer benefit category was established to allow eco-design of products using the SPOT tool to ensure that all new formulas are developed with the goal of an improved environmental profile with identical benefits for the consumer. It is used by all teams of product formulators to assess the biodegradability and water footprint whenever new formulas are created.

Between 2013 and 2020 the biodegradability of all the Group's formulas increased to 80%. Over the same period, the overall water footprint of the Group's formula portfolio was reduced by 3% in absolute value and by 15% in intensity(1).

In 2020, Biotherm launched its sunscreen innovation, which is eco-designed and respects aquatic life. Its formula base is 97% biodegradable and the bottle is 100% recycled and recyclable. Ten years of research was necessary to obtain a sunscreen as respectful of aquatic life, without compromising in the filtering performance and sensory feel. These efforts were also recognised by the official and independent certification label, the "Nordic Swan Ecolabel", a Scandinavian Ecolabel that recognises sunscreen products with the lowest environmental impact.

Among the new products launched in 2020, the products below have formulas with biodegradability levels of over 98% across L'Oréal's Divisions:

Hyalu B5 Serum	La Roche-Posay
Pure Shots Hydra Bounce Essence-In-Lotion	Yves Saint Laurent
Déodorant Senteur Écorce de Cédrat	La Provençale Bio
Elvive Dream Lengths Nourishing Waves Waterfall Mousse	L'Oréal Paris
Fructis Dry Shampoo Coco Water	Garnier

The *Sharing Beauty with All* programme, in its "Innovate sustainably" component, led to a very significant increase of 59% in the percentage of raw materials of renewable origin and produced in accordance with the criteria of green chemistry (32%). The biodegradability of the portfolio of raw materials reached 80% in 2020. Within the framework of the "Innovate sustainably" component of the *Sharing Beauty With All* programme, 96% of L'Oréal's products have an improved environmental or social profile.

Raising awareness among consumers about sustainable lifestyle choices

The Group wants to empower all L'Oréal consumers to make sustainable consumption choices.

The SPOT environmental and social assessment tool, rolled out to all of the Group's brands (excluding recent acquisitions), established the environmental and social profile of all new products in a process dating back to 2017.

Displaying the environmental and social impact of the products

Pursuant to the pledge made in 2013 at the launch of its first Sustainability Programme, Sharing Beauty With All, L'Oréal has developed a labelling system designed to inform consumers on the environmental and social impact of its products to allow them to make enlightened consumption choices.

The labelling is built on the SPOT methodology to measure impacts, which was co-created with 11 independent international experts in accordance with the directives of the European Product Environmental Footprint (PEF), to scientifically measure the environmental and social impact of a product.

This tool for comparing between two products of the same category thus provides an accurate vision of the impact of a Group product, taking into consideration, at this date, 14 planetary impact factors such as greenhouse gas emissions, hydric stress, ocean acidification or the impact on biodiversity.

These impacts are measured at each step in the life cycle of a product and calculated by taking into account not only the cultivation of raw materials, the manufacture and transport of the product, but also the usage phase by the consumer and the recyclability of the packaging.

In the case of cosmetics, as the carbon and water footprints are the most important impact factors, the Group made the choice to communicate a total environmental impact note combined with a focus on carbon and water footprints.

This information will be accessible to consumers on the product website. The first phase of the roll-out began with the Garnier hair-care category in July 2020.

At the same time as the deployment of this tool, 89% of the brands assessed their environmental and social impact at year-end 2020 and made commitments to improve their impact (see section 4.3.1.3.3. "Throughout the product life cycle" of this document). 100% of the international brands present in the Group in 2013 have assessed their environmental and social impact, enabling the Group to achieve its objective; the acquisitions made since that date are not included in this calculation.

In 2020, **100%** of the international brands present in the Group since 2013 have assessed their environmental and social impact.

SHARING BEAUTY WITH ALL

Target 2020 100% achieved

(1) *Intensity represents the ratio between the total water footprint per kg of formula produced. This allows an independent evaluation of the reduction effort of the total increase in the quantity produced.*

Conscious of the influencing ability of its brands, L'Oréal encourages them to inform and mobilise their business partners, customers and consumers around today's major environmental and social needs.

Each brand must therefore identify a cause of its own and conduct awareness-raising campaigns among its consumers.

This commitment by the Group aims to meet the needs and expectations of consumers: according to the global survey conducted by Edelman in 2019, 70% of consumers select, change or boycott a brand on the basis of its positions on societal challenges. These aspects underline the strategic importance for a brand of investing in a cause that reflects its identity, its values and its ecosystem (consumers, muses, distributors, etc.).

- L'Oréal Paris and the NGO Hollaback! are joining forces to combat street harassment through their Stand Up programme. This programme trained over 100,000 people worldwide in 2020 to act to intervene safely if they witness or are the target of street harassment.
- Through its *Brave Together* programme, the Maybelline brand is participating in the battle against stigmatising anxiety and depression. The brand supports the *Crisis Text Line* association, which provides permanent access to confidential counselling at no cost. Maybelline has committed to investing USD 10 million over the next five years in mental health organisations around the world.
- Yves Saint Laurent Beauté is contributing to the fight against domestic violence by launching the global "Abuse is not Love" programme. The goal is to make 2 million people aware of the signs of domestic violence by 2030 through partnerships with local NGOs.
- Lancôme has made a commitment alongside the NGO Care by investing in literacy programmes and Biolage is partnered with the international NGO Conservation International to support the preservation of freshwater ecosystems.
- For more than 10 years, Giorgio Armani has been active with the most disadvantaged communities to offer universal access to drinking water in partnership with UNICEF, WaterAid and Green Cross International. The brand contributed to the funding of 413 water supply systems, thus assisting over 217,000 people in 15 countries, on three continents, to have access to drinking water.
- La Roche-Posay is taking a stand against skin cancer (more than 110 million people have committed to getting their birthmarks checked to prevent melanoma since the campaign started in 2014).
- L'Oréal Professionnel is committed to the prevention of musculoskeletal disorders (more than 35,000 downloads of the app that trains hairdressers on stretches and warming exercises to prevent musculoskeletal problems).

In 2020, **79%** of brands conducted a consumer awareness initiative.

SHARING BEAUTY WITH ALL

Target 2020 **100%**

The Group also regularly conducts studies among its consumers, to anticipate future consumption choices and take into account the CSR expectations of consumers. In 2020, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its policy of actively listening to consumers on sustainable development issues through a number of studies conducted with consumer panels in the United States, India, China and Europe to understand their expectations and fine-tune its policies.

4.3.1.4. Fighting climate change over the entire value chain

4.3.1.4.1. Greenhouse gas assessment: an annual exercise

L'Oréal carries out an annual Greenhouse Gas assessment (GHG assessment) for all the Group's activities, in order to measure its CO_2 emissions and identify the action plans that will enable it to reduce its impact. This assessment, which has been performed since 2007, is conducted in accordance with the Greenhouse Gas Protocol (GHG Protocol) rules, the international reference method for recording GHG emissions. It makes it possible to determine the Group's total carbon footprint in three categories – Scopes – defined above in section 4.3.1.3.1. "On the sites operated" of this document.

In 2020, the GHG assessment of the L'Oréal Group was estimated at 11,225 thousand tonnes of CO_2 equivalent.

Scopes 1 and 2 – emissions measured and reported on a monthly basis

These CO_2 emissions are measured by all the Group's sites and reported monthly.

Scopes 1 and 2 correspond to those for which the Group takes direct action via programmes to control energy consumption deployed on the sites and for the procurement of renewable energy. They are the subject of ambitious reduction targets as part of the Sharing Beauty With All programme (see section 4.4. "Sharing Beauty With All: 2020 results" of this document):

	2020 TARGETS	2019	2020
Producing sustainably	-60% (vs. 2005)	-78%	**-81%**
Working sustainably	-60% (vs. 2016)	-29%	**-76%**

For 2020, all these emissions represented 46.0 thousand tonnes☑ for the plants and distribution centres, and 9.8 thousand tonnes for the administrative sites and research centres.

Changes in the reported figures for Scopes 1 and 2 since 2014 *(in thousands of tonnes of CO_2equivalent)*(1)

		2014	2015	2016 (2)	2017 (3)	2018	2019	2020
	Industrial sites	58.5	55.5	55.5	49.7	46.6	43.6	39.0☑
	Administrative sites and research centres			6.5	8.0	7.7	6.4	4.1
Scope 1	**Group**	**58.5**	**55.5**	**62.0**	57.7	**54.3**	**50.0**	**43.1**
	Industrial sites	60.5		25.7	15.9	8.9	8.2	7.0☑
	Administrative sites and research centres			26.5	25.3	25.7	22.1	5.7
Scope 2	**Group**	**60.5**	**49.6**	**52.2**	41.2	**34.6**	**30.3**	**12.6**
	Industrial sites	118.9	105.0	81.2	65.7	55.5	51.8	46.0☑
	Administrative sites and research centres			32.9	33.2	33.4	28.5	9.8
Scopes 1 + 2	**Group**	**118.9**	**105.0**	**114.2**	**98.9**	**88.9**	**80.3**	**55.8**

(1) *These data present the reported figures each year in the different management reports. In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.*
(2) *As from 2016, Scopes 1 and 2 emissions of the Group:*
- are calculated using the new methodology published by the GHG Protocol ("The Scope 2 Guidance"), and monitored using the Market-Based CO_2 indicator, which replaces the Net CO_2 indicator;
- include the emissions related to leaks of cooling gases; and
- include the emissions linked to the administrative sites and research centres.
(3) *In 2017 only, Scopes 1 and 2 had been expanded with emissions estimated annually for vehicles operated under long-term leases and for branded retail stores. These emissions are not included in this table.*

Scope 3 – emissions estimated annually

Scope 3 covers all other greenhouse gas emissions not directly related to the sites operated by the Group or to the manufacture of products in the plants but to other stages in its life cycle (procurement, transportation, use, end of life, etc.) and other impacts related to the Group's activities (business travel, etc.). These emissions are the subject of an annual estimate according to the GHG Protocol methodology.

In 2020, work was carried out on Scope 3 of the GHG Assessment in order to improve its input data, limits and emission factors.

For 2020, L'Oréal Group's Scope 3 is estimated at 11,169 thousand tonnes, representing a reduction of around 0.5 million tonnes compared with 2019, primarily due to the Covid-19 health crisis, which particularly impacts the following Scope 3 items: Products and services purchased, business travel, employee commuting between home and work, etc. The CO_2 emissions associated with the use of the products sold declined proportionally less in 2020 than the Group's business activities, with more rinse-off products (Hygiene, Hair care) than non-rinsed products (makeup).

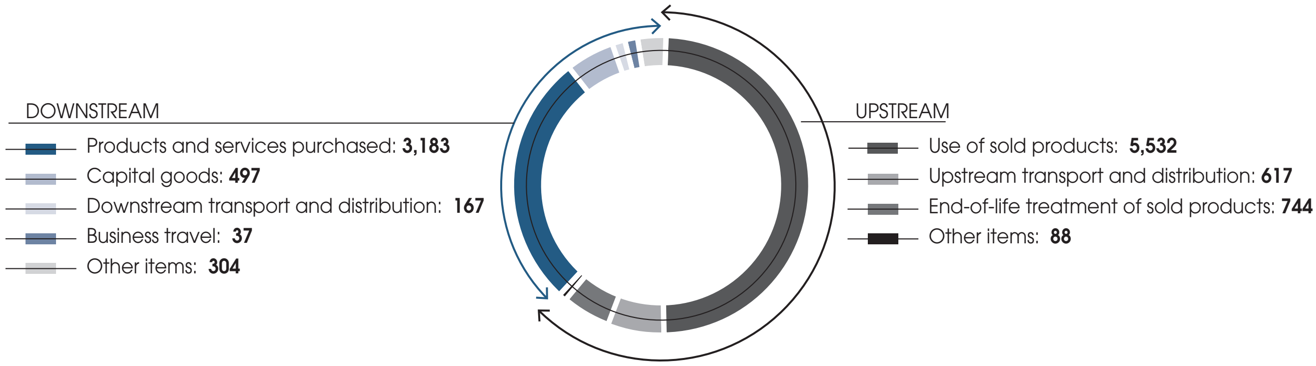
☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*

The GHG Protocol defines 15 items of emissions associated with Scope 3:

Upstream or downstream	Scope 3 categories	Scope	2020 emissions *(in thousands 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.	3,183
	2. Capital goods	CO_2 emissions related capital goods acquired or purchased by L'Oréal in 2019 (property, production, IT, etc.).	497
	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 fuel and energy purchased by L'Oréal and its subcontractors. It also includes losses during the distribution of electricity.	141
	4. Upstream transport and distribution	CO_2 emissions generated by the transport of items purchased and shipped to production or distribution sites.	167
	5. Waste generated by sites	CO_2 emissions related to the treatment of production waste and effluents (by a third party) from facilities operated and owned by L'Oréal.	16
	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).	37
	7. Employee home/work commuting	CO_2 emissions related to employees' journeys from their home to their workplace.	66
	8. Upstream leased assets	CO_2 emissions generated by stores and vehicles on long-term leases.	81
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 (348 thousand tonnes of CO_2 eq.) and consumers' travel to and from the points of sale (269 thousand tonnes CO_2 eq.)	617
	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.	5,532
	12. End-of-life treatment of sold products	CO_2 emissions relating to the treatment of sold products after their use: packaging components treated in existing streams and effluents 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.	744
	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 2020. Investments are recognised via the share of L'Oréal's investments in the company or companies in question.	88

THE MAIN ITEMS OF CO_2 EMISSIONS OF SCOPE 3

(thousands of tonnes of CO_2 equivalent)



The Group's commitments to a low-carbon economy have already led to several initiatives and achievements aimed at reducing the important categories under Scope 3:

- since 2009, L'Oréal has involved its suppliers in the process of reducing its carbon footprint by encouraging them to participate in the CDP Supply Chain programme (see section 4.3.1.3.2. "Encouraging strategic suppliers to reduce their greenhouse gas emissions" of this document);
- the commitment made by the Group to reduce the impact of downstream transport by -20% per sales unit per kilometre between 2011 and 2020 (see section 4.3.1.3.1. "Reducing emissions from product transport" (Scope 3 as per the GHG Protocol" of this document);
- the Carbon Balanced commitment, stipulating that the residual emissions for Scopes 1 and 2, and the downstream transport category of Scope 3, be offset in 2020 thanks to an ambitious insetting programme: the remainder of these emissions must be balanced via the reduction of carbon emissions in sustainable sourcing channels for certain raw materials, in partnership with suppliers (see section 4.3.1.3.1. "Carbon Balanced project: towards a low-carbon company by the end of 2020" of this document);
- L'Oréal, through its *Science Based Targets* (SBT) commitment validated by the initiative at the end of 2017, has sought to cover all impacts associated with its value chain. The commitment to reduce greenhouse gas emissions by 25% in 2030 (baseline 2016) comprises all of Scopes 1, 2, and 3 (according to the GHG Protocol) (see section 4.3.1.4.2. "Science Based Targets commitment" of this document); and
- finally, in June 2020, in the context of the launch of its *L'Oréal for the Future* programme consistent with its *Science Based Targets* (SBT) commitment (see section 4.3.1.4.2. "Science Based Targets (SBT) commitment" in this document), the Group specified its 2030 roadmap by committing to a reduction, from 2016, of 25% per finished product in the emissions associated with its product use phase, a 50% reduction in the emissions associated with its strategic suppliers and a 50% reduction per finished product in the emissions associated with product transportation.
- CO_2 emissions in 2020 (Scopes 1, 2, 3) over the entire Group (industrial sites, administrative sites and research centres):

(in thousands of tonnes of CO_2 equivalent)	Scope 1	Scope 2	Scope 3	Scopes 1, 2 & 3
Group	43.1	12.6	11,169	11,225
Industrial sites	39.0 ☑	7.0 ☑	-	-
Administrative sites and research centres	4.1	5.7	-	-

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

Changes in the data of the GHG Assessment since 2015 *(thousands of tonnes of CO_2 equivalent)*

		COMMENTS	2015	2016	2017	2018	2019	2020
Reported figures	**Scopes 1, 2 and 3**		**7,825**	**114**	**9,741 (2)**	**11,944**	**11,762**	**11,225**
	incl. Scope 3		**7,720**	**unpublished (1)**	**9,590 (2)**	**11,855**	**11,682**	**11,169**
Unpublished data	Scopes 1, 2 and 3	Unpublished 2016 GHG footprint results Scopes 1, 2 and 3		9,881 (3)				
	incl. Scope 3			9,712 (3)				
Restatements of data	Scopes 1 and 2	**TOTAL RESTATEMENTS**			51			
		Improvement in the accuracy of the scope (as from 2018) (9)			51			
	Scope 3	**TOTAL RESTATEMENTS**	3,770	1,714	1,714	368	-153	
		Improvement in the accuracy of the scope (as from 2020) (4)	-	-	-	-	424	
		Update of the emission factors (as from 2020) (5)	-	-	-	-	-577	
		Update of the parameters (as from 2019) (6)	28	28	28	28		
		Improvement in the accuracy of the scope (as from 2019) (7)	340	340	340	340		
		Update of the emission factors (as from 2018) (8)	1,295	1,295	1,295			
		Improvement in the accuracy of the scope (as from 2018) (9)	51	51	51			
		Update of the emission factors (as from 2016) (10)	1,030					
		Improvement in the accuracy of the scope (as from 2016) (11)	1,026					
Like-for-like basis	**Scopes 1, 2 and 3**		**11,595**	**11,595**	**11,404**	**12,312**	**11,609**	
	incl. Scope 3		**11,490**	**11,426**	**11,304**	**12,223**	**11,529**	

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG assessment continued pursuant to the SBT commitments.
(2) Data corrected after publication - the reported value was 9,760; Scope 3 was 9,610.
(3) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).
(4) Improved accuracy of data for formulas and finished products (nomenclature).
(5) Update of the energy mix used for residential water heating in European countries.
(6) Improvement in the data related to the product use phase (volume of water and quantity of products used).
(7) Improved precision in the POS data.
(8) Update of the energy mix used for residential water heating in the different countries.
(9) Change in allocations to leased vehicles and stores, in Scope 3.
(10) Alignment of the emission factors of the GHG assessment with those of the SPOT tool.
(11) Integration of consumers travels and improvements to estimates of the emissions associated with POS advertising.

4.3.1.4.2. Science Based Targets commitment

In 2015, L'Oréal undertook to define Science Based Targets to reduce its greenhouse gas emissions across its entire value chain and over the long term, in accordance with the Paris Agreement on climate change.

In December 2017, the SBT initiative validated the Group's proposal: Thus, by 2030, L'Oréal is committed to reducing by 25% in absolute value the greenhouse gas emissions of Scopes 1, 2 and 3 (with full coverage of the items of Scope 3, in accordance with the definition of the *GHG Protocol*), with a reference year of 2016; the L'Oréal Group is committed in particular to reducing greenhouse gas emissions from all sites it operates by 100% by 2025, through a programme of energy efficiency and a supply of renewable energy exclusively.

These commitments were revaluated in 2019 over Scopes 1 and 2 by the SBT initiative and considered to be in compliance with the new SBT 1.5°C criteria.

Roadmaps are currently being deployed within the different business lines (packaging, research, sourcing, supply chain, etc.) so that each one contributes to the reduction of CO_2 emissions in Scopes 1, 2 and 3. Specific tracking has been started and will allow each of the segments to monitor its own performance starting in 2020.

4.3.1.4.3. UN Global Compact Pledge: "Business Ambition for 1.5°C"

In September 2019, L'Oréal joined the "Business Ambition for 1.5°C" initiative, a call to action launched by a broad coalition of companies, civil society and UN leaders, thus reaffirming its leadership on climate action. The Group has committed to net zero CO_2 emissions by 2050, contributing in this way to limiting the increase in global temperature to 1.5°C above pre-industrial levels, a necessary condition for limiting the worst impacts of climate change according to the latest conclusions of climate science.

4.3.1.5. Adapting the model to the climate emergency: alignment of the Group with the TCFD principles

Conscious of the consequences of climate change, L'Oréal has initiated its transition towards an increasingly responsible business development model in which the non-financial challenges are placed at the same level as the financial challenges that contribute to its overall performance. The ambition is to design an innovative low-carbon business model and to make a contribution to the major collective challenge that is represented by limiting climate change.

The Sharing Beauty With All programme, rolled out globally since 2013 and supported at all levels of the organisation, has helped establish a culture in which environmental impacts and climate change are taken into account, increasingly influencing the decision-making process of each of the Group's "Métiers" (business activities) each day, as well as their major projects, as shown by the policies, programmes and outcomes described above.

As the acceleration of the environmental and social challenges to be met calls for a more radical transformation, in June 2020 L'Oréal announced its new sustainability programme *L'Oréal for the Future*, with a new series of particularly ambitious objectives for 2030. The efforts to combat climate change is an integral part of the Group's new ambitions and are aligned with the Science Based Targets commitment validated in 2017.

L'Oréal made a public commitment in 2020 to adopt the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), which encourages companies to include climate issues in their strategy, and to provide consistent, reliable and clear information to allow investors to take into account climate-related financial risks in their decisions.

Along with this dynamic move towards a low-carbon transition, L'Oréal intends to fully manage the risks and opportunities related to the challenges of climate change, anticipate their effects, and ensure its resilience by adapting its business model, its governance and decision-making processes, its Research and Operations with respect for its values and sense of purpose *(raison d'être)* to "Create the Beauty that moves the world".

Governance

Every year, the L'Oréal Board of Directors determines the Group's strategic directions, which integrate the challenges of climate change and, more generally, the issues of sustainable development.

The Chief Corporate Responsibility Officer reports directly to the Chairman and Chief Executive Officer and reports on the Group's activities every year to the Board of Directors or to the Strategy and Sustainability Committee.

The Chief Corporate Sustainability Officer is responsible for the formulation and implementation of the sustainable development strategy, assesses and manages the climate-related risks and opportunities Groupwide, through the action plans of the sustainability programmes (*Sharing Beauty with All* and now *L'Oréal for the Future*). She leads an internal sustainability committee, which includes experts responsible for the rollout of the sustainability programme within Operations, Research, Public Affairs, Communication and the Brands.

She guarantees the implementation of the orientations and decisions adopted by this Committee. She also defines and deploys annual targets across L'Oréal's value chain, and assesses the level of commitment of all the brands, Country Managers and subsidiaries in implementing the sustainable development strategy. This implementation determines a portion of the variable remuneration of the Brand and Country Managers.

The mission of the Sustainable Finance Department, created in 2020, is to integrate the climate challenges from a financial standpoint. This Department, which reports to the Chief Administrative and Financial Officer and to the Chief Corporate Responsibility Officer, aims at developing and directing Sustainable Finance actions. This means, in particular, building a new income statement model that includes sustainable development elements and allows the Group to measure its efforts, especially with respect to the carbon impact, coordinate finance actions, and continue to incorporate sustainable development in its decisions on investing and acquisitions.

Strategy

For the main environmental risks, the concept of risk covers both risks related to the impact of the Group's business activities on its ecosystem and the risks of the impact of climate change in the short and medium term on its business model, activity and financial performance .

The Group has identified seven principal risks and six opportunities relating to climate change that have potential consequences for its activities and the development of its strategy.

In-depth analyses of climate risks were conducted: identification and a dynamic approach to the risks, assessment of their impact using scenarios developed on two assumptions based on the 2°C and 4°C paths, assumptions that also integrate political, economic, social, technological, environmental and legal trends (PESTEL analysis).

Scenarios

- a "governed transition" scenario ("TG") on the basis of global warming of around +2°C in 2100. This scenario is based on strong international cooperation, major increased consumer awareness of climate and external effects and, globally, actions to anticipate and attenuate climate change in a more responsible world based on solidarity,
- "a disorganised transition" scenario ("DT") on the basis of global warming of around +4°C in 2100. This scenario is based on assumptions of limited international cooperation, growing tensions on trade, economic stagnation or slowdown and, generally, a primarily reactive adaptation to climate change.

These L'Oréal scenarios integrate pre-existing scenarios or assumptions based on scientific content as input data, particularly the RCP2.6 and RCP8.5 scenarios (Representative Concentration Pathways (RCP) – AR5) of the IPCC (Intergovernmental Panel on Climate Change) to assess the physical risks for the governed transition and disorganised transition respectively.

More specifically, studies of the impact of climate change on plant-based raw materials sourcing were also conducted. Assumptions have also been made on the paths of carbon pricing and consumer preferences, the main factors in L'Oréal's exposure to climate-related transition risks. This work will allow the Group to adapt policies and define its strategic goals.

Two timeframes were considered: a medium-term 2030 timeframe, aligned with scientific targets, and a long-term 2050 timeframe, to detect significant trends in the physical climate variables.

The entire value chain was considered in the analysis of L'Oréal's scenarios.

The two scenarios resulted in differentiated assessments of the impact of the risks identified and favoured the prioritisation of the policies implemented and the determination of the related programmes and action plans to reduce these impacts. They contributed to the development of the new sustainability programme, *L'Oréal for the Future*, for 2030.

Risks

The Group's risk review includes physical risks and transition risks associated with changes in its value chain and ecosystem. Risks as diverse as those associated with extreme weather events on the Group's infrastructures, or the risks inherent in the *supply chain*, those inherent in the scarcity of resources, carbon pricing (taxes, emissions quota systems) and their financial impacts, or those related to the Group's reputation and consumer expectations, are analysed, resulting in the preparation of impact scenarios as part of the scenarios constructed, and strategic orientations are defined.

In particular, the following main risks and opportunities were studied:

Risk 1

Regulations concerning the mechanisms for pricing carbon, such as specific taxes on fossil fuels, carbon taxes on a raw material and negotiable emission quotas, are a major challenge for the Group's suppliers. In this context, an increase in the pricing on direct greenhouse gas emissions for suppliers could be reflected in the prices of their products and services, and potentially have a material impact on L'Oréal's operating costs. In order to mitigate this risk, the Group is engaged with its suppliers, in particular through the CDP *Supply Chain*, in designing and implementing actions plans to reduce their greenhouse gas emissions. L'Oréal's 2030 Science Based Targets commitment implies, for example, reducing the Scope 1 and 2 emissions of suppliers by 50% in 2030 compared with 2016, thus reducing the Group's exposure to carbon pricing in the supply chain.

Risk 2

Changes in consumer preferences towards consumption choices increasingly influenced by the carbon footprint of products and the overall climate performance of industrial plants could have a material impact, progressively and in the medium-term, for L'Oréal. The challenge, if this risk were insufficiently managed, would be a potential loss of revenue because of a reduction in demand for L'Oréal products from consumers. L'Oréal's strategy to attenuate the associated risk is to continue to reduce the carbon footprint of its products and to give consumers the means to take enlightened purchasing decisions by providing transparent information and listening to their expectations on the issues of sustainable development.

Risk 3

Climate change is expected to lead to an increase in the frequency and intensity of extreme weather events, resulting primarily in changes in precipitation patterns, which will have a particularly strong impact on agriculture.

In particular, in Indonesia and Malaysia, medium-term chronic changes in the El Niño and La Niña cycles are likely to occur. For the preparation of its palm-based ingredients, which represent a large share of its purchasing volumes of ingredients of plant origin, 99% of L'Oréal's supply of palm oil comes from Indonesia and Malaysia. L'Oréal could, therefore, be affected by the consequences of a chronic increase in the frequency and intensity of these extreme weather events with, as a result, an increase in the supply costs for these raw materials and, therefore, in the associated production costs. Other raw materials such as shea butter or coconut oil, for example, could also be affected.

These risks are taken into account by adapting the supply chain, developing projects in the field with the suppliers, and by making a long-term commitment with some of them. In order to drill down on this identification of climate-related risks on the price and availability of the most important raw materials of plant origin in the L'Oréal portfolio, a specific study taking account of a set of methodologies and sources on climate change was carried out with "BIPE" (a consulting firm specialised in the analysis of the consequences of climate change on plant production) in 2017, then refined in 2018 and 2019 in order to adapt supply strategies.

Opportunity 1

One of the consequences of climate change is the increase in the number of regions around the world that will face periods of water shortage, particularly in urban areas. A market opportunity consists in innovating and developing products appropriate for use by consumers living in these areas of hydric stress. These new products could increasingly better meet consumer's needs in this context. L'Oréal could seize this opportunity by evaluating the products as a function of their water footprint, by developing new products, routines or new technologies that save water in the use phase, and by increasing consumer awareness of the challenges associated with water quality and availability.

Opportunity 2

The medium-term global trend in the price of non-renewable energy is expected to rise, both because of future regulations and taxes on fossil fuels, and complex balances between supply and demand. The progressive elimination of the use of conventional fuels in favour of renewable energies would protect L'Oréal from increases in the fossil fuel prices and could result over time in operating costs that are relatively lower than those paid by other manufacturers who are not committed to this energy transition. L'Oréal intends to seize this opportunity by rapidly reducing the use of fossil energies. L'Oréal has thus committed to using 100% renewable energy at all sites operated by 2025, by developing projects for self-production and self-consumption of renewable energies on site, as well as a 100% local and renewable energy supply (electricity, heat, biogas, etc.). L'Oréal has already started on this path with the completion of a series of projects for its own production and consumption of renewable electricity on site in the United States, Western Europe, Brazil and China, for example.

Methods for managing risks and opportunities

Identification and assessment of the risks are primarily coordinated at the Group Level by the Department of Risks and Compliance with all relevant departments. When necessary and relevant, an additional risk analysis is conducted in the operational entities, particularly for the physical risks associated with climate change.

Contributions are collected from the main operational managers and experts in this area worldwide, representing all the Group's business activities, regions and areas of activity. Climate-related risks have been the subject of a specific approach that identified and assessed their financial and strategic impact when the Group's reputation is impacted or the long-term growth of the Group may be impacted. This analysis is regularly updated.

The mapping of the Group's risks is reviewed regularly. It is validated by the L'Oréal Executive Committee once a year and presented to the Audit Committee.

Measurement of results and reporting

In the context of the first generation of *Sharing Beauty with All* commitments, the Group defined a number of indicators tracked to evaluate monthly and annually the progress achieved on the targets set for 2020. As a result of the acceleration of the environmental challenges, these indicators were reassessed and completed at the time of the June 2020 launch of the new sustainability programme *L'Oréal for the Future*. They cover the Group's entire value chain in the areas of greenhouse gas emissions, water, biodiversity, resources and waste, and support the goals for 2030.

More specifically in terms of climate change, the goals announced in the context of the *L'Oréal for the Future* programme are aligned with the Science Based Targets initiative that L'Oréal joined in 2015. In this context, L'Oréal is committed to reducing in 2030 greenhouse gas emissions by 25% in absolute value (tonnes of CO_2 equivalent) and by 50% per finished product over its entire value chain (Scopes 1, 2 and 3), compared with 2016.

Finally, in September 2019, L'Oréal joined the United Nations *Business Ambition for 1.5°C* initiative and made a commitment to reach net zero emissions of CO_2 by 2050.

A greenhouse gas assessment is prepared and published annually and details emissions over all the items described by the GHG *Protocol*.

The cross-reference table below identifies the main information of this document according to the recommendations of the Task Force on Climate-related Financial Disclosures.

Governance	Sections of this document
1. Supervision by the Board of Directors of climate-related risks and opportunities	1.1. and 2.3.
2. Role of Management in the assessment and management of climate-related risks and opportunities	3.2.
Strategy	
1. Climate-related risks and opportunities identified in the short, medium and long term	3.5. and 4.2.
2. Impact of climate-related risks on the Group's business activities, strategy and financial forecasts	4.2.
3. Resilience of the Group, taking into consideration different climate scenarios, including a scenario of 2°C or less	1.2. and 4.3.
Risks and opportunities	
1. Procedures to identify and assess climate-related risks	3.5. and 4.2.
2. Procedures for managing climate-related risks	3.5. and 4.2.
3. Integration of the procedures to identify, assess and manage climate-related risks within the total management of the Group's risks	3.2.
Indicators	
1. Indicators used to assess climate-related risks and opportunities, in line with the Group's strategy and risk management procedure	4.1. and 4.3.
2. Scopes 1, 2 and 3 greenhouse gas emissions and associated risks	4.2, 4.3. and 4.5.
3. Objectives used to manage climate-related risks and/or opportunities and the Group's performance in relation to its objectives	1.1, 2.4, 4.3 and 4.4

4.3.2. Human Resources policy

The mission of L'Oréal's Human Resources Department (HR) is to support the Group's growth and its transformation initiatives. The Group, which has always placed people at the heart of its organisation, relies on its employees above all. L'Oréal's HR strategy is built on this double conviction: individualised management linked with collective strength.

To meet the challenges of a world that is constantly changing, which impact both the organisation and the work connection, the Group initiated a process of transformation to adjust its model to new aspirations and is implementing dedicated HR policies on recruitment, development and engagement. These policies are presented in this chapter.

The Executive Vice-President of Human Resources reports to the Chairman and Chief Executive Officer on a regular basis.

Recruiting, developing and engaging: employees are central to the business model

L'Oréal has always placed the individual at the centre of its model, convinced that the qualities of each person contribute to the performance of all. L'Oréal finds, recruits and supports its employees with a long-term vision. Training and development play a core role throughout their professional careers.

In order to fully perform their function as strategic partner, Human Resources integrates the technological and digital dimensions and takes into account strong challenges such as corporate social responsibility. The transformation of the Group towards *Beauty Tech* requires the recruitment of experts, the integration of new businesses and the dissemination of a digital culture at all levels of the company.

HR also plays a central role in the transformation of work methods and management culture. Thus, they supported the rollout of the *Simplicity* programme, initiated in 2016, to foster a management style based on trust that leaves room for initiative, cooperation and development. The programme was supported by a major training programme, *LeadEnable for Simplicity* and specific goals target the highest level of the Company. Members of the Executive Committee and their management committees are now evaluated by their peers and their teams via the *Leadership Survey*.

Since 2018, L'Oréal's HR department has adopted a brand new modus operandi. HR has become the incubator for country ideas and initiatives as an extension to and in the spirit of Simplicity. With the Disrupt HR approach, the Group prioritises co-construction and a *test-and-learn* approach designed to boost agility and respond more effectively to the expectations of employees and job candidates.

In the area of corporate social responsibility within the framework of the Sharing Beauty With All programme, L'Oréal has committed to providing training to 100% of its employees every year, worldwide.

For L'Oréal, economic growth cannot be separated from social progress. To support this conviction, the *L'Oréal Share & Care* programme, created in 2013 and deployed in all the subsidiaries, offers employees a set of social benefits in welfare schemes, health, parenthood and quality of life at work. All the objectives set in 2017 were implemented worldwide.

L'Oréal also offers its employees a policy of sharing its growth. Profit-sharing programmes have been in place for many years everywhere in the world. After launching its first employee shareholding plan in 2018, the Group launched a second one in 2020.

Quality social dialogue is also one of the essential components of the L'Oréal model. It illustrates the Company's desire to involve employees and their representatives in the Group's development.

Finally, L'Oréal acts with the conviction that a policy in favour of Diversity and Inclusion allows everyone, regardless of their gender, social or cultural background, religion, sexual orientation, age or disability, to give their best in the company. This is an essential driver of performance and innovation and is crucial for maintaining sustainable growth.

Exceptional measures to manage the Covid-19 pandemic crisis

From the beginning of the Covid-19 crisis, L'Oréal played its role as a solidary employer and a responsible company by taking strong measures to guarantee the health and safety of its employees in all its subsidiaries:

- 39 international instructions were issued in all the subsidiaries of the Group and adapted to the different locations and type of work (plants, distribution centres, laboratories, administrative sites). These measures were audited and certified in several subsidiaries by an independent organisation;
- an international travel ban was declared in February 2020;
- vulnerable or at-risk employees were exempted from being physically present at work;
- for teleworking employees, L'Oréal adapted its operating mode and developed e-learning sessions and guidelines to provide the best support to employees at all levels; measures were taken to strengthen cyber security given the increased risk of cyberattacks during this period (see section 4.3.2.4. "Creating the conditions for a positive and attractive work environment" of this document);
- for employees who were physically present at work, measures focused on prevention were implemented, including social distancing, the daily distribution of masks, the availability of sanitisers; the *e-learning module #safetogether* was rapidly developed internally to train employees on good hygiene standards or rules; and
- the fixed salaries of employees were 100% guaranteed during lockdown periods.

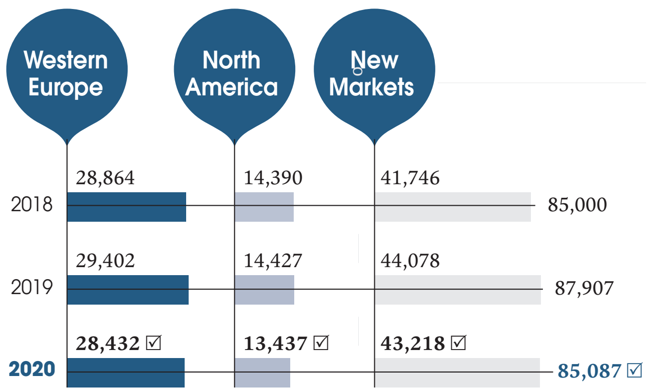
Policy	INDICATORS AND PRINCIPAL RESULTS
Preserving employee health and safety	Moving towards « zero accidents » is the ambition that L'Oréal has set for itself. Number of injured with lost-time: *107 (L'Oréal employees and temporary staff)* Objective: Conventional Frequency Rate (TFc) < 0.5 for all Group sites. Conventional Frequency Rate (TFc): *0.66.* Enlarged total incident rate reported (TIRe): *1.17.* Accident gravity rate: *0.02.*
Recruiting talented employees for the present and future success of the Group around the world	7,563 employees hired under permanent contracts Over one million applications received in 2020 Social media strategy: over 3 million followers on LinkedIn
Development of employees throughout their careers **Anticipate profesional changes and the needs for future skill**	100% of employees trained in 2020 with the commitment to renew it every year 3,059,581 training hours
Creating the conditions for a positive and attractive work environment	*Share & Care* programme launched in 2013 and in place in all countries since 2016. Second phase launched in 2017 with full roll-out by the end of 2020 92% of the Group's permanent employees benefit from financial protection in the event of unexpected life events 96% of the Group's permanent employees benefit from healthcare coverage aligned with best local practices 86% of the Group's employees work in subsidiaries where there are employee representative bodies. 45% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.
Offering a motivating and competitive remuneration system	Amounts of profit sharing schemes: €368 million distributed to employees Plan for the conditional grant of shares to employees: more than 3,400 employees involved 2020 employee shareholding plan: 35% participation Employee benefits and retirement schemes:complementary retirement plans in place in 83% of the Group's subsidiaries
Strengthen gender equality **Accelerate the inclusion of disabled workers** **Increase the diversity of socioeconomic and cultural origins in our teams.**	At 31 December 2020, women represented: ● 64% of managers; ● 49% of key positions; ● 49% in positions of greater responsibility within L'Oréal SA ; ● 54% in positions of greater responsibility within the Group; ● 26% of Executive Committee members (1); and ● 58% of the members of the Board of Directors. With the goal of reaching parity up to the most strategic positions. 30 countries EDGE or GEEIS ☑certified 1.6% employees with disabilities worldwide. The goal of 2% by the end of 2025 was renewed in subsidiaries without local regulations. Over 65,000 employees trained in Diversity Workshops

(1) 30% at 1 April 2021 taking into account the changes within the Executive Committee (see section 1.1.4. "Stable governance" of this document).

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

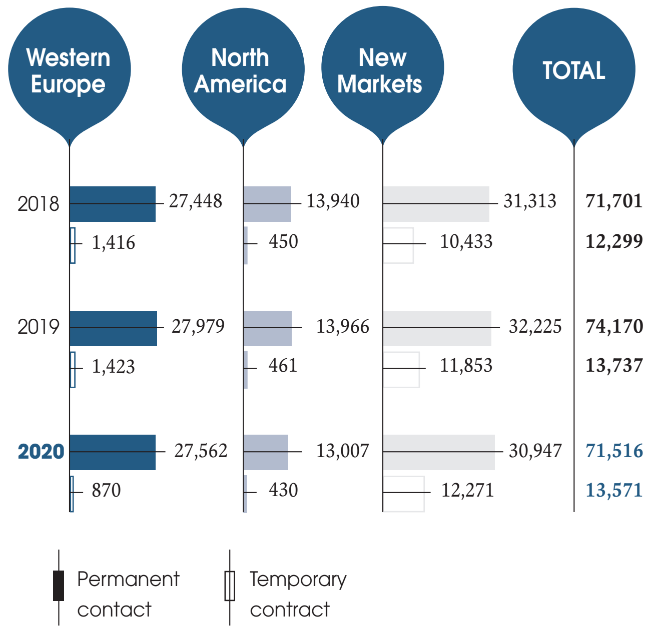
L'Oréal Group social data

EMPLOYEES BY GEOGRAPHIC ZONE [1]

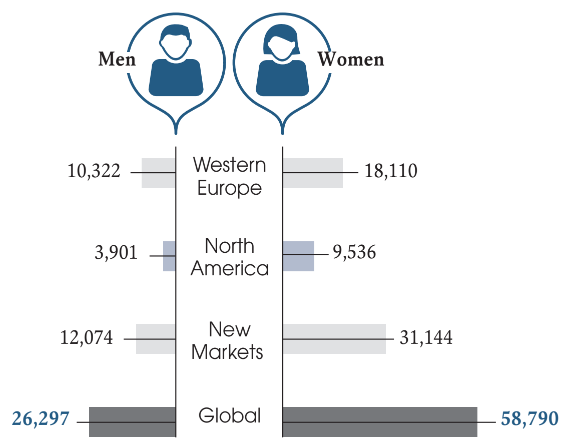


☑ The Statutory Auditors have expressed reasonable assurance about this indicator.

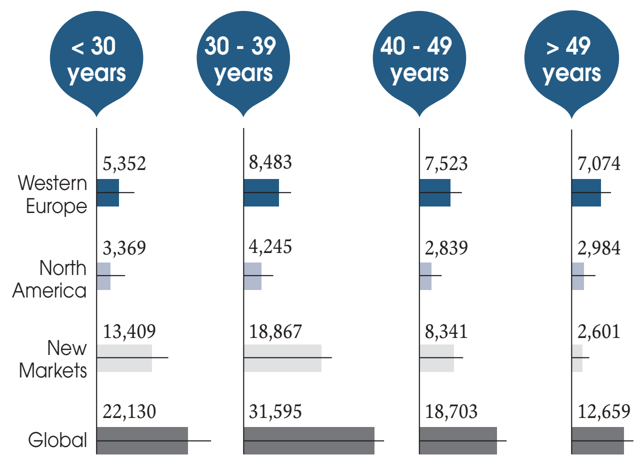
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT BY GEOGRAPHIC ZONE



BREAKDOWN OF EMPLOYEES BY GENDER



BREAKDOWN OF EMPLOYEES BY AGE



AVERAGE AGE

38
years

(1) Excluding recent acquisitions. See methodology notes (section 4.5. "Annual assessment of the modus operandi of the Board" of this document).

ABSENTEEISM RATES

	2018	2019	2020	Details
Total absenteeism rate (%)	**4.1%**	**4.1%**	**8.2%**	C/(A-B)
Of which due to illness	2.2%	2.0%	2.0%	D/(A-B)

(A) Number of working days worked by all statutory employees.
(B) Number of days of annual leave taken by all statutory employees.
(C) Number of days of absence (sick leave, occupational diseases, maternity leave, paternity leave, accidents in the workplace and/or commuting accidents or any other paid or unpaid absence).
(D) Number of days of sick leave (excluding occupational diseases, maternity or paternity leave, work-related accidents and/or commuting accidents).

Global absenteeism increased significantly in 2020 due to absences related to the Covid-19 health crisis. This phenomenon is notably due to the periods of closures of points of sales and hairdressers, which prevented the employees concerned from working.

The exemption from work for employees at risk and those isolating who were unable to work from home also contributed to this increase. If these absences were excluded, global absenteeism would have reached a level equivalent to the level in previous years.

NUMBER OF RECRUITMENTS

Number of recruitments (permanent contract)	Western Europe	North America	New markets	Total
2020	**2,005**	**2,156**	**3,402**	**7,563**
2019	3,415	2,791	6,829	13,035
2018	3,598	3,204	6,780	13,582

NUMBER OF DEPARTURES

	2018	2019	2020
Number of departures (resignations, retirements, mutual agreements, dismissals) (permanent contracts)	11,823	11,603	9,408
Number of dismissals (permanent contract)	3,106	2,813	3,358

4.3.2.1. Preserving employee health and safety

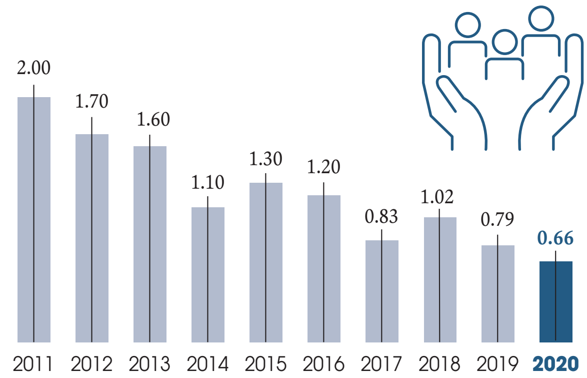
An ambitious shared health and safety policy

The Health (H) and Safety (S) policy is a main priority objective of the Group's general policy, and one of its main managerial pillars. All managers are evaluated on their ability to apply it, and on their results in this area. It is based on the fundamentals presented in section 4.3.1.1 "An ambitious EHS policy shared by all" of this document.

Moving towards « zero accidents » is the ambition that L'Oréal has set for the safety of its employees. To this end, the Group has implemented comprehensive programmes aimed at reducing risks and ensuring regular improvement in results through the leadership of managers and the participation of staff at all levels.

The Group strives to ensure regulatory compliance with its own standards on its sites (industrial or administrative sites, research laboratories, stores), and makes sure that its subcontractors and suppliers ensure the health and safety of people through a specifically dedicated programme of external audits.

Change in safety performance: Conventional Frequency Rate (TFc) (1)



107 injured with lost-time (L'Oréal and temporary staff) were reported in 2020, compared with 139 injured with lost-time in 2019. The conventional frequency rate (TFc) is 0.66 and the enlarged total incident rate (TIRe)(2) is 1.17; they improved in 2020.

Injured with lost-time recorded in the Group in 2020 resulted in the following frequency rates by entity:

Sites	TFc 2020	Variation in TFc vs. 2019	TIRe 2020	Variation in TIRe vs. 2019
Plants and distribution centres sites	1.34 ☑	-11%	2.99 ☑	-3.9%
Administrative sites	0.14	-56%	0.29	- 42%
R&I Sites	0.55	57%	0.86	- 55%
Sales forces & Stores	0.96	- 9%	1.27	- 26%
Group: all sites	0.66	- 16%	1.17	- 21%

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

The accident gravity rate was lower than the rate for the Group in 2019. It stood at 0.02 for the Group and 0.04 for plants and distribution centres in 2020.

Priorities

The main Health and Safety priorities and orientations relate to the following eight areas:

1. definition and deployment of strategy and action plans to achieve the targets set: Conventional Frequency Rate (TFc) <0.5 for all Group sites;
2. commitment and visible participation by management;
3. initiatives to fight the most frequent incidents, which include a global ergonomics programme and a specific LIFE programme (see Section 4.3.1.1. "A continuous improvement process" of this document) on potentially serious accidents;
4. organisation and Health and Safety practices in line with the Group's standards with OHSAS 18001 or ISO 45001 certification for all Operations sites;
5. specific training programme for managers, EHS managers and operators/technicians;
6. ongoing improvement of the Health and Safety management systems at all sites;
7. 7active employee participation; and
8. sharing of resources, feedback and best practices.

87% of the Group's plants are OHSAS 18001 or ISO 45001 certified for their safety policy.

(1) *TFc = number of L'Oréal staff injured with lost time at one million (10^6) hours worked by L'Oréal employees.*
(2) *TIRe = number of injured L'Oréal and temporary staff with lost time , with a light duty and/or medical treatment reported at one million (10^6) hours worked by L'Oréal staff and hours worked by temporary staff.*

A global programme dedicated to improving health and safety

L'Oréal has programmes with specific and innovative tools to achieve excellence in safety, which is based on four areas:

- a strategy based on risk management, the search for excellence and the sharing of our culture outside the Group.
- analysis of safety and health risks with the following tools: GHAP *(General Hazardous Assessment Procedure)*, detailed SHAP *(Safety Hazards Assessment Procedure)*, Ergoval, PSM (*Process Safety Management*), CHERIE *(Chemical Hazardous risks);*
- analysis of the root causes for the occurrence of incidents/accidents with the RCA tool *(Root Cause Analysis*); and
- The use of a correct prevention tool at the right time, such as:

A programme to improve the safety culture	EHS Steering Committees	The Management Committee of each site carries out a general review of the action plans and the effectiveness of the EHS programmes.
	SIO (Safety Improvement Opportunities)	The SIO programme encourages employees to inform their direct managers of situations considered to be risky so that corrective measures are taken.
	Constructive Challenge	This framework programme is designed to improve the individual safety culture so that all employees play proactive roles both in their own safety and that of others. Each site will set up this programme, depending on its maturity.
Safety control tools	MESUR (Managing Effective Safety Using Recognition and Realignment)	These are periodic on-site safety visits by a manager. The programme has also been deployed on certain administrative and research sites since 2015.
Flexibility & simplification, User friendly, People empowerment	Digitalisation of prevention tools	The programme to digitise prevention tools is designed to simplify and harmonise the process. A survey of site needs for digitised prevention tools was conducted in 2020 in order to define the needs and deployment strategy.
	LIFE	The LIFE programme, set up in 2018, targets the activities which, if they are not controlled, can lead to a potentially serious accident.
A programme to improve the ergonomics culture	Ergonomic Attitude	This programme, which is intended to be extended to all Group sites, has been based since 2015 on a roadmap consisting of five levels that allow the sites to systematically improve their ergonomics culture and determine their individual action plans.
SAFE@WORK SAFE@HOME spread the culture	Safe@Work Safe@Home:	The *Safe@Work Safe@Home* programme is intended to export the L'Oréal health and safety culture outside the Group. We created a partnership with RoSPA (*Royal Society for the Prevention of Accidents*) to benefit from their experience and shares ours around the world. Since 2019, L'Oréal has sponsored a *Safe@Work Safe@Home* award to recognise the best initiatives in the world.
Price and awards	In 2020, 35 sites covering over 20,000 employees were recognised by the RoSPA in their prestigious Health & Safety Awards. These awards included first place for the headquarters of the Brazilian subsidiary and second place for the distribution centre in Bury, in the United Kingdom.	

4.3.2.2. Recruiting and supporting talents

The Group continually strives to enrich and diversify its pool of talent around the world for its present and future needs.

The recruitment teams are tasked with recruiting the best talent in all countries in which L'Oréal Group operates so as to form teams that resemble our consumers and integrate all cultures. The local implementation of the recruitment policy is carried out by a network of recruitment experts present in most countries.

To select the best talents capable of contributing to L'Oréal's transformation, the Group has developed a reference system of skills and innovative methods to evaluate them. To this end, the Group is looking for people with innovative and entrepreneurial skills, who take a strategic and holistic view, and who are capable of developing talent, as well as profiles with the potential to grow and blossom within the Group thanks to its training schemes and internal mobility policy.

L'Oréal has a unique know-how in the recruitment of new graduates, in connection with higher education:

- *Brandstorm*, an international student competition which in 2020 brought together more than 48,000 students from over 65 countries, in a completely digital format for the first time in the context of the Covid-19 health crisis, and gave them a unique experience allowing them to get to know the beauty industry, express their creativity and discover the Group's values of innovation and entrepreneurship; and
- the *Management Trainee programme*, a rotational programme that allows new graduates to prepare effectively to take on major *business* responsibilities. In 2020, this programme was offered in most of L'Oréal's subsidiaries.

The Group is continually improving its powerful digital communications system which allows to enhance the employer image, to share, daily and transparently, the richness of its jobs and the diversity of its career paths, and to explain its culture. L'Oréal's Social Media strategy in recruitment has also been recognised as one of the best in the world for several years[1]. A strong presence on LinkedIn, with more than 3 million *followers,* helps with proactively recruiting the best talent.

L'Oréal is ranked as one of the best employers selected by Glassdoor in France.

An International Digital team provides L'Oréal recruiters around the world with cutting edge digital tools to efficiently select the best candidates from among nearly one million applications received. These solutions, such as MYA and SEEDLINK, use artificial intelligence, which both provides greater efficiency and targets a broader diversity of backgrounds.

In addition, all the recruiting teams have worked to strengthen their fundamentals by updating the candidate data base, tracking performance indicators for the tools used more systematically, and placing the focus on relationships with the candidates in order to preserve L'Oréal's positioning as an employer of choice. In 2020, the community of recruiters was also trained to identify and avoid unconscious biases in recruiting.

Successful integration of new employees lays the groundwork for a lasting, quality relationship with the Company. To this end, the "FIT" integration programme provides a number of actions to give everyone the keys to success within the Group, both from an operational standpoint and with the desire to share the corporate culture.

4.3.2.3. Training and development of employees throughout their careers

L'Oréal has always considered the development of its employees as one of the main drivers of its performance and its transformation. The Group aims to provide the most pertinent and up-to-date training and development solutions everywhere in the world, in order to develop the potential and employability of employee throughout their lives, as well as prepare tomorrow's leaders.

Human development is strategic. It enables the Group to be recognised as a school of excellence and contributes to the attraction, engagement and retention of employees. The Covid-19 crisis has accelerated the transformations of the business and amplified the need for support and *upskilling*[2]. This exceptional situation has been an accelerator in transforming learning methods and technologies.

Each Learning team's task is to contribute to L'Oréal's competitive advantage through four levers:

- support the development of talent with a particular focus on each stage of their career;
- anticipate changes in jobs and the need for critical skills for the future;
- implement large-scale upskilling programmes to support transformations of the business and their respective challenges;
- nurture the sense of belonging to the Group by stimulating the sharing of corporate culture and passion for the Beauty business.

Learning in the context of Covid-19

Employee health and safety have always been a priority for L'Oréal. To support this goal during the Covid-19 crisis, the mandatory e-learning #SafeTogether was deployed Groupwide. This e-learning module was created very quickly in-house by a community of L'Oréal doctors and nurses and was distributed globally in May 2020 to encourage compliance with good hygiene standards or rules.

Nearly 50,000 employees, as well as service providers, took this module, which was available in 13 languages. L'Oréal also made this e-learning programme available to other companies and consumers via the digital platform of its partner Crossknowledge. In 2020, it was adopted by 16 companies and this enabled us to train nearly 20,000 people outside the Group.

The *Learning Never Stops* campaign was deployed in February 2020 in China, followed by the est of the World in March, to maintain the upskilling of employees confined in their homes via weekly *newsletters*. Three crucial topics were offered to employees: "Taking care of yourself and those close to you", "Working remotely" and "Managing a team remotely".

The methods for deploying trainings were profoundly transformed during the Covid-19 crisis by moving decisively to "remote" learning and micro-learning formats:

- the Group's e-learning platform, MyLearning.com, counted over 68,000 regular users (+20% compared to 2019) representing more than 580,000 e-learning hours (compared to 200,000 hours in 2019, up +190%). This exceptional acceleration was built on the following successes:
  - more than 7,000 learners enrolled in the *Massive Open Online Courses* (MOOCs) from Coursera with an impressive certification rate of 41% representing more than 60,000 hours of learning in 2020 (+120% over 2019),
  - in the context of the "L'Oréal Remote" programme, mini courses on remote work and remote management were available, and
  - Particularly relevant business content further strengthened already available solutions (e-commerce, consumer behaviours with regard to the brands and usage of technology, sustainable development, critical skills in digital, *beauty tech*, etc.);
- a remote "live" training programme was set up very rapidly using the functionalities of the Microsoft Teams platform, totalling more than 980,000 hours of training[3] (up nine-fold compared to 2019).

(1) L'Oréal ranks third place worldwide for its social media strategy developed in 2020 by the Swedish firm PotentialPark.
(2) Upskilling.
(3) Excluding the United States.

Learning for all

The *Learning for All* programme is a commitment for L'Oréal, a social and human responsibility, expressed through the *Sharing Beauty With All* programme: Driven by this ambition, L'Oréal achieved its goal of training 100% of its employees in 2020 and is committed to repeating it each year.

To achieve the aim of *Learning for All,* L'Oréal has set up a training system open to everyone regardless of hierarchical level, job or country, which:

- promotes the global dispersion of corporate culture and integration of new employees;
- assists in the development of the potential and skills of each employee;
- accelerates the transmission of skills and develops strategic professional expertise; and
- allows every employee to update their skills in line with changes of jobs, in order to contribute to their employability throughout their lives.

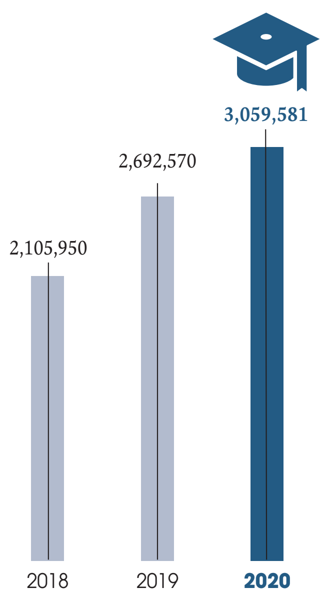
Since 2017, the Group has deployed a "self directed learning" strategy, which offers employees the possibility to become actors in their own development, through direct access to a set of training solutions relevant to them, when they need it. Today, this programme is available in all countries. The Group's aim is for 50% of all training hours to be carried out in "self-directed learning".

100% of the Group's employees benefited from at least one training session in 2020.

SHARING BEAUTY WITH ALL

Target 2020 100% achieved

NUMBER OF TRAINING HOURS



BREAKDOWN BY GEOGRAPHIC ZONE

	Employees trained	Number of hours
Western Europe	27,835	709,251
North America	14,141	278,471
Emerging countries	44,220	2,071,859

Learning in the service of the Group's business challenges

Training is central to the Company's major transformations: the digital revolution, which impacts all jobs, the transformation of marketing, the acceleration of e-commerce, the challenges of CSR, and the changes in working conditions and managerial practices.

The *Digital Upskilling* training programme launched in 2015 is one of the pillars of the Group's digital acceleration strategy. The programme, which has benefitted nearly 50,000 employees, is gradually evolving to support the development of new skills that are essential to building new competitive advantages for the Group, around two major components:

- consolidating new skills necessary for the digital transformation (e-commerce, precision advertising, analytics, etc.); and
- integrating digital competencies in all of the Group's training plans.

The Covid-19 health crisis led to the emergence of new training formats, especially for e-commerce and marketing. It has reached more employees with remote learning formats that guarantee the strategic quality of the content (over 6,700 employees were trained in the "Fundamentals of e–commerce" in 48 countries).

In June 2020, L'Oréal launched its *L'Oréal for the Future* programme. The first training phase for teams consists of a learning course on the essential concepts relevant for all employees, that is entitled *Green Steps*. The programme has four components: climate change, water, biodiversity and natural resources. For each of these four environmental and social challenges, the training gives an understanding of the overall subject, the challenges for L'Oréal, our goals for 2030 as well as how they can be achieved. This programme is offered in different formats: e-learning modules as well as webinars with Group experts and podcasts. Rolled out in France and internationally, it is already highly successful with 96% of the subsidiary CEOs, whose role will be critical in the next steps, having already finished this course. At the request of the Group's Executive Committee, all L'Oréal employees must have validated their training by June 2021.

A true revolution in working methods and leadership has been accomplished in four years thanks to the Simplicity project, thus demonstrating the Group's great agility. All the principles and methods promoted by Simplicity have proved to be particularly effective to boost the engagement of teams. The results of the "Pulse" engagement survey show significant progress on all levers of Simplicity, allowing L'Oréal to outperform Korn Ferry standards, that measures team engagement, by 8 points and by 4 points for the quality of support provided to them.

The three major advances of this year were:

- a second wave of a *Leadership Survey* for the top 300 executives covering nine exemplary practices of Simplicity, the results of which are taken into account for awarding a bonus;
- the launch of a *Leaders Modeling Feed-Back* campaign: 50% of the Group's Executive Committee teams have already integrated these rituals in their daily practice; and
- the rituals and tools resulting from agile methods adapted to remote work were deployed to over 7,500 managers worldwide via webinars.

The Learning governance of the Group

Faced with the transformations of the business, the Learning Departments of the Divisions and "Métiers" work in close collaboration with the global Operational Department to anticipate the critical skills of the future. This leads to the set-up of roadmaps for upskilling in critical areas of expertise (marketing, commerce, research, operations, management, personal development, HR, finance, IT, etc.) based on the analysis of gaps, and for deploying learning solutions for large-scale upskilling in all regions of the world.

Their close collaboration with the Learning Departments of the Zones (based in Asia Pacific, Europe, North America, Latin America and Africa Middle East) identifies the most relevant learning solutions. The Learning Departments of the Zones have a critical role in the activation and deployment of these solutions and participate in creating regional offers adapted to the specific features of their zone.

Particular attention is paid to the "key programmes" related to the strategy and culture of the Group, such as Leadership and the *ways of working*.

Rewards for L'Oréal's learning strateyg

In 2020, L'Oréal also won two awards for the quality of its training, awarded by the Brandon Hall Group(1). For our innovative learning activities in China:

- the first prize was for the best advancement in Business Strategy and Technological Innovation for the activation of online learning during the global "Learning Never Stops" campaign (China);
- second place for the best advance in Unique Training Technology for user experience with the SPARK application (China);
- second place was for the best advancement in Mobile Learning Technology for the SPARK application (China);
- first prize was for the optimal use of mobile learning in 2020 thanks to the *ACCESS* mobile application of the Professional Products Division; and
- third place was for the best use of social and collaborative learning with the *Ready Learner One* campaign.

4

(1) The Human Capital Management (HCM) award for excellence from the Brandon Hall Group is the most prestigious award in the industry. Often referred to as the Academy Awards by managers in training, this programme, launched in 1994, is the first of its kind in the learning industry.

4.3.2.4. Creating conditions for a positive and attractive work environment

The *L'Oréal Share & Care* programme: an accelerator of social progress

Throughout its history, L'Oréal has aimed to offer its employees security and protection to enable them to work with peace of mind. L'Oréal's *Share & Care* programme follows on from a long tradition of social progress and caring of the individual. The Company makes, and will continue to make, a difference by putting people at the centre of its concerns, its organisation and therefore its development.

The Group has thus set a goal to create an attractive work environment in which all employees can thrive at both a professional and personal level.

With its *L'Oréal Share & Care* programme, L'Oréal has universalised its social model in a manner that is consistent with its global dimension. This is a strong commitment that reflects the Company's vision that sustainable growth necessarily goes hand in hand with a high level of social performance.

The programme was launched in 2013 and implemented collaboratively in all the subsidiaries. The Group's ambition is three-fold:

- establish a common base of social protection, *i.e.* minimum guarantees in all the subsidiaries;
- become one of the top performers in each local market, by going beyond the common base whenever local best practices offer more; and
- make each subsidiary a "social innovation laboratory". Through local initiatives, the subsidiaries are encouraged to set up initiatives adapted to the expectations of their employees.

The essential components of the *L'Oréal Share & Care* programme have now been deployed in all Group subsidiaries.

The four pillars of the *L'Oréal Share & Care* programme

This large-scale social programme consists of commitments revolving around four pillars implemented in all countries: welfare schemes, health, parenthood and quality of life at work.

Pillars	Objectives	Main commitments achieved in all countries[1]
Protect (welfare schemes)	Providing employees and their families with financial support in the event of unexpected life events.	A lump sum payment, or pension, equivalent to 24 months' salary in the event of natural or accidental death. A capital sum, or pension, equivalent to 24 months' salary in case of total permanent disability. An employee benefit scheme aligned with the best practices in each country.
Care (health)	Providing employees and their families with access to a high-quality healthcare system.	In the event of major risks (hospitalization, surgery, drugs prescription for chronic and severe diseases) at least 75% of the medical costs are reimbursed. Prevention and information measures with regard to individual health (medical check-up, online risk assessment, etc.) and collective health (melanoma, HIV, diabetes, obesity, etc.) are implemented according to local priorities.
Balance (parenthood)	Enabling all employees to fully experience milestones in life such as maternity and paternity, while pursuing their careers.	A minimum of 14 weeks' maternity leave with full pay. The Group ensures that women on maternity leave benefit from salary increases equivalent to those they would have received had they been present in the Company. A minimum of 10 days' paternity leave with full pay.
Enjoy quality of life at work	Offering high standards of quality of life at work and contributing to professional fulfilment of all the Company's employees.	Flexible working arrangements (teleworking, flexible working hours or other flexible aspects). New premises are accessible, particularly via public transport and offer pleasant, collaborative working spaces. Training programmes in workplace ergonomics are provided to all employees. Training programmes for managers with regard to stress prevention have been put in place or are being developed.

(1) Permanent employees of the Group (Cosmetics) excluding, in some countries, part-time contracts of <21 hours a week, casual contracts, beauty advisers and store employees, knowing that the integration of recent acquisitions and new subsidiaries is gradual.

In 2020, **92%**[1] of the Group's permanent employees benefited from financial protection in the event of unexpected life events, such as death or permanent disability.

SHARING BEAUTY WITH ALL

Target 2020
100%

In 2020, **96%**[1] of the Group's permanent employees had access to healthcare coverage reflecting best practices in their country of residence.

SHARING BEAUTY WITH ALL

Target 2020
100%

(1) Permanent employees of the Group (Cosmetics) excluding, in some countries, part-time contracts of <21 hours a week, casual contracts, beauty advisers and store employees, bearing in mind that the integration of recent acquisitions and new subsidiaries is gradual.

Evolution of the *L'Oréal Share & Care* programme

Launched in January 2017, the second stage of the programme ended at the end of 2020. The new measures include the introduction of a minimum paternity leave of 10 days fully paid, the strengthening of flex work schedules, telecommuting and flexible working hours, wherever local practices so allow, or the expansion of employee welfare schemes.

Other improvements are being studied for a third stage of the programme intended to strengthen the protection of health and parenthood everywhere in the world with the implementation of a paternity/co-parent leave of at least six weeks paid at 100%, a global telecommuting policy (*L'Oréal Remote*) and measures enhancing well-being in the workplace.

Assessment tools of the *L'Oréal Share & Care* programme

In order to ensure transparency and reliability, the entire programme is regularly subject to measures and assessments to verify that it has been implemented in accordance with the objectives:

- self-assessment and definition of the action plan through a reporting tool: the *Follow-up-Tool*, completed by each subsidiary annually;
- internal audit: Internal Audit plans in the subsidiaries include detailed verification of the programme's implementation;
- external audit: certain key indicators are audited within the scope of the annual external audit.

The ILO is a partner in the *L'Oréal Share & Care* programme

The *L'Oréal Share & Care* programme attracted the attention of the ILO (International Labour Organization) in the context of its study on the contribution by major companies to the expansion of social protection all over the world.

A close collaboration was developed. As a result, the ILO launched the Global Business Network for Social Protection Floor in October 2015. This process allows acting collectively and mobilising to create a basic set of social protection measures for everyone. L'Oréal is a founding member of the new business network created by the ILO to promote social protection all over the world.

Flexible work organisation

In each subsidiary, work is organised according to local environment and the activity is performed in compliance with legal and contractual obligations. In several subsidiaries, both work organisation and working time are part of collective agreements.

L'Oréal believes that work flexibility is a key element in attractiveness. Launched in 2017, the second stage of *L'Oréal Share & Care* increased work flexibility with the implementation of teleworking and flexible working time. At the end of 2020, 60 of the 64 subsidiaries of the Group had established teleworking policies and 55 subsidiaries had set up flexible working time.

Employees from all categories have chosen this option of part-time work. In 2020, there were 5,888 part-time employees, 5,321 of whom were women and 567 were men.

Covid-19 health crisis: teleworking and cyber security

The implementation of teleworking hugely benefitted from the security measures in place at L'Oréal, in particular, the encryption of hard drives, the use of security certificates to establish secure connections, anti-spam and anti-virus protection of emails, protection of Internet access via access gateway in the cloud and two-factor authentication of users.

In the context of crisis management, this protection was even reinforced primarily to fighting phishing threats, notably with an additional verification of URL links in messages, as well as highlighting emails from external sources.

An active social dialogue with employees and their representatives

As a signatory of the United Nations Global Compact since 2003, L'Oréal respects the freedom of association and the right to collective bargaining. In countries where freedom of association and the right to collective bargaining are restricted or non-existent, L'Oréal has implemented other modes of dialogue with its employees that allow them to report their possible cncernso.

In the context of this general principle, the social climate at L'Oréal is the fruit of an ongoing dialogue between Management, employees and their representatives, in accordance with trade union rights in each country and with a neutral attitude with regard to the various trade union organisations.

Employee representative institutions are in place in most of the European subsidiaries, in several Asian subsidiaries (China, South Korea, India, Indonesia, Vietnam and Japan), in Africa (South Africa, Kenya and Morocco), in North America and South America (Canada, United States, Argentina, Brazil, Chile, Colombia and Mexico), and also in Australia and New Zealand.

- In total, 86% of the Group's employees work in subsidiaries where there are employee representative councils. 45% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.

An agreement signed in 1996 between L'Oréal and French and European trade unions led to the establishment of the Company's *Instance Européenne de Dialogue Social*/European Works Council. This council leads discussions and formal meetings with its members about the Group's current situation and future perspectives, on the basis of an agenda prepared with the Liaison Secretariat. This council covers approximately 30,600 employees in 26 member countries of the European Economic Area.

L'Oréal's social policy permits the signing of a certain number of collective agreements every year. In 2020, 133 agreements were signed in France and 126 agreements were signed in the rest of the world. In total, the number of agreements in force at 31 December 2020 was 775, 476 of which were in France. 123 agreements in force cover health and safety, in whole or in part.

These agreements primarily cover work organisation, remuneration and working conditions (working hours, quality of life at work, professional equality, telecommuting, health and safety, etc.). They contribute to the proper functioning and to the performance of the Group since they strenghten employee participation and dialogue with their representatives.

4.3.2.5. Offering a motivating and competitive remuneration system

The principles of the remuneration policy

The L'Oréal's remuneration policy has the objective of contributing to the achievement of the Group's objectives and is an integral part of its development strategy. L'Oréal wants to attract and foster the loyalty of talented employees, propose motivating career paths and encourage its employees' performance and commitment, while accompanying the evolution of jobs and business.

For L'Oréal, social and economic performance are indeed closely linked. The Group ensures that all employees receive at least the minimum salary set by local law or applicable collective agreements. In most of the countries, L'Oréal's lowest base salaries are much higher than the national minimum wages in force.

As from 2020, a process to monitor remunerations has been implemented to ensure that the Group's permanent employees receive a living wage, *i.e.* a salary that covers their basic needs, calculated in line with the best practices and with the support of independent experts.

A "total package" approach is used. It offers each employee a competitive remuneration package, consisting of a range of components (basic pay, variable pay, long-term remuneration) and employee benefits.

The Group is implementing a remuneration policy that combines external competitiveness with internal equity, and rewards both individual and collective performances. Employees share in the Company's results through collective profit sharing schemes depending on results and rolled out worldwide.

The remuneration policy is structured under a charter and is implemented by a network of Rewards experts present in the different countries. External surveys are conducted every year with specialist firms to ensure that L'Oréal's positioning is appropriate in relation to the local reference market.

Finally, L'Oréal's ambition is for all employees to understand their remuneration and how it is determined. The Group makes sure that it communicates clearly and transparently on this subject.

L'Oréal's remuneration policy is based on an annual performance assessment system for employees (MAP) applied in all the Group's subsidiaries. It makes it possible to communicate on the methods for determining remuneration, the process and the decisions made. The Group's subsidiaries are encouraged to provide employees, once a year, with a document showing the change in their remuneration and its various components with clarity and transparency.

Personnel costs (including welfare contributions)

€ millions	2018	2019	2020
Total	5,634	6,131	6,124

The comparison between the three years takes into account the impacts of foreign exchange and is not representative of the real changes in personnel costs.

Employee Share Ownership Plans (ESOP)

In line with the L'Oréal policy to share growth with its employees, in 2018, L'Oréal launched its first worldwide employee share ownership plan, with very satisfactory results. This plan was also recognised by the French Federation of Employees and Former Employee Shareholder Associations (FAS), which awarded L'Oréal the CAC All Tradable Grand Prix in 2018.

In 2020, L'Oréal intended to offer a new opportunity for employees to support the growth of the company and participate in its strategic project, by launching a new employee share ownership plan. As in 2018, the plan was designed to collectively envision and unite L'Oréal employees worldwide[1] to the Group's growth objective, by enhancing a feeling of belonging, engagement and solidarity. Eligible employees had the possibility of purchasing shares with preferential conditions including, where permitted by local law, a 20% discount on the share reference price with an employer matching share contribution of up to 4 free shares.

Once again, the plan was internationally a big success with a 35% subscription rate, similar to the first plan, which represents a high level compared to companies that have set up employee shareholding plans[2].

Plan deployed in **57** countries in 2020 - six more than in 2018.

Plans for the conditional grant of shares to employees (ACAs)

L'Oréal sets up long-term remuneration plans in favour of its employees and corporate officers in an international context, in the form of grants of performance shares.

These grants serve a dual purpose:

- motivate and associate those who make significant contributions to future increases in the Group's results; and
- strengthen involvement and the feeling of belonging of its beneficiaries by fostering long-term loyalty in a context of increased competition for talent.

The vesting of these shares is subject to the achievement of performance targets and the beneficiary's continued presence in the Company. To ensure consistency with the Group's strategic objectives, the choice of beneficiaries and the vesting criteria are determined by a specific policy (see Section 5.4. "Long-term incentive plans" of this document). The Board of Directors, subject to the opinion of the Human Resources and Remuneration Committee, carries out the conditional grant of shares and lays down the applicable rules.

50% of the beneficiaries of the 14 October 2020 plan are women. More than 3,600 employees, representing 10% of the managers around the world, nearly 55% of whom are in international subsidiaries, benefit from at least one stock option plan or one conditional grant of shares plan (ACAs), as at 31 December 2020.

Profit sharing schemes

For many years, L'Oréal's policy has been to associate employees in the results of the Company with the aim of strengthening their feeling of belonging and their motivation. In the context of the profit-sharing schemes in place, €368 million were redistributed to L'Oréal's employees in 2020 on the basis of the 2019 results.

In 1968, an employee profit sharing agreement ("participation") was signed in France, followed by another agreement ("intéressement") in 1988, and these agreements have been constantly renewed since then.

Since 2001, L'Oréal has implemented a *Worldwide Profit Sharing Programme* in all the Group's subsidiaries in which the employees do not benefit from legal or contractual profit sharing schemes. The amounts paid within this framework are calculated locally on the basis of the turnover and profit of each subsidiary, as compared to the budgeted targets.

Amounts paid under these programmes *(in € million)*	2018	2019	2020
Total[1]	296	310	368

(1) Profit sharing schemes.

Employee benefit and pension schemes

L'Oréal wants to make sure that its employees benefit from competitive pension and welfare schemes in all countries. Since 2002, a Supervisory Committee for Pension and Employee Welfare schemes ensures the implementation of these schemes in subsidiaries and the monitoring of L'Oréal's Pension and Employee Benefits policy.

L'Oréal's commitments with regard to welfare schemes are part of the "Protect" pillar of the *L'Oréal Share & Care* programme. In all subsidiaries, L'Oréal guarantees the payment of a lump sum, or equivalent pension, equal to a minimum of 24 months' salary in the event of death or total permanent disability, or more where local practice is higher.

(1) The ESOP were implemented in 57 countries in 2020, representing 80% of the countries in which a Group entity employs workers.
(2) 2019 Employee Share Ownership Survey by FAS (Fédération Actionnariat Salarié). The study analyses entities in France which implement ESOP and conducts a recurring survey on these same entities.

The characteristics of pension schemes and other end of career benefits offered by the subsidiaries vary depending on the applicable laws and regulations as well as local practices.

In 83% of the countries where L'Oréal operates, the Group contributes to the set up of complementary retirement plans for its employees in addition to the minimum benefits of the public social security system.

Pension plans are financed by payments into specialised funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of managers of the main funds established, as well as the financial stability rating of custodians, are regularly reviewed by the Supervisory Committee.

L'Oréal does not propose company pension plans in countries which do not have an appropriate legal framework or long-term investment instruments and in countries where there is a satisfactory public social security system. The Supervisory Committee remains attentive to changes in local situations and, when required, additional complementary schemes are put in place.

Overview of the Pension and Employee Welfare schemes in France

Pension schemes

To supplement the pensions provided for by the compulsory French pension scheme, L'Oréal has implemented the supplementary pension schemes described below:

Defined contribution scheme

In September 2003, L'Oréal set up a "defined contribution pension scheme".

All categories of employees are beneficiaries of this scheme, after one year of employment, which is financed jointly by L'Oréal and the employee, and which makes it possible for everyone to build up pension savings. As from 1 January 2016, contributions have been increased on Brackets A, B and capped at half of Bracket C.

This scheme entitles beneficiary pensioners to a lifelong annuity calculated after they claim their pension rights with the Social Security pension system, calculated on the basis of the capital formed by the contributions paid and the financial income on such contributions at the end of the employee's career, as well as the annuity option selected. The employer's commitment is limited to the payment of the contributions stipulated.

Defined benefit schemes

L'Oréal has also set up several differential or additive defined benefit schemes with conditional entitlements, in order to take into account the important developments impacting these schemes and with the aim of arriving at a coherent system between the different pension schemes that exist in the Company.

Order No. 2019-697 of 3 July 2019 transposing EU Directive of 16 April 2014 no longer allows the acquisition of additional new rights in schemes open on 20 May 2014 for employment periods after 31 December 2019. In this context, L'Oréal froze the rights at 31 December 2019 and will finalise the establishment of a substitution scheme for vested rights in compliance with Order no. 2019-697 for employment periods as from 1 January 2020, following the publication of the circular on 23 December 2020. This scheme is considered as the continuation of the old scheme because of the consistency in terms of population and benefits.

The "Supplementary pension scheme for Former Senior Managers" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants) concerns retirees who have held positions as senior managers for a minimum of 10 years, hired or promoted to this position as from 1 January 2016, who end their career in the Company. This is an additional defined benefit pension scheme which grants entitlement to payment of a life annuity. The reference salary taken into account for calculation of the pension is the fraction of the salary which exceeds six times the French annual social security ceiling. The basis for calculation of the supplementary pension is the average of the revalued reference salaries for the best three full years of activity out of the seven calendar years prior to the end of their career. The supplementary pension is 1.36% of the calculation base per year of service within the Group until 31 December 2019, up to a maximum of 25 years. Any retiree who so wishes will be able to choose an option of a surviving spouse pension.

Access to the "Retirement Income Guarantee for former senior managers" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants) was closed on 31 December 2015. This scheme, created on 1 January 2001, was open to former senior managers of L'Oréal who, in addition to fulfilling the requirement of having ended their career with the Company, met the condition of having had the status of senior manager for at least ten years at the end of their career. It provides entitlement to payment to beneficiary retirees of a life annuity, as well as, after their death, the payment, subject to conditions, to their spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base for the Income Guarantee is the average of the salaries for the best three years out of the seven calendar years prior to the end of the senior manager's career at L'Oréal. The Income Guarantee is calculated on the basis of the number of years of professional service in the Company until 31 December 2019, capped at 25 years, each year leading to a progressive and regular increase of 1.8% in the level of the Guarantee. The Income Guarantee cannot exceed 50% of the calculation base or exceed the average of the fixed part of wages. A gross annuity and gross lump sum equivalent are then calculated, taking into account the sum of the annual pensions accrued by beneficiaries as a result of their professional activity and assuming that their age is 65. The life annuity is the result of the conversion into an annuity at beneficiaries' age on the date they apply for their pension of the gross lump sum equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday, and less all salaries paid under any early retirement leave. Around 330 senior managers are eligible for these schemes if they fulfil all conditions after ending their career with the Company.

Access to the "Pension Cover for Members of the Comité de Conjoncture" (Garantie de Retraite des Membres du Comité de Conjoncture) has been closed since 31 December 2000. This former scheme granted entitlement to payment to beneficiary retirees, after having ended their career with the Company, of a life annuity as well as, after their death, the payment under certain conditions to the spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base for the Pension Cover is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The Pension Cover is calculated on the basis of the beneficiary's number of years' service, with a ceiling of 40 years, it being specified that at the date of closure of the scheme, on 31 December 2000, the minimum length of service required was 10 years. The Pension Cover may not exceed 40% of the calculation base, plus 0.5%

per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries. Around 120 Senior managers (active or retired) are eligible for this scheme subject to the requirement, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

Collective Retirement Savings plan (PERCO)

Since 2003, L'Oréal has proposed that employees make savings with a view to their retirement within the scope of the PERCO. If 100% of the Profit Sharing is placed in the PERCO for five consecutive years, an employer's contribution of €600 gross is paid (capped at €4,600/year total PERCO employer contributions). Each year, employees may also transfer 10 days of saved leave time in the PERCO, with an additional employer contribution of 20%.

Pre-retirement arrangements

L'Oréal pays close attention to its employees' retirement conditions. The existing arrangements are, in particular:

- early retirement leave ("congé de fin de carrière", CFC): this early retirement arrangement consists of exempting employees from the requirement to perform their activities, while maintaining their remuneration (up to a limit of €10,342 gross/month) as well as profit sharing, incentives and paid leave. The CFC may range from 3 months for 20 years' seniority to 9 months for 30 years' seniority and more; and
- retirement compensation ("indemnité de départ à la retraite", IDR): the scale set by collective agreement is more favourable than that of the National Collective Bargaining Agreement for the Chemical Industries. Thus, when they retire, employees may benefit from retirement indemnities ranging from 2 months' salary for 5 years' service to 8 months' salary for 40 years of service. In order to increase the special leave prior to retirement, employees may opt to convert all or part of their retirement indemnities into time, or may choose to receive payment of all or part of the retirement indemnities, which will be made at the time they leave the Company.

These commitments are guaranteed by external financial cover aimed at gradually building up funds derived from premiums paid to external organisations.

Employee Welfare schemes in France

In addition to the compulsory guarantees provided for by the collective bargaining agreements, L'Oréal has set up, in France, under an agreement, an Employee Welfare scheme providing additional collective guarantees to its employees.

All these guarantees are based on the gross income up to eight times the French annual social security ceiling, except for the Education Annuity which is limited to up to four times the ceiling. They are generally financed on Brackets A, B and C of income, except for the Education Annuity which is based on Brackets A and B, and the Surviving Spouse Pension which is based on Brackets B and C.

This Employee Welfare scheme provides guarantees in the event of:

- incapacity: to all employees, 90% of their gross remuneration limited to 8 social security caps, at this level net of charges, after the first 90 days of work stoppage; in the event of disability: to all employees, a fraction that is a function of the level of disability, rising to 90% of their gross remuneration limited to 8 social security caps, up to this amount net of charges;
- in the event of death;
- for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death;
- for the employees affiliated with the benefit scheme for managers and employees governed by Article 36 of the AGIRC convention, the payment of a Spouse Pension to the surviving spouse. This ensures that the spouse has an income similar to the Surviving Spouse Pension paid for supplementary retirement contributions on the portion of remuneration greater than the annual cap on social security if death had occurred at the age of 65; and
- for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

Minimum guaranteed lump sum death benefits

L'Oréal has established an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefit in an amount equal to three years' average income. The total amount of the risk capital needed to fund the Surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is capped.

Healthcare expenses

The healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries. Employees have the option of including their family members in these schemes. Contributions are generally individual. The contribution by the employee is partly financed by the Company.

4.3.2.6. Promoting Diversity and Inclusion

Diversity and Inclusion are strategic challenges for the Group, whose objective is to have teams that reflect this diversity and to offer them an inclusive work environment, in order to respond to the aspirations of consumers around the world in their infinite diversity. L'Oréal has defined four pillars to continue to make progress on the challenges of Diversity and Inclusion:

1. **Gender**: achieve gender parity at all levels and functions of the company; contribute to the establishment of more inclusive environments in favour of the LGBTQIA+ community everywhere in the world; engage against any type of harassment or violence, particularly sexual harassment and gender-based violence;
2. **Disability:** accelerate the inclusion of people with disabilities, internally, with a minimum target in all countries. The Group also adopts an inclusive approach towards consumers, suppliers and all stakeholders;
3. **Socio-economic and multicultural origins:** increase the diversity of socio-economic and cultural origins in the Group's teams; and
4. **Age and generations:** a new pillar launched in 2020, with the goal of promoting dialogue and cooperation among employees of different generations, both for seniors and for young graduates.

The Group's Diversity and Inclusion policy is also reflected in an approach with its suppliers (see section 4.3.3.5 "Solidarity Sourcing" of this document), consumers, local communities, NGOs and associations dedicated to inclusion on each continent.

To achieve its objectives, L'Oréal relies particularly on an internal network of "Diversity Coordinators", in all of its entities, who are the guarantors of the Diversity and Inclusion policy which they adapt to their local context.

In 2004, L'Oréal was a founding member of the first "Diversity Charter" in France, and is now a signatory of 28 charters around the world.

The Group shares its achievements and progress in a dedicated section on the loreal.com website, as well as on all local versions.

To measure the perception of the Diversity and Inclusion of employees, the annual opinion survey conducted internally includes questions on this issue.

In advertising and marketing its products, L'Oréal is committed to communicating responsibly by ensuring that it respects the infinite diversity of beauty needs and desires around the world. In its Code of Ethics, the Group commits not to harm the dignity of human beings or present degrading stereotypes in its advertising. It is also sensitive to possible reactions from different religious, ethnic, cultural or social groups.

Gender equity: professional parity and equality for women and men

Achieving real gender equality, up to the most strategic positions, is a key challenge for L'Oréal, both to promote a culture of inclusion and strengthen its ability to innovate. The Group therefore ensures that all jobs are accessible to women and men, both at the level of recruitment and with regard to opportunities for career development. Special attention is given to pivotal periods such as parenthood (see Section 4.3.2.4. "*L'Oréal Share & Care*").

The diversity and gender balance policy deployed in the Group includes, in particular, an objective for gender equality in strategic positions by 2023 (280 positions with the greatest responsibility, the "TOP 280"). General Management reports annually to the Board of Directors on this policy and the results obtained during the previous financial year.

Since March 2019, L'Oréal has published its "Index of professional gender equality", which is calculated using five indicators defined by the "Professional Future" law. This 2021 Group Index is at 96% for all of L'Oréal's French entities.

Since 2007, L'Oréal has collaborated with the INED (National Institute for Demographic Studies) to conduct an annual analysis of the differences in remuneration between women and men working in France. The aim is to guarantee identical pay for people with the same level of skills and the same classification. The median pay gap in France narrowed from 10% in 2007 to 0% in 2019 for all categories[1].

In addition to the INED analysis in France, in 2020 L'Oréal launched a new tool based on the "EDGE Unexplained Gender Pay Gap Methodology" to calculate and measure salary equality for women and men. This tool was launched as a pilot in 15 countries (representing 70% of the global workforce) in 2020: Australia, Brazil, Canada, China, Denmark, France, Germany, India, Indonesia, Italy, Mexico, Spain, Switzerland, the United Kingdom and the United States.

L'Oréal's goal is to eliminate any "unexplained" gender pay gap.

L'Oréal and gender balance

As of 31 December 2020, women account for:

- 69% of the total workforce;
- 64% of managers;
- 47% of expatriates in place;
- 49% of key positions;[2]
- 67% of employees promoted;
- 59% of international brand directors☑;
- 49% of positions of greater responsibility within L'Oréal SA;[3]
- 54% in positions of greater responsibility within the Group;[4]
- 26% of Executive Committee members; and
- 58% of members of the Board of Directors.

L'Oréal chose to have its gender equality practices and policies audited and relies on two independent organisations to measure and assess the situation of each subsidiary: Gender Equality European & International Standard (GEEIS) and Economic Dividend for Gender Equality (EDGE).

Since 2010, the Group's head office in France and 23 of its countries have been awarded the GEEIS label, and are audited every two years by Bureau Veritas to measure the progress achieved. The countries currently certified are: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

As of today, 7 other countries rely on the EDGE certification process. Subsidiaries are audited by Flocert or Intertek in order to be certified. L'Oréal USA was the first country to earn the label in 2014. The countries currently certified are: Australia, Brazil, Canada, United States, India, Russia, and the Philippines.

As of today, 59% of the workforce was covered by one of the two audit certifications of the Group's practices and policies on gender equality.

In 2020, a total of 30 countries☑ continue to be EDGE or GEEIS certified.

☑ *The Statutory Auditors have expressed a reasonable assurance with regard to this indicator.*
(1) *For more information, see the "Diversity and Inclusion Key Figures" page on the loreal.com website.*
(2) *Strategic and key positions at the Group level (around 1,500 positions).*
(3) *These positions represent 12.1% of L'Oréal S.A. employees as of 31 December 2020.*
(4) *These positions represent 6.2% of Group employees as of 31 December 2020.*

Being a company that is committed against gender-based violence

In 2018, L'Oréal was the first company to join the "One In Three Women" network, the first European network of companies committed to fighting violence against women in the private sphere[1]. Its aim is to create and test measures to combat violence against women and to support the employees concerned, through specialised NGOs.

Concrete actions were taken in 2020 with the "One in Three Women" network, such as:

- during the Covid-19 crisis, L'Oréal supported the Fédération Nationale Solidarité Femmes (FNSF), through a national awareness campaign (digital billboards or advertisements on the metro and radio). Internally, L'Oréal asked employees to support the FNSF with a micro-donation;
- an e-learning was created to raise employee awareness;
- on November 25, International Day for the Elimination of Violence against Women, the "One in Three Women" network launched a podcast, in which L'Oréal participated to describe its commitments and actions.

After having committed to support the ILO's adoption of the first international convention against violence and harassment in the workplace in 2019 along with the NGO, CARE, L'Oréal established a policy on domestic violence in 2020. The rollout of this policy is planned for early 2021.

When it was launched in 2018, the #StOpE initiative against so-called "ordinary" sexism in the workplace, led by L'Oréal France with AccorHotels and EY, brought together 30 companies and organisations that signed a commitment under the patronage of the French Minister for Equality between Women and Men and the Fight Against Discrimination. Today, 114 organisations take part in this initiative and have implemented at least one of the eight priority actions identified. An e-learning was developed collaboratively by 7 companies in the network.

Contributing to the establishment of more inclusive environments in favour of the LGBTQIA+ community

With a presence on all continents, L'Oréal contributes to the establishment of more inclusive environments for LGBTQIA+ community[2].

- L'Oréal has been one of the sponsors of the LGBTI Standards of Conduct established by the United Nations High Commissioner for Human Rights since 2018;
- In 2019, a policy for co-parent was implemented in France and the United States, with the same rights established for paternity leave. Other countries followed and this policy will be integrated into the new version of the *L'Oréal Share & Care* programme in 2021;
- In 2020, L'Oréal published its Employee Human Rights Policy; and
- L'Oréal USA again received the maximum score of 100 on the 2020 Corporate Equality Index of the Human Rights Campaign Foundation, which reflects its commitment.

Promoting the inclusion of people with disabilities

For more than 15 years, L'Oréal has applied a global policy to include people with disabilities within the Company. In 2020, the Group employed 1,381 people with disabilities, *i.e.* 1.6% of the total workforce. L'Oréal has renewed its target of having at least 2% employees with disabilities by 2025 in countries without specific local regulations. The disability pillar of L'Oréal's Diversity and Inclusion policy covers the following five priorities:

- Recruitment: L'Oréal promotes the recruitment of people with disabilities in all countries;
- Declaration of disability: create the conditions for employees to declare their disability, so that the company can adapt positions, jobs and support;
- Digital accessibility: any new digital platform must now meet this objective;
- Employee awareness: internal communication and training are closely linked to the success of the Disability pillar of L'Oréal's Diversity policy; and
- Sharing best practices: collaboration with experts, associations and NGOs recognised on the subject is an important element in advancing inclusion within and outside the Group. An active member of the ILO since 2010, L'Oréal was one of the first signatories of the Global Business and Disability Network Charter in 2015.

In November 2020, L'Oréal signed *The Valuable 500* charter, a private sector, inter-company initiative on the national and international markets to promote the inclusion of people with disabilities.

Reinforcing multicultural and socio-economic diversity

L'Oréal's goal is to reflect the diversity of the markets in which it operates, at all levels and in all functions. Particular attention is therefore paid to the diversification of recruitment pools, to ensuring equal opportunities in terms of professional development, and to raising the awareness of employees and management on this subject.

- 167: Number of nationalities (in the global workforce) distributed among the 68 countries.

Since 2015, L'Oréal has supported the Equal@Work network of the European Network Against Racism (ENAR), which helps to ensure progress on this important issue.

Since 2019, L'Oréal has been an active member of the Tent Partnership for Refugees, a global network of 140 companies that support refugees. This partnership allows L'Oréal to strenghten the socio-economic and multicultural diversity of its teams, and to attract candidates concerned.

Training employees in Diversity and Inclusion

In order to support these initiatives, L'Oréal trains its employees in Diversity and Inclusion by organising "Diversity Training Workshops". At the end of 2020, over 65,000 employees had participated in these sessions. In the context of Covid-19, a virtual version of the workshop was made available in 2020 with a "Train the Trainer" module.

(1) *This is an initiative of the Foundation Agir Contre l'Exclusion (FACE) and the Kering Foundation.*
(2) *LGBTQIA+: Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual, +.*

Since 2010, L'Oréal has participated in the EVE programme, an initiative led by the Danone Group, aimed to help women to be agents of change in their company and to develop their leadership and careers. Since its launch, more than 570 of the Group's employees, both men and women, have taken part in this programme. The Group wanted to go further by partnering with Danone to create editions in Asia in 2014 (EVE Asia-Pacific), and Africa (EVE Africa) since 2017.

On "MyLearning", the Group's internal platform dedicated to training, a page devoted to the issues of Diversity and Inclusion was created in 2020.

In 2020, the Group set up an e-learning module on unconscious bias, which is today available in 7 languages. 95% of recruiters have also received virtual training on this issue.

Awards obtained in 2020

L'Oréal has been recognised on several occasions for its excellence in the area of Diversity and Inclusion:

- L'Oréal was again recognised by the Bloomberg Gender-Equality Index acknowledging the most advanced companies in the area of gender equality;
- In March 2020, L'Oréal was ranked first in Europe – out of 255 companies listed on the stock market – in a study conducted by Equileap and financed by the European Commission on Gender Equality; and
- L'Oréal ranks in the top 10 of the top 100 companies in the 2020 Refinitiv Global Diversity and Inclusion Indxe.

4.3.3. Human rights policy

4.3.3.1. A commitment of the entire organisation

L'Oréal's commitment to Human Rights is based in particular on the Universal Declaration of Human Rights, the United Nations Guiding principles on Business and Human Rights and the Fundamental Conventions of the International Labour Organization, although these conventions have not all been ratified by all the countries where L'Oréal operates.

The Group completed a generic review of the Human Rights issues related to its operational activities and commercial relationships, and identified four groups of impacted stakeholders that inform the Group's Human Rights policy:

- the human rights of our employees;
- the human rights of our suppliers's employees;
- the human rights of consumers; and
- the human rights of communities.

In order to achieve its goals in Human Rights and face these risks, L'Oréal has been a member of the United Nations Global Compact since 2003, and is committed to respecting all internationally recognised Human Rights. A specific partnership was also signed in 2019 with the *Danish Institute for Human Rights* to support the Group in the implementation of Human Rights. This commitment to respecting Human Rights is supported each year at the highest level of the Company by its Chairman and Chief Executive Officer, by the Chief Ethics Officer and the Chief Sustainability Officer, who also chairs the Group's Human Rights Committee. Aware of the scale of the challenge throughout its entire value chain, L'Oréal has set ambitious goals to respect Human Rights with regard to its consumers (see section 4.3.3.2. "Measures taken in favour consumers" of this document), its employees (see section 4.3.3.3. "Measures taken in favour of L'Oréal employees" of this document), its suppliers's employees (see section 4.3.3.4. "Measures taken to respect employees of the Group's suppliers in the context of their working conditions" of this document), local communities (see section 4.3.3.5. "Measures taken in favour of local communities" of this document) and for women in particular (see section 4.3.3.6. "Measures taken to promote the rights of women" of this document), through various internal or public documents.

The L'Oréal Spirit	Main commitments with regard to employees (hygiene, health and safety, diversity, sexual and moral harassment, respect for privacy).
	The Group's commitments to the abolition of child labour and forced labour, the selection of suppliers and the contribution to the community.
Code of Ethics	L'Oréal's commitments to respecting and promoting Human Rights, with reference in particular to the 1948 Universal Declaration of Human Rights and the 2011 United Nations Guiding Principles on Business and Human Rights.
Human Rights Policy	L'Oréal's commitments to its stakeholders, particularly its consumers and civil society, and which describes the way in which these commitments are fulfilled in practice.
Employee Human Rights Policy	In 2020, L'Oréal launched a specific policy on Employee Human Rights that undertakes to respect a base of universal Human and Social Rights for its employees, regardless of their position or location in the world.
"The Way We Buy"	A practical guide intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties in relationships with suppliers.
Ethical Commitment Letter	The main suppliers and subcontractors are asked to comply with the letter of ethical commitment that refers to compliance with the Fundamental Conventions of the International Labour Organization as well as local laws (see section 3.4. "Vigilance Plan" of this document).
"Suppliers/Subcontractors and Child Labour"	Description of the main commitments concerning child labour by suppliers/subcontractors.
L'Oréal's Influencer Value Charter	L'Oréal does not work with influencers under the age of 16 or the legal contractual age.
Employee evaluation system	"Treats all individuals in a respectful and consistent manner" ethical competency is included in the annual appraisal system for all employees.
Speak Up policy	L'Oréal's Speak up policy, running since 2008, enables employees to report serious violations of Human Rights and Fundamental Freedoms, health and safety of people and respect for the environment, notably via a secure Internet site (ethics whistleblowing channel) directly to the Senior Vice-President and Chief Ethics Officer, delegated by the Chairman. The Group's ethics whistleblowing channel (www.lorealspeakup.com) has also been accessible to all Group stakeholders since 2018.
An annual ethics reporting system	This system allows monitoring of the implementation of the ethics programme, particularly with regard to Human Rights. The subsidiaries are informed of their potential areas for improvement by the Office of the Chief Ethics Officer. 100% of the subsidiaries completed their annual ethics reporting in 2020.
Procedures for prospective acquisitions	When prospective acquisitions are being reviewed, the responses to the "Ethics and Human Rights questionnaire" submitted to target companies serve to identify whether they have properly taken into account risks related to failure to respect Human Rights (abolition of child labour and compulsory and forced labour, etc.), among other issues.

Raising employee awareness

Ongoing communication	The Group's Human Rights policy is communicated to all Group employees. On 10 December 2020, for the second consecutive year, to celebrate the UN International Human Rights Day, the Group launched a campaign on Human Rights for the second consecutive year to increase employee awareness on this issue. On this occasion, the Chairman and Chief Executive Officer addressed all employees and restated the importance of the Group's commitment. This campaign is intended to strengthen the Group's Human Rights culture, and highlights the specific advances made on these issues. The Chief Ethics Officer regularly visits the Group's entities all over the world to meet employees at all levels of the Company. 100% of the subsidiaries have communicated on at least one Human Rights subject[1].
Training	Specific training is being rolled out for the management committees. ● A specific, compulsory e-learning course on ethics covering certain Human Rights themes is currently being rolled out in all subsidiaries. As of 31 December 2020, 76% of the employees with access to the online module had completed this course. ● In 2020, 59 purchasers were trained in responsible purchasing practices. This training is compulsory for any new purchaser. 98% of the Group's subsidiaries included issues related to Human Rights in their local training programme.

(1) *Venezuela, Caribbean and Retail Excellence are excluded*

4.3.3.2. Measures taken in favour of consumers

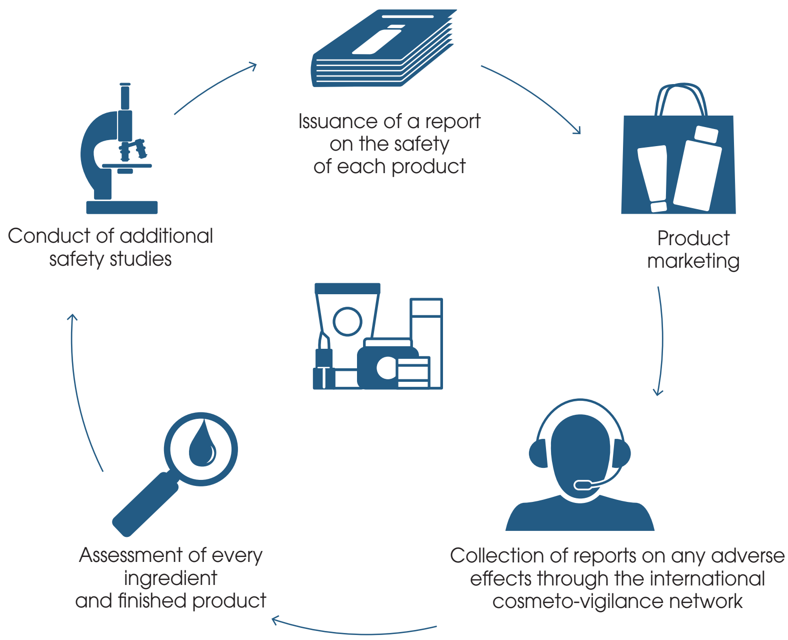
Product quality and safety: a priority

A chapter of L'Oréal's Code of Ethics is devoted to product quality and safety.

Consumer safety is an absolute priority for L'Oréal: assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market.

100% of L'Oréal Group's products are subject to a rigorous safety assessment.

The Worldwide Safety Evaluation Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients used and the tolerance of the formulas before they are launched on the market. The same safety standards are applied worldwide to ensure that consumers from across the globe have access to products of identical quality. L'Oréal goes one step further in safety assessments by monitoring the potential adverse effects that may arise once the product is on the market through its international cosmeto-vigilance network. This network collects, validates and analyses, using recognised rigorous methodologies, the adverse effects related to the use of a product. This allows for appropriate corrective measures to be taken where necessary.



In responding to questions that civil society may ask regarding certain substances and their effects on health and the environment, three points summarise L'Oréal's position:

- vigilance with regard to any relevant new scientific data;
- co-operation with the relevant authorities; and
- precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk.

The launch of the website "Au coeur de nos produits"(1) (*Inside our products*) in 2019 is testimony to the Group's desire for increased transparency on this issue.

Finally, production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all plants are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard.

(1) *Inside-our-products.loreal.com*

The product safety assessment process

L'Oréal has set up a process to ensure that all products developed by the Group, whatever the geographical location of the laboratory in charge of the project, are subject to the same level of rigorous safety evaluation. The assessments by the Worldwide Safety Evaluation unit, based on a multidisciplinary scientific approach, are carried out at all stages of the life cycle of the products. This approach enables L'Oréal to meet the safety requirements of the national regulations in force in all the countries in which its products are put on sale, testifying to their safety of use. A safety assessment is conducted for each product launched on the market.

The product safety evaluation is based on the evaluation of each ingredient that enters into the composition of the product and the finished product itself. It is carried out on the basis of existing safety data and the latest scientific knowledge, and takes into consideration the conditions of use of the product. If necessary, L'Oréal conducts additional safety studies in qualified laboratories all over the world. The results of these studies are interpreted by experienced scientists who are specially trained in safety issues with regard to cosmetic ingredients and products.

Furthermore, L'Oréal's ethical principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach whereby formulations are evolved by removing and/or replacing substances on the basis of new data.

L'Oréal's added value, in terms of the safety assessment of ingredients and finished products, lies in its investment for nearly 40 years in the development of predictive methods and tissue engineering, and their international regulatory recognition. For many years, the Group has thus been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works closely with all the international stakeholders involved in relevant industries in order to progress the development of alternative cross-disciplinary solutions in the field of safety assessment.

This longstanding commitment means that since 1989, or 14 years before regulations required, the Group no longer carries out animal testing in laboratories for any of its products. Equally, L'Oréal no longer tests its ingredients on animals. L'Oréal no longer tolerates any exceptions to this rule and this applies worldwide. The Group also does not delegate responsibility for doing so to anyone else. Some health authorities may nevertheless decide to carry out animal testing themselves for certain cosmetic products and this is still the case in China. For more than 10 years, L'Oréal has been the company most committed to getting Chinese authorities and scientists to recognise alternative methods and changing cosmetic regulations to achieve the complete and final elimination of animal testing. A a result, since 2014, some products manufactured and marketed in China such as shampoos, shower gels and certain make-up products are no longer tested on animals.

In fact, L'Oréal's products continually evolve as and when technological innovations occur, but with the constant desire to guarantee the highest level of safety for both consumers and professionals.

Other measures in favour of consumers

Brand programmes	Several L'Oréal brands conduct awareness campaigns to promote healthy behaviour. They include: ● La Roche-Posay with its action against skin cancer: more than 110 million people have committed to having their moles checked to prevent melanoma since the campaign was launched in 2014, and the brand has funded more than 500,000 free examinations of moles in 40 countries; ● L'Oréal Professionnel with its action to prevent musculoskeletal disorders: more than 35,000 downloads of the app that trains hairdressers on stretches and warm-up exercises to prevent musculoskeletal problems. As health authorities are increasingly concerned about the eating disorders affecting some young women, L'Oréal's Code of Ethics states that the Group will not work with models who clearly present a major behavioural disorder. Moreover, advertising encouraging the use of drugs, alcohol or tobacco must be avoided. At Corporate level, L'Oréal has created a department responsible for the pre-approval of advertising messages for all the products that the Group markets worldwide. This central entity is made up of experts who have an extremely precise knowledge of the performances of L'Oréal products as well as a perfect grasp of advertising regulations.
Transparency and awareness	● L'Oréal relies on its scientific teams to answer consumers' questions about the ingredients in its products through its "Inside our Products" platform that came on line in 2019. This is a space entirely dedicated to providing information to consumers about the quality and safety of L'Oréal's ingredients, requirements and processes. The website is available in five languages in 23 countries. ● The "Trions en beauté" (Sort by Beauty) initiative: an awareness campaign conducted by the Group's brands. The goal of this site developed by L'Oréal France is to support consumers in their sorting process. In particular, it explains how to sort each of the different types of packaging for cosmetic products, as well as the importance of recycling for our environment, and encourages everyone to act.
Respect for privacy and protection of personal data	A chapter of L'Oréal's Code of Ethics is devoted to respect for privacy and personal data. Anyone whose personal data are collected by L'Oréal must be informed of the type of information collected, the use that L'Oréal intends to make of them and ways to contact the Group for any questions. Only necessary data are collected. Data are kept safe, and any inaccurate or incomplete data are corrected or destroyed. The Group's principles governing the processing of personal data have been disseminated all over the world to raise the awareness of all employees about respect for ethical principles, and legal and regulatory requirements in the matter. This policy is described in the *"Data"* section of the chapter devoted to risk factors (see Section 3.5.3.1.1.).

4.3.3.3. Measures taken in favour of L'Oréal employees

L'Oréal has also implemented several other policies that contribute to the respect of employees' Human Rights and Fundamental Freedoms, notably through its policies on workplace health and safety, social dialogue and diversity, and its *Share & Care* programme (see section 4.3.2.4. "Creating the conditions for a positive and attractive work environment" of this document).

The Group ensures that all employees receive at least the minimum salary set by local law or the applicable collective agreements, and that they receive a living wage[(1)] that covers their basic needs, calculated in line with best practices.

Lastly, L'Oréal's subsidiaries must comply with applicable local legislation and the minimum set of core rules designed to prevent serious Human Rights violations. The details and implementation of these rules is described in L'Oréal's Vigilance Plan (see section 3.4. "Vigilance plan" of this document) which also explains the Group's organisation in the area of Human Rights.

4.3.3.4. Measures taken in favour of employees of the Group's suppliers in the context of their working conditions

L'Oréal seeks out suppliers that share its ethical commitments, namely with regard to the Human Rights and working conditions of their employees.

L'Oréal's commitments are communicated to all suppliers via the general terms of purchase. Moreover, suppliers identified in the Group's risk mapping must sign an ethical commitment letter; some may also be audited. The details and implementation of this Buy & Care programme are described in L'Oréal's Vigilance Plan in section 3.4. "Vigilance plan" and 4.3.1.3.2. "Within the supply chain" of this document.

L'Oréal wants to carry this goal beyond the Group. This is why the *L'Oréal for the Future* programme includes a new demanding commitment: ensuring that all employees of strategic suppliers are paid at least the level of a "living" wage. Calculated by region and aligned with the best local practices, these new standards must allow employees to cover their basic needs and those of their family for decent housing, food, education and any other needs. In many countries, this "living" wage goes beyond the legal minimums.

(1) This means an amount that covers basic needs, calculated in line with best practices and the support of independent experts.

4.3.3.5. Measures taken in favour of communities

As part of the "Developing Sustainably" pillar with communities in the Sharing Beauty With All programme, the Group's action has enabled more than 100,000 people from socially disadvantaged or poor communities to access employment.

In 2020, **100,905 personnes** people from underprivileged communities gained access to employment.

SHARING BEAUTY WITH ALL

Target 2020
100,000

2020 targets	2020 results
100,000 people from underprivileged or poor communities will be able to access employment through the following programme:	100,905 people from underprivileged or poor communities have access to work.
• Solidarity Sourcing;	81,138 people accessed work through the *Solidarity Sourcing* programme.
• Professionalisation in the beauty industry;	18,386 people from extremely vulnerable environments were trained in beauty professions.
• Employment of people with disabilities and people from under-represented socio-ethnic groups.	1,381 people with disabilities worked for L'Oréal[(1)].

(1) This figure takes into account the total number of disabled employees (with permanent and fixed-term employment contracts) as of 31 December 2020. This indicator only takes into account employees who wanted to declare their disability and have it recognised, as all the employees concerned do not systematically wish to do so.

SOME MEASURES TAKEN IN FAVOUR OF LOCAL COMMUNITIES

Throughout the production chain	The environmental risks related to L'Oréal's sites and activities may potentially have an impact on the local communities in which the Group operates. In this area, L'Oréal has a long-standing commitment to managing risks and reducing its environmental footprint, and is implementing an ambitious policy described in detail in section 4.3.1. "Environmental policy" of this document.
A responsible approach to property assets	For prospective acquisitions of premises or building land, L'Oréal must ensure that the former owners and/or occupiers have not been unfairly removed and/or that any expropriation by the authorities was conducted in accordance with international law, namely with the free agreement and compensation of the previous owners and/or occupants.
Responsible sourcing	See "Giving preference to the use of sustainably sourced renewable raw materials" in Section 4.3.1.3.3. "Throughout the product life cycle" of this document.

***Solidarity Sourcing*: Using the Group's purchasing power to serve social inclusion**

Through its Solidarity Sourcing programme, due to its many manufacturing and administrative sites all over the world, L'Oréal is heavily involved in the life of local communities in the areas neighbouring its sites. While being a company committed to demonstrating strong corporate citizenship, L'Oréal makes a contribution to many local projects.

This ambition was reflected in a commitment in the Sharing Beauty With All programme: to allow more than 100,000 people from underprivileged or poor communities to access work by the end of 2020. This means that L'Oréal supports more people outside the Company than there are employees in the Group. L'Oréal also created its global Solidarity Sourcing programme in 2010. Its aim is to use the Group's purchasing power to serve social inclusion by dedicating part of its purchases to suppliers providing access to work and a sustainable income for people who are generally excluded from the labour market, economically vulnerable communities, including small businesses and those that have trouble accessing major contractors.

The *Solidarity Sourcing* programme concerns for example: fair trade producers, companies which employ people with disabilities, social insertion enterprises or companies owned by minorities (when this is permitted by national legislation).

Solidarity Sourcing offers a novel purchasing approach due to its global, holistic nature:

- the programme is deployed in all geographic zones;
- it concerns all areas of purchases (raw materials, packaging, subcontracting, promotional items and indirect retail, etc.); and
- it comprises an environmental component for the projects that require it.

The ambition of the programme is to associate economic performance with a positive corporate social responsibility footprint.

Global beneficiaries of the Programme included 2,472 people with a disability in 30 countries in 2020. This number of beneficiaries tripled in six years.

L'ORÉAL SOLIDARITY SOURCING

In 2020, as part of the Solidarity Sourcing programme, **81,138** economically or socially vulnerable people gained permanent employment.

At the end of 2020, the *Solidarity Sourcing* programme enabled 81,138 people from underprivileged or poor communities all over the world to gain access to work or to keep a job and receive a decent income. This represents an additional 10,226 people (14%) compared with 2019 on a like-for-like basis. *Solidarity Sourcing* has 379 projects up and running in 568 local initiatives in 57 countries, with the support of 72 third parties.

This programme has offered the opportunity for the Group's purchasers to enrich their jobs by contributing to improving the lives of thousands of people involved in the production of the goods and services purchased. As a result, in 2020, 165 buyers were involved in a *Solidarity Sourcing* project, an increase of 18% compared to 2019.

In addition, L'Oréal encourages its strategic suppliers to implement programmes inspired from the Solidarity Sourcing programme for their own purchases. In 2020, 22% of these suppliers have thus applied a similar programme. L'Oréal pledged that 20% of them would be involved in the project by the end of 2020: this goal was achieved.

L'ORÉAL SOLIDARITY SOURCING

In 2020, **22%** of strategic suppliers were involved in the Group's Solidarity Sourcing programme.

SHARING BEAUTY WITH ALL

Target 2020 20% achieved

FOCUS on the Group's solidarity purchases in France

77 projects of the global Solidarity Sourcing programme support employment in France (1 in 5 projects). France, the birthplace of the Group, is the country that undertakes the highest number of Solidarity Sourcing projects (out of 57 countries in which the programme operates) and the fifth country in number of beneficiaries behind Burkina Faso, Indonesia, Madagascar and the United States.

In 2020, solidarity purchases in France represented 2,509 full-time jobs. The number of jobs generated by the *Solidarity Sourcing* programme in France was up 6% compared with 2019 (147 jobs), thanks in large part to the mobilisation of Group purchasing managers and 67 suppliers.

These projects cover a wide range of purchases, including cardboard, glass and plastic packaging, POS advertising materials, and services, packaging and logistics:

- nearly 28% of the beneficiaries are people with disabilities (693 jobs); and
- more than half of the beneficiaries are in zones classified as vulnerable (1,306 jobs). These are areas classified as "Rural Revitalisation Zones" (ZRR) and "Sensitive Urban Zones" (QPV). These jobs, located on the sites of 22 Group suppliers, cover production needs (glass bottles, tubes, cardboard boxes, subcontracting) or services related to our business.

Other solidary purchase projects in France mainly concern support for Living Heritage Enterprises (EPV), SMEs, older workers facing hiring discrimination, women entrepreneurs, women who are victims of domestic violence, people being integrated into society, and a bio-solidarity cooperative.

Employees mobilised: *Citizen Day*	Every year since 2010, L'Oréal's employees spend a day of their working time offering their skills and devoting their energy to several hundred associations in the social and environmental field. This involves, for example, cleaning natural sites, setting up well-being workshops for people in vulnerable situations, repainting centres for seniors or people facing hardships, helping job-seekers prepare their CVs, etc. L'Oréal continued to innovate in its citizen commitment and developed the L'Oréal Citizen programme[1], offering employees the possibility of contributing to different causes through several solidarity formats: a call for projects, skills sponsoring, salary rounding, etc. This year, given the Covid-19 health crisis, Citizen Day was adapted and modified to a remote solidarity mobilisation in many countries. The programme included: e-volunteer missions, online solidarity hackathons, crowdfunding campaigns and others.
***Beauty for a Better Life*: a L'Oréal Foundation programme**	Convinced that beauty contributes to the process of rebuilding oneself, the L'Oréal Foundation, through its Beauty For a Better Life programme, assists fragile people in improving their self-esteem by giving them access to free beauty and well-being care. It also promotes employment for vulnerable women through excellence training programmes in the beauty professions. The L'Oréal Foundation supports and funds the provision of free beauty care and well-being treatments in medical and social environments through the partnerships it has built with non-profit and hospital organisations such as Unicancer, Emmaüs or even Joséphine. These treatments are provided by specially trained socio-beauticians or socio-hairdressers. They play a role in improving well-being, self-esteem, fighting spirit and social cohesion. They offer essential moments, whether for patients whose bodies are ravaged by illness or for people in a fragile social situation. A new initiative implemented by the L'Oréal Foundation since 2019 to allow access to this care for women in fragile social situations who are geographically isolated: a bus fitted with a care room travelled to rural areas and priority neighbourhoods to give 850 women these social-beauty care services. In 2020, nearly 35,500 people received beauty care and well-being treatments in France, allowing the L'Oréal Foundation to support over 9,000 vulnerable people. The L'Oréal Foundation, in partnership with local NGOs, also offers free training in beauty professions (hairdressing and makeup) to women in very difficult social or economic situations to assist them in finding employment. As a result, at the end of 2020, 18,386 people from extremely vulnerable environments were trained in beauty professions. In 2020, more than **35,500 beauty care** and well-being treatments were provided in France, enabling the L'Oréal Foundation to support more than 9,000 disadvantaged people. At end-2020, as part of the "Beauty For a Better Life" programme, **18,386** people from extremely vulnerable environments were trained in beauty professions.
A L'Oréal Foundation partnership with Médecins du Monde to put a smile on children's faces	The L'Oréal Foundation also supports the Médecins du Monde (Doctors of the World) association's reconstructive surgery operations (Opération Sourire – Operation Smile) for children who suffer from congenital malformations and young women who have been victims of acid-throwing attacks. The Foundation allows these people to regain their integrity and return to their community.

(1) The citizen commitments are detailed on the website: https://www.loreal.com/en/articles/commitments/l-oreal-citizen/

4.3.3.6. Measures for the promotion of women's rights

As an active supporter of the UN Women's Empowerment Principles, the Group is involved in numerous initiatives aimed not only at improving the situation of women in the private and public spheres, but also at recognising the contribution of women to the advancement of humanity.

Responsible communication	The Group's Code of Ethics and the principles of "Responsible Communication", which are summarised in an operational brochure distributed worldwide, cover namely the prohibition of stereotypes and degrading images of women.

Gender equality	Achieving real gender equality, up to the highest levels of responsibility, is a key challenge for the Company, both to promote a culture of inclusion and to increase L'Oréal's ability to innovate. The Group therefore ensures that all jobs are equally accessible to women and men, both at the level of recruitment and with regard to career development possibilities. Special attention is given to pivotal periods such as parenthood. For more information, see "Guaranteeing and achieving professional gender equality" in section 4.3.2.6. "Promoting diversity and inclusion" of this document. During supplier audits, L'Oréal also seeks to ensure the absence of discrimination and sexual harassment.
For Women in Science: a programme of the L'Oréal Foundation	Since 1998, the L'Oréal-Unesco For Women in Science programme works to accelerate the careers of female scientists and fight the obstacles they encounter so that they can contribute to solving the great challenges of our time for the benefit of all. As of this date, the International "L'Oréal-UNESCO For Women in Science" Awards has honoured 112 women, distinguished for their careers and the excellence of their scientific work. They include Professors Elizabeth H. Blackburn, Ada Yonath and, this year, Professors Emmanuelle Charpentier and Jennifer Doudna, who received a Nobel Prize after winning the International Prize. Since 2000, the programme also recognises more than 250 young talented scientists at doctoral or post-doctoral level in over 110 countries, 15 of whom will be selected to represent the future of science on an international level. A total of more than 3,600 female researchers have been supported worldwide in the last 22 years. To support these scientific women even further, and to allow them to break the glass ceiling more easily, the L'Oréal Foundation has also made a commitment to train them in skills to which they generally do not have access during their academic courses (such as personnel development, management, communication, negotiation). For two years, the Foundation has also led an ambitious initiative: "Men for Women in Science". The goal is to involve the leaders of scientific institutions, who play a key role in changing the system, to join the movement for a more inclusive science and society that benefits everyone. Over fifty male scientific leaders around the world have made a commitment through a charter to remove the brakes on the advancement of women in the sciences and accelerate the change in the culture and practices. Since the under-representation of women in the scientific fields originates during the school years, the Foundation launched the "For Girls in Science" programme in 2014. The goal: to improve the appeal of science, encourage scientific careers for young female students, and fight gender stereotypes. More than **3,600 women in science** from over 118 countries have received awards or been recognised since 1998.
The L'Oréal Fund for Women	**The L'Oréal Fund for Women: a new charitable fund to support women in extremely vulnerable situations.** The crisis triggered by the Covid-19 health crisis has exacerbated many inequalities, with particularly devastating effects for those who were already struggling socially or economically or were victims of abuse, where women are at the top of the list. For this reason, in the context of its new *L'Oréal for the Future* programme, L'Oréal, which has long been committed to supporting women's rights, created a €50 million charitable endowment fund to support local organisations and associations in the field in their efforts to: • help women in extremely vulnerable situations; • encourage social and professional integration of women; • provide assistance to refugee women; • provide assistance to disabled women; • prevent domestic and sexual violence and support victims; and • overcome obstacles to women and girls' access to education.
Brand programmes	Brands are taking a stand, such as SkinCeuticals, the skincare expert brand, which has launched, with the NGO ReSurge International, a programme designed to train the first generation of women in reconstructive surgery in developing countries. Alongside the NGO Care, Lancôme is taking part in Write her Future, an international programme aimed at fighting illiteracy among girls. The programme has more than 23,000 beneficiaries to date. Since 2012, L'Oréal Paris has organised the ELLE Active forum in collaboration with "ELLE" magazine. This forum is dedicated to the empowerment of women. Every year, through its *Women of Worth* programme in the United States, L'Oréal Paris awards US$135,000, or more than €110,000 to 11 exceptional women to support them in their efforts to help their communities.

Responsible and inclusive purchasing	Two-thirds of beneficiaries of the Group's solidarity purchase programme (see section 4.3.3.5, "Solidarity Sourcing" of this document) are women. A total of 47,420 beneficiaries come from 68 projects specifically related to the emancipation of women in 23 countries, with the support of 15 associations and NGO partners. These Solidarity Sourcing projects support the following women: ● producers of raw materials such as shea, argan or galanga grown and harvested in accordance with fair trade principles; ● hailing from various vulnerable local communities, or who have assumed positions usually reserved for men; ● beneficiaries through support for Women-Owned Businesses (suppliers owned, controlled and led by 51% or more women); In 2020, the Group continued to accelerate its strategy to support female entrepreneurship, reconfirming its involvement in *WEConnect International*[1] and multiplying by 2.7 the number of suppliers led by women supported in ten countries. This strategy, initiated many years ago in the United States through the partnership with The Women's Business Enterprise National Council (WBENC), is being deployed and accelerated worldwide. ● single mothers; ● military wives; and ● victims of violence. Other than agricultural professions, these projects concern a broad range of manufacturing activities and services: production, assembly, logistics, sales, marketing, or digital business activities.

4.3.4. Policy to prevent corruption

Wishing to act in all circumstances in accordance with the ethical principles it has set itself and to comply with the laws and regulations in force in all the countries where it operates, the L'Oréal Group applies a zero tolerance policy in terms of corruption.

A long-standing commitment at the highest level of the Company

L'Oréal has been a member of the United Nations Global Compact since 2003 and supports the fight against corruption.

The Group is committed to complying with the United Nations Convention against Corruption of 31 October 2003 and to applying all applicable laws, in particular the Sapin 2 law in France.

L'Oréal is a member of the International Chamber of Commerce Anti-Corruption Commission and a member of Transparency International France.

This commitment is supported at the highest level of the Company by its Chairman and Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact every year.

The involvement of everyone in preventing corruption

The Executive Committee	Regularly reviews the corruption prevention policy presented to the Board of Directors.
The Director of Risk Management and Compliance	Reporting to the Chairman and Chief Executive Officer, the Director of Risk Management and Compliance is responsible for designing and monitoring the corruption prevention programme and relies on the global network of internal control managers for its implementation. He leads the specific risk mapping.
Country Managers	Country Managers ensure the correct deployment of the corruption prevention programme and its compliance.
Employees	Employees apply the corruption prevention policy in the context of their activities. If they have any doubts, they may contact their management, their Chief Counsel, their Administrative and Financial Director, their Internal Control Manager, their Ethics Correspondent or the Director of Risk Management and Compliance and, ultimately, the Chief Ethics Officer, if they have any questions about respecting this commitment. The aim is to ensure that all the situations encountered are thoroughly examined and, where applicable, that appropriate steps can be taken.

L'Oréal's Code of Ethics and practical corruption prevention guides

L'Oréal's Code of Ethics publicly states a zero-tolerance policy on corruption which applies to all employees, directors and corporate officers, Directors and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages, and in French and English Braille, it is distributed to all employees worldwide.

L'Oréal has also published a more detailed corruption prevention policy that is available on its website, loreal.com.

With regard to employees, the Group also has other reference documents for the purpose of specifying the practices to be adopted and preventing corruption:

- **Specific corruption prevention Guide:** rolled out throughout the Group as a whole since 2013 and completed in 2018, it covers the relationships with each of L'Oréal's stakeholders, in particular with the Public Authorities and Intermediaries. This practical Guide is intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties. It reaffirms L'Oréal's corruption prevention policy which was approved by the Chairman and Chief Executive Officer and the Executive Committee and presented to the Board of Directors.

(1) *WEConnect International is an international network that certifies and connects "women-owned" suppliers with their target customer companies.*

- This policy posted online on L'Oréal's website (www.loreal.com) restates the following principles:
  - the zero-tolerance policy on corruption;
  - the prohibition of facilitation payments;
  - the prohibition of all contributions to political parties or politicians with the aim of obtaining a commercial advantage;
  - the prohibition on giving and accepting gifts and/or invitations that might influence or be perceived as influencing a business relationship;
  - communication of the commitment to preventing corruption to the Group's business partners; and
  - respect for these commitments by intermediaries representing L'Oréal, particularly in countries where there is a high risk of corruption.
- ***Employee guide – Gifts/Invitations:*** distributed in 2014 on a Group-wide basis to specify the rules in this area, it is now integrated within the specific corruption prevention Guide;
- ***Employee Guide – Management of intermediaries with public authorities***: distributed in 2018 to the relevant personnel to specify the rules in this area; and
- ***"The Way We Buy"***: a practical and ethical guide to govern relationships between suppliers and all employees involved in purchasing decisions. This document has been translated into 12 languages.

Corruption prevention measures implemented within the Group

Group-level risk assessment	The risk of corruption is included in the Group risk assessment. The specific mapping of corruption risks was updated in 2020 using a strengthened methodology. The Group currently has 93 corruption risk maps produced in 75 countries. A tool also enables Country Managers to assess and analyse possible local ethical risks (including corruption) and to take the necessary prevention measures.
Specific Human Resources procedures	An ethical competency "Delivers both sustainable and short-term results with integrity" is included in the annual appraisal system for all employees.
L'Oréal's "Speak Up" policy	This enables employees to express any concerns they may have, including with regard to corruption, namely directly *via* a secure website to the Group's Chief Ethics Officer. Any allegation raised in good faith is examined in detail and appropriate measures are taken, where necessary, in the event of non-compliance with the corruption prevention policy. The whistle-blowing line was opened to employees in 2008, and then to stakeholders in 2018.
Training	A compulsory on-line training programme (*e-learning*) on the prevention of corruption, available in 18 languages, has been rolled out in all countries; it had been taken by 88% of the employees concerned as at 31 December 2020.
Control and assessment of measures and procedures dedicated to the prevention of corruption	The Group's Internal Control process provides for control procedures on operational activities, in particular for the separation of tasks. Moreover, accounting controls for the prevention of corruption are performed periodically. The implementation of the corruption prevention programme is part of the Internal Control self-assessment process rolled out in operational entities. L'Oréal's Internal Audit teams are particularly vigilant in this respect. Corruption risks are systematically reviewed during audit assignments, through individual interviews and specific checks. These interviews are conducted separately with the Country Manager and the Administrative and Financial Director. They give rise to an individual report reviewed and signed by these latter persons.
Due diligences prior to proposed acquisitions	A procedure specific to corruption risks integrates appropriate and proportionate verifications at the different steps of the acquisition process. Responses to the "ethics questionnaire" submitted to target companies are intended to identify whether corruption risk prevention has been taken into account by the companies.
Third-party due diligences	The third-party management process (customers/suppliers) includes corruption risk. An assessment of corruption risks is conducted on our third parties, and appropriate verifications are implemented, which rely primarily on a dedicated tool currently being deployed. For intermediaries with public authorities, a specific guide has been made available to employees.

A commitment shared with the Group's partners

L'Oréal wants to share its commitment to fight against corruption with its business partners and as such, compliance with the law is included in the Group's general terms of purchase. It moreover reserves the right to put an end to any relationships with business partners who fail to comply with anti-corruption laws.

A recognised approach

L'Oréal was recognised for the eleventh time as one of the World's Most Ethical Companies by the Ethisphere Institute.

4.3.5. Tax policy

Concurrently with the commitments of the Code of Ethics, L'Oréal has defined its principles of tax policy in the Group by considering the contribution of taxation as an integral part of Corporate Social Responsibility, which constitutes a way to participate positively to the development of the country where the Group is present.

La fiscal policy of the L'Oréal Group rests on three components: Compliance, Transparency and Legitimacy, as defined in the Internal Tax Charter prepared and distributed around the world.

Within the Operational Finance Department, the Group Tax Department composed of business experts (intra-group transactions, customs, reporting, compliance and M&A) and geographic experts monitors compliance with the Tax Policy and its Governance.

Compliance

L'Oréal completes its tax declarations and pays its taxes by the deadlines in compliance with the laws and regulations in the countries in which the Group operates. Special vigilance is required on compliance with the rules related to the fight against fraud and tax evasion.

Because of its global presence (79 countries), the Group is subject to different tax regulations. The Group is located in countries where it conducts a real operational and commercial activity. If applicable, the Group's presence in certain so-called "tax haven" countries is justified for operational reasons and the development of its activity, and not for tax purposes.

The Tax Department and the Finance Departments, assisted where applicable by external advisors, monitor changes in tax regulations to ensure that the Group complies with these regulations.

L'Oréal ensures that transactions between Group companies are carried out in compliance with the principle of full competition as defined by the Organisation of Economic Cooperation and Development (OECD) and satisfies the new declaration obligations (Declaration country by country) via a an electronic transmission to the French tax authorities.

Transparency

L'Oréal establishes and maintains relations with Tax and Customs Authorities based on transparency pursuant to the Group's "zero tolerance" rule on corruption. L'Oréal also develops a constructive relationship with tax and customs authorities, a relationship based on the principle of mutual respect.

Where permitted to do so by the States, L'Oréal has joined the cooperative compliance programmes launched by tax authorities: for example, L'Oréal entered into a relationship of trust with the French tax authorities on 3 February 2020.

In addition, the Group may contribute to the analysis of legislative changes at the request of tax and customs authorities or the professional associations requested for said changes.

Legitimacy

L'Oréal legitimately applies the most relevant tax treatment, in accordance with the economic reality, operational objectives and the laws in force.

In an evolving international tax environment, the positions taken by the Group may be questioned and subject to tax audits by the local tax authorities. If there is disagreement with a Tax or Customs Authority, L'Oréal is able to legitimately defend its interpretation of the law, prove its good faith and, as needed, bring the disputes to court.

A regular review of tax risks carried out by the Group's Tax Department in contact with the local financial teams enables the risks to be assessed, resulting, if applicable, to the recognition of a tax provision. The main tax risks are reported to the General Management and presented to the Audit Committee.

4.4. *SHARING BEAUTY WITH ALL*: 2020 RESULTS

The year 2020 marked the end of the *Sharing Beauty With All* programme, the first generation of the Group's commitments to Sustainable Development, initiated in 2013. This programme has placed sustainable development at the centre of the company's strategy, and set concrete commitments at the end of 2020, from product design to distribution, including the production process and even the sourcing of ingredients. The following table shows the results of this programme.

INNOVATING SUSTAINABLY

2020 TARGETS	2020 RESULTS		2019 RESULTS
100% of L'Oréal products will have an improved environmental or social profile. Every time the Group creates or renovates a product, it will improve the product's environmental or social profile in at least one of the following criteria:	**96%**	of created or renovated products had an improved environmental or social profile.	85%
• the new formula uses renewable raw materials that are sustainably sourced or derived from green chemistry;	**69%**	of created or renovated products had an improved environmental profile due to a new formula incorporating renewable raw materials that are sustainably sourced or respect the principles of green chemistry.	59%
• the new formula reduces the product's environmental footprint, particularly with regard to water use;	**39%**	of created or renovated products had an improved environmental profile due to a new formula with a lower environmental footprint.	46%
• the new packaging has an improved environmental profile;	**85%**	of created or renovated products had an improved environmental profile due to improved packaging.	67%
• the new product has a positive social impact.	**49%**	of created or renovated products had an improved social profile as they notably incorporated raw materials from Solidarity Sourcing programmes.	40%

PRODUCING SUSTAINABLY

2020 TARGETS	2020 RESULTS		2019 RESULTS
Reducing the CO_2 emissions generated by plants and distribution centres by 60% in absolute value compared with 2005.	**-81%**	reduction in CO_2 emissions from plants and distribution centres in absolute value since 2005.	-78%
Reducing water consumption by 60% per finished product unit, compared to 2005.	**-49%**	reduction in water consumption at plants and distribution centres compared to 2005.	-51%
Reducing the waste production by 60% per finished product, compared to 2005.	**-37%**	reduction in waste generated from plants and distribution centres compared to 2005.	-35%
Sending zero industrial waste to landfill.		The objective of sending "zero" waste to landfill for all plants and distribution centres was achieved in 2018. (1)	
Reduce CO_2 emissions linked to the transport of its products by 20% (in sales unit/km), compared with 2011.	**-24%**	reduction in CO_2 emissions linked to the transport of products (in grams of CO_2 per sales unit per km) since 2011 with 347,942 tonnes of CO_2 emitted in 2020, which represents 0.0209 g CO_2 per sales unit per km.	-12%

LIVING SUSTAINABLY

2020 TARGETS	2020 RESULTS		2019 RESULTS
L'Oréal will evaluate the environmental and social profile of all its products using an assessment tool. All brands will make this information publicly available to allow consumers to make sustainable choices.	**100%**	of created or renovated products in 2019 were assessed using the SPOT product assessment tool. The indicator of the percentage of brands that provide consumers with information from the SPOT tool will be completed as soon as the environmental and social information system, which is in the process of being prepared and which will be deployed by 2020, is finalised.	100%
All brands will assess their environmental and social footprint and make commitments to improve it.	**100%**	of the international brands in the Group in 2013 have assessed their social and environmental impact. If acquisitions since 2013 are included, this percentage would be 89%.	99%(2)
Every brand will report on its sustainability progress and associate consumers with its commitments.	**79%**	of brands conducted a consumer awareness initiative.	57%
Consumers will be able to influence L'Oréal's sustainability efforts through a Consumer Advisory Committee.		In 2020, pursuing the work of the Advisory Committee established in 2016, L'Oréal continued its policy of actively listening to consumers on sustainable development issues through a number of studies conducted with consumer panels in the United States, India, China and Europe to understand their expectations and fine-tune its policies.	

(1) Excluding regulatory obligations and with the exception of the food waste from two sites.
(2) Excluding acquisitions since the launch of the Sharing Beauty With All programme in 2013.

DEVELOPING SUSTAINABLY…

2020 TARGETS		2020 RESULTS	2019 RESULTS
…WITH COMMUNITIES			
100,000 people from underprivileged communities will gain access to employment through the following programmes:	**100,905**	people from underprivileged communities gained access to employment.	90,635 people
• Solidarity Sourcing;	**81,138**	people gained access to work through the Solidarity Sourcing programme.	70,912 people
• Vocational training in the beauty industry;	**18,386**	people in difficult social or economic situations participated in free vocational training in beauty professions.	18,443 people
• Employment of people with disabilities.	**1,381**	people with disabilities worked for L'Oréal.	1,280 people
…WITH SUPPLIERS			
All strategic suppliers(1) will be evaluated and selected on the basis of their social and environmental performance.	**97%**	of the Group's strategic suppliers have been evaluated and selected on the basis of their environmental and social performance. All the suppliers evaluated represent more than 85% of total direct purchases (raw materials, packaging components and subcontracting). Furthermore, in 2020, 1,268 social audits were carried out, making a total of over 13,600 since 2006.	87%
All strategic suppliers lete(1) will have completed a self-assessment of their sustainable development policy with the Group's support.	**99%**	of strategic suppliers have completed a self-assessment of their sustainable development policy with the Group's support. This percentage is based on the calculation of the number of suppliers who, in 2020, had been assessed on their social, environmental and ethical policies, as well as the application of such policies at their own suppliers, by Ecovadis.	96%
All suppliers will have access to L'Oréal training tools to improve their sustainability policies.		Our dedicated on-line training platform was launched at the end of October 2016. It will first be made available to strategic suppliers, before being gradually implemented more broadly.	
20% of strategic suppliers will be associated with our Solidarity Sourcing programme.	**22%**	of strategic suppliers are involved in the Solidarity Sourcing programme.	17%
…WITH EMPLOYEES			
Employees will benefit from healthcare coverage that reflects best practices in their country of residence.	**96%**	of the Group's permanent employees have access to healthcare coverage reflecting the best practices in their country of residence.	94%
Employees will benefit from financial protection in the event of a life-changing accident, such as death or permanent disability.	**92%**	of the Group's permanent employees have access to financial protection in the event of a life-changing accident (including death or permanent disability).	91%
Employees will have access to training, wherever they are in the world.	**100%**	of the Group's employees benefitted from at least one training session in 2020.	96%

(1) Strategic suppliers = suppliers whose added value is significant for the Group by contributing to L'Oréal's sustainable strategy by its weight, innovations, strategic alignment and geographical deployment.

4.5. METHODOLOGICAL NOTES

4.5.1. Social data

4.5.1.1. Scope of consolidation

The employees indicated and their breakdown correspond to the total headcount(1).

Employees in the Retail Excellence 4, Thermes de La Roche Posay, Saint Gervais Mont Blanc and Ecole OA entities, a total of 461 employees, are included in the total workforce. The different distributions of these employees are calculated in proportion to the distribution of France employees. They are excluded from the indicators on diversity, minimum salaries and the number of collective agreements. Retail Excellence 4 is also excluded from the training indicators.

4.5.1.2. Indicators

The indicators chosen are those used in the management of employees and of the social aspects of the Company. They reflect the results of the Human Resources policy.

4.5.1.3. Data

Four methods are used to collect data for the defined scope:

- most of the data are collected using the dedicated "Country Reporting" intranet, available in all countries in which there is a L'Oréal subsidiary. The system covers several topics: employees, training, absenteeism, labour relations, the *L'Oréal Share & Care* programme, remuneration, diversity, recruitment, freedom of association and *profit sharing*. At the beginning of each financial year, the local Human Resources Directors provide the required data for the previous year;
- other data are collected by each department concerned (*i.e.* Training, Recruitment) using dedicated systems which follow the same operational and dissemination approach;
- if information is not consolidated for the entire scope of the Cosmetics Division, it can be extrapolated from the available results for the entities connected to the local Information Systems (IS), provided that the scope covered by such entities is representative; and
- lastly, the specific data relating to "managers" and other specific populations (expatriates, key positions, etc.) are gathered from the "CAROL" online career monitoring system, deployed in all Cosmetic Divisions subsidiaries.

The number of employees trained is calculated on the basis of all types of training format and length.

Concerning the *L'Oréal Share & Care* indicator relating to healthcare coverage, the best practices in the countries are regularly evaluated in each country in which the Group is present.

A process of continuous improvement of these systems has been put in place. They are reviewed each year, taking into account the Statutory Auditors' recommendations and the monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition and their communication, monitoring and control process.

4.5.2. Health and safety data

4.5.2.1. Scope of consolidation

The safety indicators relate to all sites: plants, distribution centres, administrative sites, research centres and stores, as well as sales forces.

Safety reporting covers 99.6% of the plants, distribution centres, administrative sites, research centres, sales forces and stores.

At year-end 2020, 172 administrative sites and research centres, sales forces and stores participated in the reporting.

To achieve better monitoring of accident history by type of site, safety reporting from administrative sites has been refined in recent years by being split into three categories: administrative sites with only one strictly administrative staff; sales forces for travelling staff; stores for in-store beauty consultants managed by L'Oréal.

The safety indicators of the plants, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The plants, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems. In accordance with this rule, the data for one site recently reporting to the Group are not included in the 2020 EHS reporting: the Cosmeurop plant in France.

4.5.2.2. Indicators

The indicators applied are those used in the management of the Group's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy. In 2020, a change in the definition of the MESUR indicator led to a postponement of the audit of the corresponding data until 2021.

Hours worked reports the time during which the staff is exposed to professional risks, including remote work or equivalent. They include overtime hours. However, they do not include holidays and days of absence (illness, paid holidays).

4.5.2.3. Data

The following method is used to collect data for the defined scope:

The health and safety data are collected using the dedicated site reporting intranet system, available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site or zone must validate the accuracy of all the data provided.

(1) The subsidiaries in Venezuela were deconsolidated at 31 December 2015. Certain acquisitions/subsidiaries (Azzaro Mugler, Modiface, Stylenanda Japan, Côte d'Ivoire, Bangladesh), whose information systems have not yet been integrated in the Group's system, are excluded from the reporting. They represent 0.36% of the Group's employees.

A process of continuous improvement of these systems has been put in place. The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition, and enhancing the communication, monitoring and control process.

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.3. Environmental data

4.5.3.1. Scope of consolidation

The environmental indicators cover all sites: plants, distribution centres, administrative sites and research centres.

Environmental reporting covers 99.4% of the plants, distribution centres, administrative sites and research centres with more than 50 people for these last two types of site.

The environmental indicators of the plants, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The plants, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems. In accordance with this rule, the data for one site recently reporting to the Group are not included in the 2020 EHS reporting: the Cosmeurop plant in France.

The indicators do not take into account the impacts of exceptional incidents or events caused externally (construction, extension work, etc.) not linked to the site's activity in terms of water and energy consumption and waste production. Similarly, in the special case where a subcontractor is located geographically on the sites, its impacts are not taken into account.

In order to cover all of the Group's impacts, environmental reporting was extended to the Group's administrative sites and research centres in 2016. In 2020, 85 administrative sites and research centres participated in the reporting. Some sites that share their premises with other companies are unable to obtain certain information: 100% of these sites provided information on energy consumption and CO_2 emissions, 96% of the sites reported their water consumption and 93% of the sites reported their quantity of waste.

4.5.3.2. Indicators

The indicators chosen are those used in the management of the Company's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Activity: the activity of L'Oréal sites is measured on the basis of units produced for industrial sites and hours worked for administrative sites and research centres.

The production units included are the equivalent units produced on site or affected by occasional subcontracting.

Hours worked are the hours performed on site, thus excluding telecommuting hours.

Greenhouse gases: The Group's CO_2 emissions are calculated in accordance with the concepts defined by the GHG protocol, and monitored according to the Market-Based CO_2 indicator.

With the desire for comparability, the data on CO_2 emissions for the 2005 baseline provided have been updated in light of these rules (recalculated on the basis of a constant scope). The calculation of the 2005 baseline is based on the 2003 emission factors of local electricity suppliers – when they are available. When the emission factors are not available, IEA (International Energy Agency) and eGRID emission factors[1], available in 2006, corresponding to IEA factors for 2003 and EPA[2] (eGRID) factors for 2000, are used. For the estimates for the following years, the emission factor used follows the *GHG Protocol* rules: in general, the factor provided by the supplier, which is the most accurate; if it is not known, the regional emission factor is used or failing this, the IEA emissions factor (the 2018 IEA edition with the 2016 emission factor for emissions since 2019).

Remarks concerning the level of uncertainty depending on the Scopes in question:

Scopes 1 and 2: The level of uncertainty at the Group level is approximately 1% for plants and distribution centres, and 5% for administrative sites and research centres.

Scope 3: The highest level of uncertainty in a greenhouse gas assessment concerns the Scope 3 estimate given the number and nature of the data necessary for calculating it (emission factors for the energy used to heat the water necessary for the usage phase of our rinse-off products all over the world, the quantity of water necessary for rinsing, CO_2 emissions of our raw materials and packaging suppliers, distances travelled for transportation, etc.).

Because measurement of the global CO_2 impact of the Group's business activities is essential information in light of the commitments made to fight climate change, efforts are made year after year to increase the reliability of these data. The level of uncertainty of the Group's Scope 3 emissions is estimated to be between 20% and 30%.

(1) *Emissions & Generation Resource Integrated Database.*
(2) *Environmental Protection Agency.*

This suggests that, unlike Scopes 1 and 2, the changes in Scope 3 emissions from one year to the next may relate more to the quality of the data collected and the methods of calculation used than to a real measurement of change in performance. This margin of uncertainty with regard to Scope 3 is a reality for all companies, and does not make it possible to consider this data as an adequate benchmark or method of performance assessment.

Effluents: For industrial sites, the Chemical Oxygen Demand (COD) covers the volumes of effluents leaving the site, whether or not they have been treated on the site.

Biodiversity: Biodiversity inventories that describe the actual situation of the sites in terms of species and habitats present in the zone studied must be carried out by a certified organisation at least every three or five years with specific interim follow-ups.

Waste: L'Oréal includes everything in its transportable waste that comes out of a plant or a distribution centre and which is not a finished or semi-finished product (the following examples are included for a plant: raw material packaging or packaging components, sludge from effluent treatment plants, broken pallets, etc.).

In order to improve the system of waste performance monitoring and exhaustively record the waste generated by the use of returnable packaging, a system of recording returnable packaging at source was put in place in 2014. L'Oréal thus records the weight of its returnable packaging at source in transportable waste, with each of the sites being responsible for maximising the number of rotations. The recording of the weight of returnable packaging at source is a measure intended to encourage rotation of this returnable packaging and contributes, through its reuse, to increasing its useful life.

Sites that no longer send any waste for destruction or to landfill are considered to have attained a 100% recovery rate.

The material recovery index corresponds to the quantity of waste, reused or recycled, divided by the total amount of waste generated, excluding returnable packaging at source, including the returnable packaging in rotation, excluding waste sent to landfill due to regulatory obligations.

The recovery index corresponds to the quantity of waste recovered, whether material or energy, divided by the total amount of waste generated excluding returnable packaging at source, including returnable packaging in rotation, excluding waste sent to landfill due to regulatory obligations.

To obtain a more accurate understanding of the recovery and material recovery indices, these indicators are calculated excluding the transport pallets that would otherwise represent a significant share of the returnable packaging in rotation.

4.5.3.3. Data

The collection of data for the defined scope uses the following method: environmental data are collected using the dedicated intranet-based site reporting system, available in all countries where L'Oréal has a subsidiary. The required data are reported every month by the local managers.

When the data are compiled, each site or zone must validate the accuracy of all the data provided.

A process of continuous improvement of these systems has been put in place. They are reviewed each year by the Statutory Auditors and modified taking into account their recommendations and monitoring objectives for subsequent years: updating the indicators to be monitored, improving their definition and the communication, monitoring and control process.

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.4. Human Rights data

4.5.4.1. Scope of consolidation

Depending on the indicators, the scope covers the L'Oréal parent company, France or the Group. The scope is specified for each indicator. The subsidiaries Retail Excellence 4 and Logocos are excluded from e-learning data.

4.5.4.2. Indicators

The indicators chosen are those within the scope of the applicable regulations, with in particular the aim of data comparability.

4.5.4.3. Data

The following methods are used to collect data for the defined scope:

- the data relating to Ethics and Human Rights for L'Oréal subsidiaries is collected by the Office of the Chief Ethics Officer using the Annual Ethics Reporting platform. The scope is aligned with individual company data unless otherwise indicated for each indicator in the report;
- Human Rights data for the employees of the Group's suppliers are consolidated by the Purchasing Department and collected during social audits by an independent and accredited third party that carries out the audits and shares the data collected as well as the audit reports; and
- the other data are collected from the corporate departments concerned (Corporate Social Responsibility Department, Worldwide Safety Evaluation, Risk Management and Compliance Department and the L'Oréal Foundation).

4.5.5. Innovating sustainably data

4.5.5.1. Scope of consolidation

The calculation is performed using a scope restricted to products created or renovated by L'Oréal's design centres and produced by the Group's plants or by subcontractors. The products of brands for which the quantity of data available is sufficient, *i.e.* those that were acquired/created before 2013, are taken into account.

The calculation of indicators is based on all created or renovated products (sales models only), *i.e.* products manufactured in 2019 which did not exist in 2018.

The products considered in 2019 cover all categories of formulas (including make-up and perfumes).

The calculation of the indicators is made on the basis of the number of created or renovated products, in terms of formula or packaging or with a social benefit.

Created or renovated products do not include extensions to the range of colours, changes in appearance that do not affect the environmental and social profile or changes to ensure regulatory compliance or due to the unavailability of raw materials.

4.5.5.2. Indicators

Regarding the "Percentage of products analysed with an improved social or environmental profile (as a %)" indicator: a created or renovated product is included in the indicator if its profile has been improved according to the SPOT methodology. This methodology ensures that the performance of each driver is aggregated using the planetary boundaries method for the environmental component, and L'Oréal's own methodology for the social component to ensure overall improvement in the environmental and social profile. The indicator includes products for which only the formula is deteriorated but recognised as natural.

With regards to the indicator "Percentage of new or updated products with an improved environmental profile due to a new formula with a reduced environmental footprint": the improvement is assessed by calculating its environmental footprint using the SPOT methodology only using the scope of the new formula compared to the average rating of the product family in question or to the previous formula in the case of an updated formula, for an equivalent use. It concerns products with a created or renovated formula, but also new products with an existing formula in new packaging.

With regards to the indicator "Percentage of new or updated products with an improved environmental profile thanks to new packaging with a reduced environmental footprint": the improvement is assessed by calculating the environmental footprint using the SPOT methodology only over the scope of the new packaging compared to the average rating of the product family in question or to the previous packaging in the case of updated packaging, for an equivalent use. It only concerns products for which the packaging has been created or renovated.

Concerning the "Percentage of created or renovated products with an improved social profile thanks to a positive social impact" indicator: the indicator corresponds to the percentage of created or renovated products including in particular raw materials and packaging items obtained under the Solidarity Sourcing programme. It also includes products providing information to consumers about product performance, best practices in terms of sustainable development or those whose accessibility and use by older people or people with disabilities is favoured.

4.6. CROSS-REFERENCE TABLES

4.6.1. Table of concordance for reporting standards in respect of social, environmental and societal matters

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact
	PRINCIPLES	
4.5	Methodological notes	
4.7.	Opinion on the compliance of the information	
4.7.	Opinion with regard to the true and fair view given by the information	
1.2 12-13	Business model	
	MAIN RISKS:	
4.2.2.	● Environment	#9 to 11
4.2.2.	● Human resources	#6 to 8
4.2.2.	● Human Rights	#3 to 5
4.2.2.	● The fight against corruption	#12 to 14
157	● The fight against tax evasion	#12 to 14
	POLICIES, INDICATORS, RESULTS:	
4.3.1.	● Environment	#9 to 11
4.3.2.	● Human resources	#6 to 8
4.3.3.	● Human Rights	#3 to 5
4.3.4.	● The fight against corruption	#12 to 14
4.3.5.	● The fight against tax evasion	#12 to 14
	INFORMATION AND COMMITMENTS	
4.3.1.3. , 4.3.1.4. , 4.3.1.5.	Consequences on climate change	#9 to 11
211-212	Collective agreements concluded within the company	#6 to 8
205-206, 210-218	Working conditions of employees	#3 to 8, SDG 8,10
4.3.2.6.	Measures to combat discrimination and promote diversity	#3 to 5 and #A to D, SDG 5,10
217, 223	Measures in favour of disabled people	#3 to 8 and #A to D, SDG 8,10
	SOCIETAL COMMITMENTS IN FAVOUR OF:	
4.3.1.	● Sustainable Development	#9 to 11, SDG 7,9,12,13,15,16
177-180, 184-187	● Circular economy	#9 to 11, SDG 12
178	● Fight against food waste	#9 to 11, SDG 12
178	● Fight against food insecurity	#9 to 11, SDG 1,8
221	● Respect for animal welfare	SDG 14,15
178	● Responsible, fair and sustainable food	
	SOCIAL, ENVIRONMENTAL, AND SOCIETAL INFORMATION	
	SOCIAL INFORMATION	
	Employment	#3 to 8 and #A, #D
203	● Total workforce	
203	● Distribution of employees by gender, by age and by geographic zone	#A, SDG 5
204, 206-207	● Recruitments	#6 to 8
204	● Dismissals	#6 to 8
4.3.2.5.	● **Remuneration and trends**	#3 to 8, #A
	Work organisation	#3 to 8
211-212	● Organisation of working time	
240	● Absenteeism	

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact
	Social relation	#3 to 8
212	● Organisation of the social dialogue	
212	● Situation with regard to collective agreements	
	Health & Safety	#3 to 8
4.3.2.1.	● Health and safety conditions at work	
212	● Status report on agreements signed with trade union organisations with regard to health and safety at work	#3 to 8 and #15 to 18
205	● Frequency and severity of accidents at work	
204	● Occupational diseases	
	Training	#3 to 8
207-209	● Training policy implemented	
208	● Total number of training hours	
	Equality of treatment	#3 to 8 and #A, #D, #I SDG 5,10
215-218	● Measures taken to promote gender equality	#3 to 8 and #A, #D, SDG 5,10
217, 223	● Measures taken in favour of employment and professional insertion of the disabled	#3 to 5 and #A to D, SDG 10
4.3.2.6.	● Policy to combat discrimination	#3 to 5 and #A to D, SDG 10
	Promotion & compliance with the ILO conventions	#3 to 8 and #A, #D, #I
4.3.3. , 180-181, 212	● Compliance with freedom of association and the right to collective bargaining	#3 to 8 and #A, #D, #I
4.3.2.6.	● Elimination of employment and professional discrimination	#3 to 8 and #A, #D, #I SDG 5, 8, 10
4.3.3. , 180-181	● Elimination of forced or compulsory labour	#3 to 8 and #A, #D, #I
4.3.3. , 180-181	● Effective abolition of child labour	#3 to 8 and #A, #D, #I
	ENVIRONMENTAL INFORMATION	
	General environmental policy	#9 to 11
4.3.1.	● Company structure to take into account environmental issues and, where applicable, environmental evaluation or certification measures	
165-166	● Training actions and provision of information to employees with regard to environmental protection	
4.3.1.	● Measures to prevent environmental risks and pollution	
169	● Amount of the provisions and cover with regard environmental risks, on condition that this information is not liable to cause serious harm to the Company in a lawsuit in proces	
	Pollution	#9 to 11
167-200	● Means devoted to prevention of environmental risks and pollution	#9 to 11 SDG 6,7,9,11,12,13,14,15
169	● Noise disturbances and any other pollution related to an activity	#9 to 11, SDG 9, 11
	Circular economy	#9 to 11, SDG 9,11,12
	(i) Prevention and management of waste	#9 to 11, SDG 9,11,12
177-180, 184-187	● Measures to prevent, recycle, reuse, other forms of recovery and waste elimination	#9 to 11, SDG 9,11,12
178	● Fight against food waste	#9 to 11
	(ii) Sustainable use of resources	#9 to 11, SDG 9,11, 12
175-176, 191-193	● Water consumption and water supply depending on local constraints	#9 to 11, SDG 6
169-193	● Raw material consumption and measures taken to improve efficiency in their use	#9 to 11, SDG 12
169-175	● Energy consumption, measures taken to improve energy efficiency and use of renewable energies	#9 to 11, SDG 7
167-169	● Soil use	#9 to 11, SDG 7,12
	Climate change	#9 to 11, SDG 13
4.3.1.4.1.	● Significant sources of greenhouse gas emissions generated by the activity, in particular by the use of goods and services produced by the Company	#9 to 11
169-172, 193-200	● Ambitious voluntary medium- and long-term greenhouse gas emission reduction targets and the means implemented to achieve them	#9 to 11, SDG 7,12
193-200	● Adaptation to the consequences of climate change	#9 to 11, SDG 13
	Protection of biodiversity	#9 to 11
188-191	● Measures taken to preserve or develop biodiversity	#9 to 11, SDG 13,14,15

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact
	SOCIETAL INFORMATION	
	Societal commitments for Sustainable Development	#16 to 18 and #21 and #C
188-191	● Impact of the Company's activity on employment and local development	#6 to 8, SDG 11
223-225	● Impact of the Company's activity on neighbouring or local populations	SDG 11
155-157	● Relationships with the Company's stakeholders and means of dialogue with them	#2 and #16 to 18 and #21
155-157, 192-193, 225-227	● Partnership or philanthropy actions	#15 to 18, SDG 17
	Subcontractors and suppliers	#3 to 11 and #B
180-184, 222-225	● Taking into account social and environmental issues in purchasing policy	#3 to 11
180-184, 222-225	● Consideration of their social and environmental responsibility in relations with suppliers and subcontractors	#3 to 11
	Fair practices	#12 to 14
227-228	● The actions taken to prevent corruption	#12 to 14
220-222	● The measures taken in favour of consumer health and safety	#6 to 8, SDG 3
4.3.3.	**Other actions taken in favour of Human Rights**	#3 to 5 and #A to D and #I

4.6.2. GRI Standards Content Index

This report has been prepared in accordance with the GRI Standards: Core Option. Material issues have been mapped with the relevant GRI Standards disclosure. Content relating to the indicator list below is available within the table or at the location provided.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
GENERAL DISCLOSURES					
General Disclosures	102-1	Name of the organization		Fully compliant	1.1.
	102-2	Activities, brands, products, and services		Fully compliant	1.2.
	102-3	Location of headquarters		Fully compliant	7.1.
	102-4	Location of operations		Fully compliant	1.2.
	102-5	Ownership and legal form		Fully compliant	7.1.-7.3.
	102-6	Markets served		Fully compliant	1.2.
	102-7	Scale of the organization		Fully compliant	1.2.
	102-8	Information on employees and other workers		Fully compliant	4.3.2.
	102-9	*Supply chain*		Fully compliant	1.2.7.
	102-10	Significant changes to the organization and its *supply chain*		Fully compliant	1.2.7.
	102-11	Precautionary Principle or approach		Fully compliant	1.2.6. - 3.2.
	102-12	External initiatives		Fully compliant	4.1.2.
	102-13	Membership of associations		Fully compliant	4.1.2.
	102-14	Statement from senior decision-maker		Fully compliant	Pages 2-3
	102-15	Key impacts, risks, and opportunities		Fully compliant	1.2.3. - 1.2.4. - 3.5 - 4.2.
	102-16	Values, principles, standards, and norms of behaviour		Fully compliant	4.3.
	102-17	Mechanisms for advice and concerns about ethics		Fully compliant	3.4.6. - 4.3.3. - 4.3.4.
	102-18	Governance structure		Fully compliant	2.2. - 2.3.
	102-19	Delegating authority		Fully compliant	2.2. - 2.3.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
	102-20	Executive-level responsibility for economic, environmental, and social topics		Fully compliant	2.2. - 2.3.
	102-21	Stakeholder consultation on economic, environmental and social concerns		Fully compliant	4.1.2.
	102-22	Composition of the highest governance body and its committees		Fully compliant	2.2.
	102-23	Chair of the highest governance body		Fully compliant	2.2.
	102-24	Nominating and selecting the members of the highest governance body		Fully compliant	2.3.5.
	102-25	Conflicts of interest		Fully compliant	2.2.1.5.
	102-26	Role of highest governance body in setting objectives, values, and strategy		Fully compliant	2.3.3.
	102-27	Collective knowledge of highest governance body		Fully compliant	1.2.3. - 1.2.4.
	102-28	Evaluating the highest governance body's performance		Fully compliant	2.4.1.2.
	102-29	Identifying and managing economic, environmental, and social impacts		Fully compliant	2.4.1.2.1. - 4.1.2.
	102-30	Effectiveness of risk management processes		Fully compliant	2.3.3.
	102-31	Review of economic, environmental, and social topics		Fully compliant	2.3.3.
	102-32	Highest governance body's role in sustainability reporting		Fully compliant	2.3.3.
	102-33	Communicating critical concerns		Fully compliant	2.3.3.
	102-40	List of stakeholder groups		Fully compliant	4.1.2.
	102-41	Collective bargaining agreements		Fully compliant	4.3.2.4
	102-42	Identifying and selecting stakeholders		Fully compliant	4.1.2.
	102-43	Approach to stakeholder engagement		Fully compliant	4.1.2.
	102-44	Key topics and concerns raised		Fully compliant	4.1.2.
	102-45	Entities included in the consolidated financial statements		Fully compliant	1.4.1. - 1.4.2.
	102-46	Defining report content and topic Boundaries		Fully compliant	4.1.2. - 4.5.
	102-47	List of material topics	www.loreal.fr/sharing-beauty-with-all	Fully compliant	*www.loreal.fr* website
	102-48	Restatements of information		Fully compliant	4.5.
	102-49	Changes in reporting		Fully compliant	4.5.
	102-50	Reporting period		Fully compliant	1.
	102-51	Date of most recent report		Fully compliant	1.
	102-52	Reporting cycle		Fully compliant	4.5.
	102-53	Contact point for questions regarding the report		Fully compliant	Fourth cover page
	102-54	Claims of reporting in accordance with the GRI Standards		Fully compliant	4.
	102-55	GRI content index		Fully compliant	4.6.
	102-56	External assurance		Fully compliant	4.7.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
Management Approach	103-1	Explanation of the material topic and its Boundaries		Fully compliant	4.1. - 4.3.
	103-2	The management approach and its components		Fully compliant	4.1. - 4.3.
	103-3	Evaluation of the management approach		Fully compliant	4.1. - 4.3.
ECONOMIC					
Market presence	202-2	Key posts and local managers	Strategic positions outside France occupied by local managers: 36%	Fully compliant	
Anti-corruption	205-1	Operations assessed for risks related to corruption	Corruption risk is taken into account in the Group's risk assessment. A specific mapping of corruption risks is carried out at Group level and by each country.	Fully compliant	3.5 4.3.4.
	205-2	Communication and training about anti-corruption policies and procedures	The L'Oréal Ethics Charter publicly states a zero-tolerance policy on corruption that applies to all employees, corporate officers and members of the Executive Committees as well as those of the Group's management and its subsidiaries worldwide. Available in 45 languages and in French and English Braille, it is distributed to all employees worldwide.	Fully compliant	4.3.3.3 4.3.3.4. 4.3.4.
ENVIRONMENTAL					
Energy	302-1	Energy consumption within the organisation	Fuel consumption from non-renewable sources: 181,835,304 kWh; Fuel consumption from renewable sources: 98,688,482 kWh; Self-generated electricity, heating, cooling, and steam : 49,223,488 kWh; Electricity, heating, cooling, and steam sold : 4,298,118 kWh; Electricity, heating, cooling, and steam purchased for consumption : 413,264,607 kWh; total energy consumption : 738 713 762 kWh; 72% of renewable energy in total energy consumption	Fully compliant	4.3.1.3.1.
	302-3	Energy intensity	Energy intensity: 129 kWh/1,000 FP	Fully compliant	4.3.1.3.1.
	302-4	Reduction of energy consumption		Fully compliant	4.3.1.3.1.
Water	303-1	Water withdrawal by source	Volume of water withdrawn – Surface water, including water from wetlands, rivers, lakes and oceans, and ground water: 259,952 m^3 Volume of water withdrawn – Rainwater collected directly and stored: 7,943 m3 Volume of water withdrawn – Wastewater from another organisation: 0 m^3 Water from municipal water supplies or water from other water utilities: 1,829,175 m^3 Total volume of water withdrawn by plants and distribution centres: 2,097,070 m^3	Fully compliant	4.3.1.3.1.
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity		Fully compliant	4.3.1.3.3.
Emissions	305-1	Direct (Scope 1) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-2	Energy indirect (Scope 2) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-3	Other indirect (Scope 3) GHG emissions		Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-4	GHG emissions intensity	Intensity of direct CO_2 emissions at 31/12/2020: 6.8 g eq. CO_2/FP (scope 1); Change in the intensity of direct CO_2 emissions compared with 2005: -68% Intensity of indirect CO_2 emissions at 31/12/2020: 1.2 g eq. CO_2/FP (scope 2, Market-based) Change in the intensity of indirect CO_2 emissions compared with 2005: -96% Intensity of CO_2 emissions at 31/12/2020: 8.0 g eq. CO_2/FP (Scope 1, Scope 2, Market-based) Change in the intensity of CO_2 emissions compared with 2005 (direct + indirect): -85%	Fully compliant	4.3.1.3.1. - 4.3.1.4.1.
	305-5	Reduction of GHG emissions	Change in direct CO_2 emissions compared with 2005 (Scope 1): -59% Change in indirect CO_2 emissions compared with 2005 (scope 2, Market–based): -95%)	Fully compliant	4.3.1.3.1. - 4.3.1.4.1.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
Effluents and Waste	306-2	Waste by type and disposal method	Waste recovered for use as a source of energy: 39,149 tonnes; Waste recovered through reuse and recycling: 59,763 tonnes Waste incinerated without recovery for use as a source of energy: 3,791 tonnes	Fully compliant	4.3.1.3.1.
	306-3	Significant spills		Fully compliant	4.3.1.2.
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	All new suppliers completed the ethical commitment letter (except for certain categories, such as subscriptions for example, considered as not at risk). L'Oréal actively seeks to work with suppliers who share its ethical values and commitments. Its purchasing teams have the task of identifying new suppliers and integrating them in light of the Group's expectations and its strategy via the Welcome On Board (WOB) supplier referencing process. L'Oréal also uses analyses and ratings provided by Ecovadis, an analytical company, to evaluate the policies implemented by the Suppliers, among others, in terms of the items of the Vigilance Plan. Moreover, 87% of all direct L'Oréal suppliers have participated in the CDP Supply Chain Climate Change programme, and 71% have reported target actions.	Fully compliant	4.3.1.3.2.
SOCIAL					
Employment	401-1	New employee hires and employee turnover	Employee turnover: 11.1%	Fully compliant	4.3.2.
Occupational Health and Safety	403-1	Workers representation in formal joint management–worker health and safety committees		Fully compliant	4.3.2.1. - 4.3.2.4.
Training and education	404-1	Average hours of training per year per employee		Fully compliant	4.3.2.3.
	404-3	Percentage of employees receiving regular performance and career development reviews	All employees receive an annual performance and career development review.	Fully compliant	4.3.2.5.
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	99% of strategic suppliers have completed a self-assessment of their sustainability policy with the Group's Sustainable Development. This percentage is based on the calculation of the number of suppliers who, in 2020, had been assessed on their social, environmental and ethical policies, as well as the application of such policies at their own suppliers, by Ecovadis. For social audits, in the event of major non-conformities, corrective action plans are put in place and are subject to a follow-up audit. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to the cessation of commercial relations.	Fully compliant	3.4. 4.3.1.3.2.
Forced labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Fully compliant	3.4. 4.3.1.3.2. 4.3.3.
Human Rights Assessment	412-1	Operations that have been subject to Human Rights reviews or impact assessments		Fully compliant	4.3.3.
	412-2	Employee training on Human Rights policies or procedures		Fully compliant	4.3.3.

Theme	Standard number	Disclosure title	Additional information	Level of compliance	Location of information
Supplier social assessment	414-2	Negative social impacts in the supply chain and actions taken	% of the portfolio of suppliers audited (amongst those to be audited) 96% Audits – Europe: 117; Audits – Asia-Pacific: 673; Audits - Oceania: 22; Audits – Americas: 369; Audits – Africa, Middle East: 87. Of all cases of non-compliance: 41% were related to working conditions, health or safety, 23% were related to working hours, 19% were related to wages, 17% were classified as "Other". In the event of major non–compliance, corrective action plans are put in place and subject to a follow-up audit. The most serious cases of non-compliance or the absence of effective implementation of a corrective action plan may lead to the cessation of commercial relations.	Fully compliant	4.3.1.3.2.
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories		Fully compliant	4.3.3.2.
Marketing and labelling	417-1	Requirements for product and service information and labelling	L'Oréal complies with legal requirements regarding the labelling and marketing of its products, in particular their composition, methods of use and disposal instructions in the countries which it operates. Policies and initiatives going beyond legal requirements are listed in the report.	Fully compliant	4.3.1.3.3. 4.3.3.2.

4.7. STATUTORY AUDITOR'S REPORTS

4.7.1. Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated non financial statement

For the year ended 31 December 2020

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

L'ORÉAL

Société Anonyme

14, rue Royale

75008 Paris

To the Shareholders,

In our capacity as Statutory Auditor of L'Oréal SA, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non financial statement for the year ended 31 December 2020 (hereinafter the "Statement"), presented in the group management report pursuant to the legal and regulatory provisions of Articles L. 225102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

4

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement has been prepared by applying the company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the company's website or on request from its headquarters.

Independence and quality control

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

Responsibility of the statutory auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

However, it is not our responsibility to provide any conclusion on the company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation nor on the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information).*

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- we familiarized ourselves with the Group's business activity and the description of the principal risks associated.
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.

- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, as well as in the second paragraph of Article L. 22-10-36 regarding the respect for human rights and the fight against corruption and tax evasion.
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code.
- We verified that the Statement presents the business model and a description of principal risks associated with all the entity's activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important and which are presented in annex 1 ; concerning certain risks (corruption, human rights), our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities.
- We verified that the Statement covers the consolidated scope, *i.e.* all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information.
- We carried out, for the key performance indicators and other quantitative outcomes and which are presented in annex 1 that in our judgment were of most significance:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities which are presented in annex 2 and covered between 20% and 26% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- We assessed the overall consistency of the Statement in relation to our knowledge of the company.

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

Means and resources

Our work engaged the skills of eight people between September 2020 and February 2021.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around twenty interviews with people responsible for preparing the Statement.

Conclusion

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

Paris-La Défense, 17 February 2021

One of the statutory auditors,

Deloitte & Associés

Frédéric Moulin
PartnerSustainable

Julien Rivals
Development Partner

Annex 1 : Quantitative outcomes selected and Qualitative information

Quantitative outcomes :

Environment:

- production data of industrial sites (millions and tonnes);
- total energy consumption of industrial sites and distribution centres, administrative sites and research centres (MWh);
- total energy consumption from renewable sources for industrial sites and distribution centres, administrative sites and research centres (MWh) ;
- CO_2 emissions: Scope 1 of industrial sites and distribution centres, administrative sites and research centres; Scope 2 of industrial sites, administrative sites and research centres (market-based approach); main CO_2 emissions of Scope 3 (millions of Teq. CO_2);
- CO_2 emissions linked to the transport of finished products;
- emissions of volatile organic compounds (VOCs; tonnes) at industrial sites, sulphur dioxide (SO_2; tonnes) and ozone-depleting substances (tonnes) at industrial sites and distribution centres), administrative sites and research centres;
- total water consumption (source / use) of industrial sites and distribution centres, administrative sites and research centres (thousands of m^3);
- effluents after treatment (m^3), chemical oxygen demand (COD) after treatment (tonnes) of industrial sites;
- waste (nature / source / treatment) transportable excluding rotating shuttle packaging, with shuttle packaging at source from industrial sites and distribution centres, administrative sites and research centres (tonnes);
- recovery index for industrial sites and distribution centres, administrative sites and research centres (%);
- material recovery index for industrial sites and distribution centres, administrative sites and research centres (%);
- use of phytosanitary products (yes/no) of industrial sites and distribution centres, administrative sites and research centres (%); Use of phytosanitary products (yes/no) of industrial sites and distribution centres, administrative sites and research centres (%);

4

Social :

- number of employees and gender distribution;
- recruitment and departures;
- absenteeism;
- training (in number of hours and percentage of employees having received at least one training course during the year);
- social dialogue (percentage of employees covered by a collective agreement percentage of employees working in subsidiaries where representative bodies are in place);
- number of collective agreements in force at 31 December;
- amount paid to World Profit Sharing;
- employee protection (number of permanent employees eligible for financial protection in the event of an accident in life and health cover in line with best practice in their country of residence);
- accident frequency and severity rate;

Human rights:

- ethical commitment letter (as a percentage of strategic suppliers);
- annual reporting on ethics (as a percentage of subsidiaries);
- training (percentage of employees with access to the online module who have completed the specific and mandatory e-learning course on ethics, number of participants and hours of face-to-face training);

Qualitative information (actions and results):

Social: information on the Diversity and Inclusion policy (women-led brands, EDGE and GEEIS certifications, key positions and local managers); age verification system at recruitment;

Human rights: information on the Solidarity Sourcing programme, the supplier social audit programme, the *Beauty for a Better Life* program and cosmetovigilance ;

Environment: information on the *Carbon Balanced* program, the association of suppliers with the CDP, the commitment of brands to assess their environmental and social impact and achievements in terms of improving the environmental or social profile of products, the "zero deforestation" commitment, respect for biodiversity through a sustainable and responsible raw materials procurement policy; Anti-corruption mechanism: information on the countries covered by the corruption risk maps, the alert system and e-learning training courses on corruption prevention.

Annex 2: Contributing entities selected

- Social data:
  - Japon;
  - Russia;
  - USA.
- HSE data:

Country	Site
South Africa	Midrand
Germany	Karlsruhe
	SA Germany
	SA Germany Sales (*security*)
	SA Germany Stores (*security*)
Brazil	Sao Paulo
	R&I Brazil
China	Suzhou
Egypt	SA China Stores (*security*)
France	Cairo (*energy, CO_2, security*)
	R&I Chevilly
	SA Aulnay
	SA Clichy
	SA Seine 62
	Saint Quentin
	Vichy-LRP
Hong Kong	SA Hongkong (*security*)
Italy	SA Italy
	Settimo
Mexico	DC Mexico
USA	DC Little Rock
	North Little Rock (*cooling gas*)
	R&I USA
	SA Hudson Yards
	SA USA Sales (*security*)

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

For the year ended 31 December 2020

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

L'ORÉAL

Société Anonyme

14, rue Royale

75008 Paris

For the attention of General Management,

In our capacity as Statutory Auditors of L'Oréal, (the "Company") and at the Company's request, we have carried out verification procedures with the aim of expressing reasonable assurance on a selection of non-financial information for the year ended 31 December 2020 published in the L'Oréal Group management report.

The information selected by L'Oréal is as follows:

- Human resources information:
  - total workforce, breakdown of headcount by geographic zone;
  - percentage of brands managed by women, number of entities that have been awarded the European labels "*Gender Equality European & International Standard*" and "*Economic Dividend for Gender Equality*".
- Social information:
  - number of social audits carried out during the year and breakdown of non-compliance by subject audited.
- Environmental, health and safety information:
  - units of finished goods produced;
  - direct and indirect CO_2 emissions using the "market-based" method, total energy consumption and by finished good, breakdown by energy source (electricity, gas, fuel, steam, other energies), percentage of renewable energy consumed, renewable electricity consumed, refrigerant gas leakages;
  - total net water consumption and by finished good (excluding recycled and rain water used for gardening);
  - transportable waste excluding returnable packaging in rotation, with returnable packaging accounted at source, returnable packaging in rotation, treatment of transportable waste linked to activity, waste to landfill, of which for local regulatory constraints, recovery and material recovery rates;
  - conventional frequency rates, enlarged frequency rates, and severity rates for work accidents.

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

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

Nature and scope of procedures

We performed our work as described below in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with international standard ISAE 3000 (*Asssurance engagements other than audits or reviews of historical financial information*).

We conducted the following procedures with the aim of expressing reasonable assurance that the consolidated human resources, social, environmental, health and safety information selected by L'Oréal has been presented, in all material aspects, in compliance with the Guidelines used by L'Oréal.

- We examined, at Group level, the reporting procedures set up by L'Oréal with regard to their relevance, completeness, reliability, neutrality and clarity.
- We verified the process set up to collect, compile and check the selected information with regard to its completeness and consistency. We also reviewed the internal control and risk management procedures used to prepare the selected information.
- We conducted analytical procedures and verified, using sampling techniques, the calculations and consolidation of the data. The work was backed up by interviews with persons from the L'Oréal Environmental and Social Responsibility and Sustainable Development Departments in charge of data collection and consolidation and the proper application of procedures.

- We selected a sample of entities for which:
  - we verified, through interviews with the people in charge of data collection, the correct application of procedures;
  - we conducted tests of details on representative samples, which consisted in verifying the calculations and corroborating these samples with supporting documents.
- The following entities were selected:
  - for selected human resources information: the activities in Germany, Brazil and China, representing 20% of the Group's headcount;
  - for selected social information: the L'Oréal head office which centralizes all the information;
  - for selected environmental, health and safety information: South Africa (Midrand), Germany (DC Germany, Karlsruhe), Belgium (Libramont), Brazil (Sao Paulo), China (Suzhou), Colombia (Funza), Egypt (Cairo), United States (DC Cranbury, DC Little Rock, DC Streetsboro, Florence, North Little Rock, Piscataway), France (DC PL Roye, DC PP Centreal, Gauchy, Saint-Quentin, Tours, Rambouillet, Vichy-LRP), Italy (Settimo), Mexico (DC Mexico, San Lui Potosi), Poland (Warsaw), United Kingdom (DC Trafford), representing 52% of Group activity (in units of finished goods reviewed).

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

Conclusion

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

Neuilly-sur-Seine and Paris-La Défense, 17 February 2021

The Statutory Auditors

Deloitte & Associés		PricewaterhouseCoopers Audit	
Frédéric Moulin	Julien Rivals	Anne-Claire Ferrié	Emilie Bobin
Partner	*Partner, Sustainable Development*	*Partner*	*Partner, Sustainable Development*

5.

2020 CONSOLIDATED FINANCIAL STATEMENTS*

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

L'Oréal S.A. is a French company, with its registered office in France. It performs a sales activity that is specific to France.

At the same time, L'Oréal S.A. acts as a holding company and provides strategic coordination on the one hand and scientific, industrial and marketing coordination for the L'Oréal Group throughout the world on the other.

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

Almost all of the subsidiaries are owned by L'Oréal S.A. which has a holding or control percentage equal or close to 100%.

The financial statements set out in this chapter present the results of the L'Oréal Group as a whole, including all subsidiaries.

The Statutory Auditors' Report on the consolidated financial statements has been included at the end of this chapter.

5.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	2020	2019	2018
Net sales	**3.1**	**27,992.1**	**29,873.6**	**26,937.4**
Cost of sales		-7,532.3	-8,064.7	-7,331.6
Gross profit		**20,459.8**	**21,808.9**	**19,605.8**
Research & innovation expenses		-964.4	-985.3	-914.4
Advertising and promotion expenses		-8,647.9	-9,207.8	-8,144.7
Selling, general and administrative expenses		-5,638.5	-6,068.3	-5,624.7
Operating profit	**3.1**	**5,209.0**	**5,547.5**	**4,922.0**
Other income and expenses	4	-709.0	-436.5	-94.7
Operational profit		**4,500.0**	**5,111.0**	**4,827.3**
Finance costs on gross debt		-79.2	-75.4	-34.8
Finance income on cash and cash equivalents		19.8	28.7	47.9
Finance costs, net		**-59.4**	**-46.7**	**13.1**
Other financial income and expenses	9.4	-36.5	-16.0	-15.0
Sanofi dividends		372.4	363.0	358.3
Profit before tax and associates		**4,776.5**	**5,411.4**	**5,183.7**
Income tax	6	-1,209.8	-1,657.2	-1,284.3
Share of profit in associates		0.9	1.0	0.1
Net profit		**3,567.6**	**3,755.2**	**3,899.5**
Attributable to:				
● owners of the company		3,563.4	3,750.0	3,895.4
● non-controlling interests		4.2	5.2	4.1
Earnings per share attributable to owners of the company *(euros)*		6.37	6.70	6.96
Diluted earnings per share attributable to owners of the company *(euros)*		6.34	6.66	6.92
Earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.4	7.33	7.78	7.13
Diluted earnings per share attributable to owners of the company excluding non-recurring items *(euros)*	11.4	7.30	7.74	7.08

5.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	2020	2019	2018
Consolidated net profit for the period		**3,567.6**	**3,755.2**	**3,899.5**
Cash flow hedges		*129.1*	*2.9*	*-60.3*
Cumulative translation adjustments		*-790.2*	*188.2*	*126.4*
Income tax on items that may be reclassified to profit or loss [1]		*-23.3*	*-1.9*	*14.8*
Items that may be reclassified to profit or loss		**-684.4**	**189.2**	**80.9**
Financial assets at fair value through profit or loss	*9.3*	*-1,269.1*	*1,650.6*	*450.5*
Actuarial gains and losses	*11.3*	*-225.6*	*-327.7*	*-58.5*
Income tax on items that may not be reclassified to profit or loss [1]		*97.8*	*29.7*	*0.5*
Items that may not be reclassified to profit or loss		**-1,396.9**	**1,352.6**	**392.5**
Other comprehensive income		**-2,081.3**	**1,541.8**	**473.4**
Consolidated comprehensive income		**1,486.3**	**5,297.0**	**4,372.9**
Attributable to:				
• owners of the company		1,482.1	5,291.9	4,368.7
• non-controlling interests		4.2	5.1	4.2

(1) The tax effect is as follows:

€ millions	2020	2019	2018
Cash flow hedges	*-23.3*	*-1.9*	*14.8*
Items that may be reclassified to profit or loss	**-23.3**	**-1.9**	**14.8**
Financial assets at fair value through profit or loss	*40.4*	*-51.7*	*-14.0*
Actuarial gains and losses	*57.4*	*81.4*	*14.5*
Items that may not be reclassified to profit or loss	**97.8**	**29.7**	**0.5**
TOTAL	**74.5**	**27.8**	**15.4**

5.3. COMPARED CONSOLIDATED BALANCE SHEETS

Assets

€ millions	Notes	31.12.2020	31.12.2019	31.12.2018
Non-current assets		**29,046.8**	**29,893.3**	**25,991.2**
Goodwill	7.1	10,514.2	9,585.6	9,597.1
Other intangible assets	7.2	3,356.3	3,163.8	3,087.3
Right-of-use assets	3.2	1,525.3	1,892.3	-
Property, plant and equipment	3.2	3,225.2	3,644.3	3,624.6
Non-current financial assets	9.3	9,604.8	10,819.1	9,100.5
Investments in associates	8	11.1	10.9	9.0
Deferred tax assets	6.3	809.9	777.3	572.7
Current assets		**14,560.1**	**13,916.5**	**12,466.3**
Inventories	3.3	2,675.8	2,920.8	2,821.9
Trade accounts receivable	3.3	3,511.3	4,086.7	3,983.2
Other current assets	3.3	1,732.7	1,474.9	1,509.1
Current tax assets		234.4	148.1	160.1
Cash and cash equivalents	9.2	6,405.9	5,286.0	3,992.0
TOTAL		**43,606.9**	**43,809.8**	**38,457.5**

Equity and liabilities

€ millions	Notes	31.12.2020	31.12.2019	31.12.2018
Equity	**11**	**28,998.8**	**29,426.0**	**26,933.6**
Share capital		112.0	111.6	112.1
Additional paid-in capital		3,259.8	3,130.2	3,070.3
Other reserves		18,642.5	16,930.9	15,952.5
Other comprehensive income		4,304.5	5,595.8	4,242.1
Cumulative translation adjustments		-889.2	-99.2	-287.4
Treasury shares		-	-	-56.5
Net profit attributable to owners of the company		3,563.4	3,750.0	3,895.4
Equity attributable to owners of the company		**28,993.0**	**29,419.3**	**26,928.4**
Non-controlling interests		5.8	6.7	5.2
Non-current liabilities		**3,478.0**	**3,515.3**	**1,412.2**
Provisions for employee retirement obligations and related benefits	5.4	1,013.5	772.9	388.9
Provisions for liabilities and charges	12.1	56.8	56.9	47.6
Non-current tax liabilities	6	397.9	310.2	288.5
Deferred tax liabilities	6.3	706.6	737.7	673.7
Non-current borrowings and debt	9.1	8.5	9.6	13.5
Non-current lease debt	9.1	1,294.7	1,628.0	-
Current liabilities		**11,130.1**	**10,868.5**	**10,111.6**
Trade accounts payable		4,764.5	4,658.4	4,550.0
Provisions for liabilities and charges	12.1	1,224.7	1,117.8	979.8
Other current liabilities	3.4	3,682.5	3,508.5	3,138.9
Income tax		215.1	334.8	215.1
Current borrowings and debt	9.1	856.4	841.2	1,227.8
Current lease debt	9.1	386.9	407.9	-
TOTAL		**43,606.9**	**43,809.8**	**38,457.5**

5.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Equity
At 31.12.2017	**559,747,963**	**112.1**	**2,935.3**	**18,343.3**	**3,895.0**	**-56.5**	**-413.5**	**24,815.7**	**2.8**	**24,818.5**
Change in accounting policy at 01.01.2018				-12.0				-12.0	-0.9	-12.9
At 01.01.2018 (1)	**559,747,963**	**112.1**	**2,935.3**	**18,331.3**	**3,895.0**	**-56.5**	**-413.5**	**24,803.7**	**1.9**	**24,805.6**
Consolidated net profit for the period				*3,895.4*				*3,895.4*	*4.1*	*3,899.5*
Cash flow hedges					*-45.3*			*-45.3*	*-0.2*	*-45.5*
Cumulative translation adjustments							*114.5*	*114.5*	*0.3*	*114.8*
Hyperinflation							*11.6*	*11.6*		*11.6*
Other comprehensive income that may be reclassified to profit and loss					**-45.3**		**126.1**	**80.8**	**0.1**	**80.9**
Financial assets at fair value through profit or loss					*436.5*			*436.5*		*436.5*
Actuarial gains and losses					*-44.0*			*-44.0*		*-44.0*
Other comprehensive income that may not be reclassified to profit and loss					**392.5**			**392.5**	**-**	**392.5**
Consolidated comprehensive income				**3,895.4**	**347.2**		**126.1**	**4,368.7**	**4.2**	**4,372.9**
Capital increase	2,375,378	0.5	135.0	-0.2				135.3		135.3
Cancellation of Treasury shares		-0.5		-498.9		499.4		-		-
Dividends paid (not paid on Treasury shares)				-2,006.6				-2,006.6	-3.8	-2,010.4
Share-based payment				126.4				126.4		126.4
Net changes in Treasury shares	-2,497,814					-499.4		-499.4		-499.4
Changes in the scope of consolidation				-2.9				-2.9	2.9	
Other movements				3.4	-0.1			3.3		3.3
At 31.12.2018	**559,625,527**	**112.1**	**3,070.3**	**19,847.8**	**4,242.1**	**-56.5**	**-287.4**	**26,928.4**	**5.2**	**26,933.6**
Change in accounting policy at 01.01.2019				-81.5				-81.5		-81.5
At 01.01.2019 (2)	**559,625,527**	**112.1**	**3,070.3**	**19,766.3**	**4,242.1**	**-56.5**	**-287.4**	**26,847.0**	**5.2**	**26,852.2**
Consolidated net profit for the period				3,750.0				3,750.0	5.2	3,755.2
Cash flow hedges					*1.1*			*1.1*	*-0.1*	*1.0*
Cumulative translation adjustments							*174.1*	*174.1*		*174.1*
Hyperinflation							*14.1*	*14.1*	*0.0*	*14.1*
Other comprehensive income that may be reclassified to profit and loss					**1.1**		**188.2**	**189.3**	**-0.1**	**189.2**
Financial assets at fair value through profit or loss					*1,598.9*			*1,598.9*		*1,598.9*
Actuarial gains and losses					*-246.3*			*-246.3*		*-246.3*
Other comprehensive income that may not be reclassified to profit and loss					**1,352.6**			**1,352.6**	**-**	**1,352.6**
Consolidated comprehensive income				**3,750.0**	**1,353.7**		**188.2**	**5,291.9**	**5.1**	**5,297.0**
Capital increase	1,491,678	0.3	59.9	-0.1				60.0		60.0
Cancellation of Treasury shares		-0.8		-803.0		803.8		-		-
Dividends paid (not paid on Treasury shares)				-2,176.7				-2,176.7	-3.6	-2,180.3
Share-based payment				144.4				144.4		144.4
Net changes in Treasury shares	-3,000,000					-747.3		-747.3		-747.3
Purchase commitments for non-controlling interests								-		-
Changes in the scope of consolidation								-		-
Other movements				-0.1				-0.1		-0.1
At 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,680.9**	**5,595.8**	**0.0**	**-99.2**	**29,419.3**	**6.7**	**29,426.0**

(1) After taking account of the change in accounting policy pertaining to IFRS 15 "Revenue from Contracts with Customers" (note 1).
(2) After taking account of the change in accounting policy pertaining to IFRS 16 "Leases" (note 1).

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Equity
At 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,681.0**	**5,595.8**		**-99.2**	**29,419.3**	**6.7**	**29,426.0**
Consolidated net profit for the period				3,563.4				3,563.4	4.2	3,567.6
Cash flow hedges					*105.6*			*105.6*	*0.2*	*105.8*
Cumulative translation adjustments							*-801.8*	*-801.8*	*-0.3*	*-802.1*
Hyperinflation							*11.9*	*11.9*		*11.9*
Other comprehensive income that may be reclassified to profit and loss					**105.6**		**-789.9**	**-684.3**	**-0.1**	**-684.4**
Financial assets at fair value through profit or loss					*-1,228.8*			*-1,228.8*		*-1,228.8*
Actuarial gains and losses					*-168.1*			*-168.1*		*-168.1*
Other comprehensive income that may not be reclassified to profit and loss					**-1,396.9**			**-1,396.9**		**-1,396.9**
Consolidated comprehensive income				**3,563.4**	**-1,291.3**		**-789.9**	**1,482.1**	**4.2**	**1,486.3**
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares										
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares										
Purchase commitments for non-controlling interests										
Changes in the scope of consolidation										
Other movements				4.8				4.8	-0.1	4.7
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**		**-889.1**	**28,993.0**	**5.8**	**28,998.8**

5

5.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	2020	2019	2018
Cash flows from operating activities				
Net profit attributable to owners of the company		3,563.4	3,750.0	3,895.4
Non-controlling interests		4.2	5.2	4.1
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities		2,028.1	1,958.3	1,109.3
• changes in deferred taxes	6.1	-10.1	-42.5	43.0
• compensation expense for free share plans	5.5	129.7	144.4	126.4
• capital gains and losses on disposals of assets		3.6	-14.0	-2.7
Other non-cash transactions		5.8	1.9	2.7
Share of profit in associates net of dividends received		-0.6	-1.0	-0.1
Gross cash flow		**5,724.1**	**5,802.3**	**5,178.1**
Changes in working capital	3.5	729.2	460.5	113.8
Net cash provided by operating activities (A)		**6,453.3**	**6,262.8**	**5,291.9**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-972.4	-1,231.0	-1,416.1
Disposals of property, plant and equipment and intangible assets		26.6	16.6	5.6
Changes in other financial assets (including investments in non-consolidated companies)		-66.5	-65.9	61.0
Effect of changes in the scope of consolidation	2.2	-1,626.8	-9.3	-666.5
Net cash from investing activities (B)		**-2,639.1**	**-1,289.6**	**-2,016.0**
Cash flows from financing activities				
Dividends paid		-2,190.6	-2,221.1	-2,061.4
Capital increase of the parent company		129.7	60.0	135.3
Disposal (acquisition) of Treasury shares		-	-747.3	-499.4
Purchase of non-controlling interests		-	-	-
Issuance (repayment) of short-term loans		-74.8	-354.9	62.3
Issuance of long-term borrowings		-	-	-
Repayment of long-term borrowings		-3.6	-0.6	-4.3
Repayment of lease debt		-451.8	-425.8	-
Net cash from financing activities (C)		**-2,591.1**	**-3,689.6**	**-2,367.5**
Net effect of changes in exchange rates and fair value (D)		-103.2	10.5	36.9
Change in cash and cash equivalents (A+B+C+D)		**1,119.9**	**1,294.0**	**945.4**
Cash and cash equivalents at beginning of the year (E)		**5,286.0**	**3,992.0**	**3,046.6**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)	**9.2**	**6,405.9**	**5,286.0**	**3,992.0**

Income tax paid totalled €1,316.3 million, €1,534.3 million, and €1,098.4 million for 2020, 2019 and 2018, respectively.

Interest paid (excluding interest on lease debts) amounted to €32.4 million, €21.6 million, and €35.3 million for 2020, 2019 and 2018, respectively.

Dividends received totalled €372.5 million, €364.1 million and €358.3 million for 2020, 2019 and 2018, respectively. These are included within the gross cash flow.

Cash outflows relating to leases amounted to €574.1 million (of which €44.7 million related to interest paid on lease debt) and €570.8 million (of which €54.4 million related to interest paid on lease debt) including leases that do not fall under the scope of IFRS 16 for 2020 and 2019.

5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union as of 31 December 2020.

On 11 February 2021, the Board of Directors closed the consolidated financial statements at 31 December 2020. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 20 April 2021.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2020.

Closing context – Covid-19

The year 2020 saw lockdown measures in several countries in which L'Oréal operates. Against this backdrop, business slowed and the Group introduced very strict measures in terms of operational budget discipline, with a freeze on the worldwide headcount, a freeze on travel, a reduction in non-essential spending, and a thorough review of business drivers and investments.

With the spread of the Covid-19 virus, one of L'Oréal's absolute priorities was to offer the Group's aid and support wherever possible. Thus, across the globe, L'Oréal chose to help its small professional customers and perfumeries by deferring payment of accounts receivable in view of their cash flow difficulties, until their business activity resumes. Most of the credit risk is covered by insurance policies. Among other measures, for the most exposed suppliers, L'Oréal shortened payment terms.

Health measures were also put in place. Due to their entirely exceptional nature during the first half of the year, the costs incurred by these measures have been classified as *Other operating income and expenses*. L'Oréal also included in this category costs incurred during the first half of the year by the total suspension of activity related to the lockdowns imposed by local authorities. This covered very specific time periods. These non-recurring costs correspond to the exceptional financial impact borne by the Group over clearly defined lockdown periods (see note 4). These two types of costs in no way represent the total effect of the significant slowdown in Group activity due to the Covid-19 impact.

In addition, during the first half of the year, the Group secured a syndicated loan for €3.6 billion euros, half of which was cancelled during the second half of 2020. At 31 December 2020, this loan remained unused.

Amendments and interpretations applied in 2020: IFRS 16 "Leases"

At 31 December 2020, the Group completed its analysis of the IFRS Interpretation Committee (IC) decision dated 26 November 2019. This decision relates to the duration of certain leases (indefinite term or short initial contractual term which is automatically renewable) as well as to the depreciation period for fixtures and fittings that are inseparable from the leased asset. This decision does not have a significant impact at the Group level.

The Group applied the amendment to IFRS 16, adopted by the European Union on 12 October 2020, relating to Covid-19-related rent relief reducing lease payments due on or before 30 June 2021. The amendment allows changes in terms of rent relief to be recognized immediately in income rather than spread over the term of the contract.

The impact is not material at the Group level.

Change in accounting policy applied at 1 January 2019: IFRS 16 "Leases"

This standard took effect on 1 January 2019.

Key changes resulting from the standard are as follows:

- Accounting for operating leases as of 1 January 2019: all leases are accounted for under a single model consisting of recording a debt (present value of future lease payments) and a right-of-use asset.

The lease term is the non-cancellable period of each lease unless the Group is reasonably certain to exercise the contractual renewal options.

The right of use is amortised over the expected term of the lease.

The discount rate used to assess the lease debt corresponds to the effective annual interest rate for each lease. We calculate it using the zero interest rate coupons received per currency and per maturity tranche, plus the Group credit spread.

L'Oréal selected the simplified retrospective approach, and has measured the right of use of almost all its leases by determining their book value from the lease start date.

- 95% of the capitalised leases are property leases, including country head offices, stores and distribution centres. Other types of leases involve vehicle fleets, traditional handling equipment and packaging tools and equipment.
- Low value leases and leases that ended in 2019 are not included in the scope.
- On initial recognition, deferred tax is recognised.
- The restated balance sheet at 1 January 2019 is as follows:

€ millions		*€ millions*	
ASSETS		EQUITY & LIABILITIES	
		Equity	-82
Other intangible assets/ property, plant and equipment	-92	Deferred tax liabilities	-10
Right-of-use assets	2,005	Non-current lease debt	1,751
Deferred tax assets	19	Other current liabilities	-129
Other current assets	2	Current lease debt	404
TOTAL	**1,934**	**TOTAL**	**1,934**

Change in accounting policy applied at 1 January 2019: Application of IFRIC 23

The application since 1 January 2019 of IFRIC 23 "Uncertainty Over Income Tax Treatments" has led to the reclassification of uncertain tax provisions as *Non-current tax liabilities.*

Change in accounting policy applied at 1 January 2018: IFRS 15 "Revenue from Contracts with Customers"

This standard took effect on 1 January 2018.

The main change identified concerns the Group's relationships with distributors with respect to which the view was taken that the distributor acted as agent and not as principal. Net sales are now recognised upon sale of products to the end customer.

The standard is applied retrospectively by recognising the cumulative effect of the initial application in equity on 1 January 2018. The impact of this new accounting policy is not material on the income statement, and in 2018 resulted in a €28.2 million increase in net sales, offset by a corresponding increase in expenses.

This change resulted in a €12.9 million reduction in equity, offset by a €5.2 million increase in inventories, a €1.7 million increase in deferred assets and €19.8 million in other liabilities.

1.1. Use of estimates

The preparation of the consolidated financial statements in accordance with international accounting standards requires that the Group make a certain number of estimates and assumptions that may affect the value of the Group's assets, liabilities, equity and net profit (loss).

These estimates and assumptions mainly concern the measurement of goodwill and other intangible assets, operating lease terms, provisions, non-current tax liabilities, pension obligations, deferred taxes and share-based payments. Estimates used by the Group in relation to these different areas are made based on information available when the accounts are prepared and are described in detail in each specific associated note.

1.2. Scope and methods of consolidation

All companies included in the scope of consolidation have a financial year ending 31 December or close their accounts on that date.

All companies directly or indirectly controlled by the parent company L'Oréal have been fully consolidated.

Group companies that are jointly controlled with a limited number of other shareholders under a contractual agreement are consolidated under the equity method in accordance with IFRS 11.

Associates over which the Group has a significant influence have been accounted for by the equity method.

1.3. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Income statement items are translated at average exchange rates for the year.

The resulting translation difference attributable to the Group is entered directly under equity under the item Cumulative translation adjustments, while the translation difference attributable to non-controlling interests is recognised under the Non-controlling interests item.

1.4. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of the assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency and translated using the closing exchange rates in effect at the closing date. Goodwill recorded before 1 January 2004 continues to be recorded in euros.

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. Year 2020

Acquisitions

On 31 March 2020, L'Oréal finalised the acquisition of the Mugler and Azzaro brands and perfumes belonging to the Clarins group for a cash amount of €1.3 billion, net of cash acquired.

This acquisition has been fully consolidated since that date.

On 18 June 2020, L'Oréal announced the acquisition of US skincare brand Thayers Natural Remedies. The brand will be integrated into L'Oréal's Consumer Products Division.

The distribution strategy, initially focused on a network of natural products stores, has evolved into a multi-channel approach that today includes mass-market retailers, specialised retailers, drug stores and online distribution. In 2019, Thayers generated sales of US$44 million. The acquisition was completed on 31 July 2020 and has been fully consolidated since that date.

The cost of these new acquisitions represented €1.7 billion. The total amount of goodwill and other intangible assets resulting from these acquisitions provisionally amounted at their acquisition dates to €1,464.1 million for Azzaro and Mugler and €303.4 million for Thayers.

In 2020, these acquisitions represented €275.7 million in full-year net sales and €34.9 million in full-year operating profit.

Sale

On 4 February 2020, after some strategic thinking to ensure the best possible development for the Roger & Gallet brand, L'Oréal announced it had entered into exclusive negotiations with the French investment holding company Impala to sell this brand.

Founded in Paris in 1862, Roger & Gallet emerged from the world of Apothecary Perfumery inspired by the French art de vivre. Part of L'Oréal since 2008 following the acquisition of Yves Saint Laurent Beauté, Roger & Gallet offers a rich catalogue of fragrances in a range of perfumes, toiletries and skincare. In 2018, the brand generated sales of €52 million.

On 29 June 2020, L'Oréal and French investment holding company Impala announced that they had finalised the sale of the Roger & Gallet brand.

2.1.2. Year 2019

Acquisition

L'Oréal did not make any significant acquisitions in 2019.

2.1.3. Year 2018

Acquisitions

On 16 March 2018, L'Oréal announced the acquisition of 100% of ModiFace, a Canadian-based global leader in augmented reality and artificial intelligence applied to beauty. This acquisition is part of L'Oréal Group's digital acceleration strategy, one of the pillars of which is to equip its 35 international brands with the most innovative beauty experience and service technologies. Founded by Parham Aarabi in Toronto in 2007, ModiFace has developed cutting edge technology for the 3D virtual try-on of makeup, colouring and assessment of skin by using proprietary face tracking and colour rendering expertise. ModiFace employs close to 70 engineers, researchers and scientists who have published over 200 scientific articles and registered some 30 patents. This acquisition has been fully consolidated since 15 March 2018.

On 2 May 2018, L'Oréal announced the acquisition of 100% of Nanda Co. Ltd., the Korean lifestyle, makeup and fashion company founded by Kim So-Hee in Seoul in 2004. Stylenanda, which started in the fashion segment, has since become a company built around the 3CE makeup brand, which now accounts for over 70% of its business. With €127 million in net sales in 2017 and close to 400 employees, the Company now operates in Korea and Japan, and has expanded its commercial footprint to Hong Kong, Singapore, Malaysia and Thailand. Stylenanda is a very popular brand with millennials both in Korea and China. It is sold using a multi-channel distribution model that includes e-commerce, beauty retailers, department stores and duty free shops. The acquisition was completed on 20 June 2018 following regulatory clearance and has since been fully consolidated.

On 25 May 2018, L'Oréal completed the acquisition of Pulp Riot, the professional hair colour brand launched by David and Alexis Thurston in the United States in June 2016. Since its launch, Pulp Riot has transformed the professional market by creating avant-garde content, and by using social media to inspire and educate stylists worldwide. Pulp Riot currently has over 675,000 followers on Instagram. With net sales of US$11 million in 2017, Pulp Riot is distributed in the United States, primarily by SalonCentric. The brand has also started its global roll-out. This acquisition has been fully consolidated since 25 May 2018.

On 1 August 2018, L'Oréal announced the signing of an agreement to acquire the German company Logocos Naturkosmetik AG, a pioneer in natural cosmetics with brands such as Logona and Sante. All this company's brands are vegan and certified organic with a product range made from plant extracts and natural ingredients derived from organic farming. Founded in 1978 by a naturopath, Logocos Naturkosmetik is based in Hanover, Germany, and has close to 340 employees. In 2017, it had net sales of €59 million generated in Germany and other European countries. The acquisition was completed on 17 October 2018 following regulatory clearance and has since been fully consolidated.

On 1 August 2018, L'Oréal made a firm offer to Holding STRP (Société des Thermes de La Roche-Posay) shareholders to buy out all of the shares in the company. The plan provides for the prior sale of the hotel business to the current shareholders of Holding STRP and exclusive negotiation rights for L'Oréal. Founded in 1921, STRP is the first thermal centre in Europe exclusively dedicated to the treatment of skin conditions. In 2017, the thermal business saw over 7,500 patients per year, generating net sales of €3.6 million. The acquisition was completed on 13 December 2018 following regulatory clearance and has since been fully consolidated.

The cost of these new acquisitions represented €805.1 million. The total amount of goodwill and other intangible assets resulting from the acquisitions amounted to €601.8 million and €160.4 million, respectively.

In 2018, these acquisitions represented €219.9 million in full-year net sales and €39.9 million in full-year operating profit.

2.2. Impact of changes in the scope of consolidation in the cash flow statement

For 2020, these changes mainly related to the Azzaro-Mugler and Thayers Natural Remedies acquisitions.

The impact of acquisitions is not material for 2019.

In 2018, they mainly related to the acquisitions of Stylenanda, Pulp Riot, ModiFace, Logocos and the La Roche-Posay thermal centre.

2.3. Situation in Argentina

Argentina has been considered a hyperinflationary economy since 1 July 2018 and L'Oréal has applied the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies" from that date.

Under IAS 29, the non-monetary items in the balance sheet and income statement have been adjusted using a general price index, such that they are stated in terms of the measuring unit current at the end of the reporting period, and translated at the closing exchange rate. Argentina accounts for less than 1% of the Group's net sales.

NOTE 3. Operating items – Segment information

Accounting principles

Net sales

Net sales are recognised when the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from net sales, as are incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes.

Incentives granted to distributors and consumers are recorded as a deduction from net sales when the following two conditions are met at the same time: the service is not separable from the sale of the product and it is not possible to reasonably estimate the fair value of the cost of the service.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Cost of sales

The cost of goods sold consists mainly of the industrial production cost of products sold, the cost of distributing products to customers including freight and delivery costs, either directly or indirectly through depots, inventory impairment costs, and royalties paid to third parties.

Research and innovation expenses

Expenditure during the research phase is charged to the income statement for the financial year during which it is incurred.

Expenses incurred during the innovation phase are recognised as *Intangible assets* only if they meet all of the following criteria set out in IAS 38:

- the project is clearly defined and the related costs are separately identified and reliably measured;
- the technical feasibility of the project has been demonstrated;
- the intention and ability to complete the project and to use or sell the products resulting from the project have been demonstrated;
- the resources necessary to complete the project and to use or sell it are available;
- the Group can demonstrate that the project will generate probable future economic benefits, as the existence of a potential market for the production resulting from the project, or its internal usefulness has been demonstrated.

In view of the very large number of innovation projects and uncertainties concerning the decision to launch products relating to these projects, L'Oréal considers that some of these capitalisation criteria are not met.

Advertising and promotion expenses

These expenses consist mainly of expenses relating to the advertisement and promotion of products to customers and consumers. They are charged to the income statement for the financial year in which they are incurred.

Selling, general and administrative expenses

These expenses relate mainly to sales teams and sales team management, marketing teams and administrative services, as well as general expenses and the costs and expenses of free shares.

Operating profit

Operating profit consists of gross profit less research and innovation expenses, advertising and promotion expenses, and selling, general and administrative expenses.

Property, plant and equipment

Property, plant and equipment are recorded on the balance sheet at their purchase price. They are not remeasured.

Assets financed by lease contracts are recognised as assets on the balance sheet under *Right-of-use assets*. The corresponding debt is recognised as a liability under *Lease debt*.

Investment subsidies are recorded as liabilities under *Other current liabilities*.

The components of property, plant and equipment are recorded separately if their estimated useful lives, and therefore their depreciation periods, are materially different.

Property, plant and equipment are depreciated using the straight-line method, over the following useful lives:

Buildings	10-40 years
Industrial machinery and equipment	5-15 years
Point-of-sales advertising: stands and displays	3 years
Other property, plant and equipment	3-10 years

Depreciation and impairment losses are recorded in the income statement according to the use of the asset.

In view of their nature, property, plant and equipment are considered to have a value of zero at the end of the useful lives indicated above.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost method.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

5

Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

The current trade accounts receivable impairment methodology at L'Oréal reflects the level of expected losses on the customer portfolio, calculated on the basis of past statistics from the outset of the receivable. Moreover, this risk is contained thanks to the credit insurance policy applied by the Group.

Except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

3.1. Segment information

3.1.1. Information by business segment

The Group's business activities are organised into four Divisions. In its markets, each Operational Division develops and enhances a range of its own brand of consumer products:

- the Professional Products Division provides expertise to beauty professionals.

  For over 100 years, this Division has acquired extensive knowledge of, and provided tailored support solutions for, the hairdressing sector. It has built up a unique brand portfolio which currently includes *L'Oréal Professionnel, Kérastase, Redken, Matrix, and Pureology*;
- the Consumer Products Division's goal is to democratise access to the best that the world of beauty has to offer.

  The Division is underpinned by four major global brands (*L'Oréal Paris, Garnier, Maybelline New York* and *NYX Professional Makeup*), and by the deployment of its specialised and regional brands (*Stylenanda, Essie, Dark and Lovely*, etc.);
- L'Oréal Luxe creates exceptional experiences and products, for the most demanding consumers in selective distribution.

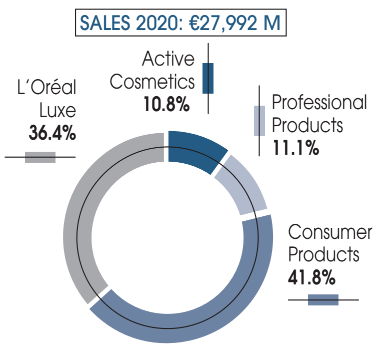
  The Division has built a unique portfolio of prestigious brands including iconic mainstream, aspirational, alternative and specialist brands (*Lancôme, Yves Saint Laurent Beauté, Giorgio Armani Beauty, Kiehl's, Urban Decay, Biotherm, Ralph Lauren, IT Cosmetics, Azzaro, Mugler, Helena Rubinstein, Valentino, Prada, etc.*);
- the Active Cosmetics Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

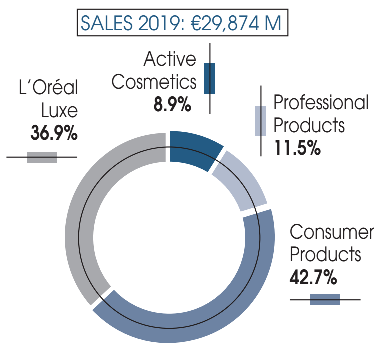
  Its portfolio of highly complementary brands (*Vichy, La Roche-Posay, CeraVe, SkinCeuticals, etc.*) is designed to keep pace with major skincare trends and the recommendations of healthcare professionals.

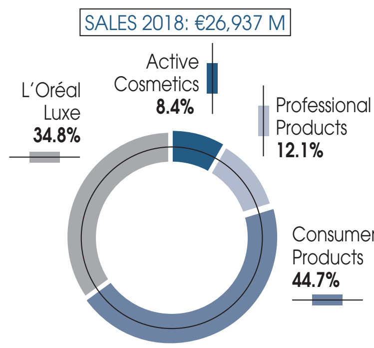
The "non-allocated" item includes expenses incurred by the Functional Divisions, fundamental research and the cost of free shares not allocated to the Divisions. It also includes non-core businesses, such as reinsurance.

The performance of each Division is measured on the basis of operating profit.

Net sales by Division changed as follows over the three periods:







€ millions 2020	Sales	Operating profit	Operational Assets [1]	Investments in property, plant an equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,097.3	581.7	2,962.6	63.1	198.8
Consumer Products	11,703.8	2,388.1	9,887.6	360.8	818.2
L'Oréal Luxe	10,179.9	2,275.9	8,773.4	277.2	545.9
Active Cosmetics	3,011.1	766.0	2,524.2	56.7	125.1
TOTAL OF DIVISIONS	**27,992.1**	**6,011.6**	**24,147.7**	**757.8**	**1,688.1**
Non-allocated		-802.6	1,042.6	167.4	198.4
GROUP	**27,992.1**	**5,209.0**	**25,190.3**	**925.2**	**1,886.4**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, right-of-use assets, trade accounts receivable and inventories.

€ millions 2019	Sales	Operating profit	Operational Assets [(1)]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,441.9	691.6	3,506.1	85.7	191.4
Consumer Products	12,748.2	2,574.6	10,700.0	514.3	780.7
L'Oréal Luxe	11,019.8	2,493.7	7,941.7	514.4	592.9
Active Cosmetics	2,663.7	620.8	2,374.1	66.1	92.3
TOTAL OF DIVISIONS	**29,873.6**	**6,380.7**	**24,521.8**	**1,180.5**	**1,657.3**
Non-allocated		-833.2	1,077.6	142.4	199.6
GROUP	**29,873.6**	**5,547.5**	**25,599.5**	**1,322.9**	**1,856.9**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, right-of-use assets, trade accounts receivable and inventories.

€ millions 2018	Sales	Operating profit	Operational Assets [(1)]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,262.5	651.5	3,378.8	84.1	142.9
Consumer Products	12,032.2	2,428.1	9,987.6	523.4	592.1
L'Oréal Luxe	9,367.2	2,072.4	7,000.3	588.4	413.0
Active Cosmetics	2,275.5	523.0	2,168.5	57.1	53.5
TOTAL OF DIVISIONS	**26,937.4**	**5,675.0**	**22,535.2**	**1,253.0**	**1,201.5**
Non-allocated		-753.1	838.0	151.7	114.8
GROUP	**26,937.4**	**4,922.0**	**23,373.2**	**1,404.7**	**1,316.3**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, trade accounts receivable and inventories.

Operational assets can be reconciled to the 2020, 2019 and 2018 balance sheets as follows:

€ millions	2020	2019	2018
Operational assets	**25,190.3**	**25,599.5**	**23,373.2**
Non-current financial assets	9,604.8	10,819.1	9,100.5
Investments in associates	11.1	10.9	9.0
Deferred tax assets	809.9	777.3	572.7
Other current assets	1,584.9	1,317.1	1,410.1
Cash and cash equivalents	6,405.9	5,286.0	3,992.0
Non-allocated assets	**18,416.6**	**18,210.3**	**15,084.3**
TOTAL ASSETS	**43,606.9**	**43,809.8**	**38,457.5**

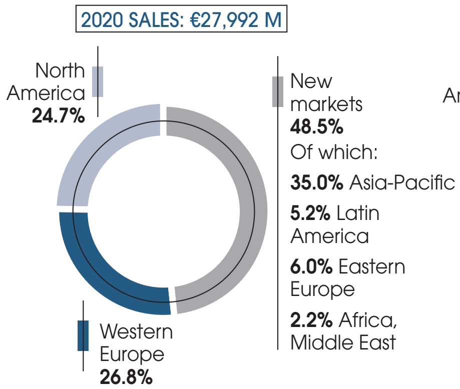
3.1.2. Information by geographic zone

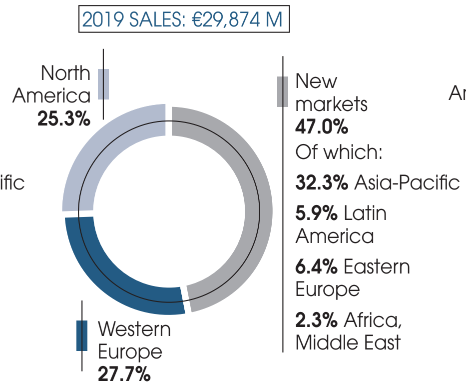
All information is presented on the basis of geographic location of the subsidiaries.

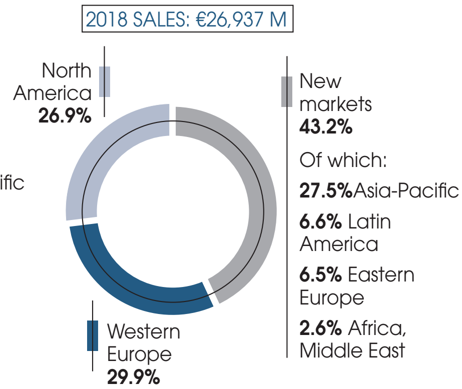
3.1.2.1. Consolidated net sales by geographic zone

	2020		Growth *(%)*		2019		2018	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	7,514.0	26.8%	- 9.2%	- 9.1%	8,277.1	27.7%	8,065.1	29.9%
North America	6,903.4	24.7%	- 8.8%	- 7.0%	7,567.0	25.3%	7,234.3	26.9%
New markets	13,574.7	48.5%	- 3.2%	1.6%	14,029.5	47.0%	11,638.1	43.2%
Asia Pacific	9,799.5	35.0%	1.5%	3.2%	9,658.0	32.3%	7,405.6	27.5%
Latin America	1,469.3	5.2%	- 17.1%	1.5%	1,773.1	5.9%	1,784.8	6.6%
Eastern Europe	1,685.3	6.0%	- 11.8%	- 4.2%	1,909.7	6.4%	1,754.2	6.5%
Africa, Middle East	620.6	2.2%	- 9.9%	- 5.0%	688.7	2.3%	693.5	2.6%
GROUP	**27,992.1**	**100.0%**	**- 6.3%**	**- 3.6%**	**29,873.6**	**100.0%**	**26,937.4**	**100.0%**

Net sales by geographic zone changed as follows over the three periods:







3.1.2.2. Breakdown of operational assets and consolidated investments by geographic zone

€ millions	2020		2019		2018	
	Operational assets	Investments in property, plant and equipment and intangible assets	Operational assets	Investments in property, plant and equipment and intangible assets	Operational assets	Investments in property, plant and equipment and intangible assets
Western Europe	10,856.7	326.9	9,829.6	480.6	9,246.8	615.4
North America	6,991.0	193.7	7,789.0	332.3	7,317.6	293.9
New markets	6,300.0	237.2	6,903.2	367.6	5,970.8	343.7
Non-allocated	1,042.6	167.4	1,077.6	142.4	838.0	151.7
GROUP	**25,190.3**	**925.2**	**25,599.5**	**1,322.9**	**23,373.2**	**1,404.7**

3.1.3. Sales by business segment

€ millions	2020	2019	2018
Skincare	11,051.7	10,453.1	8,557.4
Make-up	5,969.3	7,854.3	7,383.0
Haircare	4,254.3	4,460.9	4,358.3
Hair colourants	2,971.6	3,032.1	2,949.7
Perfumes	2,528.7	2,770.4	2,495.2
Other	1,216.5	1,302.8	1,193.8
GROUP	**27,992.1**	**29,873.6**	**26,937.4**

3.2. Depreciation and amortisation expenses and Property, plant and equipment

3.2.1. Depreciation and amortisation expenses

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amounted to €1,616.9 million, €1,616.8 million and €1,095.3 million for 2020, 2019 and 2018 respectively.

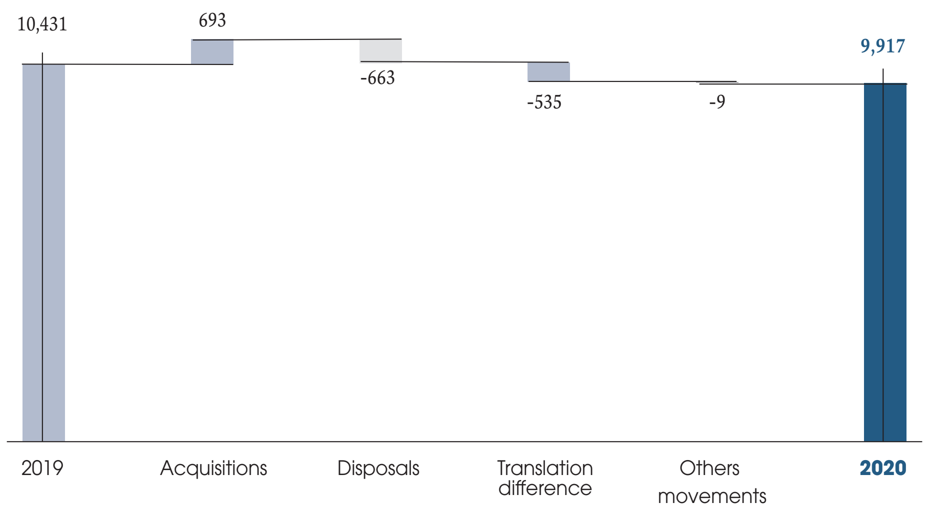
3.2.2. Property, plant and equipment

€ millions 2020	31.12.2019	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements (1)	31.12.2020
Land and buildings	2,333.3	47.2	-24.9	-101.0	80.3	2,334.7
Machinery and equipment	3,735.3	163.1	-120.3	-175.4	37.1	3,639.7
Point-of-sales advertising: stands and displays	2,358.1	221.0	-420.2	-144.4	81.8	2,096.4
Other property, plant and equipment and fixed assets in progress	2,004.3	262.1	-97.5	-114.4	-207.8	1,846.8
Gross value	**10,431.1**	**693.4**	**-662.9**	**-535.2**	**-8.6**	**9,917.6**
Land and buildings	1,218.7	79.4	-19.3	-38.1	10.5	1,251.2
Machinery and equipment	2,732.6	259.2	-119.3	-115.0	-56.9	2,700.6
Point-of-sales advertising: stands and displays	1,774.4	408.2	-415.4	-113.9	11.6	1,664.9
Other property, plant and equipment	1,061.0	165.0	-94.8	-66.4	11.0	1,075.7
Depreciation and provisions	**6,786.8**	**911.7**	**-648.8**	**-333.4**	**-23.8**	**6,692.4**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,644.3**	**-218.3**	**-14.1**	**-201.8**	**15.2**	**3,225.2**

(1) *These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.*

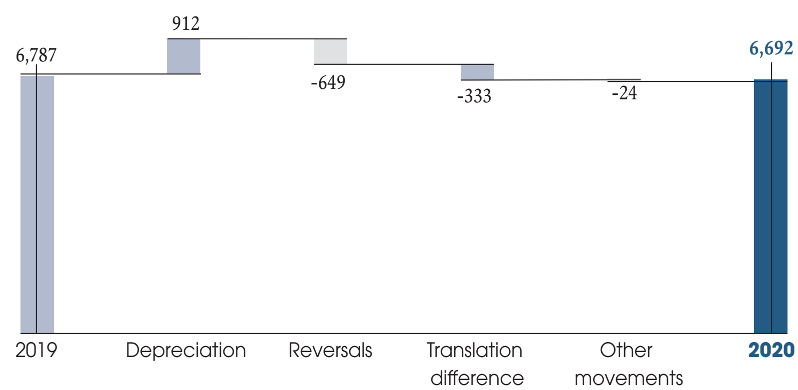
CHANGES IN GROSS FIXED ASSETS

(€ millions)



CHANGES IN DEPRECIATION, AMORTISATION AND PROVISIONS

(€ millions)



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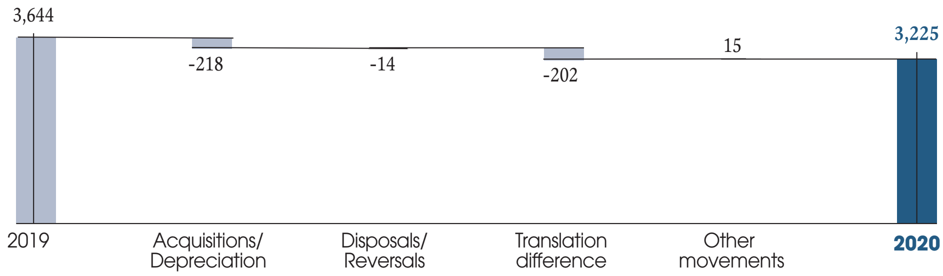
CHANGES IN NET PROPERTY, PLANT AND EQUIPMENT

(€ millions)



€ millions 2019	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	31.12.2019
Land and buildings	2,259.2	43.1	-38.2	18.4	50.8	2,333.3
Machinery and equipment	3,585.1	158.3	-129.6	38.0	83.5	3,735.3
Point-of-sales advertising: stands and displays	2,147.8	372.2	-247.4	43.0	42.5	2,358.1
Other property, plant and equipment and fixed assets in progress	1,922.1	384.0	-76.8	25.8	-250.8	2,004.3
Gross value	**9,914.3**	**957.6**	**-492.0**	**125.2**	**-74.0**	**10,431.1**
Land and buildings	1,169.9	77.1	-33.3	6.8	-1.8	1,218.7
Machinery and equipment	2,585.7	258.6	-126.7	24.9	-9.9	2,732.6
Point-of-sales advertising: stands and displays	1,559.4	440.2	-246.6	31.5	-10.1	1,774.4
Other property, plant and equipment	974.7	168.3	-75.6	13.5	-19.9	1,061.0
Depreciation and provisions	**6,289.7**	**944.2**	**-482.2**	**76.8**	**-41.7**	**6,786.8**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,624.6**	**13.4**	**-9.8**	**48.4**	**-32.4**	**3,644.3**

(1) These mainly consist of assets related to refurbishment costs for premises reclassified as rights of use after the Group applied IFRS 16 on 1 January 2019 (€33 million) and tangible assets in progress allocated to other fixed assets.

€ millions 2018	31.12.2017	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	31.12.2018
Land and buildings	2,161.7	43.9	-19.7	-5.6	78.7	2,259.2
Machinery and equipment	3,439.2	142.0	-77.8	4.9	76.8	3,585.1
Point-of-sales advertising: stands and displays	1,981.6	345.5	-233.9	17.4	37.2	2,147.8
Other property, plant and equipment and fixed assets in progress	1,708.1	369.4	-60.9	14.4	-108.9	1,922.1
Gross value	**9,290.7**	**900.8**	**-392.2**	**31.2**	**83.9**	**9,914.3**
Land and buildings	1,099.9	76.2	-19.7	2.1	11.5	1,169.9
Machinery and equipment	2,402.2	252.3	-78.2	8.6	0.8	2,585.7
Point-of-sales advertising: stands and displays	1,369.9	410.9	-231.3	11.6	-1.7	1,559.4
Other property, plant and equipment	847.6	161.3	-60.6	9.6	16.8	974.7
Depreciation and provisions	**5,719.6**	**900.6**	**-389.8**	**31.9**	**27.4**	**6,289.7**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,571.1**	**0.1**	**-2.4**	**-0.7**	**56.5**	**3,624.6**

(1) These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.

Property, plant and equipment include finance lease contracts for the following amounts:

€ millions	31.12.2020	31.12.2019 [1]	31.12.2018
Land and buildings	-		11.2
Machinery and equipment	-		-
Other property, plant and equipment and fixed assets in progress	-		22.4
GROSS VALUE	**-**		**33.6**
Depreciation	-		22.4
NET VALUE	**-**		**11.2**

(1) Finance lease contracts have been reclassified as right-of-use assets as from the application of IFRS 16.

3.2.3. Leases

3.2.3.1. Right-of-use assets

Right-of-use assets break down by type of underlying asset, as follows:

€ millions	31.12.2020 Net	Depreciation and impairment losses (1) 2020	31.12.2019 Net	01.01.2019 Net
Buildings	1,101.2	260.9	1,291.2	1,286.7
Stores	293.3	181.8	445.1	547.4
Key money	34.5	11.7	49.0	60.0
Other	96.3	18.1	106.9	111.3
RIGHT-OF-USE ASSETS	**1,525.3**	**472.5**	**1,892.3**	**2,005.4**

(1) Of which €466.6 million in depreciation for the period.

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2020	31.12.2019
Lease debt due in more than 5 years	299.9	465.7
Lease debt due in between 1 and 5 years	994.8	1,162.3
Lease debt due in less than 1 year	386.9	407.9
LEASE DEBT	**1,681.6**	**2,035.9**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2020	31.12.2019	31.12.2018
Finished products and consumables	2,492.2	2,724.0	2,599.5
Raw materials, packaging and semi-finished products	643.4	605.7	594.3
Gross value	**3,135.6**	**3,329.7**	**3,193.8**
Valuation allowance	459.8	409.0	371.9
INVENTORIES – NET	**2,675.8**	**2,920.8**	**2,821.9**

3.3.2. Trade accounts receivable

€ millions	31.12.2020	31.12.2019	31.12.2018
Gross value	3,565.4	4,133.5	4,032.7
Valuation allowance	54.1	46.8	49.4
NET VALUE	**3,511.3**	**4,086.7**	**3,983.2**

Trade accounts receivable are due within one year. The impairment of trade accounts receivable reflects the level of expected losses on the customer portfolio from the outset of the receivable. Moreover, except when local conditions do not allow it, the Group has insurance cover for the subsidiaries. The non-collection risk on trade accounts receivables is therefore minimised, and this is reflected in the level of the allowance, which is less than 2% of gross receivables at the end of 2020.

3.3.3. Other current assets

€ millions	31.12.2020	31.12.2019	31.12.2018
Tax and employee-related receivables (excluding income tax)	639.0	616.0	617.9
Prepaid expenses	452.2	365.9	338.5
Derivatives	183.0	49.2	175.6
Current financial assets	6.7	23.3	23.1
Other current assets	451.8	420.4	354.0
TOTAL	**1,732.7**	**1,474.9**	**1,509.1**

3.4. Other current liabilities

€ millions	31.12.2020	31.12.2019	31.12.2018
Tax and employee-related payables (excluding income tax)	1,533.8	1,586.8	1,406.6
Credit balances on trade receivables	1,244.5	1,128.2	1,026.0
Fixed assets payables	385.1	434.5	279.9
Derivatives	94.9	123.6	182.5
Other current liabilities	424.3	235.4	243.9
TOTAL	**3,682.5**	**3,508.5**	**3,138.9**

3.5. Changes in working capital

This caption amounts to €729.2 million, €460.5 million and €113.8 million respectively in 2020, 2019 and 2018, and is broken down as follows:

€ millions	2020	2019	2018
Inventories	101.9	-53.8	-292.8
Trade accounts receivable	315.3	-59.6	-83.1
Trade accounts payable	345.3	110.7	392.9
Other receivables and payables	-33.3	463.2	96.8
TOTAL	**729.2**	**460.5**	**113.8**

NOTE 4. Other operational income and expenses

Accounting principles

Other income and expenses

The Other income and expenses item includes capital gains and losses on disposals of property, plant and equipment and intangible assets, impairment of assets, restructuring costs, and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements.

The cost of restructuring operations is fully provisioned if it results from a group obligation towards a third party originating from a decision taken by a competent body which is announced to the third parties concerned before the end of the reporting period.

This cost consists mainly of severance payments, early retirement payments, the cost of unworked notice periods, the costs of training for employees affected by the restructuring measures, and other costs relating to site closures. Any write-offs of fixed assets or impairment charged against inventories and other assets related directly to these restructuring measures are also recorded as restructuring costs.

Operational profit

Operational profit is calculated based on operating profit and includes other income and expenses such as capital gains and losses on disposals of property, plant, and equipment and intangible assets, impairment of assets, and restructuring costs.

This item breaks down as follows:

€ millions	2020	2019	2018
Capital gains and losses on disposals of property, plant and equipment and intangible assets (1)	-3.5	14.0	2.7
Impairment of property, plant and equipment and intangible assets (2)	-89.8	-142.8	-
Restructuring costs (3)	-382.1	-120.2	-85.1
Other (4)	-233.5	-187.5	-12.3
TOTAL	**-709.0**	**-436.5**	**-94.7**

(1) Including
- *in 2020, mainly the capital loss of-€2.7 million on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019);*
- *in 2019, €11 million in capital gains on property sales in Germany.*

(2) Including
- *in 2020, the residual brand and goodwill of Clarisonic for €63.6 million and €24.6 million respectively, due to the brand's discontinuation;*
- *in 2019, the brand and goodwill of Clarisonic and Roger & Gallet for €80 million and €59 million, respectively.*

(3) Attributable to:
- *in 2020, the reorganisation of the distribution structures of the Luxe Division in North America (€96.3 million) and in Asia-Pacific (€27.2 million), the repositioning of certain distribution channels in China (€27.8 million), the reorganisation of organisational and distribution structures within the Luxe and Professional Divisions in Western Europe (€85.9 million), the continued redesign of NYX Professional Makeup's distribution channels (€66.3 million), the repositioning of the Decléor Carita brands and their sales strategy (€22.5 million), as well as the operational impact of the discontinuation of the Clarisonic brand (€18.9 million);*
- *in 2019, the redesign of NYX Professional Makeup's distribution channels (€76 million), the refocus of production facilities on Luxe, mostly in France (€11 million), restructuring Clarisonic manufacturing in the US (€8.6 million), reorganising distribution, organisational and accounting structures in Europe (€9 million) and additional costs for various reorganisation projects in 2018, primarily in Brazil (€8.2 million);*
- *in 2018, the global plan to transform the Professional Products Division (€15.6 million), the reorganisation in Brazil (€26.8 million), various plans to restructure sales forces and operating structures in Western Europe (€19.3 million), the streamlining of production and the refocusing of the distribution of the Decléor brand (€12.1 million) as well as the closure of the Canton mask production plant in China (€6.0 million) and the discontinuing of various selective brands in Malaysia and Singapore (€4.6 million).*

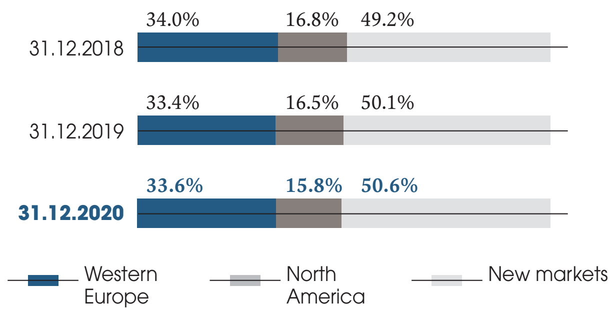
(4) Attributable to:
- *in 2020, certain specific and identifiable costs relating to the consequences of the public health crisis borne during the first half of the year including €27 million in additional health costs (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and the costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities. These include €43 million relating to own points of sales (mainly the salaries of beauty advisers and costs relating to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States.*
  Acquisition-related costs (€24 million) and disputes related to intellectual property (€20 million);
- *in 2019, acquisition-related costs (€6.1 million), the increase of the Stylenanda earn-out (€56.5 million), the disputes related to intellectual property (€55.8 million) and the profit-sharing adjustment following the agreement signed with the French tax administration for the 2014-2018 tax audits (€56.7 million);*
- *in 2018, acquisition-related costs (€17.3 million) as well as the downward adjustment of the Atelier Cologne earn-out (-€3.8 million).*

NOTE 5. Number of employees, personnel costs and employee benefits

5.1. Number of employees

	31.12.2020	31.12.2019	31.12.2018
Western Europe	28,654	29,402	29,256
North America	13,492	14,480	14,443
New markets	43,246	44,092	42,331
TOTAL (1)	**85,392**	**87,974**	**86,030**

(1) Excluding employees of equity-accounted companies.



5.2. Personnel costs

€ millions	2020	2019	2018
Personnel costs (including welfare contributions) (1)	**6,124.2**	**6,131.1**	**5,634.1**

(1) Excluding employees of equity-accounted companies.

Personnel costs include pension expenses (excluding interest components), remuneration relating to free shares and payroll taxes.

5.3. Executive compensation

Costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors can be analysed as follows:

€ millions	2020	2019	2018
Directors' fees	1.4	1.3	1.3
Salaries and benefits including employer welfare contributions	40.3	40.1	34.4
Employee retirement obligation charges	12.9	10.8	10.0
Share-based payment (free shares)	27.5	33.7	24.6
Exceptional factors	-	-	3.2

The number of executives who were members of the Management Committee was 20 at 31 December 2020 and at 31 December 2019 compared with 16 at 31 December 2018.

5.4. Post-employment benefits, termination benefits and other long-term employee benefits

Accounting principles

The Group operates pension, early retirement and other employee benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group recognises in the income statement contributions payable when they are due. No provision has been set aside in this respect as the Group's obligation does not exceed the amount of contributions paid.

The characteristics of the defined benefit schemes in force within the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. An early retirement plan and a defined benefit plan have also been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees. These obligations are partially funded by an external fund, except those relating to healthcare costs for retired employees;
- for foreign subsidiaries with employee retirement schemes or other specific obligations relating to defined benefit plans, the excess of the projected benefit obligation over the scheme's assets is also recognised by setting up a provision for charges on the basis of the actuarial value of employees' vested rights.

The charges recorded in the income statement during the year include:

- additional rights vested by employees during the accounting period;
- the impact of any change to existing schemes on previous years or of any new schemes;
- the change in the value of the discounted rights over the past year;
- income on external funds calculated on the basis of the discount rate applied to the benefit obligation.

The latter two items represent the interest component of the pension costs. The interest component is shown within Net financial income on the Other financial income and expenses item.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected unit credit method). The obligations and the fair value of plan assets are assessed each year using length-of-service, life expectancy, staff turnover by category and economic assumptions (such as inflation rate and discount rate).

The Group applies a simplified granular approach to calculate its service cost for the period. Under this simplified approach, two different discount rates are used to calculate the obligation and the service cost based on the duration of the future cash flows relating to each of these items. Financial costs are calculated by applying the discount rate used for the obligation to plan assets and by applying the differential interest rate to service cost for the period.

Actuarial gains and losses arising on post-employment defined benefit obligations are recognised in equity.

Actuarial gains and losses in relation to other benefits such as jubilee awards and long-serve bonuses are immediately charged to the income statement.

The liability corresponding to the Company's net defined benefit obligation regarding its employees is recorded in the balance sheet on the Provisions for employee retirement obligations and related benefits line.

The actuarial assumptions used to calculate these obligations take into account the economic conditions specific to each country or Group company. The main weighted average assumptions for the Group are as follows:

In %	31.12.2020	31.12.2019	31.12.2018
Discount rate (commitment)	1.1%	1.6%	2.6%
Discount rate (service cost)*	1.4%	1.9%	2.9%
Salary increases	3.4%	3.5%	3.6%

* *Used for the service cost for the following financial year.*

	31.12.2020			31.12.2019			31.12.2018		
	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate
Expected rate of health care inflation	5.3%	4.2%	2027	5.7%	4.2%	2027	5.7%	4.2%	2023

The discount rates are obtained by reference to market yields on high quality corporate bonds having maturity dates equivalent to those of the obligations.

Bond quality is assessed by reference to the AA-/Aa3 minimum rating provided by one of the three main credit-rating agencies.

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Discount rates can be broken down by geographic zone as follows:

In %	2020	2019	2018
Weighted average (all countries) based on the benefit obligation	1.1%	1.6%	2.6%
Attributable to:			
Euro zone			
Discount rate (commitment) (1)	0.5%	0.9%	1.9%
Discount rate (service cost)*	0.6%	1.0%	2.1%
USA			
Discount rate (commitment)	2.0%	2.8%	4.0%
Discount rate (service cost)*	2.3%	3.0%	4.3%
United Kingdom			
Discount rate (commitment)	1.5%	2.0%	2.8%
Discount rate (service cost)*	1.5%	2.0%	2.8%

(1) The weighted average for 2020 consists of a 0.58% discount rate on annuity plans with an average term of 21.09 years and a 0.34% discount rate on capital plans with an average term of 12.89 years.
** Used for the service cost for the following financial year.*

A 50 basis point decrease in the discount rates would increase the projected defined benefit obligations by €292.6 million for the euro zone, €86.9 million for the United States and €85.7 million for the United Kingdom.

The expected returns on plan assets are based on the discount rates used.

The breakdown of plan assets is as follows:

In %	31.12.2020	31.12.2019	31.12.2018
Equity securities (1)	35.2%	33.9%	33.1%
Bonds	57.2%	57.8%	57.8%
Property assets (2)	4.6%	4.8%	5.3%
Monetary instruments	0.9%	0.6%	1.2%
Other	2.1%	2.9%	2.6%
Total	**100.0%**	**100.0%**	**100.0%**

(1) Of which L'Oréal shares: none
(2) Of which property assets occupied by Group entities: none

The allocation of plan assets has to comply with specific investment limits for the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

Fluctuations during 2020, 2019 and 2018 are set out below:

€ millions	Present value of defined benefit obligation	Plan assets	Net provisions
Balance at 31 December 2017	**4,221.7**	**-3919.8**	**301.9**
Service cost during the period	168.0	-	168.0
Interest cost	96.6	-	96.6
Expected return on assets	-	-88.7	-88.7
Past service cost: new plans/plan amendments	2.2	-	2.2
Curtailments	-24.4	-	-24.4
Settlements	-1.5	1.3	-0.2
Benefits paid	-189.3	138.5	-50.7
Contributions paid	5.1	-85.8	-80.8
Actuarial gains and losses	-172.1	230.5	58.5
Translation differences	43.1	-36.9	6.2
Other movements	-5.2	5.4	0.2
Balance at 31 December 2018	**4,144.4**	**-3,755.5**	**388.9**
Service cost during the period	168.8	-	168.8
Interest cost	111.8	-	111.8
Expected return on assets	-	-99.5	-99.5
Past service cost: new plans/plan amendments	72.9	-	72.9
Curtailments	-100.3	-	-100.3
Settlements	-	-	-
Benefits paid	-198.4	151.9	-46.5
Contributions paid	6.3	-58.9	-52.6
Actuarial gains and losses	706.6	-378.9	327.7
Translation differences	67.9	-66.3	1.6
Other movements	-5.3	5.6	0.3
Balance at 31 December 2019	**4,974.5**	**-4,201.6**	**772.9**
Service cost during the period	201.2	-	201.2
Interest cost	80.0	-	80.0
Expected return on assets	-	-66.7	-66.7
Past service cost: new plans/plan amendments	-12.7	-	-12.7
Curtailments	-21.2	-	-21.2
Settlements	-1.0	1.1	0.2
Benefits paid	-227.7	161.9	-65.9
Contributions paid	4.1	-85.3	-81.3
Actuarial gains and losses	483.1	-257.5	225.6
Translation differences	-167.0	139.8	-27.2
Other movements	5.1	3.3	8.4
BALANCE AT 31 DECEMBER 2020	**5,318.4**	**-4,305.0**	**1,013.5**

The total present value of defined benefit obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

€ millions	31.12.2020	31.12.2019	31.12.2018
Present value of defined benefit obligations wholly or partly funded	4,832.5	4,507.6	3,755.6
Fair value of plan assets	4,304.9	4,201.6	3,755.5
Net position of defined benefit obligations wholly or partly funded	527.6	306.1	0.1
Present value of defined benefit obligations wholly unfunded	485.9	466.9	388.8

The retirement expense charged to the income statement is recorded within personnel expenses for the operating part and within financial costs for the financial part and can be analysed as follows:

€ millions	2020	2019	2018
Service cost during the financial year	201.2	168.8	168.0
Interest costs	80.0	111.8	96.6
Expected return on assets	-66.7	-99.5	-88.7
New plans/plan amendments (1)	-12.7	72.9	2.2
Curtailments (1)	-21.2	-100.3	-24.4
Settlements	0.2	-	-0.2
TOTAL	**180.9**	**153.6**	**153.6**

(1) (2019) Order no. 2019-697 transposing a European Directive dated 16 April 2014 into law no longer allows new members to join "conditional" defined benefit pension schemes as from 4 July 2019, the day the Order was issued. The Order also no longer allows for new additional rights to be acquired in schemes opened on 20 May 2014 for employment periods after 31 December 2019. The net impact recorded in 2019 net income for these developments is +€17.5 million. L'Oréal will finalise the implementation of a replacement scheme for acquired rights in accordance with this Order for employment periods starting 1 January 2020, following publication of the circular on 23 December 2020. This scheme is considered a continuation of the former scheme due to its consistency in terms of population and benefits.

Contributions to defined contribution schemes recognised as an expense for 2020, 2019 and 2018 amounted to €511.3 million, €524.8 million and €468.2 million, respectively.

A change of 1% point in medical cost inflation would have the following impact:

€ millions	Increase of 1%	Decrease of 1%
Impact on projected benefit obligation	11.9	-9.8
Impact on current service cost and interest costs	0.3	-0.3

Actuarial gains and losses for the periods presented are as follows:

€ millions **2020**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	40.3	-257.5	-217.2
Actuarial gains and losses: demographic assumptions	7.2	-	7.2
Actuarial gains and losses: financial assumptions	435.6	-	435.6
TOTAL	**483.1**	**-257.5**	**225.6**

€ millions **2019**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	-25.5	-378.9	-404.4
Actuarial gains and losses: demographic assumptions	-36.6	-	-36.6
Actuarial gains and losses: financial assumptions	768.8	-	768.8
TOTAL	**706.6**	**-378.9**	**327.7**

€ millions **2018**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	124.2	230.5	354.7
Actuarial gains and losses: demographic assumptions	-35.3	-	-35.3
Actuarial gains and losses: financial assumptions	-261.0	-	-261.0
TOTAL	**-172.1**	**230.5**	**58.5**

5.5. Share subscription or purchase options – Free shares – Employee shareholding plan

Accounting principles

In accordance with the requirements of IFRS 2 "Share-based Payment", the value of options or free shares granted as calculated at the grant date is expensed in the income statement over the vesting period, which is generally five years for purchase options and four years for free shares.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period. The cost of the additional 2-year holding period applicable to French residents, for plans prior to 1 January 2016, is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile.

The impact of IFRS 2 on profit for the period is booked on the Selling, general and administrative expenses item of the income statement at Group level, and is not allocated to the Divisions or geographic zones.

a) Share subscription or purchase options

The table below sets out data concerning the option plan in force at 31 December 2020.

Grant date	Number of options	Number of options not yet exercised	Exercise period from	Exercise period to	Exercise price
22.04.2011	1,470,000	57,397	23.04.2016	22.04.2021	€83.19

This plan has a five-year exercise period and had performance-related conditions for members of the Management Committee. All of the performance conditions of this plan have been definitively fulfilled.

The fair value of options is determined using the Black & Scholes method based on the following assumptions:

	Subscription options April 2011
Risk-free rate of return	3.42%
Expected life span	8 years
Expected volatility	22.60%
Expected dividends	2.10%
Share price	€85.68
Exercise price	€83.19
Fair value	€18.58

Expected volatility is equal to the implied volatility of the options listed on MONEP at the grant dates. In order to mitigate the effects of atypical phenomena, the volatility used corresponds to the average between implied volatility at the grant date and historic volatility over the expected life span of the option. The expected life span has been adjusted to take account of behavioural assumptions relating to the beneficiaries.

Data concerning all share option plans during financial years 2020, 2019 and 2018 are set out below:

	31.12.2020		31.12.2019		31.12.2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	**524,193**	**€81.91**	**1,313,801**	**€78.60**	**2,233,775**	**€76.43**
● Options granted	-	-	-		-	
● Options exercised	-465,796	€81.76	-785,408	€76.43	-919,474	€73.32
● Options expired	-1,000	-	-4,200		-500	
Number of options not exercised at end of period	**57,397**	**€83.19**	**524,193**	**€81.91**	**1,313,801**	**€78.60**
Of which:						
● number of exercisable options at end of period	57,397	€83.19	524,193	€81.91	1,313,801	€78.60
● expired options at end of period	-	-	-		-	

The weighted average share price was €273.24, €240.28 and €197.19 for 2020, 2019 and 2018, respectively.

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2018.

Grant date					
Stock subscription plans	Stock purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
17.04.2014		18.04.2018	1,068,565	994,815	
22.04.2015		23.04.2019	860,150	706,937	
20.04.2016		21.04.2020	906,100	835,725	
20.04.2017		21.04.2021	906,000		745,621
17.04.2018		18.04.2022	931,000		892,150
18.04.2019		19.04.2023	843,075		830,600
14.10.2020		15.10.2024	713,660		713,660

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions apply to the 14 October 2020, 18 April 2019, 17 April 2018 and 20 April 2017 plans:

- for 50% of shares granted, the growth in comparable Cosmetics sales in relation to growth in net sales for a panel of competitors:
  - 2021, 2022 and 2023 financial years under the 2020 plan;
  - 2020, 2021 and 2022 financial years under the 2019 plan;
  - 2019, 2020 and 2021 financial years under the 2018 plan;
  - 2018, 2019 and 2020 financial years under the 2017 plan;
- for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the mean of the performance in the:

- 2021, 2022 and 2023 financial years under the 2020 plan;
- 2020, 2021 and 2022 financial years under the 2019 plan;
- 2019, 2020 and 2021 financial years under the 2018 plan;
- 2018, 2019 and 2020 financial years under the 2017 plan;

and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

The plans of 17 April 2014, 22 April 2015 and 20 April 2016 were finally granted by the allocation of, respectively, 993,765 shares on 18 April 2018, 706,262 shares on 23 April 2019 and 835,600 shares on 21 April 2020.

At 31 December 2020, the performance conditions for plans in progress were deemed achieved except for the 20 April 2017 plan for which the cost was reviewed based on a predefined scale according to the best estimate to date of the performance percentage achieved at the end of the plan.

The fair value of free shares is determined using the following assumptions:

	Stock purchase plans			Stock subscription plans			
Grant date	April 2014	April 2015	April 2016	April 2017	April 2018	April 2019	October 2020
Risk-free rate of return	0.65%	- 0.02%	- 0.06%	- 0.35%	- 0.28%	- 0.25%	- 0.53%
Discount for post-vesting transfer restrictions for French employees	4.46%	1.70%	n/a	n/a	n/a	n/a	n/a
Expected dividends	2.06%	1.52%	1.85%	1.82%	1.85%	1.58%	1.34%
Share price	€121.35	€177.10	€168.10	€181.75	€191.85	€243.80	€288.00
Fair value							
• Employees resident in France	€104.58	€161.49	€154.32	€166.90	€176.17	€226.25	€269.37
• Employees not resident in France	€109.99	€164.50	€154.32	€166.90	€176.17	€226.25	€269.37

The expense recorded in 2020, 2019 and 2018 amounted to €120.1 million €143.2 million and €120.9 million, respectively.

c) Capital increase reserved for employees

In September 2020, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €223.25, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 17 September to 2 October 2020 during which 417,966 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, for which the number of shares will be finalised in June 2021.

For French employees, free shares were offered upon subscription in proportion to their personal contribution to the plan with a maximum of 4 shares offered for 10 shares subscribed.

For employees in other countries, shares were offered under a free share plan with a continued employment condition for the employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 3 November 2025 provided they are still with the Group on that date.

The IFRS 2 expense measuring the benefit offered to employees is calculated with reference to the fair value of the discount offered on the non-transferable shares.

The capital was increased on 3 November 2020 by 452,967 shares.

The IFRS 2 expense for free shares granted amounted to:

- €7.8 million for French employees based on a subscription price of €223.25 per share; and
- €0.6 million for employees outside France. This cost is amortised over the vesting period and corresponds to the share reference value adjusted for the expected dividends over the vesting period, namely €254.84 per share.

In June 2018, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €162.52, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 4 June to 18 June 2018 during which 423,916 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, with the final number of shares subscribed determined at 4,514 in November 2018.

The IFRS 2 expense for free shares recognised for the 2020 financial year amounted to €1.3 million and corresponds to the cost relating to employees outside France.

NOTE 6. Income tax

Accounting principles

The income tax charge includes the current tax expense payable by each consolidated tax entity and the deferred tax expense. Deferred tax is calculated whenever there are temporary differences between the tax basis of assets and liabilities and their basis for consolidated accounting purposes, using the balance sheet liability method.

The restatement of assets and liabilities relating to lease contracts results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is measured using the tax rate enacted at the closing date and which will also apply when the temporary differences reverse.

Deferred tax assets generated by tax loss carryforwards are only recognised to the extent it is probable that the entities will be able to generate taxable profit against which they can be utilised.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which is payable only by L'Oréal, the parent company of the tax Group. Tax consolidation systems also exist outside France.

Uncertain tax positions are recorded in the balance sheet under "Non-current tax liabilities". These correspond to an estimate of tax risks and litigation related to income tax for the various countries in which the Group operates.

6.1. Detailed breakdown of income tax

€ millions	2020	2019	2018
Current tax	1,219.9	1,699.7	1,241.3
Deferred tax	-10.1	-42.5	43.0
INCOME TAX	**1,209.8**	**1,657.2**	**1,284.3**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2020	2019	2018
Profit before tax and associates	**4,776.5**	**5,411.4**	**5,183.7**
Theoretical tax rate	26.37%	26.21%	26.25%
Expected tax charge	**1,259.7**	**1,418.1**	**1,360.6**
Impact of permanent differences	31.4	64.4	28.8
Impact of tax rate differences	-129.9	-161.6	-148.3
Change in unrecognised deferred taxes	1.7	2.3	-3.2
Impact of non-current tax liabilities (2)	108.2	346.7	51.2
Other (1)	-61.3	-12.7	-4.8
GROUP TAX CHARGE	**1,209.8**	**1,657.2**	**1,284.3**

(1) Including tax credits and taxes on dividend distributions.
(2) Including, in 2019, a €262 million expense to cover an agreement made with the French tax administration regarding a disagreement over which French products in our business fall under the tax base for 2014-2018.

The expected tax charge reflects the sum of pre-tax profit for each country, multiplied by the normal taxation rate. The theoretical tax rate reflects the total expected tax charge as a percentage of pre-tax profit. The impact of any reduced tax rates existing in certain countries in addition to the normal tax rates is included on the line Impact of tax rate differences.

6.3. Deferred taxes on the balance sheet

The net change in deferred taxes (assets and liabilities) can be analysed as follows:

€ millions	
Balance of deferred tax assets at 31 December 2017	**530.3**
Balance of deferred tax liabilities at 31 December 2017	**-597.0**
Income statement impact	-43.0
Translation differences	-19.0
Other effects (1)	27.8
Balance of deferred tax assets at 31 December 2018	**572.7**
Balance of deferred tax liabilities at 31 December 2018	**-673.7**
Income statement impact	42.5
Translation differences	3.8
Other effects (1)	94.3
Balance of deferred tax assets at 31 December 2019	**777.3**
Balance of deferred tax liabilities at 31 December 2019	**-737.7**
Income statement impact	10.1
Translation differences	-8.5
Other effects (1)	62.1
BALANCE OF DEFERRED TAX ASSETS AT 31 DECEMBER 2020	**809.9**
BALANCE OF DEFERRED TAX LIABILITIES AT 31 DECEMBER 2020	**-706.6**

(1) Including mainly the deferred tax impact of currency hedging instruments recognised in equity, as well as the tax effect on actuarial gains and losses recognised in equity.

Deferred tax assets and liabilities recorded in the balance sheet may be broken down as follows:

	31.12.2020		**31.12.2019**		**31.12.2018**	
€ millions	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Temporary differences	783.3	431.4	760.2	422.5	562.4	409.6
Deferred tax liabilities on revaluation of Sanofi		275.2		315.2		264.1
Tax credits and tax loss carry-forwards	26.6		17.1		10.3	
DEFERRED TAX TOTAL	**809.9**	**706.6**	**777.3**	**737.7**	**572.7**	**673.7**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€263.8 million, €209.8 million and €113.0 million respectively at the end of 2020, 2019 and 2018) and provisions for liabilities and charges (€135.8 million, €136.5 million and €113.1 million at the end of 2020, 2019 and 2018).

Deferred tax liabilities on temporary differences mainly include intangible assets acquired under business combinations other than non-tax-deductible goodwill.

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €14.3 million at 31 December 2020 compared with €17.0 million at 31 December 2019 and €21.6 million at 31 December 2018.

NOTE 7. Intangible assets

7.1. Goodwill

Accounting principles

Business combinations are accounted for by the purchase method. The assets, liabilities and contingent liabilities of the Company acquired are measured at fair value at the acquisition date. Any valuation differences identified when the acquisition is carried out are recorded under the corresponding asset and liability items.

Any residual difference between the cost of an acquisition and the Group's interest in the fair value of the identified assets and liabilities is recorded as Goodwill and allocated to the Cash Generating Units expected to benefit from the acquisition or the related synergies.

Goodwill generated on the acquisition of an associate is presented in the Investments in associates item.

For business combinations carried out after 1 January 2010, the main changes with regard to previously applicable accounting principles are set out below:

- for each acquisition, the Group chooses whether to recognise the full amount of goodwill regardless of the ownership interest acquired, or an amount of goodwill corresponding to its interest in the acquired company (previously the only method allowed);
- deferred tax assets recognised after the initial accounting is complete are included in profit or loss, and in contrast to previous practices, the amount of goodwill that would have been recorded had the deferred tax asset been recognised as an identifiable asset at the acquisition date is not deducted;
- costs incurred in respect of a business combination are now expensed and no longer included in the acquisition cost;
- the acquisition cost, which includes contingent consideration, is recognised and measured at its acquisition-date fair value. Subsequent changes in fair value, affecting in particular the contingent consideration recorded in liabilities, are recognised in Other income and expenses in the income statement and no longer treated as an adjustment to goodwill;
- any previous interest held in the acquiree prior to the date control was obtained is now remeasured at its acquisition-date fair value, with the corresponding gain or loss on remeasurement recognised on the income statement;
- purchase commitments for minority interests are recognised in financial debt at the acquisition-date fair value. Subsequent changes in fair value of the commitment are recognised by adjusting equity.

Goodwill is allocated by Cash Generating Units or by groups of Cash Generating Units. A Cash Generating Unit corresponds to one or more worldwide brands.

€ millions 2020	31.12.2019	Acquisitions/Disposals	Other movements	31.12.2020
Redken/PureOlogy	573.1	0.5	-40.2	533.4
Matrix	413.1		-30.7	382.4
L'Oréal Professionnel/Kérastase	394.5		-17.3	377.3
Decléor and Carita (1)	137.4		-137.4	
Other	67.9	-3.2	-1.6	63.1
Professional Products Total	**1,586.0**	**-2.7**	**-227.2**	**1,356.2**
Maybelline/Garnier	1,275.1		-81.9	1,193.2
L'Oréal Paris	910.2		-23.2	887.0
Stylenanda	430.7		-7.0	423.7
NYX Professional Makeup	327.8		-23.3	304.5
LaSCAD	158.3		-1.9	156.4
Niely	137.1		-40.0	97.1
Thayers		252.5	-8.1	244.3
Other	486.4	0.6	-20.1	466.8
Consumer Products Total	**3,725.5**	**253.1**	**-205.4**	**3,773.2**
Lancôme	832.6		-3.5	829.1
IT Cosmetics	787.4		-50.9	736.5
YSL Beauté	536.1		-0.6	535.5
Perfumes (4)	457.7	1,119.4	-109.3	1,467.9
Skincare Premium (1)			173.0	173.0
Urban Decay	152.7		-11.3	141.4
Shu Uemura	143.1		-5.7	137.4
L'Oréal Beauty Device (2)	24.6		-24.6	
Other	67.5		-0.7	66.8
L'Oréal Luxe Total	**3,001.8**	**1,119.4**	**-33.5**	**4,087.6**
CeraVe	635.4		-26.7	608.7
Vichy/Dermablend (3)	319.6	-1.1	-8.0	310.5
La Roche-Posay	169.0		-5.4	163.6
Other (1)	78.6		66.2	144.9
Active Cosmetics Total	**1,202.7**	**-1.1**	**26.1**	**1,227.6**
Other	69.6			69.6
GROUP TOTAL	**9,585.6**	**1,368.7**	**-440.1**	**10,514.2**

(1) Reclassification related to Décléor/Carita.
(2) Following the discontinuation of the Clarisonic brand, residual goodwill was fully written down.
(3) Disposal of the Roger & Gallet brand on 29 June 2020.
(4) Allocation of Azzaro-Mugler goodwill to the Perfumes Cash Generating Unit.

2020 acquisitions mainly relate to Azzaro/Mugler and Thayers for €1,372 million.

Following the strategic repositioning of the Décléor and Carita brands within the Active Cosmetics and Luxe Divisions with effect from 1 July 2020, Décléor-Carita goodwill of €137.4 million was reallocated, respectively, to the Skinceuticals Cash Generating Unit for Décléor for €71.2 million and to the new Skincare Premium Cash Generating Unit for Carita for €66.1 million, in view of the expected synergies between the brands belonging to these Cash Generating Units.

Héléna Rubinstein goodwill of €106.9 million was reallocated to the Skincare Premium Cash Generating Unit with the Carita brand to reflect the new dedicated operational structure for these two Skincare brands.

Other movements mainly reflect the negative impact of changes in exchange rates for €413.7 million, as well as the recognition of an impairment loss on Clarisonic (€25 million) due to the discontinuation of the brand.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €282.9 million, €149.1 million, €136.5 million and €30.3 million, respectively, at 31 December 2020.

€ millions 2019	31.12.2018	Acquisitions/Disposals	Other movements	31.12.2019
Redken/PureOlogy	560.5	3.5	9.1	573.1
Matrix	405.8		7.3	413.1
L'Oréal Professionnel/Kérastase	388.9		5.6	394.5
Decléor and Carita	137.4			137.4
Other	66.1		1.8	67.9
Professional Products Total	**1,558.7**	**3.5**	**23.8**	**1,586.0**
Maybelline/Garnier	1,251.6		23.5	1,275.1
L'Oréal Paris	899.1		11.0	910.2
Stylenanda	429.4		1.3	430.7
NYX Professional Makeup	322.6		5.2	327.8
LaSCAD	158.3			158.3
Niely	139.7		-2.5	137.1
Other	495.4		-9.0	486.4
Consumer Products Total	**3,696.1**	**-**	**29.4**	**3,725.5**
Lancôme	825.3		7.3	832.6
IT Cosmetics	775.9		11.4	787.4
YSL Beauté	533.2		2.9	536.1
Perfumes	454.9		2.8	457.7
Urban Decay	150.2		2.5	152.7
Shu Uemura	137.9		5.3	143.1
L'Oréal Beauty Device (1)	71.3		-46.7	24.6
Other	65.0		2.6	67.5
L'Oréal Luxe Total	**3,013.8**	**-**	**-12.0**	**3,001.8**
CeraVe	629.5		5.9	635.4
Vichy/Dermablend	354.3		-34.6	319.6
La Roche-Posay	161.4		7.6	169.0
Other	77.6		1.1	78.6
Active Cosmetics Total	**1,222.8**	**-**	**-20.1**	**1,202.7**
Other	105.7		-36.1	69.6
GROUP TOTAL	**9,597.1**	**3.5**	**-14.9**	**9,585.6**

(1) This Cash Generating Unit mainly concerns Clarisonic.

No significant acquisitions or disposals took place during this financial year.

Other movements mainly reflect the positive impact of changes in exchange rates for €65.4 million, as well as the recognition of impairment losses on Clarisonic (€47 million) and Roger & Gallet (€36 million).

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, and Softsheen-Carson amounted to €279.7 million, €153.0 million, and €149.3 million, respectively at 31 December 2019.

€ millions **2018**	**31.12.2017**	**Acquisitions/Disposals**	**Other movements**	**31.12.2018**
Redken/PureOlogy	539.6		20.9	560.5
Matrix	391.5		14.3	405.8
L'Oréal Professionnel/Kérastase	380.3		8.6	388.9
Decléor and Carita	137.4			137.4
Other	3.0	62.5	0.6	66.1
Professional Products Total	**1,451.7**	**62.5**	**44.4**	**1,558.7**
Maybelline/Garnier	1,186.0		65.6	1,251.6
L'Oréal Paris	852.4		46.8	899.1
NYX Professional Makeup	310.2		12.4	322.6
LaSCAD	158.3			158.3
Niely	155.6		-15.9	139.7
Stylenanda	-	429.3	0.1	429.4
Other (1)	426.0	66.2	3.2	495.4
Consumer Products Total	**3,088.5**	**495.5**	**112.1**	**3,696.1**
Lancôme	795.1		30.2	825.3
IT Cosmetics	749.0		27.0	775.9
YSL Beauté	519.8		13.4	533.2
Perfumes	453.9		1.0	454.9
Urban Decay	144.1		6.1	150.2
Shu Uemura	129.3		8.6	137.9
L'Oréal Beauty Device (2)	69.8		1.5	71.3
Urban Decay	144.1		6.1	150.2
Other	64.6		0.4	65.0
L'Oréal Luxe Total	**2,925.6**	**-**	**88.1**	**3,013.7**
CeraVe	943.0		-313.5	629.5
Vichy/Dermablend	278.1		76.1	354.3
La Roche-Posay	52.4	8.7	100.3	161.4
Other	63.3		14.3	77.6
Active Cosmetics Total	**1,336.8**	**8.7**	**-122.8**	**1,222.8**
Other	69.6	36.1		105.7
GROUP TOTAL	**8,872.3**	**602.8**	**121.9**	**9,597.1**

(1) The Magic Holdings business is no longer a full Cash Generating Unit due to the reorganisation of the distribution networks and the commercial structures that are now pooled together with the Consumer Products Division in China.
(2) This Cash Generating Unit mainly concerns Clarisonic.

The acquisitions in 2018 mainly involved Stylenanda, Logocos, ModiFace, Pulp Riot and the La Roche-Posay thermal centre, totalling €602.8 million.

The €943.0 million goodwill stemming from the acquisition of CeraVe was primarily allocated to the amount of €99.7 million to the La Roche-Posay Cash Generating Unit, €73.5 million to the Vichy Cash Generating Unit and €54.5 million to the L'Oréal Paris Cash Generating Unit on the basis of expected synergies.

No significant disposals took place during 2018.

Other movements mainly reflect the positive impact of changes in exchange rates for €124.6 million.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson, Yue-Sai and Sanoflore amounted to €228.3 million, €152.4 million, €146.3 million, €30.9 million and €35.7 million respectively at 31 December 2018.

7.2. Other intangible assets

Accounting principles

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition as well as internally generated intangible assets are also included in this item.

a) Intangible assets acquired through business combinations

They mainly consist of brands, customer relationships and formulas and patents.

With regard to brands, the use of the "discounted cash flow" method is preferred to enable the value in use to be monitored more easily following the acquisition. Two approaches have been adopted to date:

- premium-based approach: this method involves estimating the portion of future cash flows that could be generated by the brand, compared with the future cash flows that the activity could generate without the brand;
- royalty-based approach: this involves estimating the value of the brand by referencing the levels of royalties demanded for the use of similar brands. It is based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the brand in order to ensure that the assumptions selected are relevant. The discount rate used is based on the weighted average cost of capital (WACC) for the target acquired. Terminal growth rates are consistent with available market data (generally 2.5% for Europe and 3% for the rest of the world, except in specific cases).

A brand may have a finite or an indefinite useful life span.

Local brands which are to be gradually replaced by an international brand already existing within the Group have a finite useful life span.

They are amortised over their useful lives as estimated at the date of acquisition.

International brands are brands which have an indefinite life span. They are tested for impairment at least once a year during the fourth quarter, and whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable amount of the brand based on the model adopted when the acquisition took place.

Customer relationships refer to relations developed with customers either through contractual arrangements or by non-contractual means through constant revenue streams resulting from the target's competitive position or reputation in its market.

The useful life of a customer relationship is limited and varies depending on the estimated attrition rate of existing customers at the time of the acquisition.

The Group may decide to identify and value patents and formulas that it intends to develop.

The value of a patent or a formula is assessed on the basis of the future profits expected from its ownership in the future, in accordance with the royalty-based approach.

The amortisation period applicable to patents corresponds to the period during which they enjoy legal protection. Formulas, which are not protected by legal means, are amortised over a maximum period of 5 years.

b) Internally generated intangible assets

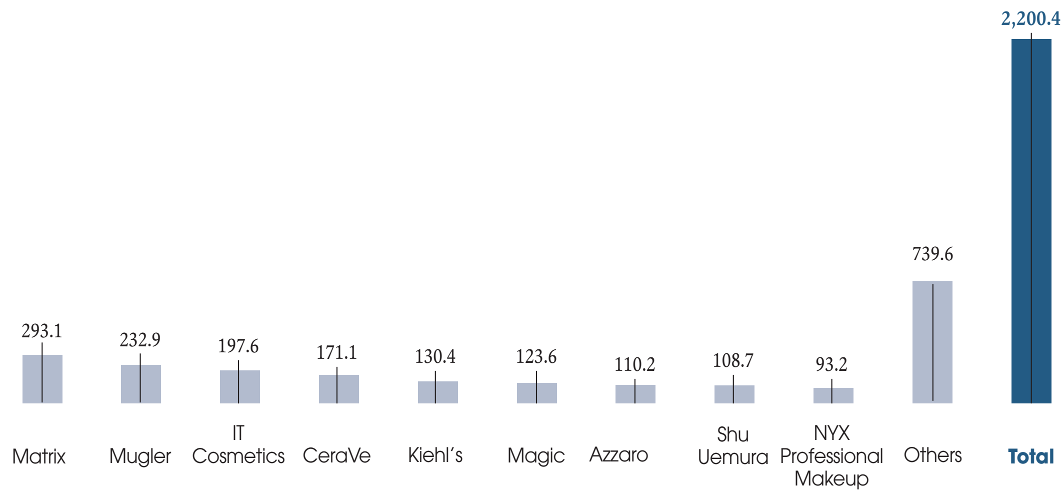
These mainly consist of software.

Innovation costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

Capitalised innovation costs are amortised from the date the software is made available in the entity concerned and over its probable useful life, which, in most cases, is between 5 and 8 years.

€ millions **2020**	**31.12.2019**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Changes in the scope of consolidation**	**Other movements [1]**	**31.12.2020**
Brands with indefinite useful life [2]	1,943.6		-23.2	387.5	-107.5	2,200.4
Amortisable brands and product ranges	99.0	0.1	-1.2		-5.7	92.3
Licences and patents	730.5	15.7	-5.2	0.8	-3.0	738.7
Software	1,549.6	71.6	-82.3	5.8	82.8	1,627.5
Customer relationships	610.8		-11.4	6.5	-42.3	563.6
Other	239.8	157.2	-9.6		-169.2	218.1
Gross value	**5,173.1**	**244.6**	**-132.9**	**400.7**	**-244.9**	**5,440.6**
Brands with indefinite useful life	212.4	63.6	-22.2		-11.7	242.1
Amortisable brands and product ranges	75.2	3.5	-1.2		-3.9	73.6
Licences and patents	172.9	10.3	-0.3	0.1	-2.9	180.1
Software	1,066.1	183.4	-82.3	4.7	-57.8	1,114.1
Customer relationships	458.7	42.7%	-11.4		-34.9	455.1
Other	24.1		-3.6		-1.2	19.3
Depreciation and provisions	**2,009.4**	**303.4**	**-120.8**	**4.8**	**-112.4**	**2,084.3**
OTHER INTANGIBLE ASSETS – NET	**3,163.8**	**-58.8**	**-12.1**	**395.9**	**-132.5**	**3,356.3**

(1) Other movements mainly consisted of the impact of hyperinflation in Argentina and the negative change in exchange rates over the period totalling -€135.1 million.
(2) At end-2020, the gross value of brands with an indefinite useful life span breaks down as follows:

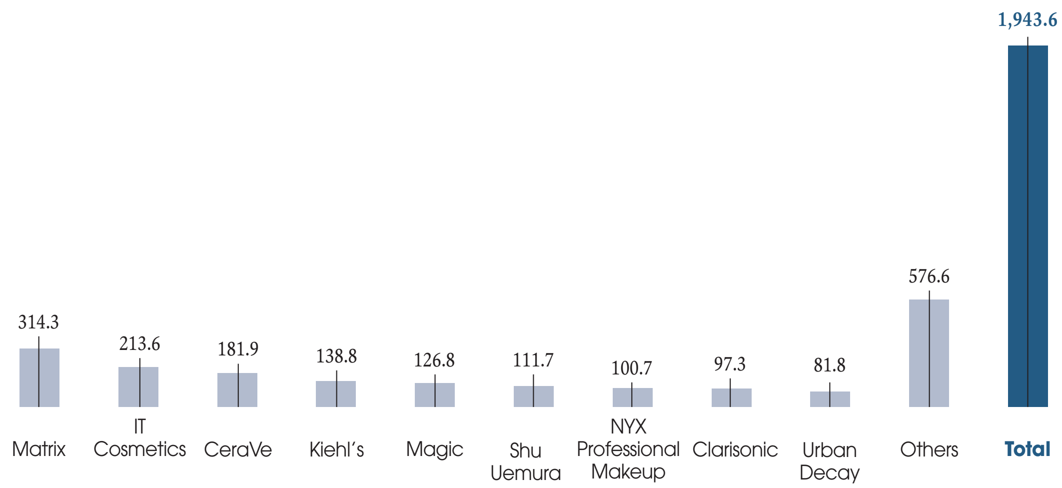


Accumulated impairment losses relating to brands amounted to €90.4 million on Clarisonic, €51.4 million on Softsheen-Carson, €44.9 million on Magic, €41.5 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2020.

€ millions 2019	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Changes in the scope of consolidation	Other movements (1)	31.12.2019
Brands with indefinite useful life (2)	1,906.4				37.2	1,943.6
Amortisable brands and product ranges	101.3		-2.8		0.5	99.0
Licences and patents	579.9	140.1			10.5	730.5
Software	1,380.8	80.4	-38.1		126.5	1,549.6
Customer relationships	605.0			1.3	4.4	610.8
Key money	74.2				-74.2	0.0
Other	197.6	144.9	-8.6		-94.1	239.8
Gross value	**4,845.1**	**365.4**	**-49.5**	**1.3**	**10.8**	**5,173.1**
Brands with indefinite useful life	156.1	55.3			1.0	212.4
Amortisable brands and product ranges	72.3	3.5	-0.9		0.3	75.2
Licences and patents	163.7	8.7			0.5	172.9
Software	936.5	157.0	-38.0		10.6	1,066.1
Customer relationships	404.2	48.2			6.3	458.7
Key money	14.1				-14.1	0.0
Other	10.8	10.2	-4.8		7.9	24.1
Depreciation and provisions	**1,757.8**	**282.9**	**-43.7**		**12.4**	**2,009.4**
OTHER INTANGIBLE ASSETS – NET	**3,087.3**	**82.5**	**-5.8**	**1.3**	**-1.6**	**3,163.8**

(1) Other movements mainly include the reclassification of €60.1 million in key money to right-of-use assets on 1 January 2019, which was offset by the final granting of the acquisition of Logocos purchased in 2018. The Group allocated €14.5 million to the brands with an indefinite useful life span line and €9.9 million to the Licences and patents line. Lastly, there was a €31.3 million positive change in exchange rates over the period.

(2) At end-2019, the gross value of brands with an indefinite useful life span breaks down as follows:



€ millions 2018	31.12.2017	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation (2)	Other movements (1)	31.12.2018
Brands with indefinite useful life (3)	1,761.0	-	-	93.8	51.6	1,906.4
Amortisable brands and product ranges	111.0	-	-9.6	-	-0.2	101.3
Licences and patents	308.3	265.0	-	5.6	1.0	579.9
Software	1,172.0	89.7	-24.2	1.3	142.1	1,380.8
Customer relationships	542.6	-	-	41.9	20.5	605.0
Key money	53.0	23.1	-1.8	-	-0.2	74.2
Other	198.5	126.2	-0.3	0.4	-127.1	197.6
Gross value	**4,146.4**	**504.0**	**-35.9**	**142.9**	**87.7**	**4,845.1**
Brands with indefinite useful life	154.8	-	-	-	1.3	156.1
Amortisable brands and product ranges	78.2	3.9	-9.6	-	-0.3	72.3
Licences and patents	149.0	12.4	-	1.4	0.9	163.7
Software	816.6	128.6	-24.5	1.0	14.7	936.5
Customer relationships	349.6	40.8	-	-	13.8	404.2
Key money	8.6	7.3	-1.8	-	0.0	14.1
Other	10.4	1.8	-0.1	0.1	-1.4	10.8
Depreciation and provisions	**1,567.4**	**194.8**	**-35.9**	**2.6**	**28.9**	**1,757.8**
OTHER INTANGIBLE ASSETS – NET	**2,579.1**	**309.1**	**0.0**	**140.3**	**58.8**	**3,087.3**

(1) Other movements mainly consisted of the positive change in exchange rates over the period for €60.9 million.
(2) This mainly relates to changes in the scope of consolidation: Stylenanda, Pulp Riot and Logocos.
(3) At 31 December 2018, brands with an indefinite useful life span mainly included Matrix (€309.7 million), IT Cosmetics (€210.1 million), CeraVe (€179.5 million), Kiehl's (€137.0 million), Magic (€126.3 million), Shu Uemura (€109.1 million), NYX Professional Makeup (€99.1 million), Clarisonic (€95.8 million), Decléor and Carita (€81.4 million).

Accumulated impairment losses relating to brands amounted to €53.9 million on Softsheen-Carson, €45.9 million on Magic, €42.4 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2018.

7.3. Impairment tests on intangible assets

Accounting principles

Goodwill is not amortised. It is tested for impairment at least once a year during the fourth quarter or whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

Impairment tests consist of comparing the carrying amount of assets including goodwill with the recoverable amount of each Cash Generating Unit. A Cash Generating Unit corresponds to one or more worldwide brands. A Cash Generating Unit can contain several brands depending on organisational criteria and particularly when distribution circuits and commercial/management structures are pooled. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The cash flows are determined in the currencies of the countries in question and are translated, in the same way as the net carrying amounts to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is based on the weighted average cost of capital (WACC), which amounted to 7.3% in 2020, to 6.8% in 2019 and 6.9% in 2018 for amounts in euro, adjusted where appropriate by a country risk premium according to the geographic zones concerned. The discount rates are post-tax rates applied to post-tax cash flows, and result in recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows. The assumptions adopted in terms of sales growth and terminal values are reasonable and consistent with the available market data (generally 2.5% for Europe and 3% for the rest of the world for terminal values except in specific cases).

The use of discounted cash flow forecasts is preferred in order to determine recoverable amounts, unless details of similar recent transactions are readily available.

Impairment charged against goodwill cannot be reversed.

Impairment tests of Cash Generating Units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, are carried out based on the following data and assumptions:

		Discount rate *(%)*	
€ millions	**Net carrying amount of goodwill and brands with an indefinite useful life**	**International excluding US**	**USA**
Test 2020			
Perfumes	2,238.5	7.3	7.8
Maybelline/Garnier	1,297.6	7.3	7.8
IT Cosmetics	945.1	7.3	7.8
L'Oréal Paris	892.0	7.3	7.8
Lancôme	829.7	7.3	7.8
CeraVe	780.0	7.3	7.8
Matrix	692.0	7.3	7.8
Redken/PureOlogy	621.1	7.3	7.8
YSL Beauté	535.6	7.3	(1)
Stylenanda	517.0	7.3	(1)
NYX Professional Makeup	403.7	7.3	7.8
L'Oréal Professionnel/Kérastase	382.6	7.3	7.8
Vichy/Dermablend	324.9	7.3	(1)
Shu Uemura	246.2	7.3	(1)
Urban Decay	221.2	7.3	7.8
Test 2019			
Maybelline/Garnier	1,275.1	6.8	7.8
IT Cosmetics	1,001.0	6.8	7.8
L'Oréal Paris	910.2	6.8	7.8
Lancôme	832.6	6.8	7.8
CeraVe	817.3	6.8	7.8
Matrix	727.4	6.8	7.8
Redken/PureOlogy	645.5	6.8	7.8
YSL Beauté	536.1	6.8	(1)
Stylenanda	506.6	6.8	7.8
Perfume Business	474.0	6.8	7.8
NYX Professional Makeup	428.5	6.8	7.8
L'Oréal Professionnel/Kérastase	394.6	6.8	7.8
Vichy/Dermablend	335.4	6.8	(1)
Shu Uemura	254.8	6.8	(1)
Test 2018			
Maybelline/Garnier	1,251.6	6.9	8.1
IT Cosmetics	986.0	6.9	8.1
L'Oréal Paris	899.1	6.9	8.1
Lancôme	825.3	6.9	8.1
CeraVe	809.0	6.9	8.1
Matrix	715.5	6.9	8.1
Redken/PureOlogy	631.6	6.9	8.1
YSL Beauté	533.2	6.9	(1)
Perfume Business	471.2	6.9	8.1
NYX Professional Makeup	421.7	6.9	8.1
L'Oréal Professionnel/Kérastase	389.0	6.9	8.1
Vichy/Dermablend	377.5	6.9	(1)
Urban Decay	230.8	6.9	8.1
L'Oréal Beauty Device	167.1	6.9	8.1

(1) Since the US dollar amounts for these CGUs are not material, no specific discount rate has been used in this respect.

Due to the crisis resulting from the Covid-19 pandemic, we have factored the slowdown in activity into the tests carried out on the Cash Generating Units, taking into account new consumer habits (in particular e-commerce) but without calling into question the prospects for growth and profitability over future years of the business plans. No impairment of goodwill or other intangible assets was recorded for the 2020 financial year.

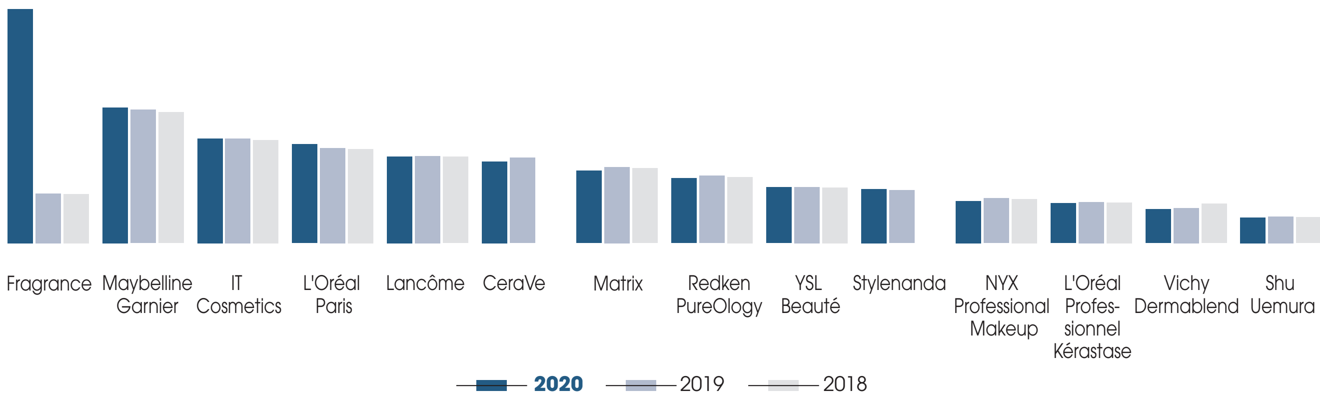
At 31 December 2020, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €58.0 million.

A 1% decrease in the terminal growth rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €30.0 million.

The terminal growth rate is consistent with market data, *i.e.* 2.5% for Europe and 3% for the rest of the world.

A 1-point decrease in the margin rate over the business plan period on all the Group's Cash Generating Units would lead to an impairment loss risk of around €21.6 million.

The net carrying amount of goodwill and brands with indefinite useful life breaks down as follows for the largest Cash Generating Units:



NOTE 8. Investments in associates

€ millions	31.12.2020	31.12.2019	31.12.2018
Investments in associates			
LIPP Distribution [(1)]	10.5	10.1	8.1
Other	0.6	0.8	0.9
TOTAL	**11.1**	**10.9**	**9.0**

(1) On 13 June 2018, L'Oréal acquired 49% of the Tunisian company LIPP Distribution, which distributes the Group's brands in Tunisia.

NOTE 9. Financial assets and liabilities – Cost of debt

Accounting principles

Finance costs, net

Net financial debt consists of all current and non-current financial borrowings and debt, less cash and cash equivalents.

Net finance costs consist of income and expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges. As interest rate derivatives are fully effective, no ineffectiveness impacts finance costs.

Borrowings and debt

Borrowings and debt are valued at amortised cost based on an effective interest rate.

In accordance with the principle of fair value hedge accounting, fixed-rate borrowings and debt swapped at a floating rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance costs and are offset by changes in the value of the related interest rate swaps.

The fair value of fixed-rate debt is determined by the discounted cash flow method using bond yield curves at the closing date, allowing for the spread corresponding to the Group's risk class to be taken into account.

The carrying amount of floating-rate debt is a reasonable approximation of its fair value.

Medium- and long-term borrowings and debt are recorded under Non-current liabilities. Short-term borrowings and debt as well as the current portion of medium- and long-term borrowings and debt are presented under Current liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with a negligible risk of changes in value and a maturity date of less than three months at the date of acquisition.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash and are presented under Other current assets.

Bank overdrafts considered to be financing are presented in Current borrowings and debt.

The money-market unit trusts are classified as financial assets at fair value through profit or loss. As such, they are valued in the balance sheet at their market value at the closing date. Any related unrealised gains are accounted for in Finance costs, Net in the income statement.

The carrying amount of bank deposits is a reasonable approximation of their fair value.

Non-current financial assets

Non-current financial assets include investments in non–consolidated companies and long-term loans and receivables maturing after more than 12 months.

Investments in non-consolidated companies are classified as financial assets at fair value through other comprehensive income. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line Other comprehensive income.

The fair value of listed securities is determined on the basis of the share price at the closing date. For unlisted securities, in the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

Long-term loans and receivables are considered to be assets generated by the business. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

9.1. Borrowings and debt

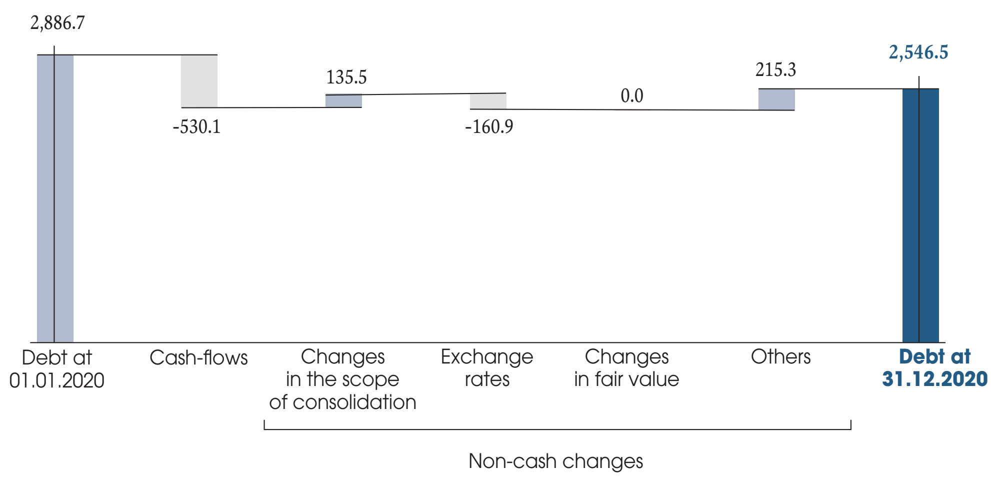
The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

9.1.1. Debt by type

	31.12.2020		31.12.2019		31.12.2018	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments	-	706.4	-	601.1	-	748.6
MLT bank loans	-	-	-	-	0.6	-
Debt on finance lease contracts	-	-	-	-	3.6	2.4
Lease debt	1,294.7	386.9	1,628.0	407.9	-	-
Overdrafts	-	61.6	-	136.8	-	363.8
Other borrowings and debt	8.6	88.3	9.6	103.3	9.3	113.0
TOTAL	**1,303.3**	**1,243.2**	**1,637.6**	**1,249.1**	**13.5**	**1,227.8**

9.1.2. Change in debt

			"Non-cash" changes				
€ millions	31.12.2019	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other	31.12.2020
Short-term marketable instruments	601.1	138.1	-	-32.8	-	-	706.4
MLT bank loans	0.0	-3.6	3.6	-	-	-	-
Lease debt	2,035.9	-451.8	-	-110.4	-	207.9	1,681.6
Overdrafts	136.9	-71.5	3.4	-7.2	-	-	61.6
Other borrowings and debt	112.9	-141.3	128.5	-10.5	-	7.4	96.9
TOTAL	**2,886.7**	**-530.1**	**135.5**	**-160.9**	**-**	**215.3**	**2,546.5**



9.1.3. Debt by maturity date

€ millions	31.12.2020	31.12.2019	31.12.2018
Less than 1 year [1]	1,243.2	1,249.1	1,227.8
1 to 5 years	994.8	1,162.3	3.6
More than 5 years	308.5	475.3	9.9
TOTAL	**2,546.5**	**2,886.7**	**1,241.4**

(1) At 31 December 2020, the Group had confirmed undrawn credit lines for €5,363.0 million compared with €3,801.1 million at 31 December 2019 and €3,643.6 million at 31 December 2018. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2020, as at 31 December 2019 and 31 December 2018, is not material given the outstanding debt at these dates, comprising short-term marketable instruments drawn at very short terms and at negative interest rates in France, very short-term miscellaneous borrowings contracted locally by subsidiaries, and lease debts.

These estimates are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and assuming that no debt is rolled over at maturity.

9.1.4. Debt by currency excluding lease debts

€ millions	31.12.2020	31.12.2019	31.12.2018
Euro (EUR)	382.0	284.2	404.8
US Dollar (USD)	368.4	422.2	571.7
Colombian Peso (COP)	34.8	27.0	25.4
Chilean Peso (CLP)	24.1	27.5	26.2
South African Rand (ZAR)	14.0	9.3	6.7
Egyptian Pound (EGP)	13.9	14.5	20.6
Pakistani Rupee (PKR)	7.4	6.2	4.0
Kenyan Shilling (KES)	6.4	11.5	10.6
Russian rouble (RUB)	6.1	2.3	1.6
Turkish lira (TRY)	5.4	0.4	6.5
Ghana Cedi (GHS)	1.5	4.0	3.6
Other	0.9	41.7	159.7
TOTAL	**864.9**	**850.8**	**1,241.4**

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9.1.5. Breakdown of fixed rate – floating rate debt (after allowing for interest rate hedging instruments)

€ millions	31.12.2020	31.12.2019	31.12.2018
Floating rate	768.2	757.4	1,162.0
Fixed rate including lease debts	1,778.3	2,129.3	79.4
TOTAL	**2,546.5**	**2,886.7**	**1,241.4**

9.1.6. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments were 0.39% in 2020 compared with 0.99% in 2019 and 1.69% in 2018 for short-term marketable instruments.

Medium- to long-term bank loans amounted to €0.0 million compared with €0.0 million at 31 December 2019 and €0.6 million at 31 December 2018.

9.1.7. Average debt interest rates

Average debt interest rates after allowing for hedging instruments break down as follows:

	31.12.2020	31.12.2019	31.12.2018
Euro (EUR) [1]	- 0.30%	- 0.45%	- 0.45%
US Dollar (USD)	0.90%	2.34%	1.97%

(1) The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

9.1.8. Fair value of borrowings and debt

The fair value of fixed-rate debt is determined for each loan by discounting future cash flows, based on bond yield curves at the balance sheet date, after allowing for the spread corresponding to the Group's risk rating.

The net carrying amount of outstanding bank loans and other floating-rate loans is a reasonable approximation of their fair value.

The fair value of borrowings and debt amounted to €2,546.5 million at 31 December 2020 compared with €2,886.7 million at 31 December 2019 and €1,241.8 million at 31 December 2018.

9.1.9. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2020, 2019 and 2018.

9.1.10. Confirmed credit lines

At 31 December 2020, L'Oréal and its subsidiaries had €5,363.0 million of confirmed undrawn credit lines, compared with €3,801.1 million at 31 December 2019 and €3,643.6 million at 31 December 2018.

The maturities of the credit lines at 31 December 2020 are broken down as follows:

- €3,163.0 million at less than one year;
- €2,200.0 million between one and four years.

9.2. Cash and cash equivalents

	31.12.2020		31.12.2019		31.12.2018	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	3,739.9	3,743.5	3,042.4	3,044.6	1,899.8	1,900.5
Bank accounts and other cash and cash equivalents	2,666.0	2,680.5	2,243.6	2,243.6	2,092.2	2,092.2
TOTAL	**6,405.9**	**6,424.0**	**5,286.0**	**5,288.2**	**3,992.0**	**3,992.7**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). They are considered as financial assets at fair value through profit or loss.

Term accounts with a maturity of less than three months at inception are shown on the *Bank accounts and other cash and cash equivalents* line.

9.3. Non-current financial assets

	31.12.2020		31.12.2019		31.12.2018	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
• Sanofi (1)	9,304.5	4,033.5	10,595.5	4,033.5	8,945.0	4,033.5
• Unlisted securities (2)	185.2	256.7	94.9	189.2	52.5	147.5
Financial assets at amortised cost						
• Non-current loans and receivables	115.1	117.1	129.0	131.4	103.0	105.5
TOTAL	**9,604.8**	**4,407.3**	**10,819.4**	**4,354.1**	**9,100.5**	**4,286.5**

(1) L'Oréal's stake in Sanofi was 9.39% at 31 December 2020. The carrying amounts at 31 December 2020, 31 December 2019 and 31 December 2018 (€9,304.5 million, €10,595.5 million and €8,945.0 million respectively) correspond to the market value of the shares based on the closing price at each of these dates (€78.70, €89.62 and €75.66, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12. The investment is measured at fair value through other comprehensive income.

(2) This heading mainly includes:

• strategic investments in investment funds measured at fair value through other comprehensive income of which €50 million subscribed over 2020 in the L'Oréal Fund for Nature Regeneration;

• securities of our subsidiaries in Venezuela deconsolidated since 31 December 2015, for €94.4 million fully written down.

In the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

9.4. Other financial income and expenses

This item is broken down as follows:

€ millions	2020	2019	2018
Interest component of pension costs	-13.3	-12.3	-7.9
Other financial income and expenses	-23.3	-3.7	-7.1
TOTAL	**-36.6**	**-16.0**	**-15.0**

NOTE 10. Derivatives and exposure to market risks

Accounting principles

Derivative instruments entered into to hedge identifiable foreign exchange and interest rate risks are accounted for in accordance with hedge accounting principles.

Forward foreign exchange contracts and options are put in place in order to hedge items recorded in the balance sheet (fair value hedges) and cash flows on highly probable future commercial transactions (cash flow hedges).

All foreign exchange hedging instruments are recorded on the balance sheet at their market value, including those which relate to purchases and sales in the next accounting period. Hence changes in the fair value of these hedging instruments is recorded as follows:

- changes in the market value linked to variations in the time value of forwards used as hedges are recognised in equity and the amount accumulated in equity impacts the income statement at the date on which the hedged transactions are completed;
- changes in the market value linked to variations in the spot rate between the inception of the hedge and the closing date are charged to equity, and the amount accumulated in equity impacts income statements at the date on which the transactions hedged are completed. Any remaining hedge ineffectiveness is recognised directly in the income statement.

In accordance with hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. Similarly, if a currency hedge has been taken out in respect of fixed assets purchased with foreign currency, these assets are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to hedge certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated equity, under the item Cumulative translation adjustments.

With regard to interest rate risk, fixed-rate debt and financial loans hedged by interest rate swaps are valued in the balance sheet at their market value. Changes in the fair value of these items are recorded as finance costs and offset by adjustments to the fair value of the related hedging derivatives. Floating-rate debt and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge these items are valued in the balance sheet at their market value, with changes in value recorded directly through equity on the Other comprehensive income item.

The fair value of interest rate derivative instruments is their market value. This market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with counterparties rated investment grade.

In accordance with Group rules, currency and interest rate derivatives are set up exclusively for hedging purposes.

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10.1. Hedging of currency risk

The Group is exposed to currency risk on commercial transactions recorded on the balance sheet and on highly probable future transactions.

The Group's policy regarding its exposure to currency risk on future commercial transactions is to hedge, before the end of the year, a large part of the currency risk for the following year, using derivatives based on operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Any currency risks identified are hedged by forward contracts or options in order to reduce as far as possible the currency exposure of each subsidiary. The term of the derivatives is aligned with the Group's settlements. Exchange rate derivatives are negotiated by FINVAL or, in exceptional cases, directly by the Group's subsidiaries. Such transactions are supervised by the Group's Treasury department.

As a non-financial corporation, FINVAL is subject to the European Market Infrastructure Regulations (EMIR). Published by the European Commission in September 2012, EMIR is aimed at moving OTC markets towards a centralised model, thereby enhancing market transparency and regulatory oversight and decreasing systemic risk using a guarantee mechanism. As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by managing their own cash and debt are almost non-existent.

Owing to the Group's policy of currency risk hedging a large part of annual requirements for the following year before the end of the current year, the sensitivity of profit or loss to changes in foreign exchange rates at 31 December is marginal. The impact of changes in foreign exchange rates on the foreign exchange cash flow hedges reserve is described in note 11.3.

All derivative financial instruments held for currency risk hedging purposes have a maturity of less than 18 months at inception and break down as follows:

	Nominal			Market value		
€ millions	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Currency futures						
Purchase of EURO against foreign currencies	**2,940.2**	**2,959.1**	**2,552.5**	**95.4**	**-75.8**	**-54.8**
EUR/CNY	937.5	678.8	452.1	7.0	-5.7	-9.2
EUR/USD	343.5	370.5	319.2	30.2	-3.1	-12.9
EUR/GBP	308.9	241.1	295.5	1.1	-16.4	2.6
EUR/HKD	210.1	166.5	87.6	54.2	-12.8	-22.9
EUR/RUB	186.3	268.2	238.7	10.2	-12.9	5.5
EUR/MXN	137.7	196.6	171.7	-4.1	-6.4	-2.9
EUR/AUD	89.5	93.9	87.8	-3.9	-1.4	1.8
EUR/CAD	71.5	140.0	119.4	1.8	-3.0	2.7
EUR/BRL	70.9	85.4	63.2	0.6	0.0	-4.1
EUR/TRY	65.0	67.9	62.4	-0.2	-3.0	-7.1
EUR/Asia Pacific currencies	291.0	252.5	288.0	4.1	-8.3	-9.4
EUR/Eastern European currencies	20.8	92.5	66.7	0.5	-1.1	-0.7
EUR/Other currencies	207.5	305.2	300.1	-6.1	-1.7	1.7
Purchase of USD against foreign currencies	**268.5**	**414.0**	**377.9**	**-12.1**	**1.2**	**9.0**
USD/Other currencies	148.8	188.9	161.7	-2.8	-1.8	1.5
USD/Latin American currencies	68.3	132.9	126.8	-5.7	4.0	2.1
USD/CAD	51.4	92.2	89.3	-3.6	-1.0	5.3
Sale of USD against foreign currencies	**138.1**	**199.8**	**185.3**	**-16.1**	**-0.7**	**3.0**
USD/Asia Pacific currencies	138.1	199.8	185.3	-16.1	-0.7	3.0
USD/Other currencies	-	-	-	-	-	-
Other currency pairs	**481.2**	**727.2**	**1,073.6**	**2.7**	**-4.2**	**0.8**
CURRENCY FUTURES TOTAL	**3,828.1**	**4,300.0**	**4,189.2**	**70.0**	**-79.5**	**-42.0**
Currency options						
EUR/CNY	101.1	63.5	100.9	3.6	1.7	2.3
EUR/RUB	62.2	-	-	7.4	-	-
EUR/USD	37.7	40.9	-	2.9	0.7	-
EUR/BRL	26.0	9.9	35.4	2.1	0.8	1.8
EUR/MXN	21.8	-	-	0.5	-	-
EUR/TRY	9.4	19.7	31.4	1.5	1.2	4.1
EUR/GBP	-	33.3	-	-	0.3	-
EUR/Other currencies	-	-	-	-	-	-
Other currency pairs	**18.6**	**7.8**	**22.8**	**0.6**	**0.6**	**0.9**
CURRENCIES OPTIONS TOTAL	**276.7**	**175.1**	**190.6**	**18.6**	**5.3**	**9.1**
Of which total options purchased	276.7	175.1	190.6	18.6	5.3	9.1
TOTAL	**4,104.8**	**4,475.2**	**4,379.8**	**88.6**	**-74.2**	**-32.9**

The market values by type of hedging are as follows:

€ millions	2020	2019	2018
Fair value hedges [1]	20.4	-25.6	-9.7
Cash flow hedges	68.2	-48.6	-23.2
TOTAL	**88.6**	**-74.2**	**-32.9**

(1) *Fair value hedges relate to currency risks on operating receivables and payables as well as on foreign currency investments and financing.*

The fair value of the derivatives is their market value.

The Group has no significant foreign currency exposures that are not hedged in the balance sheet.

10.2. Foreign exchange gains and losses

Accounting principles

Foreign exchange gains and losses resulting from the difference between the value of foreign currency operating income and expenses translated at the spot rate effective on the transaction date and at the exchange rate effective on the settlement date are recognised directly on the appropriate income and expense lines, after allowing for hedging derivatives.

Foreign exchange gains and losses break down as follows:

€ millions	2020	2019	2018
Time value	-87.6	-126.9	-76.7
Other foreign exchange gains and losses	94.0	-63.2	87.1
TOTAL	**6.4**	**-190.1**	**10.4**

Foreign currency transactions are translated at the spot rate at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using the exchange rates effective at the closing date. Foreign exchange gains and losses also include the following items relating to derivative instruments:

- changes in market value linked to variations in the spot rate between the inception of the hedge and the date when the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for €13.3 million, - €9.2 million and - €4.3 million in 2020, 2019 and 2018, respectively.

These amounts are allocated to the appropriate operating expense items. They are broken down as follows:

€ millions	2020	2019	2018
Cost of sales	6.4	-161.9	13.2
Research and innovation expenses	-2.1	16.5	-6.2
Advertising and promotion expenses	1.2	-25.5	1.9
Selling, general and administrative expenses	0.9	-19.3	1.6
FOREIGN EXCHANGE GAINS AND LOSSES	**6.4**	**-190.1**	**10.4**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2020, 2019 and 2018.

10.4. Sensitivity to changes in interest rates

An increase of 100 basis points in interest rates would have had a direct positive impact of +€56.4 million on the Group's net finance costs at 31 December 2020, compared with a direct positive impact of +€45.3 million at 31 December 2019 and a direct positive impact of +€28.3 million at 31 December 2018. This calculation allows for cash, cash equivalents and derivatives, and assumes that total net debt/cash remains stable and that fixed-rate debt at maturity is replaced by floating-rate debt.

The impact of a 100 basis point rise in interest rates on the fair value of the Group's fixed-rate financial assets and liabilities, after allowing for any interest rate derivatives, can be estimated at -€1.0 million at 31 December 2020 compared with -€0.9 million at 31 December 2019 and -€0.4 million at 31 December 2018.

10.5. Counterparty risk

The Group has financial relations with international banks rated investment grade by specialised agencies. The Group thus considers that its exposure to counterparty risk is low.

Furthermore, the financial instruments used to manage exchange rate and interest rate risk are issued by leading international banking counterparties.

10.6. Liquidity risk

The Group's liquidity risk can be assessed on the basis of its outstanding short-term debt under its short-term marketable instruments programme. Should these bank facilities not be renewed, the Group would have confirmed undrawn credit lines of €5,363.0 million at 31 December 2020. These lines were not subject to any covenants.

10.7. Shareholding risk

No cash has been invested in shares.

Available cash is invested with top-ranking financial institutions in the form of non-speculative instruments which can be drawn in very short periods. At 31 December 2020, marketable securities consist mainly of unit trusts (note 9.2.).

At 31 December 2020, the Group held 118,227,307 Sanofi shares for an amount of €9,304.5 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €78.70 on 31 December 2020 would have an impact of plus or minus €930.4 million before tax on Group equity.

The initial share price for Sanofi shares was €34.12.

The shares are valued based on their fair value, and unrealised losses and gains are accounted for through equity in the Other comprehensive income item.

At 31 December 2019, the Group held 118,227,307 Sanofi shares for an amount of €10,595.5 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €89.62 on 31 December 2019 would have an impact of plus or minus €1,059.5 million before tax on Group equity.

At 31 December 2018, the Group held 118,227,307 Sanofi shares for an amount of €8,945.0 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €75.66 on 31 December 2018 would have an impact of plus or minus €894.5 million before tax on Group equity.

10.8. Fair value hierarchy

IFRS 7 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: valuation techniques using observable inputs;
- level 3: valuation techniques using unobservable inputs.

The table below provides an analysis of financial instruments recorded at fair value on the balance sheet by level of the fair value hierarchy.

€ millions **31 December 2020**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		183.0		183.0
Sanofi shares	9,304.5			9,304.5
Marketable securities	3,739.9			3,739.9
TOTAL ASSETS AT FAIR VALUE	**13,044.4**	**183.0**		**13,227.4**
Liabilities at fair value				
Foreign exchange derivatives		94.9		94.9
TOTAL LIABILITIES AT FAIR VALUE		**94.9**		**84.9**

€ millions **31 December 2019**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		49.2		49.2
Sanofi shares	10,595.5			10,595.5
Marketable securities	3,042.4			3,042.4
TOTAL ASSETS AT FAIR VALUE	**13,637.9**	**49.2**	**-**	**13,687.1**
Liabilities at fair value				
Foreign exchange derivatives		123.6		123.6
TOTAL LIABILITIES AT FAIR VALUE	**-**	**123.6**	**-**	**123.6**

€ millions **31 December 2018**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		149.6		149.6
Sanofi shares	8,945.0			8,945.0
Marketable securities	1,899.8			1,899.8
TOTAL ASSETS AT FAIR VALUE	**10,844.8**	**149.6**	**-**	**10,994.4**
Liabilities at fair value				
Foreign exchange derivatives		182.5		182.5
TOTAL LIABILITIES AT FAIR VALUE	**-**	**182.5**	**-**	**182.5**

10.9. Offsetting financial assets and financial liabilities

Financial assets and liabilities resulting from foreign exchange and/or interest rate hedging transactions entered into with the Group's counterparty banks are not offset in the balance sheet since they are FBF (French Banking Federation) or ISDA (International Swaps and Derivatives Association) agreements that only provide for offsetting in the event of default by one of the parties to the agreement. Accordingly, they do not meet the offsetting criteria set out in IAS 32.

Had the agreements been offset at the level of each counterparty bank, assets and liabilities would have decreased by €75.5 million, €48.8 million and €65.5 million in 2020, 2019 and 2018 respectively.

NOTE 11. Equity – Earnings per share

11.1. Share capital

Share capital consists of 559,871,580 shares with a par value of €0.20 at 31 December 2020 following the exercise of subscription options for 465,796 shares, the issue of 452,979 shares for the employee shareholding plan and 835,600 free shares.

Share capital consisted of 558,117,205 shares with a par value of €0.20 at 31 December 2019 following the exercise of subscription options for 785,408 shares, the issue of 8 shares for the employee shareholding plan, 706,262 free shares and the cancellation of 3,771,125 shares.

Share capital consisted of 560,396,652 shares with a par value of €0.20 at 31 December 2018, following the exercise of subscription options for 919,474 shares and 993,765 free shares, the cancellation of 2,497,814 shares and the Employee Shareholding Plan for 462,139 shares.

11.2. Treasury shares

Accounting principles

Treasury shares are recorded at acquisition cost and deducted from equity. Capital gains/losses on disposal of these items net of tax are charged directly to equity and do not contribute to profit for the financial year.

a) 2020

The change in the number of shares in 2020 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2020	**558,117,205**		**558,117,205**
Cancellation	-		-
Options and free shares exercised	1,754,375		1,754,375
Treasury shares purchased	-		-
AT 31.12.2020	**559,871,580**		**559,871,580**

The change in treasury shares in 2020 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	*€ millions*
At 01.01.2020	**-**	**-**	**-**	**-**
Cancellation				
Options and free shares exercised				
Treasury shares purchased				
AT 31.12.2020	**-**	**-**	**-**	**-**
€ millions	-	-	-	

b) 2019

The change in the number of shares in 2019 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2019	**560,396,652**	**-771,125**	**559,625,527**
Cancellation	-3,771,125	3,771,125	
Options and free shares exercised	1,491,678		1,491,678
Treasury shares purchased		-3,000,000	-3,000,000
AT 31.12.2019	**558,117,205**	**-**	**558,117,205**

The change in treasury shares in 2019 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	*€ millions*
At 01.01.2019		**771,125**	**771,125**	**56.5**
Cancellation	-3,000,000	-771,125	-3,771,125	-56.5
Options and free shares exercised				
Treasury shares purchased	3,000,000		3,000,000	
AT 31.12.2019	**-**	**-**	**-**	**-**
€ millions	-	-	-	

c) 2018

The change in the number of shares in 2018 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2018	**560,519,088**	**-771,125**	**559,747,963**
Cancellation	-2,497,814	2,497,814	
Options and free shares exercised	2,375,378		2,375,378
Treasury shares purchased		-2,497,814	-2,497,814
AT 31.12.2018	**560,396,652**	**-771,125**	**559,625,527**

The change in treasury shares in 2018 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	*€ millions*
At 01.01.2018		**771,125**	**771,125**	**56.5**
Cancellation	-2,497,814		-2,497,814	
Options and free shares exercised				
Treasury shares purchased	2,497,814		2,497,814	
At 31.12.2018	**-**	**771,125**	**771,125**	**56.5**
€ millions	-	56.5	56.5	

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	31.12.2020	31.12.2019	31.12.2018
Securities at fair value through other comprehensive income			
Reserve at beginning of period	6,562.3	4,911.7	4,461.2
Changes in fair value over period	-1,269.1	1,650.6	450.5
Impairment loss recorded through other comprehensive income	-	-	-
RESERVE AT END OF PERIOD	**5,293.2**	**6,562.3**	**4,911.7**

€ millions	31.12.2020	31.12.2019	31.12.2018
Cash flow hedges – foreign exchange			
Reserve at beginning of period	44.8	41.7	101.0
Change in accounting policy [1]	-	-	1.0
Changes in fair value over period	78.7	201.8	54.2
Impairment loss recorded through other comprehensive income	50.3	-198.7	-114.5
Deconsolidation	-	-	-
RESERVE AT END OF PERIOD	**173.8**	**44.8**	**41.7**

(1) IFRS 9 "Financial Instruments" (note 1).

The table below shows the impact of an increase or decrease of over 10% in the euro and US dollar against other currencies on the foreign exchange cash flow hedging reserve and the market value of the hedging instruments:

€ millions	31.12.2020	31.12.2019	31.12.2018
Impact of a 10% increase in the EUR against all other Group currencies	344.5	323.1	277.8
Impact of a 10% decrease in the EUR against all other Group currencies	-324.2	-301.9	-258.7
Impact of a 10% increase in the USD against key Group currencies	-43.7	-27.0	-16.1
Impact of a 10% decrease in the USD against key Group currencies	54.9	41.2	27.7

€ millions	31.12.2020	31.12.2019	31.12.2018
Cash flow hedges – interest rates			
Reserve at beginning of period	-	-	-
Changes in fair value over period	-	-	-
Impairment loss recorded through other comprehensive income	-	-	-
RESERVE AT END OF PERIOD	**-**	**-**	**-**

€ millions	31.12.2020	31.12.2019	31.12.2018
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-1,058.2	-730.5	-671.8
Actuarial gains/(losses) over the period	-224.4	-327.7	-58.5
Impact of asset ceiling	-1.1	-	-
Deconsolidation and other	-	-	-0.2
RESERVE AT END OF PERIOD	**-1,283.7**	**-1,058.2**	**-730.5**

€ millions	31.12.2020	31.12.2019	31.12.2018
Other comprehensive income			
Gross reserve	4,183.2	5,548.8	4,222.9
Associated tax effect	121.4	46.9	19.2
RESERVE NET OF TAX	**4,304.5**	**5,595.8**	**4,242.1**

11.4. Net profit excluding non-recurring items - Earnings per share

Accounting Principles

Earnings per share are calculated in accordance with the rules set out in IAS 33.

Basic earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, less the average number of treasury shares held deducted from equity.

Where applicable, diluted earnings per share take into account dilutive stock options and free shares in accordance with the "treasury share method", under which sums collected on exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

11.4.1. Reconciliation with net profit

Net profit excluding non-recurring items reconciles as follows with net profit attributable to owners of the company:

€ millions	2020	2019	2018
Net profit attributable to owners of the company	**3,563.4**	**3,750.0**	**3,895.4**
Capital gains and losses on property, plant and equipment and intangible assets	3.5	-14.0	-2.7
Impairment of property, plant and equipment and intangible assets	89.8	142.8	-
Restructuring costs	382.1	120.2	85.1
Other	233.5	187.5	12.3
Tax effect on non-recurring items	-161.5	165.0	-25.1
Non-controlling interests on non-recurring items	-	-0.1	-
Tax effect on acquisitions and internal restructuring	-11.8	5.5	32.7
Impact of the decrease in the US tax rate	-		-10.1
NET PROFIT EXCLUDING NON-RECURRING ITEMS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**4,099.0**	**4,356.9**	**3,987.6**

11.4.2. Earnings per share attributable to owners of the company

The tables below set out earnings per share attributable to owners of the company:

2020	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,563.4	559,101,322	6.37
Stock options	-	274,942	-
Free shares	-	2,259,699	-
DILUTED EARNINGS PER SHARE	**3,563.4**	**561,635,963**	**6.34**

2019	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable toowners of the company *(€)*
Earnings per share	3,750.0	559,739,718	6.70
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE	**3,750.0**	**562,813,129**	**6.66**

2018	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,895.4	559,603,188	6.96
Stock options	-	1,155,173	-
Free shares	-	2,340,145	-
DILUTED EARNINGS PER SHARE	**3,895.4**	**563,098,506**	**6.92**

11.4.3. Earnings per share excluding non-recurring items

The tables below set out earnings per share attributable to owners of the Company excluding non-recurring items:

2020	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,099.0	559,101,322	7.33
Stock options	-	274,942	-
Free shares	-	2,259,699	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,099.0**	**561,635,963**	**7.30**

2019	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,356.9	559,739,718	7.78
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,356.9**	**562,813,129**	**7.74**

2018	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	3,987.6	559,603,188	7.13
Stock options	-	1,155,173	-
Free shares	-	2,340,145	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**3,987.6**	**563,098,506**	**7.08**

11.4.4. Calculation of the number of shares

All potential ordinary shares are included in the calculation of earnings per share since all stock option plans have a dilutive impact on the periods presented.

At 31 December 2020, 55,469,643 shares had been held in registered form for two years making them eligible for the 10% preferential dividend.

NOTE 12. Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes

12.1. Provisions for liabilities and charges

Accounting principles

Provisions for liabilities and charges are set up to cover probable outflows for the benefit of third parties without any equivalent consideration being received by the Group in return. They mainly relate to restructuring costs, industrial, environmental and commercial risks relating to operations such as breach of contract, product returns, and employee-related risks.

These provisions are estimated on the basis of the most likely assumptions or by using statistical methods, depending on the nature of the risks.

Provisions for liabilities and charges are recorded either as *Non-current liabilities* or as *Current liabilities*, depending on their type. Provisions for liabilities or disputes which must be settled within 12 months of the closing date, and those linked to the normal operating cycle (such as product returns), are recorded as Current liabilities. Other provisions for liabilities and charges are recorded as Non-current liabilities.

12.1.1. Closing balances

€ millions	31.12.2020	31.12.2019	31.12.2018
Provisions for liabilities and charges	**56.8**	**56.9**	**47.6**
Non-current provisions (1)	56.8	56.9	47.6
Current provisions for liabilities and charges	**1,224.7**	**1,117.8**	**979.8**
Provisions for restructuring	235.1	112.9	102.1
Provisions for product returns	352.4	351.1	316.8
Other current provisions (1)	637.3	653.7	560.9
TOTAL	**1,281.6**	**1,174.7**	**1,027.4**

(1) This item notably includes provisions for industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments in associates when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities (note 12.2.2.a and b).

12.1.2. Changes in provisions for liabilities and charges during the period

The change in this caption in 2020 can be analysed as follows:

€ millions	31.12.2018	31.12.2019	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2020
Provisions for restructuring	102.1	112.9	261.9	-110.9	-15.7	-13.1	235.1
Provisions for product returns	316.8	351.1	300.4	-227.0	-49.4	-22.7	352.4
Other provisions for liabilities and charges	608.5	710.7	219.0	-133.8	-58.8	-43.0	694.1
TOTAL	**1,027.4**	**1,174.7**	**781.3**	**-471.7**	**-123.9**	**-78.8**	**1,281.6**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
• Operating profit	498.8	-357.6	-108.1
• Other income and expenses	282.5	-114.1	-15.8
• Net financial income	-	-	-

The change in this caption in 2019 can be analysed as follows:

€ millions	31.12.2017	31.12.2018	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2019
Provisions for restructuring	146.0	102.1	89.1	-58.7	-13.3	-6.4	112.9
Provisions for product returns	303.6	316.8	301.0	-233.6	-38.6	5.5	351.1
Other provisions for liabilities and charges	623.6	608.5	278.9	-127.7	-62.2	13.2	710.7
TOTAL	**1,073.2**	**1,027.4**	**669.0**	**-420.0**	**-114.1**	**12.4**	**1,174.7**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
● Operating profit	530.7	-360.0	-100.8
● Other income and expenses	138.3	-60.0	-13.3
● Net financial income	-	-	-

The change in this caption in 2018 can be analysed as follows:

€ millions	31.12.2016	31.12.2017	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2018
Provisions for restructuring	47.5	146.0	48.7	-83.7	-7.5	-1.4	102.1
Provisions for product returns	323.4	303.6	294.7	-248.3	-39.3	6.0	316.8
Other provisions for liabilities and charges	559.1	623.6	287.8	-130.8	-167.3	-4.8	608.5
TOTAL	**930.0**	**1,073.2**	**631.2**	**-462.8**	**-214.1**	**-0.1**	**1,027.4**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
● Operating profit*	580.5	-356.1	-191.8
● Other income and expenses	50.7	-106.7	-7.6
● Net financial income*	-	-	-14.8

* *Including dispute on IPI, with an increase of €46.9 million and a reversal without cost of €114.3 million under operating and €14.8 million under financial (see note 12.2.1.).*

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12.2. Contingent liabilities and material ongoing disputes

L'Oréal is party to several material disputes, described below:

12.2.1. Tax disputes

Brazil – IPI indirect tax base challenged

In January 2015, decree 8.393/2015 stated that commercial companies in Brazil would be liable for the indirect IPI tax on certain products as from 1 May 2015. L'Oréal is challenging the legal grounds of this decree and its application. In light of changes in market practices and a favourable change in the opinion of its advisers, since 1 January 2018 L'Oréal has recognised the IPI collected under income and the provision that had been funded was accordingly reversed in 2018.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €505 million, including interest and penalties. The Brazilian tax authorities are questioning the ex-works sales price to the commercial arm used to calculate the IPI tax base. After consulting with its tax advisors, L'Oréal considers that the Brazilian tax authorities' position is unfounded and has challenged these notices. L'Oréal continues its legal proceedings with the tax and legal authorities.

In light of the negative developments in administrative court decisions on the same matter for other Brazilian groups, L'Oréal funded a provision to partially cover this risk using the average prices applied by its subsidiaries as a basis for tax and not its whole third party net sales.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2015/16 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €162.4 million, including interest and penalties. After consulting with its tax advisors, L'Oréal decided to contest these notices and continues the legal proceedings with the administrative and legal authorities.

Europe – Mutual agreement procedures

Mutual agreement procedures were instigated vis-à-vis the Italian, French and Spanish tax authorities in order to eliminate double taxation following disagreements between these authorities.

12.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

In Greece, in its decision passed down on 4 October 2017, the Greek competition authority condemned L'Oréal Hellas to pay a fine of €2.6 million for carrying out anti-competitive practices in 2005-2006. L'Oréal Hellas refuted all allegations of having engaged in anti-competitive practices with other luxury cosmetics manufacturers. The Greek Administrative Court of Appeal quashed this decision on 5 November 2018. The Greek competition authority lodged an appeal in cassation against this decision on 28 January 2019 and a hearing before the Council of State, which was postponed on numerous occasions, was finally held on 17 November 2020. The decision should be handed down at the end of 2021.

In Germany, after the German competition authority filed a lawsuit in 2008 in the area of personal care products, which was definitively closed in 2015, distributors filed a lawsuit seeking damages against L'Oréal Germany which has resulted in dismissals by the courts at this stage. These proceedings are still ongoing. L'Oréal Germany is contesting the merits of these claims and denies that any damages occurred.

b) France

In France, on 18 December 2014, the French competition authority handed down a fine of €189.5 million against L'Oréal in the hygiene products sector for events that took place in the early 2000s. On 27 October 2016, the Paris Court of Appeal upheld the first instance decision. L'Oréal refutes all accusations of concerted practices with its competitors and regrets that the French competition authority did not take into account the highly competitive French market in household and hygiene products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches.

Following an appeal lodged by L'Oréal, on 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision should be handed down at the end of 2021.

It should be noted that since the appeal and cassation appeal do not entail a stay in the judgement, the fine provisioned at the end of 2014 was paid on 28 April 2015.

At 31 December 2020, the provision was maintained in liabilities and the payment recognised in Other current assets.

Following this ruling, the distributors filed lawsuits for damages against L'Oréal. These proceedings are in initial stages. L'Oréal contests the merits of these claims and denies that any damages occurred.

A provision has been set aside for all disputes still in progress at 31 December 2020 amounting to €189.5 million at year-end, unchanged from €189.5 million at end-2019 and €189.5 million at end-2018.

At the present time, no other exceptional events or disputes are highly likely to have a material impact on the earnings, financial situation, assets, or operations of the Company or the L'Oréal Group.

NOTE 13. Off-balance sheet commitments

13.1. Lease commitments

These amounted to €257.5 million at 31 December 2020 compared with €230,7 million at 31 December 2019 and €2,582.1 million at 31 December 2018, of which:

- €44.3 million was due within one year at 31 December 2020, compared with €41.8 million at 31 December 2019 and €512.4 million at 31 December 2018;
- €72.3 million was due within one to five years at 31 December 2020, compared with €48.5 million at 31 December 2019 and €1,422.8 million at 31 December 2018;
- €140.9 million was due in over five years at 31 December 2020, compared with €140.4 million at 31 December 2019 and €646.9 million at 31 December 2018.

13.2. Other off-balance sheet commitments

Confirmed credit lines are discussed in note 9.1.10.

Other significant off-balance sheet commitments have been identified and measured. They chiefly fall due within one year and are as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Guarantees given (1)	326.5	398.5	380.8
Guarantees received	73.6	80.3	63.7
Capital expenditure orders (2)	255.6	329.6	303.2
Firm purchase commitments under logistics supply contracts	972.8	871.0	932.8

(1) These consist mainly of guarantees given to governmental bodies or concerning loans granted to third parties who are partners of the Group, and the net commitment toward the L'Oréal Foundation for its long-term action programme and residual commitment to pay into the fund dedicated to rebuilding the Notre-Dame Cathedral.
(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

13.3. Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect that they will have any significant impact on the future operations, financial situation, earnings or assets.

The risks identified at 31 December 2020 are not material.

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NOTE 14. Transactions with related parties

14.1. Transactions with associated companies (Related parties)

Equity-accounted companies include joint ventures only.

The consolidated financial statements include transactions carried out between the Group and its equity-accounted companies, considered to be related parties. The main transactions with these related parties and the associated outstanding balances are as follows:

€ millions	2020	2019	2018
Sales of goods and services	-	-	0.1
Financial expenses and income	-	-	-

The following receivables and payables were recorded on the balance sheet for the related parties:

€ millions	31.12.2020	31.12.2019	31.12.2018
Operating receivables	-	0.0	0.1
Operating payables	-	0.1	0.1
Financial receivables	0.1	0.1	0.1

14.2. Related parties with a significant influence on the Group

L'Oréal was informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr. Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

The lock-up agreements were concluded in application of Articles 787 B and 885 I *bis* of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action vis-à-vis the Company.

In 2020, no significant transactions were carried out with a member of senior management or a shareholder with a significant influence, except for the operation above.

NOTE 15. Fees accruing to auditors and members of their networks payable by the Group

FEES FOR THE 2020 FINANCIAL YEAR

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.1	50%	n/a	n/a	1.4	57%	n/a	n/a
Fully consolidated subsidiaries	0.8	36%	3.9	40%	0.6	24%	4.7	94%
Subtotal	**1.9**	**86%**	**3.9**	**40%**	**2.0**	**81%**	**4.7**	**94%**
Non-audit services (1)								
L'Oréal	0.3	14%	3.3	32%	0.4	19%	0.0	0%
Fully consolidated subsidiaries	0.0	0%	2.9	28%	0.0	0%	0.3	6%
Subtotal	**0.3**	**14%**	**6.2**	**60%**	**0.4**	**19%**	**0.3**	**6%**
TOTAL	**2.2**	**100.0%**	**10.2**	**100.0%**	**2.4**	**100.0%**	**5.0**	**100.0%**

(1) Mainly concerning acquisition audits.

FEES FOR THE 2019 FINANCIAL YEAR

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.1	50%	n/a	n/a	1.4	57%	n/a	n/a
Fully consolidated subsidiaries	0.8	36%	4.0	41%	0.7	28%	4.7	93%
Subtotal	**1.9**	**86%**	**4.0**	**41%**	**2.1**	**85%**	**4.7**	**93%**
Non-audit services (1)								
L'Oréal	0.3	13%	2.6	27%	0.3	14%	-	-
Fully consolidated subsidiaries	0.0	1%	3.2	32%	0.0	0%	0.4	7%
Subtotal	**0.3**	**14%**	**5.8**	**59%**	**0.3**	**15%**	**0.4**	**7%**
TOTAL	**2.2**	**100.0%**	**9.8**	**100.0%**	**2.4**	**100.0%**	**5.1**	**100.0%**

(1) Mainly concerning acquisition audits.

NOTE 16. Acquisition/disposal in progress

On 11 December 2020, L'Oréal announced its intention to sell the Cosmeurop production site, located in Strasbourg, France, to the Superga group.

NOTE 17. Subsequent events

On 23 December 2020, L'Oréal announced that it had signed an agreement to acquire the Japanese company Takami Co. This company develops and markets under licence products from the Takami skincare brand, owned by Dr. Hiroshi Takami, the founder of the two eponymous dermatology clinics in Tokyo. At the same time, L'Oréal also renewed the brand licensing agreement with Dr. Takami for a very long period and signed a collaboration agreement with the Takami clinics. This acquisition was finalised on 1 February 2021.

No other significant events took place between the balance sheet date and the date of issue of the financial statements by the Board of Directors.

5.7. CONSOLIDATED COMPANIES AT 31 DECEMBER 2020

5.7.1. Fully consolidated companies

Company	Head office	% interest
ATELIER COLOGNE (as a sub-group)	France	100.00
AZZARO MUGLER BEAUTÉ FRANCE	France	100.00
AZZARO MUGLER BEAUTÉ UK LIMITED	United Kingdom	100.00
BCI BIO COSMETICS INTERNATIONAL GMBH	Germany	100.00
BEAUTÉ, RECHERCHE & INDUSTRIES	France	100.00
BEAUTYCOS INTERNATIONAL COMPANY LIMITED	China	100.00
BEAUTYLUX INTERNATIONAL COSMETICS (SHANGHAI) CO LTD	China	100.00
BIOTHERM	Monaco	99.80
BOLD BUSINESS OPPORTUNITIES FOR L'ORÉAL DEVELOPMENT	France	100.00
CANAN KOZMETIK SANAYI VE TICARET A.S.	Turkey	100.00
CENTRE LOGISTIQUE D'ESSIGNY OU CLOE	France	100.00
CENTRE THERMAL DE LA ROCHE-POSAY	France	100.00
COBELSA COSMETICOS, S.A.	Spain	100.00
COLORIGHT LTD	Israel	100.00
COMPAGNIE THERMALE HOTELIERE ET FINANCIERE – C.T.H.F.	France	99.98
COMPTOIR LAINIER AFRICAIN	Morocco	100.00
COSBEL S.A. DE C.V.	Mexico	100.00
COSMELOR LTD	Japan	100.00
COSMEPHIL HOLDINGS CORPORATION PHILIPPINES	The Philippines	100.00
COSMETIL	Morocco	49.80
COSMETIQUE ACTIVE INTERNATIONAL – CAI	France	100.00
COSMETIQUE ACTIVE PRODUCTION – C.A.P.	France	100.00
COSMEUROP	France	100.00
DIGIT INVEST IMMOBILIER	France	100.00
EGYPTELOR LLC	Egypt	100.00
ELEBELLE (PROPRIETARY) LIMITED	South Africa	100.00
EPISKIN	France	99.89
EPISKIN BRASIL BIOTECNOLOGIA EIRELI	Brazil	99.89
ERWITON S.A.	Uruguay	100.00
FAPAGAU & CIE	France	100.00
FAPROREAL	France	100.00
FINVAL	France	100.00
FITNE GESUNDHEIT UND WELLNESS GMBH	Germany	100.00
FRABEL S.A. DE C.V.	Mexico	100.00
GEMEY PARIS – MAYBELLINE NEW YORK	France	100.00
GUANGZHOU L'OREAL BUYCOOR INTERNET SCIENCE & TECHNOLOGY CO., LTD	China	100.00
HELENA RUBINSTEIN ITALIA S.P.A.	Italy	100.00
HOLDIAL	France	100.00
INTERBEAUTY COSMETICS LTD	Israel	92.97
INTERBEAUTY PRODUCTS LIMITED	Kenya	100.00
JSC L'OREAL	Russia	100.00
KOSMEPOL SP. Z.O.O.	Poland	100.00
L & J RE	France	100.00
L'OREAL TRAVEL RETAIL AMERICAS, INC.	USA	100.00
LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE	France	99.98
LABORATOIRE SANOFLORE	France	100.00
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00
LIBRAMONT ENERGIES VERTES – LEV	Belgium	100.00
LOA1	France	100.00
LOA3	France	100.00
LOA6	France	100.00
LOA10	France	100.00
LOGISTICA 93 S.R.L.	Italy	100.00
LOGO-BAU GMBH & CO GRÜNDSTÜCKSVERWALTUNGS KG	Germany	100.00

Company	Head office	% interest
LOGO-BAU VERWALTUNGS GMBH	Germany	100.00
LOGOCOS NATURKOSMETIK AG	Germany	100.00
L'OREAL (CHINA) CO. LTD	China	100.00
L'OREAL (THAILAND) LIMITED	Thailand	100.00
L'OREAL (UK) LIMITED	United Kingdom	100.00
L'OREAL ADRIA D.O.O.	Croatia	100.00
L'OREAL ARGENTINA SOCIEDAD ANONIMA	Argentina	100.00
L'OREAL AUSTRALIA PTY LTD	Australia	100.00
L'OREAL BALKAN D.O.O.	Serbia	100.00
L'OREAL BALTIC SIA	Latvia	100.00
L'OREAL BANGLADESH LIMITED	Bangladesh	100.00
L'OREAL BELGILUX S.A.	Belgium	100.00
L'OREAL BRASIL COMERCIAL DE COSMETICOS LTDA	Brazil	100.00
L'OREAL BRASIL PESQUISAS E INOVACAO LTDA	Brazil	100.00
L'OREAL BULGARIA EOOD	Bulgaria	100.00
L'OREAL CANADA, INC.	Canada	100.00
L'OREAL CENTRAL AMERICA S.A.	Panama	100.00
L'OREAL CENTRAL WEST AFRICA LTD	Nigeria	100.00
L'OREAL CESKA REPUBLIKA S.R.O.	Czech Republic	100.00
L'OREAL CHILE S.A.	Chile	100.00
L'OREAL COLOMBIA S.A.S.	Colombia	100.00
L'OREAL COSMETICS INDUSTRY S.A.E.	Egypt	100.00
L'OREAL COTE D'IVOIRE	Ivory Coast	100.00
L'OREAL DANMARK A/S	Denmark	100.00
L'OREAL DEUTSCHLAND GMBH	Germany	100.00
L'OREAL EAST AFRICA LIMITED	Kenya	100.00
L'OREAL ECUADOR S.A.	Ecuador	100.00
L'OREAL EGYPT LLC	Egypt	100.00
L'OREAL ESPANA S.A.	Spain	100.00
L'OREAL FINLAND OY	Finland	100.00
L'OREAL GUATEMALA S.A.	Guatemala	100.00
L'OREAL HELLAS S.A.	Greece	100.00
L'OREAL HONG KONG LIMITED	Hong Kong	100.00
L'OREAL INDIA PRIVATE LIMITED	India	100.00
L'OREAL INVESTMENTS B.V.	The Netherlands	100.00
L'OREAL ITALIA S.P.A.	Italy	100.00
L'OREAL KAZAKHSTAN LIMITED LIABILITY PARTNERSHIP	Kazakhstan	100.00
L'OREAL KOREA LIMITED	Korea	100.00
L'OREAL LIBAN SAL	Lebanon	99.98
L'OREAL LIBRAMONT	Belgium	100.00
L'OREAL MAGYARORSZAG KOZMETIKAI KFT	Hungary	100.00
L'OREAL MALAYSIA SDN BHD	Malaysia	100.00
L'OREAL MANUFACTURING MIDRAND (PROPRIETARY) LIMITED	South Africa	100.00
L'OREAL MAROC	Morocco	50.00
L'OREAL MEXICO S.A. DE C.V.	Mexico	100.00
L'OREAL MEXICO SERVICIOS S.A. DE C.V.	Mexico	100.00
L'OREAL MIDDLE EAST	United Arab Emirates	100.00
L'OREAL NEDERLAND B.V.	The Netherlands	100.00
L'OREAL NEW ZEALAND LIMITED	New Zealand	100.00
L'OREAL NORGE A/S	Norway	100.00
L'OREAL ÖSTERREICH GMBH	Austria	100.00
L'OREAL PAKISTAN PRIVATE LIMITED	Pakistan	100.00
L'OREAL PANAMA COMERCIAL S.A.	Panama	100.00
L'OREAL PANAMA S.A.	Panama	100.00
L'OREAL PERU S.A.	Peru	100.00
L'OREAL PHILIPPINES, INC.	The Philippines	100.00
L'OREAL POLSKA SP. Z.O.O.	Poland	100.00
L'OREAL PORTUGAL UNIPESSOAL, LDA	Portugal	100.00
L'OREAL PRODUITS DE LUXE INTERNATIONAL	France	100.00
L'OREAL PRODUKTION DEUTSCHLAND BETEILIGUNGS GMBH	Germany	100.00

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Company	Head office	% interest
L'OREAL PRODUKTION DEUTSCHLAND GMBH & CO KG	Germany	100.00
L'OREAL ROMANIA SRL	Romania	100.00
L'OREAL SAIPO INDUSTRIALE S.P.A.	Italy	100.00
L'OREAL SAUDI ARABIA	Saudi Arabia	75.00
L'OREAL SINGAPORE PTE LTD	Singapore	100.00
L'OREAL SLOVENIJA KOZMETIKA D.O.O.	Slovenia	100.00
L'OREAL SLP S.A. DE C.V.	Mexico	100.00
L'OREAL SOUTH AFRICA HOLDINGS (PROPRIETARY) LIMITED	South Africa	100.00
L'OREAL SUISSE S.A.	Switzerland	100.00
L'OREAL SVERIGE AB	Sweden	100.00
L'OREAL TAIWAN CO., LTD.	Taiwan	100.00
L'OREAL TÜRKIYE KOZMETIK SANAYI VE TICARET ANONIM SIRKETI	Turkey	100.00
L'OREAL UAE GENERAL TRADING LLC	United Arab Emirates	100.00
L'OREAL UKRAINE	Ukraine	100.00
L'OREAL URUGUAY S.A.	Uruguay	100.00
L'OREAL USA, INC. (as a sub-group)	USA	100.00
L'OREAL VERWALTUNGS GMBH	Germany	100.00
L'OREAL VIETNAM CO. LTD	Vietnam	100.00
L'OREAL WEST AFRICA LIMITED	Ghana	100.00
MAGIC HOLDINGS (as a sub-group)	China	100.00
MASRELOR LLC	Egypt	100.00
MATRIX DISTRIBUTION GMBH	Germany	100.00
MODIFACE INC.	Canada	100.00
MUGLER FASHION	France	100.00
NANDA CO. LTD	Korea	100.00
NANDA JAPAN K.K.	Japan	100.00
NIHON L'OREAL KABUSHIKI KAISHA	Japan	100.00
NLO KABUSHIKI KAISHA	Japan	100.00
NOVEAL	France	100.00
NYX PROFESSIONAL MAKEUP SPRL/BVBA	Belgium	100.00
P.T. L'OREAL INDONESIA	Indonesia	100.00
P.T. YASULOR INDONESIA	Indonesia	100.00
PRESTIGE ET COLLECTIONS INTERNATIONAL	France	100.00
PROCOSA PRODUCTOS DE BELEZA LTDA	Brazil	100.00
PRODUCTOS CAPILARES L'OREAL S.A.	Spain	100.00
REAL CAMPUS BY L'OREAL	France	100.00
REDKEN FRANCE	France	100.00
RETAIL EXCELLENCE 4	France	100.00
SCENTAL LIMITED	Hong Kong	100.00
SHANGHAI EPISKIN BIOTECHNOLOGY CO. LTD	China	99.89
SHANGHAI L'OREAL INTERNATIONAL TRADING CO. LTD	China	100.00
SHU UEMURA COSMETICS INC.	Japan	100.00
SICOS & CIE	France	100.00
SLP ASISTENCIA S.A. DE C.V.	Mexico	100.00
SOCIETE HYDROMINERALE DE LA ROCHE-POSAY	France	99.98
SOPROCOS	France	100.00
SOPROREAL	France	100.00
SPARLYS	France	100.00
THERMES DE SAINT-GERVAIS-LES-BAINS LE FAYET	France	100.00
YICHANG TIANMEI INTERNATIONAL COSMETICS CO LTD	China	100.00

5.7.2. Equity-accounted companies

Company	**Head office**	**% interest**
INNEOV ARGENTINA S.A.	Argentina	50.00 (1)
INNEOV DEUTSCHLAND GmbH	Germany	50.00 (1)
INNEOV HELLAS A.E.	Greece	50.00 (1)
INNEOV MEXICO S.A. DE C.V.	Mexico	50.00 (1)
INNEOV TAIWAN CO. LTD	Taiwan	50.00 (1)
LIPP DISTRIBUTION	Tunisia	49.00
NUTRICOS TECHNOLOGIES	France	50.00 (1)
SCI GOLF DU CONNETABLE	France	38.12

(1) Companies jointly owned with Nestlé.

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5.8. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended 31 December 2020)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'ORÉAL

14 rue Royale

75008 Paris, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of L'Oréal for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and financing, and have led to greater uncertainties as to their future prospects. Some of those measures, such as travel restrictions and remote working, have also had an impact on their internal organisation and the performance of audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Description of risk	How our audit addressed this risk
Measurement of intangible assets *See Note 7.1. – Goodwill, Note 7.2. – Other intangible assets, Note 7.3. – Impairment tests on intangible assets, and Note 4 – Other operational income and expenses, to the consolidated financial statements*	
At 31 December 2020, the net carrying amount of goodwill and other intangible assets recognised in the consolidated financial statements totalled €13,870 million, representing 32% of assets. These assets consist primarily of goodwill and non-amortised brands with indefinite useful lives, recognised following business combinations. Whenever there is an indication of impairment, or at least once a year, the Group verifies that the carrying amount of these assets is not greater than their recoverable amount and does not present a risk of impairment (impairment test). The recoverable amount of each Cash Generating Unit (CGU) is determined on the basis of discounted operating cash flow forecasts covering a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The main assumptions taken into account in the measurement of the recoverable amount concern: ● growth in sales and margin rate; ● a perpetual growth rate for calculating the terminal value; and ● discount rates based on the weighted average cost of capital, where necessary adjusted by a country risk premium. The impairment tests performed did not lead to the recognition of any impairment losses in 2020. We deemed the measurement of these assets to be a key audit matter because of their relative materiality in the consolidated financial statements and because the calculation of their recoverable amount requires a high degree of judgement from Management in terms of projecting future cash flows and determining the main assumptions to be used.	We obtained the impairment tests and sensitivity analyses prepared by Management. We assessed the sensitivity analyses, in particular by comparing them to our own sensitivity analyses, to determine the nature and scope of our procedures. We assessed, in particular, the quality of the process for drawing up and approving budgets and forecasts and, for the impairment tests that we deemed the most sensitive, the reasonableness of the main estimates made and, more specifically: ● the consistency of projected sales and margin rates with the Group's past performance and the economic and financial context in which the Group operates, including the impacts of the Covid-19 health crisis; ● the corroboration of the growth rates used with analyses of the performance of the global cosmetics market, taking into account specific features of the local markets and distribution channels in which the Group operates; ● the discount rates applied to future cash flows, by comparing their inputs with external references, with the guidance of our valuation experts; ● the analyses of the sensitivity of the recoverable amount to the key main assumptions used, as described by Management in Note 7.3 to the consolidated financial statements, and to our own analyses. We verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.
Measurement of provisions for liabilities and charges (excluding provisions for product returns), non-current tax liabilities and contingent liabilities *See Note 6 – Income tax and Note 12 – Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes, to the consolidated financial statements*	
The Group is exposed to various risks arising in the ordinary course of its business, particularly tax risks, industrial, environmental and commercial risks relating to operations (excluding provisions for product returns), employee-related risks and risks related to antitrust investigations. When the amount or due date of a liability can be estimated with sufficient reliability, provisions are recorded for these risks. When this is not the case, the Group provides disclosures on contingent liabilities in the notes to the consolidated financial statements. The contingent liabilities and material ongoing disputes reported in Note 12.2.1 include tax disputes in Brazil and India, for which the tax authorities are claiming €505 million and €162 million, respectively. Provisions for liabilities and charges (excluding provisions for product returns) amounted to €929 million, and non-current tax liabilities to €398 million at 31 December 2020. We deemed the determination and measurement of these items to be a key audit matter given: ● the high degree of judgement required from Management to determine which risks should be provisioned and measure with sufficient reliability the amounts of these provisions; ● the potentially material impact of these provisions on the Group's profit.	In order to identify and gain an understanding of all of the existing disputes and liabilities as well as the corresponding judgements made, we made inquiries with General Management and the Legal and Tax Departments at all levels of the organisation, in France and abroad. We corroborated the list of identified disputes with the Group's risk mapping, as presented by the Legal Department to the Audit Committee, and the information provided by the principal law firms acting for the Group, which we questioned on the matters. Regarding the most significant disputes for which a provision was recorded, we assessed the quality of Management's estimates by taking into consideration the data, assumptions and calculations used. We carried out a retrospective review by comparing the amounts paid out with the provisions recorded in recent years. With the guidance of our experts in the field where applicable, we carried out the following procedures: ● we examined the procedural aspects and/or the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the decision to record a provision; ● on the basis of the information provided to us, we critically assessed the estimated ranges of risk level and verified that the measurements used by Management fall within these ranges; ● when appropriate, we verified the consistency of the methods used for these assessments. Regarding contingent liabilities, with the guidance of our experts in the field where applicable, we examined the procedural aspects and/or the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the decision not to record a provision. We verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

Description of risk	How our audit addressed this risk
Recognition of sales – estimation of items to be deducted from sales	
See Note 3 – Accounting principles – Sales, to the consolidated financial statements	
Sales incentives, discounts and product returns are deducted from sales, as are incentives granted to distributors or consumers, such as commercial cooperation, coupons, discounts and loyalty programs. These various deductions are recorded simultaneously to the recognition of sales, based mainly on statistics compiled from past experience and contractual conditions. We deemed estimating these amounts at the reporting date to be both difficult (due to the range of contracts and contractual conditions prevalent in the Group's different markets) and sensitive (sales are a key indicator in the assessment of the performance of the Group and its Management), and to have a material impact in the financial statements. Accordingly, these estimates constitute a key audit matter given the risk that product returns, sales incentives, discounts and other incentives granted to customers (distributors or consumers) are not fully catalogued and/or properly measured and thus that sales are not accounted for correctly or in the appropriate reporting period.	We assessed the appropriateness of the accounting policies applied by the Group with respect to the recognition of product returns, sales incentives, discounts and other incentives granted to customers, with respect to IFRS. We familiarised ourselves with the internal control systems implemented by the Group's commercial entities, with a view to measuring and accounting for items deducted from sales, especially at the end of the reporting period, and we tested, on a sample basis, the main controls of those systems. We also carried out substantive tests on representative samples in order to ascertain whether product returns, sales incentives, discounts and other incentives granted to customers were being estimated correctly. Our tests consisted primarily in: ● assessing the appropriateness of valuation methods, in particular through a critical assessment of the assumptions used, verification of the consistency of the methods, and analysis of the unwinding of provisions from the previous year; ● reconciling the statistics compiled from past experience and contractual conditions with the data contained in the IT systems dedicated to the management of commercial conditions; ● verifying the calculation of the corresponding expenses (including the residual commitment at the end of the reporting period) and how they are recorded in the accounting system and presented in the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L.225-102-1 of the French Commercial Code is included in the information pertaining to the Group presented in the management report, it being specified that, in accordance with Article L.823-10 of the Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information contained in that statement, which must be verified in a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the consolidated financial statements to be included in the annual financial report

Pursuant to paragraph III of Article 222-3 of the AMF's General Regulations, the Company's Management informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018, to reporting periods beginning on or after 1 January 2021. Accordingly, this report does not contain a conclusion on the compliance of the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) with this format.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of L'Oréal by the Annual General Meeting of 29 April 2004.

At 31 December 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the seventeenth consecutive year of their engagement.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 17 February 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire Ferrié	Frédéric Moulin

6.

PARENT COMPANY FINANCIAL STATEMENTS*

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

The individual financial statements set out in this chapter are those of the L'Oréal parent company. They show the financial situation of the parent company stricto sensu. Unlike the consolidated financial statements, they do not include the results of the Group's subsidiaries.

The information with regard to the parent company financial statements that was previously included in the Management Report of the Board of Directors is now included in this chapter. The pages concerned are the table showing the main changes and thresholds crossed regarding investments in subsidiaries and the five-year financial summary as well as the amount of expenses and charges provided for in Article 223 *quater* of the French General Tax Code, and the table showing invoices issued and received, not paid at the end of the financial year and in arrears, provided for by Articles L. 441-6-1 and D. 441-6 of the French Commercial Code. The Statutory Auditor's Report on the parent company financial statements completes this information.

6.1. COMPARED INCOME STATEMENTS

€ millions	Notes	31.12.2020	31.12.2019	31.12.2018
Operating revenue		**5,535.9**	**4,615.5**	**4,319.4**
Sales	2	4,837.8	4,131.0	3,888.4
Reversals of provisions and transfers of charges		194.8	84.5	76.4
Other revenue	3	503.4	400.0	354.6
Operating expenses		**-5,022.4**	**-4,184.5**	**-3,930.4**
Purchases and change in inventories		-674.6	-424.7	-401.0
Other purchases and external charges		-2,404.3	-2,119.0	-2,064.0
Taxes and similar payments		-119.2	-108.2	-92.0
Personnel costs		-1,213.2	-1,038.5	-979.4
Depreciation, amortisation and charges to provisions	5	-329.2	-283.6	-195.6
Other charges		-281.9	-210.5	-198.4
Operating profit		**513.6**	**431.0**	**389.0**
Net financial revenue	6	3,912.4	4,086.5	3,523.6
Net charges/reversals of provisions and transfers of charges	6	-77.1	-198.7	-221.9
Exchange gains and losses		16.4	-108.0	-24.2
Net financial income		**3,851.7**	**3,779.8**	**3,277.5**
Profit before tax and exceptional items		**4,365.3**	**4,210.8**	**3,666.5**
Exceptional items	**7**	**-156.4**	**22.5**	**-57.0**
Employee Profit Sharing		-27.2	-44.8	-21.5
Income tax	8	-22.8	-82.7	6.9
NET PROFIT		**4,158.8**	**4,105.8**	**3,594.9**

6.2. COMPARED BALANCE SHEETS

Assets

€ millions (net values)	Notes	31.12.2020	31.12.2019	31.12.2018
Intangible assets	11	4,366.0	2,937.5	2,820.5
Tangible assets	12	555.9	530.9	513.5
Financial assets	14	10,488.1	10,633.8	10,368.8
Non-current assets		**15,410.0**	**14,102.2**	**13,702.8**
Inventories		107.2	69.7	74.8
Prepayments to suppliers		7.8	7.3	7.8
Trade accounts receivable	16	692.9	616.7	540.5
Other current assets	16	489.8	471.1	486.2
Marketable securities	15	63.9	22.6	93.5
Cash and cash equivalents	27	3,791.3	2,463.5	1,496.9
Current assets		**5,152.9**	**3,650.9**	**2,699.7**
Prepaid expenses		87.7	65.9	59.6
Unrealised exchange losses	21	45.8	60.3	55.0
TOTAL ASSETS		**20,696.4**	**17,879.3**	**16,517.1**

Liabilities

€ millions	Notes	31.12.2020	31.12.2019	31.12.2018
Share Capital		112.0	111.6	112.1
Additional paid-in capital		3,259.8	3,130.2	3,070.3
Reserves and retained earnings		10,020.0	8,087.1	7,470.2
Net profit		4,158.8	4,105.8	3,594.9
Regulated provisions		36.2	49.8	64.4
Shareholders' equity		**17,586.8**	**15,484.5**	**14,311.9**
Provisions for liabilities and charges	**18**	**790.6**	**610.4**	**516.0**
Borrowings and debt	19	369.3	207.5	209.6
Trade accounts payable	20	829.8	568.0	718.4
Other current liabilities	20	1,074.7	999.0	743.8
Other payables		**2,273.8**	**1,774.5**	**1,671.8**
Unrealised exchange gains	21	45.2	9.9	17.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**20,696.4**	**17,879.3**	**16,517.1**

6.3. CHANGES IN SHAREHOLDERS' EQUITY

The share capital comprises 559,871,580 shares with a par value of €0.2 each following transactions carried out in 2020:

- subscription of 465,796 shares following the exercise of options, the issue of 452,979 shares for the employee shareholding plan and the grant of 835,600 free shares.

Changes in shareholders' equity are as follows:

€ millions	Share capital	Additional paid-in capital	1976 revaluation reserve	Reserves and retained earnings	Net profit	Regulated provisions	Total
Balance at 31 December 2017 before appropriation of net profit	**112.1**	**2,935.3**	**42.5**	**6,880.4**	**3,051.7**	**89.0**	**13,111.0**
Capital increase	0.5	135.0					135.5
Cancellation of shares	-0.5			-497.6			-498.1
Appropriation of 2017 net profit				1,045.1	-1,045.1		0.0
Dividends paid for 2017					-2,006.6		-2.006,6
2018 net profit					3,594.9		3,594.9
Other movements during the period				-0.2		-24.6	-24.8
Balance at 31 December 2018 before appropriation of net profit	**112.1**	**3,070.3**	**42.5**	**7,427.7**	**3,594.9**	**64.4**	**14,311.9**
Capital increase	0.3	59.9					60.2
Cancellation of shares	-0.8			-801.2			-802.0
Appropriation of 2018 net profit				1,418.2	-1,418.2		0.0
Dividends paid for 2018					-2,176.7		-2,176.7
2019 net profit					4,105.8		4,105.8
Other movements during the period				-0.1		-14.6	-14.7
Balance at 31 December 2019 before appropriation of net profit	**111.6**	**3,130.2**	**42.5**	**8,044.6**	**4,105.8**	**49.8**	**15,484.5**
Capital increase	0.4	129.6					130.0
Cancellation of shares							
Appropriation of 2019 net profit				1,933.2	-1,933.2		0.0
Dividends paid for 2019					-2,172.6		-2,172.6
2020 net profit					4,158.8		4,158.8
Other movements during the period				-0.2		-13.6	-13.8
BALANCE AT 31 DECEMBER 2020 BEFORE APPROPRIATION OF NET PROFIT	**112.0**	**3,259.8**	**42.5**	**9,977.7**	**4,158.8**	**36.2**	**17,586.8**

The amount added to reserves for unpaid dividends on some treasury shares held by L'Oréal as well as movements between 1 January and the dividend payment date, on maturing free share plans, stock option exercises and the final number of shares carrying preferential dividend rights, stood at -€6.2 million in 2020, compared with -€0.7 million in 2019 and -€0.7 million in 2018.

Regulated provisions mainly consisted of accelerated tax-driven depreciation, which amounted to €36 million at 31 December 2020, compared with €49.7 million at 31 December 2019 and €64.2 million at 31 December 2018.

Details of option plans and free share plans are provided in note 17.

6.4. STATEMENTS OF CASH FLOWS

€ millions	Notes	31.12.2020	31.12.2019	31.12.2018
Operating activities				
Net profit		**4,158.8**	**4,105.8**	**3,594.9**
Depreciation and amortisation	11-12	145.4	121.0	117.2
Charges to provisions (net of reversals)		216.4	304.4	290.4
Gains and losses on disposals of non-current assets		78.4	-1.3	2.0
Other non-cash transactions (1)		-1.5	-136.4	-
Gross cash flow		**4,597.5**	**4,393.5**	**4,004.5**
Changes in working capital	25	185.0	-231.0	81.8
Net cash provided by operating activities		**4,782.5**	**4,162.5**	**4,086.3**
Investing activities				
Investments in non-current assets		-1,605.3	-1,234.3	-1,674.2
Changes in other financial assets	26	-58.7	30.9	56.2
Disposals of non-current assets		65.3	55.4	39.5
Net cash from investing activities		**-1,598.7**	**1,148.0**	**-1,578.5**
Financing activities				
Capital increase		129.7	60.0	135.3
Dividends paid		-2,172.6	-2,176.7	-2,006.6
Changes in financial debt		160.3	-0.9	-1.9
Net cash from financing activities		**-1,882.6**	**-2,117.6**	**-1,873.2**
Cash acquired or sold in the period (complete transfer of assets and liabilities)		25.7	69.8	55.9
Change in cash and cash equivalents		**1,327.0**	**966.7**	**690.5**
Net cash and cash equivalents at beginning of the year	27	2,463.3	1,496.6	806.1
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**27**	**3,790.3**	**2,463.3**	**1,496.6**

(1) In 2019, mainly consisted of the merger bonus from the complete transfer of assets and liabilities of Lancôme Parfums et Beauté & Cie and, in 2020, of the merger bonus from L'Oréal Produits de Luxe France.

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6.5. NOTES TO THE FINANCIAL STATEMENTS OF L'ORÉAL SA

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Highlights of the financial year

On 1 January 2020, Cosmétique Active France and L'Oréal Produits de Luxe France transferred all of their assets to L'Oréal, in consideration for taking on all of their debt.

On 29 June 2020, L'Oréal and the French investment holding company Impala finalised the sale of the Roger & Gallet brand.

On 31 March 2020, L'Oréal finalised the acquisition of Clarins' fragrance division which comprised, at the completion date, Azzaro Beauté, Thierry Mugler, Azzaro Mugler Beauté, Azzaro Beauté France, Cosmeurop and Azzaro Beauté UK. Following this acquisition, legal restructuring transactions were carried out:

On 3 August 2020, the assets and liabilities of Azzaro Beauté were transferred to L'Oréal.

On 1 November 2020, Azzaro Mugler Beauté transferred all its assets to L'Oréal, in consideration for taking on all its debt, with retroactive effect to 1 April 2020.

On 3 November 2020, the assets and liabilities of Thierry Mugler were transferred to L'Oréal.

NOTE 1. Accounting principles

The Company's annual financial statements are prepared in accordance with French law and regulations (French Chart of Accounts) and generally accepted accounting principles.

1.1. Sales

These are comprised of sales of goods (net of returns from distributors and rebates and discounts) and services (including technological assistance fees).

1.2. Advertising and promotion expenses

Expenses relating to the advertisement and promotion of products to customers and consumers are recognised as expenses for the year in which the advertisement or promotional initiative takes place.

1.3. Research and innovation costs

Research and innovation costs are recognised in expenses in the period in which they are incurred.

1.4. Income tax

The Company has opted for the French tax group regime. French companies included in the scope of tax consolidation recognise an income tax charge in their own accounts on the basis of their own taxable profits and losses.

L'Oréal, as the parent company of the tax group, recognises as tax income the difference between the aggregate tax charges recognised by the subsidiaries and the tax due on the basis of consolidated taxable profit or loss of the tax group.

1.5. Intangible assets

Intangible assets are recorded in the balance sheet at purchase cost, including acquisition costs.

Technical merger losses are allocated to the corresponding underlying assets and amortised where appropriate.

The value of newly acquired trademarks is calculated based on a multi-criteria approach taking into consideration their reputation and their future contribution to profits.

In accordance with regulation No. 2004-06 on assets, certain trademarks have been identified as amortisable regarding their estimated useful life.

Non-amortisable trademarks are tested for impairment at least once a year on the basis of the valuation model used at the time of their acquisition. An impairment is recorded where appropriate. Initial trademark registration costs are recorded as expenses.

Patents are amortised over a period ranging from two to ten years.

Business goodwill is not amortised. It is impaired whenever the present value of future cash flows is less than the book value. Business goodwill is subject to impairment tests at least once a year, even when there is no evidence of an impairment loss.

Software of material value is amortised using the straight-line method over its probable useful life, generally between five and seven years. It is also subject to accelerated tax-driven amortisation, which is recognised over a 12-month period.

Other intangible assets are usually amortised over periods not exceeding 20 years.

1.6. Tangible assets

Tangible assets are recognised at purchase cost, including acquisition expenses.

The useful lives of tangible assets are as follows:

	Length
Buildings	20-50 years
Fixtures and fittings	5-10 years
Industrial machinery and equipment	10 years
Other tangible assets	3-10 years

Both straight-line and declining-balance depreciation is calculated over the actual useful lives of the assets concerned. Exceptionally, industrial machinery and equipment is depreciated using the straight-line method over a period of ten years, with all additional depreciation classified as accelerated tax-driven depreciation.

1.7. Financial assets

1.7.1. Financial investments

These items are recognised in the balance sheet at purchase cost excluding incidental expenses.

Their value is assessed annually by reference to their value in use, which is mainly based on the current and forecast profitability of the subsidiary concerned and the share of equity owned. If the value in use falls below the net book value, an impairment is recognised.

1.7.2. Other financial assets

Loans and other receivables are valued at their nominal amount. Loans and other receivables denominated in foreign currencies are translated at the exchange rate prevailing at the end of the financial year. If necessary, impairments are recognised against these items to reflect their value in use at the end of the financial year.

Treasury shares acquired in connection with buyback programmes to be cancelled is recognised in other long-term investments.

At the end of the financial year, other long-term investments are compared with their probable sale price and a provision for impairment recognised where appropriate.

1.8. Inventories

Inventories are valued using the weighted average cost method.

An impairment is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

1.9. Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recorded at their nominal value. Where appropriate, an impairment is recognised based on an assessment of the risk of non-recovery.

1.10. Marketable securities cash and cash equivalents

Marketable securities are recognised at purchase cost and are valued at the end of the financial year at their probable sale price.

Treasury shares held that is specifically allocated to employee stock option and free shares plans recognised in marketable securities.

No discount is granted on the exercise price of the options. Provided that the shares are purchased at a lower price than the exercise price, no impairment is required. However, an impairment is recognised in the event of a decline in the market price, representing the difference between the book value of the treasury shares and the average share price in the month preceding the reporting date.

A provision for liabilities and charges in respect of shares of Treasury shares allocated to free share plans for L'Oréal S.A. parent company employees is recognised over the period during which the rights to the free shares vest. Shares of Treasury shares allocated to free share plans for employees of Group subsidiaries are written down in full. However, the subsidiaries concerned will bear most of the cost of granting these free shares.

1.11. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised to cover probable outflows of resources to third parties, without receipt of equivalent consideration by the Company. They relate mainly to commercial and financial contingencies and litigation (subsidiaries…) and to Administration and employee-related contingencies.

These provisions are estimated on the basis of the most likely assumptions or by using statistical methods, depending on their type.

1.12. Accounting for foreign currency transactions and exchange rate hedges

All receivables and payables denominated in foreign currencies are translated at the exchange rates prevailing at the end of the financial year.

Exchange rate hedging instruments are contracted to hedge commercial transactions recognised in the balance sheet and future transactions that are considered to be highly probable. Gains and losses generated by these instruments are recognised symmetrically with the gains and losses arising on the hedged items, in the same aggregate as profit and loss. Option premium income/discounts are recognised in profit and loss when the hedged item is recognised.

Derivatives that are not designated as hedges are classified as isolated open positions. These are recognised at their fair value in the balance sheet, and offset an "Unrealised exchange gains or losses" account.

Translation differences on operating assets and liabilities and related hedging instruments are also recognised in the balance sheet as "Unrealised exchange gains or losses".

A provision is recognised if the sum of these unrealised exchange gains and losses shows a potential exchange loss based on the overall exchange position, calculated on a currency-by-currency basis. The overall foreign exchange position excludes translation differences of hedging instruments and hedged items.

In accordance with French accounting standards, the potential gain resulting from the overall foreign exchange position is not recognised as income in the income statement.

Hedges have already been taken out in respect of forecasted operating transactions for the next financial year. The impact of such hedges on profit or loss will be recorded during the same accounting period as the transactions hedged.

1.13. Accounting for interest rate instruments

In the case of interest-rate hedges, for gains and losses arising on interest rate swaps and caps, hedging financial liabilities are recorded on a pro rata basis symmetrically with the gains and losses on the items hedged.

1.14. Employee retirement obligations and related benefits

The L'Oréal parent company operates pension, early retirement and other benefit schemes for employees and retirees depending on local legislation and regulations. Directors and corporate officers are regarded as employees for all additional benefits relating to their remuneration, and are therefore covered by the same employee benefit schemes.

These obligations are partially funded by an external scheme where the funds are gradually built up through contributions paid. The contributions are expensed as incurred under the Other purchases and external charges item.

The related obligations are measured using an actuarial valuation method based on final salaries. The method takes account of length of service, life expectancy, turnover by category of personnel and economic assumptions such as inflation and discount rates.

No provision is recognised in the balance sheet for net unfunded obligations, which are shown in off-balance sheet commitments.

Only obligations in respect of long-service awards are no longer recognised as an off-balance sheet commitment; instead, a provision is recognised in the balance sheet based on an actuarial valuation of the obligation.

NOTE 2. Sales

€ millions	31.12.2020	31.12.2019	31.12.2018
Sales of goods (1)	2,199.3	1,547.9	1,537.7
Services (2)	2,506.6	2,424.2	2,186.8
Other revenue	131.9	158.9	163.9
TOTAL	**4,837.8**	**4,131.0**	**3,888.4**

(1) On 30 June 2018, Gemey Maybelline Garnier transferred all its assets to L'Oréal, in consideration for taking on all its debt, with retroactive effect to 1 January 2018.
On 1 January 2020, L'Oreal Produits de Luxe France and Cosmétique Active France transferred all of their assets to L'Oréal, in consideration for taking on all of their debt.
(2) Including invoicing of technological assistance.

The Company generated €2,901.5 million of its net sales in France in 2020, compared with €2,263.9 million in 2019 and €2,172.5 million in 2018.

NOTE 3. Other revenue

This account mainly includes trademark royalties as well as foreign exchange gains on operations, booked under Other revenue since 1 January 2017 pursuant to ANC Regulation No. 2015-05.

NOTE 4. Average headcount

Average headcount can be broken down as follows:

	2020 (1)	2019	2018
Executives	5,671	4,923	4,650
Supervisors	2,160	1,975	2,011
Administrative staff	171	180	210
Manual workers	332	227	219
Sales representatives	566	387	420
TOTAL	**8,900**	**7,692**	**7,510**
Apprentices	278	232	203

(1) Including a change in 2020 in Cosmetique Active France and L'Oréal Produits de Luxe France personnel, following their merger with L'Oréal on 1 January 2020.

NOTE 5. Depreciation, amortisation and charges to provisions

Depreciation, amortisation and charges to provisions can be broken down as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Depreciation and amortisation	-136.4	-119.0	-111.8
Impairment of non-current assets	-73.2	-67.9	-13.3
Impairment of current assets	-12.2	-4.5	-5.7
Provisions for liabilities and charges	-107.4	-92.2	-64.8
TOTAL	**-329.2**	**-283.6**	**-195.6**

NOTE 6. Net financial income

Net financial income amounts include the following items:

€ millions	31.12.2020	31.12.2019	31.12.2018
Dividends received	3,940.9	3,967.0	3,533.2
Revenues on other receivables and marketable securities	0.1	0.2	0.5
Interest expense on borrowings and financial debt	-21.6	-9.8	-5.9
Other (1)	-7.0	129.1	-4.2
TOTAL	**3,912.4**	**4,086.5**	**3,523.6**

(1) In 2019, this mainly included the merger bonus related to the complete transfer of assets and liabilities of Lancôme Parfums et Beauté & Cie.

Additions to provisions net of reversals and expense transfers chiefly concern:

€ millions	31.12.2020	31.12.2019	31.12.2018
Impairment of financial investments (1)	-79.8	-181.4	-256.8
Impairment of other financial assets	-	-	-
Impairment of Treasury shares	-	-	-
Provisions for liabilities and charges relating to financial items	2.7	-17.2	34.9
Other	-	-	-
TOTAL	**-77.1**	**-198.6**	**-221.9**

(1) In 2018, this mainly related to the impairment of shares in Atelier Cologne and L'Oréal Argentina.
In 2019, this mainly related to the impairment of shares in Magic Holdings.
In 2020, this mainly related to the impairment of shares in Cosmeurop and Elebelle Limited.

NOTE 7. Exceptional items

Exceptional items represented -€156.4 million in 2020, compared to €22.5 million in 2019 and -€57.0 million in 2018.

NOTE 8. Income tax

The income tax breaks down as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Tax on profit before tax and exceptional items	-39.8	-87.6	4.3
Tax on exceptional items and employee Profit Sharing	17	4.9	2.6
INCOME TAX	**-22.8**	**-82.7**	**6.9**

In 2020, the tax charge recognised by L'Oréal included a tax consolidation loss of €0.3 million.

In 2019, the tax charge recorded by L'Oréal includes a tax consolidation loss of €4.1 million and €55.5 million for the agreement with the French Tax Administration regarding the disagreement over which French business products fall under the tax base for 2014 to 2018.

In 2018, the tax income recognised by L'Oréal reflected €56.0 million in savings resulting from tax consolidation.

NOTE 9. Increases or reductions in future tax liabilities

	31.12.2018		31.12.2019		Changes		31.12.2020	
€ millions	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Temporary differences								
Regulated provisions		22.1	-	15.9	6.9	1.2		10.2
Temporarily non-deductible charges	74.7		95.3		39	18	116.3	
Charges deducted (or revenue taxed) for tax purposes but not yet recognised		12.0	-	16.1	15.9			0.2
Temporarily non-taxable revenue								
Deductible items								
Tax losses, deferred items								
Potentially taxable items								
Special reserve for long-term capital gains		182.7		169.9	19.2			150.7

These figures factor in the social contribution of 3.3% which is added to corporate income tax, both at normal and reduced rates, and the reduction in the tax rate in 2022, mainly for intangible asset impairment.

NOTE 10. Research costs

Expenses booked for Research activities in 2020 totalled €976.6 million, compared with €1,015.8 million in 2019 and €923.3 million in 2018.

NOTE 11. Intangible assets

€ millions	31.12.2018	31.12.2019	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements[4]	31.12.2020
Patents and trademarks	930.6	943.6	2.7	-0.1	56.9	1,003.0
Business goodwill[1]	1,786.9	1,786.7	27.6	-58.6	1,104.7	2,860.4
Software	466.2	519.4	36.8	-35.0	37.9	559.1
Other intangible assets[1]	239.6	250.4	3.8	-23.2	320.0	551.0
Tangible assets in progress	54.0	217.9	114.3	-36.4	-36.5	259.3
Gross value	**3,477.3**	**3,718.0**	**174.0**	**-153.3**	**1,494.2**	**5,232.9**
Patents and trademarks	130.1	140.3	8.3	-0.1	33.1	181.6
Business goodwill	1.3	1.5	0.6	-0.1		2.0
Software	314.9	359.0	62.1	-35.0	2.4	388.5
Other intangible assets	59.7	63.4	5.5		0.1	69.0
Amortisation	**506.0**	**564.2**	**76.5**	**-35.2**	**35.6**	**641.1**
Patents and trademarks[2]	51.4	51.4	18.5			69.9
Business goodwill[3]	95.8	137.4	48.7	-54.1	17.7	149.7
Other intangible assets[3]	3.5	27.5	2.7	-24.0		6.2
Impairment	**150.7**	**216.3**	**69.9**	**-78.1**	**17.7**	**225.8**
NET VALUE	**2,820.6**	**2,937.5**	**27.6**	**-40.0**	**1,440.9**	**4,366.0**

(1) In 2020, the increase in business goodwill was due to the acquisitions of Thayers and Azzaro Mugler. The decrease in business goodwill and other intangible assets mainly related to Roger & Gallet.
(2) In 2020, the increase in impairment of patents and trademarks mainly related to the Clarisonic brand.
(3) In 2019, the increase in impairment of business goodwill and of other intangible assets was primarily related to Roger & Gallet.
In 2020, the increase in business goodwill was primarily related to Clarisonic and Pulp Riot. The decrease in impairment of business goodwill and of other intangible assets was primarily related to Roger & Gallet.
(4) Other movements mainly related to the mergers of Cosmétique Active France and L'Oréal Produits de Luxe France on 1 January 2020, the universal transfer of the assets and liabilities of Azzaro Beauté on 3 August 2020, the merger of Azzaro Mugler Beauté on 1 November 2020 and the universal transfer of the assets and liabilities of Thierry Mugler on 3 November 2020 to L'Oréal.

NOTE 12. Tangible assets

€ millions	31.12.2018	31.12.2019	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2020
Land	76.8	77.5	0.1		3.5	81.1
Buildings	638.7	670.5	18.7	-2.3	40.5	727.4
Industrial machinery and equipment	199.8	208.7	9.2	-3.1	5.7	220.5
Other tangible assets	225.2	241.9	19.8	-15.2	56.6	303.1
Tangible assets in progress	70.0	61.0	28.7		-49.2	40.5
Advances and prepayments	0.9	2.3		-0.3	0.1	2.1
Gross value	**1,211.4**	**1,261.9**	**76.5**	**-20.9**	**57.2**	**1,374.7**
Land	1.2	1.5	0.3			1.8
Buildings	400.8	407.8	24.9	-2.3		430.4
Industrial machinery and equipment	155.5	163.5	9.9	-3.1	4.5	174.8
Other tangible assets	136.5	155.0	33.7	-14.8	31.9	205.8
Amortisation	**694.0**	**727.8**	**68.8**	**-20.2**	**36.4**	**812.8**
Land	-	-	0.2			0.2
Industrial machinery and equipment	3.9	3.2	3.8	-2.1	0.9	5.8
Impairment	**3.9**	**3.2**	**4.0**	**-2.1**	**0.9**	**6.0**
NET VALUE	**513.5**	**530.9**	**3.7**	**1.4**	**19.9**	**555.9**

Depreciation and amortisation recognised in 2020 for tangible assets and intangible assets included:

- €135.9 million on a straight-line basis;
- €0.5 million on a declining-balance basis;
- €9.0 million relating to exceptional depreciation and amortisation.

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NOTE 13. Non-current assets held under finance leases

€ millions Balance sheet captions	Non-current assets under finance leases at 31.12.2020				Balance sheet including assets under finance leases		
	Cost on initial recognition(1)	Depreciation and amortisation expenses(2) Period	Accumulated	Net value	Gross value	Depreciation	Net value
Land and buildings	-	-	-	-			
TOTAL AT 31.12.2020	**-**	**-**	**-**	**-**	**808.6**	**-432.4**	**376.2**
Total at 31.12.2019	-	-	-	-	747.9	-409.3	338.6
Total at 31.12.2018	9.2	-0.5	-4.2	5.0	724.8	-406.3	318.5

(1) Value of the assets on the date the leases were signed.
(2) Depreciation charge for the year and accumulated depreciation that would have been recognised for these assets had they been purchased outright – Depreciation method on a straight-line basis over 20 years.
The finance lease option was exercised on 30 June 2019.

€ millions Balance sheet captions	Finance lease commitments						
	Lease payments made		Lease payments outstanding at year-end				Residual purchase price under the lease
	Period	Accumulated	Less than 1 year	1 to 5 years	More than 5 years	Total payable	
Land and buildings			-	-	-	-	-
TOTAL AT 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2019	0.5	10.6	-	-	-	-	-
Total at 31.12.2018	1.1	10.1	0.5	-	-	0.5	-

The finance lease option was exercised on 30 June 2019.

NOTE 14. Financial assets

€ millions	31.12.2018	31.12.2019	Allocation of technical merger losses(3)	Acquisitions/ Subscriptions	Disposals/ Reductions	Other movements(2)	31.12.2020
Financial investments(1)	11,117.7	11,586.8	247.3	1,295.0	-19.3	-1,579.8	11,530.0
Loans and other receivables	61.7	48.7	-	18.6	-4.3	-24.0	39.0
L'Oréal shares	-	-	-	-	-	-	-
Other	14.1	4.4	-	3.9	-5.1	1.6	4.8
Gross value	**11,193.5**	**11,639.9**	**247.3**	**1,317.5**	**-28.7**	**-1,602.2**	**11,573.8**
Financial investments	823.8	1,005.2	-	89.4	-9.6	-	1,085.0
Loans and other receivables	0.7	0.7	-	0.5	-0.7	-	0.5
Other	0.2	0.2	-	-	-	-	0.2
Impairment	**824.7**	**1,006.1**	**-**	**89.9**	**-10.3**		**1,085.7**
NET VALUE	**10,368.8**	**10,633.8**	**247.3**	**1,227.6**	**-18.4**	**-1,602.2**	**10,488.1**

(1) The increase mainly concerns the purchase of Azzaro Beauté, Cosmeurop and Azzaro Beauté UK shares on 31 March 2020. The decrease mainly concerns the sale of Azzaro Beauté UK shares on 11 December 2020.
(2) Other movements mainly relate to the mergers of Cosmétique Active France and L'Oréal Produits de Luxe France on 1 January 2020, the universal transfer of the assets and liabilities of Azzaro Beauté on 3 August 2020, the merger of Azzaro Mugler Beauté on 1 November 2020 and the universal transfer of the assets and liabilities of Thierry Mugler on 3 November 2020 to L'Oréal.
(3) The allocation of technical merger losses are mainly from the Oomes merger, the Azzaro Mugler Beauté merger and the universal transfer of assets and liabilities of Azzaro Beauté and Thierry Mugler.

The detailing subsidiaries and affiliates is presented at the end of the present notes.

NOTE 15. Marketable securities

This item breaks down as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
L'Oréal shares	-	-	56.5
Financial instruments/Premiums paid on options	63.9	22.6	37.0
Gross value	**63.9**	**22.6**	**93.5**
L'Oréal shares	-	-	-
Financial instruments/Premiums paid on options	-	-	-
Impairment	-	-	-
NET VALUE	**63.9**	**22.6**	**93.5**

Throughout 2020, 835,600 free shares were granted.

Since 31 December 2019, there are no longer any unclaimed treasury shares.

At the end of 2018, the total market value of treasury shares amounted to €157.5 million based on the average share price in December and to €155.2 million based on the closing share price on 31 December.

NOTE 16. Maturity of receivables

€ millions	1 year or less	More than 1 year	Gross	Impairment	Net
Loans and other receivables	**35.8**	**3.1**	**38.9**	**-0.5**	**38.4**
Other financial assets	**4.6**	**-**	**4.6**	**-**	**4.6**
Trade accounts receivable	**696.4**	**-**	**696.4**	**-3.5**	**692.9**
Other current assets, of which	**491.6**	**-**	**491.6**	**-1.8**	**489.8**
Tax and employee-related receivables(1)	422.2	-	422.2	-	422.2
Other receivables	69.4	-	69.4	-1.8	67.6
Prepaid expenses	**87.7**	**-**	**87.7**	**-**	**87.7**

(1) Including a corporate income tax receivable in the amount of €117.9 million and a fine of €189.5 million paid to the French competition authority on 28 April 2015.

Accrual accounts included in receivables amounts are as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Trade accounts receivable	**1.2**	**1.5**	**2.3**
Other receivables	**19.1**	**14.1**	**56.4**
TOTAL	**20.3**	**15.6**	**58.7**

NOTE 17. Stock purchase or subscription options – Free shares

17.1. Share subscription or purchase options

The table below sets out data concerning option plans in force at 31 December 2020:

Share grant date	Number of options	Number of options not yet exercised	Exercise period from	Exercise period to	Exercise price
22.04.2011	1,470,000	57,397	23.04.2016	22.04.2021	83.19

This plan has a five-year exercise period and had performance-related conditions for members of the Management Committee.

All of the performance conditions of this plan have been definitively fulfilled.

17.2. Free shares

The table below summarises data relating to the free share plan.

Grant date					
Stock subscription plans	Stock purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
17.04.2014		18.04.2018	1,068,565	994,815	-
22.04.2015		23.04.2019	860,150	706,937	-
20.04.2016		21.04.2020	906,100	835,725	
20.04.2017		21.04.2021	906,000	-	745,621
17.04.2018		18.04.2022	931,000	-	892,150
18.04.2019		19.04.2023	843,075	-	830,600
14.10.2020		15.10.2024	713,660		713,660

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions concern:

- For the 14 October 2020, 18 April 2019, 17 April 2018, 20 April 2017, and 20 April 2016 plans:
  - for 50% of shares granted, the increase in comparable Cosmetics net sales for the 2021, 2022 and 2023 financial years under the 2020 plan; for the 2020, 2021 and 2022 financial years under the 2019 plan; for the 2019, 2020 and 2021 financial years under the 2018 plan; and the 2018, 2019 and 2020 financial years under the 2017 plan in relation to the growth in net sales for a panel of competitors;
  - for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the mean of the performance in the 2021, 2022 and 2023 financial years under the 2020 plan; in the 2020, 2021 and 2022 financial years under the 2019 plan; in the 2019, 2020 and 2021 financial years under the 2018 plan; and in the 2018, 2019 and 2020 financial years under the 2017 plan; and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

The plans of 17 April 2014, 22 April 2015 and 20 April 2016 were finally granted by the allocation of, respectively, 993,765 shares on 18 April 2018, 706,262 shares on 23 April 2019 and 835,600 shares on 21 April 2020.

At 31 December 2020, the performance conditions were deemed achieved except for the 20 April 2017 plan for which the cost was reviewed based on a predefined scale according to the best estimate to date of the performance percentage achieved at the end of the plan.

In September 2020, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €223.25, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 17 September to 2 October 2020 during which 417,966 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, for which the number of shares will be finalised in June 2021.

For French employees, free shares were offered upon subscription in proportion to their personal contribution to the plan with a maximum of four shares offered for ten shares subscribed.

For employees in other countries, shares were offered under a free share plan with a continued employment condition for the employee and proportionate to how much the employee contributes to the plan, with a maximum of four shares offered for ten shares subscribed. The shares will be allocated to employees on 3 November 2025 provided they are still with the Group on that date.

The capital was increased on 3 November 2020 by 452,967 shares.

In June 2018, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €162.52, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 4 June to 18 June 2018 during which 423,916 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, with the final number of shares subscribed determined at 4,514 in November 2018.

NOTE 18. Provisions for liabilities and charges

€ millions	31.12.2018	31.12.2019	Charges	Reversals (used)	Reversals (not used)	Other	31.12.2020
Provisions for litigation (1)	195.2	192.9	1.2	-0.3	-1.2	0.4	193.0
Provisions for foreign exchange losses	44.9	52.0	24.9	-52.0	-	-	24.9
Provisions for expenses	98.4	112.7	118.6	-61.3	-8.8	8.2	169.4
Other provisions for liabilities (2)	177.5	252.9	213.4	-12.4	-70.2	19.6	403.3
TOTAL	**516.0**	**610.5**	**358.1**	**-126.0**	**-80.2**	**28.2**	**790.6**

(1) L'Oréal SA was ordered to pay a fine of €189.5 million following the decision handed down in the first instance by the French competition authority on 18 December 2014. L'Oréal appealed against this decision. On 27 October 2016, the Paris Court of Appeal upheld the first instance decision. L'Oréal lodged an appeal in cassation. On 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision should be handed down at the end of 2021. The provision was maintained in liabilities and the payment recognised in "Other current assets" (see note 16).

(2) This section mainly includes provisions set aside to cover risks related to government bodies, commercial and financial risks.

The changes in provisions for liabilities and charges impact the 2020 income statement as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	107.5	-67.7	-20.9
Net financial income	49.8	-51.3	-1.0
Exceptional items	200.8	-7.0	-58.3
TOTAL	**358.1**	**-126.0**	**-80.2**

NOTE 19. Borrowings and debt

L'Oréal obtains financing through medium-term bank loans and issues short-term marketable instruments in France. The amount of the programme is €5,000 million. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

Liquidity on the short-term marketable instruments issues is provided by confirmed undrawn short-term credit facilities with banks, which amounted to €5,363 million at 31 December 2020, compared to €3,801 million at 31 December 2019 and €3,644 million at 31 December 2018.

All borrowings and debt are denominated in euros and can be broken down as follows:

BREAKDOWN BY TYPE OF DEBT

€ millions	31.12.2020	31.12.2019	31.12.2018
Bonds	-	-	-
Short-term marketable instruments	360.0	200.0	200.0
Bank overdrafts and financing with the Group's cash pool	-	-	-
Other borrowings and debt	9.3	7.5	9.6
TOTAL	**369.3**	**207.5**	**209.6**

BREAKDOWN BY MATURITY DATE

€ millions	31.12.2020	31.12.2019	31.12.2018
Less than 1 year	361.7	200.9	200.7
1 to 5 years	7.6	6.6	7.8
More than 5 years		-	1.1
TOTAL	**369.3**	**207.5**	**209.6**

EFFECTIVE INTEREST RATE AND AVERAGE INTEREST RATE ON BORROWINGS AND DEBT

The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

The average interest rate on short-term marketable instruments denominated in euros was -0.31% in 2020, compared with -0.45% in 2019 and -0.45% in 2018.

NOTE 20. Maturity of payables

€ millions	1 year or less	More than 1 year	Total
Trade accounts payable	**829.8**	**-**	**829.8**
Other current liabilities, of which	**882.9**	**191.8**	**1,074.7**
Tax and employee-related payables	504.2		504.2
Payables related to non-current assets[1]	90.3	191.1	281.4
Other payables	288.4	0.7	289.1

(1) Non-current payables relate to earn-out clauses on acquisitions.

Accrual accounts included in trade accounts payable and other current liabilities are as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Trade accounts payable	**482.0**	**369.3**	**419.3**
Payables related to non-current assets	**230.2**	**315.4**	**157.4**
Tax and employee-related payables, of which	**442.4**	**391.2**	**330.8**
Provision for employee Profit Sharing	28.5	45.5	22.9
Provision for incentives	122.1	103.6	94.9
Other payables	**179.6**	**64.6**	**85.1**
TOTAL	**1,334.2**	**1,140.5**	**992.6**

NOTE 21. Unrealised exchange gains and losses

The revaluation of foreign currency receivables and payables at the exchange rates prevailing at 31 December, taking account of hedging instruments, led to the recognition of the following unrealised exchange gains and losses:

	Assets			Liabilities		
€ millions	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Financial receivables	-	-	-	-	-	-
Trade accounts receivable	1.0	0.7	0.2	0.2	-	0.1
Borrowings and debt	-	-	-	-	-	-
Trade accounts payable	-	-	-	0.2	-	0.1
Derivative financial instruments	44.8	59.6	54.8	44.8	9.9	17.2
TOTAL	**45.8**	**60.3**	**55.0**	**45.2**	**9.9**	**17.4**

The overall foreign exchange position, calculated on a currency-per-currency basis at 31 December 2020 is an unrealised loss of €24.9 million. This loss is recognised as a provision for risk. At 31 December 2019, the overall foreign exchange position was an unrealised loss of €52.0 million, compared with an unrealised loss of €44.9 million at 31 December 2018.

NOTE 22. Derivative financial instruments

Derivative financial instruments can be broken down as follows:

	Notional			Market value		
€ millions	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Currency futures						
Purchase of EURO against foreign currencies						
EUR/CNY	1,015.3	785.0	464.3	1.0	-8.9	-12.6
EUR/RUB	205.8	296.2	258.0	12.4	-15.7	5.8
EUR/USD	155.5	114.2	98.9	8.7	-5.2	-4.1
EUR/BRL	69.4	81.1	56.3	1.1	-0.1	-4.3
EUR/TRY	60.6	61.5	47.5	-0.5	-3.8	-7.7
EUR/TWD	55.5	48.1	41.5	3.6	-1.2	-0.6
EUR/KRW	54.2	57.8	65.5	-0.5	-1.2	-2.5
EUR/THB	45.0	45.1	45.8	0.8	-2.3	-1.9
EUR/GBP	36.5	36.6	44.9	0.0	-1.8	0.1
EUR/IDR	35.6	42.7	33.3	-0.6	-3.4	-3.1
EUR/ZAR	25.7	26.9	26.6	-2.3	-2.2	-0.6
EUR/INR	23.2	19.1	28.7	0.5	-0.7	-2.1
EUR/AUD	18.3	19.6	17.5	-0.8	-0.4	0.2
EUR/CAD	16.1	25.0	21.6	0.2	-0.8	0.4
EUR/DKK	14.8	4.3	3.8	0.0	0.0	0.0
EUR/PEN	8.1	10.4	7.2	0.7	-0.3	-0.1
EUR/CLP	8.1	9.7	9.5	-0.2	0.7	0.3
EUR/Other currencies	44.9	64.3	67.2	-0.2	-1.9	-2.0
Sale of EUR against foreign currencies						
EUR/PLN	32.2	37.8	30.9	-0.5	0.6	0.0
EUR/SGD	21.3	22.4	14.8	-0.4	0.3	0.3
EUR/HKD	16.5	9.7	7.2	-1.2	0.0	0.2
EUR/JPY	15.2	22.7	22.2	-0.6	-0.1	0.6
EUR/Other currencies	3.9		0.7	0.1		-0.1
Purchase of USD against foreign currencies						
USD/CNY	179.4	153.8	54.3	-11.2	-1.1	-1.0
USD/THB	33.9	34.4	40.6	-1.7	-1.4	-0.2
USD/BRL	26.6	56.4	29.0	-1.4	0.2	-0.8
USD/PHP	20.4	9.2	10.6	-0.5	-0.3	-0.3
USD/KRW	15.4	15.7	16.5	-1.3	-0.1	0.0
USD/TWD	13.1	15.1	14.8	-0.1	-0.3	0.2
USD/PEN	11.8	12.7	12.2	0.2	-0.2	0.2
USD/INR	6.3	7.9	16.8	-0.2	-0.2	-0.4
USD/Other currencies	10.5	21.4	30.0	-0.5	-1.6	-0.5
Sale of USD against foreign currencies						
USD/IDR	25.6	23.2	22.1	1.5	1.3	0.8
Purchase of CNY against foreign currencies						
CNY/INR	23.5	24.8	14.6	0.8	-0.7	-0.6
CNY/THB	21.1	27.8	17.1	0.3	-0.8	-0.2
CNY/IDR	18.9	32.4	27.3	-0.3	-2.1	-1.5
CNY/PHP	3.4	17.7	9.5	0.1	-0.7	-0.4
CNY/Other currencies	7.9	8.4	8.9	0.4	-0.2	0.0
Other currencies pairs						
JPY/CNY	48.9	45.2	29.0	-1.5	-1.0	0.1
KRW/CNY	44.5	11.5	0.0	0.6	0.0	0.0
PLN/RUB	10.6	7.9	10.4	0.3	-0.5	0.5
Other	27.5	30.8	29.1	-0.6	-0.8	-0.5
Currency futures total	**2,531.0**	**2,396.5**	**1,806.7**	**6.2**	**-58.9**	**-38.4**

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	Notional			Market value		
€ millions	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Currency options						
EUR/CNY	101.1	63.5	100.9	3.6	1.7	2.3
EUR/RUB	62.2	0.0	0.0	7.4	0.0	0.0
EUR/BRL	26.0	9.9	35.4	2.1	0.8	1.8
USD/BRL	18.6	7.8	22.8	0.6	0.6	0.9
EUR/USD	13.6	15.7	0.0	1.1	0.3	0.0
EUR/TRY	9.4	19.7	31.5	1.5	1.3	4.1
Other currencies	0.0	3.0	0.0	0.0	0.0	0.0
Currencies options total	**230.9**	**119.6**	**190.6**	**16.3**	**4.7**	**9.1**
• of which total options purchased	230.9	119.6	190.6	16.3	4.7	9.1
• of which total options sold	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INSTRUMENTS	**2,761.9**	**2,516.1**	**1,997.3**	**22.5**	**-54.2**	**-29.3**

NOTE 23. Transactions and balances with related entities and parties

All material related-party transactions were entered into on an arm's length basis.

NOTE 24. Off-balance sheet commitments

24.1. Lease commitments

Operating lease commitments amounted to €84.7 million due in less than one year, €265.3 million due between one and five years and €39.1 million due after five years.

The breakdown of finance lease commitments is provided in note 13.

24.2. Other off-balance sheet commitments

Confirmed credit facilities are set out in note 19.

Other off-balance sheet commitments can be broken down as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Commitments in connection with employee retirement obligations and related benefits(1)	499.4	246.1	9.0
Commitments to buy out non-controlling interests	8.5	9.9	9.3
Guarantees given(2)	4,235.6	1,865.6	1,799.4
Guarantees received	3.3	3.7	3.7
Capital expenditure orders	74.2	95.1	77.3
Documentary credits	-	-	-

(1) The discount rate used in 2020 to measure commitments was 0.30% for plans providing for the payment of capital and 0.60% for annuity plans, compared with 0.70% and 1.10% respectively in 2019, and 1.75% and 2.0% in 2018.
An agreement for the pooling of employee-related liabilities was set up in 2004. Pursuant to this agreement, commitments are allocated among the French companies in the Group and their financing is organised in proportion to their respective payroll costs (customised for each plan) so that the companies are joint and severally liable for meeting the aforementioned commitments within the limit of the collective funds built up.
(2) This line includes miscellaneous guarantees and warranties, including €4,100.5 million at 31 December 2020 on behalf of the Group's direct and indirect subsidiaries, compared with €1,798.5 million at 31 December 2019 and €1,774.8 million at 31 December 2018. Seller's warranties are also included in this amount as appropriate. This line also includes a commitment to pay towards the Notre Dame Cathedral Reconstruction fund.

24.3. Contingent liabilities

In the ordinary course of its operations, L'Oréal is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Company sets aside a provision when a risk is found to exist and the related cost can be reliably estimated.

No exceptional event or dispute is highly likely to have a material impact on the earnings, financial position, assets or operations of the Company.

NOTE 25. Changes in working capital

Changes in working capital can be broken down as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Inventories	-11.9	6.5	-11.2
Accounts Receivable	79.7	-15.7	87.6
Accounts Payable	117.2	-221.8	5.4
TOTAL	**185.0**	**-231.0**	**81.8**

NOTE 26. Changes in other financial assets

This line primarily includes cash flows relating to financial instruments, classified as Marketable Securities, and cash flows associated with collateral posted with the Group's bank, classified as Financial assets. The deposit was reimbursed at end-2018 due to the merger of the Group’s bank at 31 December 2018 into the Company running the Group’s treasury operations.

NOTE 27. Cash and cash equivalents at the end of the year

Cash and cash equivalents can be broken down as follows:

€ millions	31.12.2020	31.12.2019	31.12.2018
Cash	3,791.3	2,463.5	1,496.9
Accrued interest receivable	-	-	-
Bank overdrafts and financing with the Group’s cash pool (see note 19)	-	-	-
Accrued interest payable	-1	-0.2	-0.3
NET CASH AND CASH EQUIVALENTS	**3,790.3**	**2,463.3**	**1,496.6**

NOTE 28. Other information

Statutory audit fees are presented in note 15 to the Consolidated Financial Statements.

NOTE 29. Subsequent events

No significant events took place between the balance sheet date and the date of issue of the financial statements by the Board of Directors.

NOTE 30. Table of subsidiaries and holdings

DETAILED INFORMATION

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends[1] booked during the year
A. MAIN FRENCH SUBSIDIARIES (Holdings of over 50%)								
Azzaro Mugler Beauté France	78,723	2,106	100.00	78,723	78,723	78,723	(343)	0
Beauté, Recherche & Industries	1,069	14,449	100.00	9,495	9,495	9,495	7,483	5,080
Cosmétique Active International	19	13,947	88.97	15,100	15,100	15,100	64,061	147,956
Cosmétique Active Production	186	20,572	80.13	5,049	5,081	5,081	6,263	3,777
Cosmeurop	7,589	27,343	100.00	65,807	65,807	12,407	(1,799)	0
EpiSkin	13,609	9,920	99.92	17,999	17,999	17,999	539	0
Fapagau & Cie	15	4,063	79.00	12	12	12	9,705	5,927
Faproreal	11,944	5,246	100.00	11,953	11,953	11,953	4,500	3,092
Finval	19,516	142,683	100.00	75,677	75,677	75,677	58,696	28,003
Gemey Paris - Maybelline New York	35	8,292	99.96	46	46	46	3,165	3,581
Holdial	1	0	98.00	1	1	1	1,198	1,571
L & J Ré	1,500	10,481	100.00	1,500	1,500	1,500	4,037	0
La Roche-Posay Laboratoire Pharmaceutique	380	4,437	99.98	27,579	27,579	27,579	36,022	225,456
Noveal	1,958	9,666	100.00	19,955	21,501	21,501	4,073	3,853
Nutricos Technologies	535	204	50.00	38,125	38,125	0	(132)	0
Laboratoire Sanoflore	10	1,093	100.00	5,197	5,197	1,697	856	710
L'Oréal Fund For Nature Regeneration	7,500	0	100.00	7,500	7,500	7,500	0	0
L'Oréal Produits de Luxe International	98	75,745	99.85	75,350	75,350	75,350	(18,392)	29,929
LOA3	90,402	(36,077)	100.00	90,400	90,400	53,351	(316)	0
BOLD (Business Opportunities for L'Oréal Development)	37,253	19,585	100.00	63,603	63,603	63,603	(4,452)	0
LOA7	838	293	100.00	1,129	1,129	1,129	(5,433)	0
Real Campus by L'Oréal	7,205	(1,396)	100.00	7,205	7,205	7,205	(1,419)	0
LOA10	5	0	100.00	5	5	5	(4)	0
Retail Excellence 4	508	402	100.00	825	825	825	882	645
Prestige & Collections International	78	7,465	99.81	98,364	98,364	98,364	330,511	417,567
Magic Holdings International Limited	10,197	79,360	100.00	615,198	615,198	226,398	(675)	0
Sicôs & Cie	375	9,463	100.00	386	1,076	1,076	12,704	10,233
Soprocos	8,250	10,218	100.00	8,521	11,904	11,904	9,192	8,719
Soproréal	15	1,676	99.90	15	15	15	2,439	0
Sparlys	5,477	2,309	100.00	8,553	8,553	8,553	2,885	2,743
Thermes De Saint Gervais Les Bains Le Fayet	1,047	6,475	100.00	22,942	22,942	22,942	(1,753)	0
B. MAIN FRENCH INVESTMENTS (Holdings of under 50%)								
Sanofi[2]	2,517,943		9.39	423,887	423,887	423,887		372,416

(1) Including profits distributed by the SNCs (general partnership), and Sociétés civiles (non trading companies), that are not tax consolidated.
(2) Listed company. At the end of 2020, L'Oréal owned 118,227,307 shares. Their market value at 31 December 2020 amounted to €9,304,489 thousand.

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends[1] booked during the year
A. MAIN FOREIGN SUBSIDIARIES (Holdings of over 50%)								
Atelier Cologne (Luxembourg)	1,210	15,093	100.00	106,978	106,978	14,625	(1,717)	0
Beautycos International Co. Ltd (China)	52,482	26,303	73.46	46,195	46,195	46,195	18,732	9,548
Beautylux International Cosmetics (Shanghai) Co.Ltd (China)	5,629	(384)	100.00	16,871	16,871	4,871	4	0
Biotherm (Monaco)	152	16	99.80	3,505	3,545	3,545	7,187	7,369
Canan Kozmetik Sanayi Ve Ticaret A.S. (Turkey)	6,451	2,802	100.00	30,290	30,290	21,290	2,521	247
Cosmelor Ltd (Japan)	548	17,632	100.00	35,810	35,810	24,810	5,027	0
Cosmephil Holdings Corporation (Philippines)	171	(127)	100.00	400	400	14	5	0
Egyptelor LLC (Egypt)	6	438	99.80	7	7	7	120	0
Elebelle (Proprietary) Ltd (South Africa)	806	25,236	100.00	61,123	61,123	23,123	0	0
ERWITON S.A. (Uruguay)	147	(268)	100.00	3	3	3	9,706	6,832
Interbeauty Cosmetics Ltd (Israel)	4,137	15,452	92.97	38,497	38,497	38,497	10,054	8,963
Kosmepol Sp. z.o.o. (Poland)	38,844	55,879	99.73	48,965	48,965	48,965	4,186	2,472
L'Oréal Adria d.o.o. (Croatia)	131	2,157	100.00	1,503	1,503	1,503	6,965	0
L'Oréal Argentina SA (Argentina)	70,801	(22,970)	96.19	161,555	161,555	39,655	13,725	0
L'Oréal Australia Pty Ltd	2,711	14,010	100.00	33,516	33,867	33,867	51,830	41,094
L'Oréal Balkan d.o.o. (Serbia)	1,283	198	100.00	1,285	1,285	1,285	2,573	1,712
L'Oréal Baltic SIA (Lithuania)	387	29	100.00	529	529	529	2,834	4,285
L'Oréal Bangladesh Ltd (Bangladesh)	154	(1,477)	100.00	154	154	154	(712)	0
L'Oréal Brasil	315,720	(143,612)	90.82	287,835	287,835	287,835	1,874	4,410
L'Oréal Belgilux S.A. (Belgium)	16,124	17,288	98.93	59,871	77,150	77,150	20,385	30,395
L'Oréal Brasil Pesquisas e Inovacao Ltda	45,887	(16,864)	99.99	45,654	45,654	45,654	795	0
L'Oréal Bulgaria EOOD	102	639	100.00	102	102	102	1,997	4,040
L'Oréal Canada Inc.	3,979	59,629	100.00	146,517	146,517	146,517	59,929	51,536
L'Oréal Central America (Panama)	8	(442)	100.00	8	8	8	17	0
L'Oréal Central West Africa (Nigeria)	3,443	(3,436)	99.91	18,106	18,106	106	0	0
L'Oréal Ceska Republika s.r.o (Czech Republic)	2,268	2,057	100.00	4,983	4,983	4,983	20,638	3,384
L'Oréal Chile S.A. (Chile)	6,173	2,024	100.00	43,784	43,784	43,784	21,454	21,124
L'Oréal China Co Ltd (China)	43,498	80,223	100.00	345,733	345,733	345,733	636,947	416,235
L'Oréal Colombia S.A. (Colombia)	11,658	41,126	100.00	80,419	80,419	61,419	(5,044)	3,079
L'Oréal Cosmetics Industry S.A.E (Egypt)	58,382	(37,674)	100.00	58,363	58,363	23,363	3,196	0
L´Oréal Côte d´Ivoire	99	(1,396)	100.00	599	599	0	(3,218)	0
L'Oréal Danmark A/S (Denmark)	270	2,432	100.00	7,929	8,336	8,336	33,560	14,977
L'Oréal Deutschland Gmbh (Germany)	12,647	290,227	100.00	72,259	76,855	76,855	235,859	143,428
L'Oréal East Africa Ltd (Kenya)	301	16,210	99.93	46,850	46,850	6,950	(7,374)	0
L'Oréal Ecuador (Ecuador)	9	(1)	99.99	9	9	9	0	0
L'Oréal Espana S.A. (Spain)[3]	59,911	20,348	100.00	361,454	361,454	361,454	51,404	42,462
L'Oréal Finland Oy (Finland)	673	40	100.00	1,280	1,280	1,280	3,027	5,474
L'Oréal Guatemala S.A.	1,044	977	100.00	2,162	2,162	2,162	163	1,659
L'Oréal Hellas S.A. (Greece)	9,736	3,925	100.00	34,821	35,307	35,307	12,820	16,472
L'Oréal Hong-Kong Ltd	(77)	10,364	99.97	24,276	24,276	24,276	(34,920)	607,599
L'Oréal India Private Ltd (India)	48,691	(24,069)	100.00	75,987	75,987	75,987	24,549	39,492
L'Oréal Investments B.V. (The Netherlands)	18	(1)	100.00	18	18	18	0	0
L'Oréal Italia Spa	1,680	48,396	100.00	226,469	226,469	226,469	25,423	24,709

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends[1] booked during the year
L'Oréal Kazakhstan Llp (Kazakhstan)	422	460	100.00	422	422	422	503	1,168
L'Oréal Korea Ltd (South Korea)	1,991	12,041	100.00	20,794	20,794	20,794	10,472	0
L'Oréal Liban SAL	(428)	2,610	100.00	4,136	4,136	4,136	3,829	0
L'Oréal Magyarorszag Kosmetikai Kft (Hungary)	428	(138)	100.00	787	787	787	2,916	5,382
L'Oréal Malaysia SDN BHD (Malaysia)	3,268	7,427	100.00	6,762	6,762	6,762	(2,225)	18,212
L'Oréal Mexico S.A de C.V (Mexico)	2,349	88,272	100.00	8,443	8,443	8,443	11,260	10,606
L'Oréal Middle East (United Arab Emirates)	7,761	6,771	100.00	54,379	54,379	44,379	(1,601)	41,113
L'Oréal Nederland B.V. (The Netherlands)	1,178	(75)	100.00	18,869	22,014	22,014	23,137	27,993
L'Oréal New Zealand Ltd (New Zealand)	44	2,548	100.00	6,110	6,110	6,110	7,901	6,002
L'Oréal Norge A/S (Norway)	1,384	1,475	100.00	4,050	4,050	4,050	6,832	3,634
L'Oréal Osterreich Gmbh (Austria)	2,915	1,974	100.00	3,417	3,818	3,818	6,915	11,157
L'Oréal Pakistan Private Ltd	17,313	(25,908)	100.00	17,534	17,534	0	(4,937)	0
L'Oréal Panama S.A.	159	235	100.00	168	168	168	(590)	0
L'Oréal Peru S.A.(Peru)	2,322	272	100.00	3,739	3,739	3,739	622	3,146
L'Oréal Philippines Inc.	3,696	12,303	99.53	39,107	39,107	16,107	(9,816)	0
L'Oréal Polska Sp. Z.O.O. (Poland)	405	(317)	100.00	707	707	707	39,331	32,543
L'Oréal Portugal Lda	495	392	100.00	6,289	6,459	6,459	11,106	14,514
L'Oréal Romania SRL (Romania)	799	5	100.00	974	974	974	10,705	10,504
L'Oréal Saudi Arabia (Saudi Arabia)	5,682	1,078	74.63	4,260	4,260	4,260	3,888	788
L'Oréal Singapore Pte Ltd (Singapore)	1,165	8,186	100.00	18,991	18,991	18,991	5,478	5,708
L'Oréal Slovensko s.r.o. (Slovakia)	98	612	100.00	173	173	173	2,311	2,828
L'Oréal Suisse S.A.	346	12,159	100.00	160,173	160,311	160,311	24,896	23,668
L'Oréal Sverige AB (Sweden)	2,038	288	100.00	2,247	2,247	2,247	5,651	12,544
L'Oréal Taiwan Co Ltd (Taiwan)	187	(2,081)	100.00	17,881	17,881	17,881	34,794	29,228
L'Oréal Thailand Ltd	3,992	1,473	100.00	5,238	5,238	5,238	19,763	39,282
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	39,142	(15,808)	100.00	55,093	55,093	40,093	(557)	2,626
L'OREAL UAE General Trading LLC (United Arab Emirates)	11,945	4,379	100.00	18,704	18,704	18,704	4,414	4,877
L'Oréal UK Ltd (United Kingdom)	121,150	(38,613)	100.00	139,351	145,573	145,573	125,679	123,482
L'Oréal Ukraine	3,033	(2,746)	100.00	2,990	2,990	2,990	13,764	12,319
L'Oréal Uruguay S.A.	244	2,394	100.00	2,718	2,718	2,718	1,488	3,096
L'Oréal USA Inc.[4]	647,731	3,272,972	100.00	4,851,879	4,851,879	4,851,879	676,862	637,777
L'Oréal Venezuela C.A.	0	(0)	100.00	26,953	26,953	0	(10)	0
L'Oréal Vietnam Co Ltd	13,537	(13,253)	100.00	13,646	13,646	5,646	3,206	0
L'Oréal West Africa Ltd (Ghana)	14,469	(17,020)	100.00	17,260	17,260	0	(3,102)	0
Masrelor LLC (Egypt)	17,686	(10,238)	100.00	17,573	17,573	2,073	(15)	0
Nanda CO Ltd. (Korea)	(705)	42,844	100.00	530,342	530,342	530,342	26,419	27,879
Nihon L'Oréal KK (Japan)	(17,697)	155,306	100.00	351,452	351,504	351,504	527	18,015
L'Oréal Travel Retail Americas Inc. (USA)	40	(3,706)	100.00	100,317	100,317	100,317	(3,285)	19,434
Procosa Productos de Beleza Ltda (Brazil)	154,665	(30,604)	100.00	223,938	223,938	223,938	3,031	445
P.T. L'Oréal Indonesia	1,510	5,407	99.00	2,305	2,305	2,305	112	6,329
P.T. Yasulor Indonesia	73,931	(4,769)	99.99	110,022	110,022	79,022	2,663	0
Scental Limited (Hong-Kong)	5	180	100.00	8	8	8	0	0
Venprobel (Venezuela)	0	0	100.00	2,722	2,722	0	0	0

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends[1] booked during the year
B. MAIN FOREIGN INVESTMENTS (Holdings of under 50%)								
LIPP Distribution (Tunisia)	3,561	3,198	49.00	9,009	9,009	9,009	1,235	278

(1) For foreign subsidiaries and investments, the capital, reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchange rates, while profits and losses have been translated at average rate.
(2) It is specified that the list above is not exclusive.
(3) Dividends including the amount received by Oomes, merged into L'Oréal SA in 2020.
(4) Data from the sub-consolidation of subsidiary L'OREAL USA INC

GLOBAL INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

	Subsidiaries		Other investments	
	French	Foreign	French	Foreign
Book value of shares held:				
• Gross (after revaluation)	1,377,882	9,420,178	433,887	27,714
• Net	857,008	8,856,071	443,887	27,714
Amount of loans and advances granted		32,601		
Amount of guarantees and security granted	7,122	4,093,339		
Amount of dividends booked	898,876	2,664,418	372,416	5,156

6.6. OTHER INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF L'ORÉAL S.A.

6.6.1. Expenses and charges falling under Article 223 *quater* of the French Tax Code

The total amount of expenses and charges falling under Article 223 *quater* of the French General Tax Code and the amount of tax applicable to such expenses and charges are as follows:

Expenses and charges	€3.0 million
Corresponding tax	€1.0 million

6.6.2. Invoices issued and received but not paid at the end of the financial year and in arrears

In accordance with the French law on the Modernisation of the Economy of 4 August 2008 and Articles L. 441-6-1 and D. 441-6 of the French Commercial Code, invoices issued and received not paid at 31 December 2020 and in arrears are broken down as follows:

	Article D. 441-I.-1: Invoices received but not paid at the end of the financial year and in arrears						Article D. 441-I.-2: Invoices issued but not paid at the end of the financial year and in arrears					
In €	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	Total (1 day and more) [1]	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	Total (1 day and more)
A. Late payment tranches												
Number of invoices concerned	47					709	6,214					34,539
Total amount of invoices concerned, including taxes	130,336	-3,787,375	-2,400,104	-81,935	174,274	-6,095,141	4,690,993	24,485,688	8,653,006	4,121,245	28,810,779	66,070,718
Percentage of total amount of purchases (including taxes) for the financial year	0.00	-0.10	-0.06	0.00	0.00	-0.16						
Percentage of sales (including taxes) for the financial year							0.08	0.41	0.15	0.07	0.49	1.12
B. Invoices excluded from A. because of disputed or unrecognised payables and receivables												
Number of excluded invoices	3,059						789					
Total amount of excluded invoices	13,737,440						5,012,692					
C. Benchmark payment terms used (contractual or statutory term, Article L. 441-6 or L. 443-1 of the French Commercial Code)												
Benchmark payment terms used to calculate late payments	Contractual payment terms: 45 days from end of month Statutory payment terms: 45 days from end of month						Contractual payment terms: 45 days from end of month Statutory payment terms: 45 days from end of month					

(1) Including invoices due to L'Oréal Group companies (intra-group): €(6,604,850) in invoices received (assets), €35,641,032 in invoices issued, i.e. 54% of the total amount.

6.6.3. Sales (excluding taxes)

Sales *€ millions*	**2020**	**2019**	**% change**
1st quarter	1,268.9	1,074.3	18.11%
2nd quarter	1,147.7	1,034.9	10.90%
3rd quarter	1,179.5	992.4	18.85%
4th quarter	1,241.7	1,029.4	20.62%
TOTAL	**4,837.8**	**4,131.0**	**17.11%**

N.B. : This includes sales of goods net of any rebates and discounts granted, along with services provided and technology royalties.

6.7. FIVE-YEAR FINANCIAL SUMMARY

L'ORÉAL COMPANY (EXCLUDING SUBSIDIARIES)

€ millions (except for earnings per share, shown in €)	2016	2017	2018	2019	2020
I. Financial situation at financial year-end					
a) Share capital	112.4	112.1	112.1	111.6	112.0
b) Number of shares	561,855,741	560,519,088	560,396,652	558,117,205	559,871,580[1]
c) Number of convertible bonds					
II. Overall results of operations					
a) Net pre-tax sales	3,053.1	3,613.5	3,888.4	4,131.0	4,837.8
b) Pre-tax profit before depreciation, amortisation, provisions and reversals of provisions (including provision for investment activities and profit-sharing reserve)	3,158.0	2,917.8	4,017.1	4,658.7	4,570.7
c) Income tax	+113.1	+166.0	+6.9	-82.7	-22.8
d) Net profit	3,014.4	3,051.7	3,594.9	4,105.8	4,158.8
e) Amount of distributed profits	1,857.7	2,006.6	2,176.7	2,172.6	2,261.7[2]
III. Results of operations per share					
a) Profit after tax and profit-sharing, but before depreciation, amortisation and provisions	5.79	5.47	7.14	8.12	8.07
b) Net profit	5.36	5.44	6.41	7.36	7.43
c) Dividend paid on each share (not including tax credit)	3.30	3.55	3.85	3.85	4.00[2]
IV. Personnel					
a) Number of employees	6,653	7,060	7,510	7,692	8,900
b) Total salaries	569.8	612.2	667.4	692.3	804.6
c) Amount paid for welfare benefits (social security, provident schemes, etc.)	257.2	286.4	312.0	346.2	408.6

(1) The share capital comprises 559,871,580 shares with a par value of €0.2 following the subscription of 465,796 shares through the exercise of options, the issue of 452,979 shares under the employee shareholding plan and the grant of 835,600 free shares.

(2) The dividend will be proposed to the Annual General Meeting of 20 April 2021.

6.8. INVESTMENTS (MAIN CHANGES INCLUDING SHAREHOLDING THRESHOLD CHANGES)

INVESTMENTS

(Main changes including shareholding threshold changes >5%)

€ millions	At 31.12.2019 Including revaluation		Acquisitions		Subscriptions		Other		At 31.12.2020	
Headings	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Azzaro Beauty	0.0	-	1,263.2				-1,263.2	(1)	0.0	-
Azzaro Mugler Beauté France	0.0	-					78.7	(1)	78.7	100.0
Azzaro Mugler Beauté UK Limited	0.0	-	18.4				-18.4	(2)	0.0	-
Cosmeurop	0.0	-	65.8						65.8	100.0
Cosmétique Active France	300.6	100.0					-300.6	(1)	0.0	-
Bold	28.6	100.0			35.0				63.6	100.0
LOA7	n/s	100.0			n/s		1.1	(1)	1.1	100.0
LOA10	0.0	-			n/s				n/s	100.0
Real Campus by L'Oréal	2.7	100.0			4.5				7.2	100.0
L'Oréal Slovenija	0.9	100.0					-0.9	(3)	0.0	-
Nanda CO	629.9	100.0					-99.5	(4)	530.4	100.0
L'Oréal Fund For Nature Regeneration	0.0	-			7.5				7.5	100.0
L'Oréal España	299.2	63.9					62.3	(1)	361.5	100.0
Oomes BV	144.3	100.0					-144.3	(1)	0.0	-
L'Oréal Côte d'Ivoire	0.1	100.0					0.5		0.6	100.0
L'Oréal East Africa	42.0	99.9					4.8		46.8	99.9
L'Oréal Produits de Luxe France	57.2	100.0					-57.2	(1)	0.0	-
L'Oréal Argentina	148.6	95.0					13.0		161.6	96.2
Prestige & Collections International	92.7	99.8					5.7	(1)	98.4	99.8
L'Oréal UAE General Trading LLC	n/s	49.0					18.7		18.7	100.0
Retail Excellence 4	0.0	-					0.8	(1)	0.8	100.0

(1) Complete transfer of assets and liabilities/merger.
(2) Sale.
(3) Liquidation.
(4) Capital reduction.

6.9. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended 31 December 2020)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'ORÉAL

14, rue Royale

75008 Paris, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of L'Oréal for the year ended 31 December 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors, for the period from 1 January 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and financing, and have led to greater uncertainties as to their future prospects. Some of those measures, such as travel restrictions and remote working, have also had an impact on their internal organisation and the performance of audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

<table>
<tr><th>Description of risk</th><th>How our audit addressed this risk</th></tr>
<tr><td colspan="2"><u>Measurement of investments and intangible assets (excluding software and intangible assets in progress)</u></td></tr>
<tr><td colspan="2">See Accounting principles, Note 1.5 - Intangible assets, Note 1.7 - Investments, Note 11 – Intangible assets, Note 14 – Financial assets and Note 30 – Table of subsidiaries and holdings, to the parent company financial statements</td></tr>
<tr><td>At 31 December 2020, the net carrying amount of investments and intangible assets (excluding software and intangible assets in progress) recognised in the balance sheet amounted to €10.5 billion and €3.9 billion respectively, representing 70% of total assets. Investments and intangible assets are initially recognised at purchase cost.

An impairment loss is recognised if the value in use of a given item falls below its net carrying amount.

As described in Notes 1.5 and 1.7 to the financial statements, the value of these items is assessed annually by reference to their value in use, which is based on:
● for investments: the current and forecast profitability of the subsidiary concerned and the share of equity owned.
● for intangible assets, excluding software and intangible assets in progress: discounted future cash flows.
In order to estimate the value in use of these items, Management must use judgement to project future cash flows and determine the main assumptions to be used.

Given the materiality of investments and intangible assets in the balance sheet and the inherent uncertainty of certain components of the calculations, including the forecasts used to calculate value in use, we deemed the measurement of these items to be a key audit matter, carrying a risk of material misstatement.</td><td>We examined the methodology employed by management to estimate the value in use of investments and intangible assets (excluding software and intangible assets in progress).

Our audit work consisted primarily in verifying, on the basis of the information provided to us, that the estimated values determined by Management were based on an appropriate measurement method, and in assessing the quality of these estimates by taking into consideration the data, assumptions and calculations used.

We primarily focused our audit work on the investments and intangible assets with a value in use close to their net carrying amount.

We assessed the reasonableness of the main estimates and, more specifically:
● the consistency of projected sales and margin rates with past performance and the economic and financial context;
● the corroboration of the growth rates used with analyses of the performance of the global cosmetics market, taking into account specific features of the local markets and distribution channels in which the Group operates;
● the discount rates applied to future cash flows, by comparing their inputs with external references, with the guidance of our valuation experts.</td></tr>
<tr><td colspan="2"><u>Measurement of provisions for liabilities and charges and contingent liabilities</u></td></tr>
<tr><td colspan="2">See Note 1.11 on accounting policies, Note 18 – Provisions for liabilities and charges (excluding subsidiaries and holdings) and Note 24.3 – Contingent liabilities</td></tr>
<tr><td>L'Oréal is subject to legal proceedings and tax, customs and administrative audits arising in the ordinary course of business.

These provisions are recorded so that L'Oréal can meet its likely payment obligations to third parties with no corresponding consideration for the Company in return. They mainly relate to business and financial risks and disputes, as well as risks with authorities and staff-related risks. These provisions are estimated by taking into account the most likely assumptions or by using statistical methods based on their nature.

Material provisions mainly concern the dispute with the antitrust authority and the risks with the authorities mentioned in Note 18.

Provisions for liabilities and charges amounted to €791 million at 31 December 2020. We deemed the determination and measurement of these items to be a key audit matter given:
● the high degree of judgement required from Management to determine which risks should be provisioned and measure with sufficient reliability the amounts of these provisions;
● the potentially material impact of these provisions on the Company's profit.</td><td>In order to identify and gain an understanding of all of the existing disputes and liabilities as well as the corresponding judgements made, we made inquiries with General Management and the Legal and Tax Departments. We corroborated the list of identified disputes with the Group's risk mapping, as presented by the Legal Department to the Audit Committee, and the information provided by the principal law firms acting for L'Oréal SA, which we questioned on the matters.

Regarding the most significant disputes for which a provision was recorded, we assessed the quality of Management's estimates by taking into consideration the data, assumptions and calculations used. We carried out a retrospective review by comparing the amounts paid out with the provisions recorded in recent years.

With the guidance of our experts in the field where applicable, we carried out the following procedures:
● we examined the procedural aspects and/or the legal or technical opinions prepared by the lawyers or external experts selected by Management in order to assess the merits of the decision to record a provision;
● on the basis of the information provided to us, we critically assessed the estimated ranges of risk level and verified that the measurements used by Management fall within these ranges;
● when appropriate, we verified the consistency of the methods used for these assessments.
Regarding contingent liabilities, with the guidance of our experts in the field where applicable, we assessed the merits of the decision not to record a provision.</td></tr>
</table>

Description of risk	How our audit addressed this risk
Recognition of sales - estimation of items to be deducted from sales	
See Note 1.1 – Accounting principles – Sales, and Note 2 – Sales, to the parent company financial statements	
Sales incentives, discounts and product returns are deducted from sales of goods. These various deductions are recorded simultaneously to the recognition of sales, based mainly on statistics compiled from past experience and contractual conditions. We deemed estimating these amounts at the reporting date to be both difficult (due to the range of contracts and contractual conditions prevalent in the Group's different markets) and sensitive (sales are a key indicator in the assessment of the performance of the Company and its management), and to have a material impact in the financial statements. Accordingly, these estimates constitute a key audit matter given the risk that sales incentives, discounts and other incentives granted to customers (distributors or consumers) are not fully catalogued and/or properly measured and thus that net sales are not accounted for correctly or in the appropriate reporting period.	We assessed the appropriateness of the accounting policies applied by the Company with respect to the recognition of product returns, sales incentives, discounts and other incentives granted to customers, with respect to French accounting principles. We familiarised ourselves with the internal control systems implemented within the Company, with a view to measuring and accounting for items deducted from sales, and we tested the proper application of the main controls of this system. We also carried out substantive tests on representative samples in order to ascertain whether product returns, sales incentives, discounts and other incentives granted to customers were estimated correctly. Our tests consisted primarily in: ● assessing the appropriateness of valuation methods, in particular through a critical assessment of the assumptions used, verification of the consistency of the methods, and analysis of the unwinding of provisions from the previous year; ● reconciling the statistics compiled from past experience and contractual conditions with the data contained in the IT systems dedicated to the management of commercial conditions; ● verifying the calculation of the corresponding expenses (including the residual commitment at the end of the reporting period) and how they are recorded in the accounting system and presented in the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the corporate governance section of the Board of Directors' management report sets out the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code relating to remuneration and benefits received by or granted to directors and corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by your Company from companies controlled by it and included in the consolidation scope. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.22-10-11 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

Pursuant to paragraph III of Article 222-3 of the AMF's General Regulations, the Company's Management informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018, to reporting periods beginning on or after 1 January 2021. Accordingly, this report does not contain a conclusion on the compliance of the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) with this format.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of L'Oréal by the Annual General Meeting of 29 April 2004.

At 31 December 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the seventeenth consecutive year of their engagement.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/ 2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 17 February 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire Ferrié	Frédéric Moulin

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

L'Oréal is a French *société anonyme* (limited company) listed in Paris.

This chapter sets out the information relating to its share capital and the main details of its legal form and its Articles of Association.

All the information on the L'Oréal share and L'Oréal share market are also included in this chapter.

7.1. INFORMATION RELATING TO THE COMPANY

7.1.1. Legal form

L'Oréal is incorporated in France as a *société anonyme* (limited company).

7.1.2. Law governing the issuer

French law.

7.1.3. Business activity

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

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

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

7.1.4. Date of incorporation and term of the Company (Article 5 of the Articles of Association)

"The Company's term shall be ninety-nine years, which began on 1 January 1963 and which shall thus expire on 31 December 2061, except in the event of early dissolution or of extension, as provided for in these Articles of Association."

7.1.5. Corporate purpose (excerpts from Article 2 of the Articles of Association)

The Company's corporate purpose, both in France and/or at any other location anywhere throughout the entire world, shall be as follows:

- the manufacturing and the sale of cosmetic products in general; of all devices intended for the same uses as the products listed above; of all household maintenance products; of all products and articles relating to feminine and/or child hygiene and to the embellishment of human beings; the demonstration and advertising of such products; the manufacturing of packaging components;
- the filing and the acquisition of all patents, licenses, processes and manufacturing trademarks, their exploitation, assignment and/or contribution;
- all diversification transactions and all commercial, financial, movable property and/or real property transactions, made in the Company's interest, under any form whatsoever;
- the direct or indirect involvement in all transactions such as those listed above, in particular by means of the creation of companies, the contribution to pre-existing companies, merger or alliance with such companies.

7.1.6. Company Registration

Paris Trade and Companies Registry no. 632 012 100.

LEI (Legal Entity Identifier) Code: 529900JI1GG6F7RKVI53.

7.1.7. Consultation of documents relating to the Company

The Articles of Association, financial statements, reports and information for shareholders can be consulted, in the conditions provided for by law, at 41, rue Martre, 92117 Clichy Cedex, France, preferably by appointment. See also the www.loreal-finance.com website, the information of which is not an integral part of this document.

7.1.8. General Management (Article 11 of the Articles of Association)

1. "In accordance with the legal provisions, General Management of the Company is assumed under its responsibility either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer.

   The choice between these two modes of exercising General Management is made by the Board of Directors each time a Chairman of the Board of Directors or a Chief Executive Officer is appointed or has his tenure renewed. The Board of Directors shall inform shareholders and third parties of this choice in accordance with the statutory provisions.

   The choice of the Board of Directors concerning the mode of exercise of the General Management is made on the basis of a majority vote of the Directors present or represented.

Changing the mode of exercise of the General Management does not involve a modification of the Articles of Association.

2. Depending on the choice made by the Board of Directors in accordance with the provisions of section 1 above, the General Management is carried out either by the Chairman, or by a natural person, appointed by the Board of Directors and bearing the title of Chief Executive Officer[1].
3. The Chief Executive Officer is granted with the most extensive powers to act in all circumstances on behalf of the Company. He exercises these powers within the limitations of the object of the Company, and subject to the powers expressly granted by law to Shareholders' Meetings.

   The Chief Executive Officer represents the Company in its relations with third parties. The Company is bound even by actions of the Chief Executive Officer which are outside the object of the Company, unless the Company can prove that the third party was aware that the action was outside the object of the Company, or that the third party could not be unaware of this in view of the circumstances, it being stated however that the mere publication of the Articles of Association does not constitute such proof.
4. On the proposal of the Chief Executive Officer, whether this office is assumed by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more natural persons in charge of assisting the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

   In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to the Deputy Chief Executive Officers."

7.1.9. Financial year (Article 14 of the Articles of Association)

"Each fiscal year shall have a duration of twelve months, to begin on 1 January and to end on 31 December of each year."

7.1.10. Statutory distribution of profits (Article 15 of the Articles of Association)

A. "From the distributable profits, the following amounts shall be withheld, in the following order:

1. The amount required to pay the "primary dividend" to the shareholders equal to five percent (5%) of the amounts paid up on the unredeemed securities in accordance with calls for funds, provided however that (where the profits for a given year do not allow such dividend to be paid) the shareholders shall not be entitled to claim such dividend from out of the profits of subsequent years.
2. From the available remainder, the Ordinary General Meeting, upon a proposal by the Board of Directors, shall have the authority to resolve to withhold the amounts that it deems appropriate (and even the entire amount of such available remainder), either to be carried forward to the next fiscal year, or to be paid into a "prudential fund" or into one or more ordinary, extraordinary or special reserve funds. Such reserve fund(s), which shall not bear any interest, may be distributed to the shareholders, or allocated to complete the 5% primary dividend for the shareholders, in the event of insufficient results during one or more fiscal years, or to acquire and to cancel shares in the Company, or to redeem in whole or in part such shares.
3. The remaining balance (if any) shall be divided up among all the shareholders, without any discrimination, and each share shall entitle its holder to receive the same income.

   However, any shareholder who can prove at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of payment of the dividend paid for such financial year, will be entitled to a preferential dividend on the shares that are thus registered, equal to 10% of the dividend (initial dividend and additional dividend) paid on the other shares, including in the event of payment of the dividend in new shares, the preferential dividend thus paid being rounded down to the nearest lower cent, if necessary.

   Similarly, any shareholder who can prove, at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of completion of an increase in capital carried out through capitalisation of reserves, profits or share premiums by the distribution of bonus shares, shall be entitled to an increase in the number of free shares to be distributed to him, equal to 10%; this number being rounded down to the nearest lower unit in the event of fractional share rights.

   The new shares created in this manner shall be ranked, for the purposes of calculating the rights to the preferential dividend and to the increased share allocations, the old shares from which they result.
4. The number of shares eligible for these preferential dividends may not exceed 0.5% of the share capital at the closing date of the past financial year, for the same shareholder.

B. The losses (if any) shall be charged to the retained earnings from preceding fiscal years or to the reserve funds, and the balance shall be booked into a special 'carry forward' account."

7.1.11. Annual General Meeting

Annual General Meetings are governed by all the legal provisions and regulations laid down in this connection. It is specified that, in accordance with Article 12 of the Company's Articles of Association, if the Board of Directors so decides when the General Meeting is called, any shareholder may take part in the meeting by videoconference or by any other telecommunication or remote transmission means including the Internet, under the conditions stipulated by the applicable regulations at the time it is used. If this decision is taken, it is communicated in the meeting notice published in the Bulletin des Annonces Légales Obligatoires (B.A.L.O).

Since the Annual General Meeting of 29 April 2004, double voting rights have been eliminated. Applying the provisions of French law No. 2014-384 of 29 March 2014, the Annual General Meeting of 22 April 2015 confirmed that each share entitles the holder to only one vote at General Meetings.

In exceptional circumstances linked to the Covid-19 epidemic, the Board of Directors decided to postpone to 30 June 2020 the Ordinary and Extraordinary General Meeting initially scheduled for 21 April 2020 at the Palais des Congrès in Paris[2] , in hopes of

(1) *In the absence of an express provision in the Articles of Association, the role of General Management may not be performed on or after the age of 65.*
(2) *See the press release issued on 30 March 2020 on the loreal-finance.com website.*

being able to allow the physical attendance of shareholders. The 2020 Ordinary and Extraordinary General Meeting was finally held on 30 June 2020, on a restricted attendance basis under special rules applicable to "closed doors" (*à huis clos*) shareholder meetings, without the physical presence of shareholders and other persons entitled to attend, at the headquarters of L'Oréal, pursuant to Order no. 2020-321 of 25 March 2020. The decision to hold this Meeting behind closed doors was announced on 12 May 2020[(1)], the date on which the Board of Directors so decided. This press release also specified the identity of two companies as scrutineers (Téthys and Nestlé), which are the two shareholders holding the largest number of votes and having accepted this duty, as they would have been under ordinary law[(2)]. In this context, via a press release issued on 25 March 2020[(3)], shareholders were invited to vote by correspondence using the voting form or *via* the Internet on the Votaccess secure voting platform, or to give a proxy to the Chairman of the General Meeting or to any other individual or legal entity of their choice.

The Meeting was broadcast live on the "www.loreal-finance.com" website, in accordance with the recommendations of the French Markets Authority *(Autorité des Marchés Financiers)*, and the webcast is available at loreal-finance.com. In order to promote dialogue with shareholders, and in addition to the legal process for written questions, shareholders also had the opportunity to ask questions which were not assimilated to written questions, between Thursday 25 June 2020 and Monday 29 June 2020 at a dedicated email address. These questions were grouped by main themes and were answered live during the Annual General Meeting.

7.1.12. Statutory share ownership thresholds (extracts from Article 7 of the Articles of Association)

"Any person, acting alone or in concert, who comes to hold, directly or indirectly, a number of shares or voting rights representing a fraction of the share capital or voting rights, taking into account equivalent securities under the meaning of Article L. 233-9 of the French Commercial Code, equal to 1% or a multiple of this percentage, and lower than 5%, must inform the Company of the total number of shares, voting rights and securities giving access to the share capital that it holds, as well as of equivalent securities under the meaning of Article L. 233-9 of the French Commercial Code, within a period of five trading days, from the date of the threshold crossing, pursuant to the notification and content conditions stipulated by the legal and regulatory provisions applicable to declarations of legal threshold crossings, and, notably by declaring the information that must be provided when a legal threshold is crossed to the French Financial Markets Authority (AMF), in accordance with its General Regulations. Such notice must also be given to the Company when a shareholder's ownership falls below one of the thresholds set forth above." This provision of the Articles of Association supplements the legal requirements covering disclosures concerning the crossing, upwards or downwards, of thresholds relating to one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, three-tenths, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of share capital or of voting rights.

"If not disclosed in accordance with the conditions stipulated by law or by the Articles of Association, the shares of the offending shareholder exceeding the fraction which should have been disclosed are deprived of vonting rights, in accordance with the conditions stipulated in the French Commercial Code, if during a General Meeting, the failure to disclose is noted and if one or more shareholders together holding at least 5% of the share capital so request during said meeting."

See all of the Company's Articles of Association on the www.loreal-finance.com website, "Regulated information".

7.2. INFORMATION CONCERNING THE SHARE CAPITAL*

7.2.1. Statutory requirements governing changes in the share capital and shareholders' rights

None.

7.2.2. Issued share capital and authorised unissued share capital

The share capital amounted to €111,974,316 at 31 December 2020. It was divided into 559,871,580 shares with a par value of €0.20 each, all of the same class and with the same dividend rights.

The table set out below summarises (particularly in application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code) the currently valid authorisations granted to the Board of Directors by the Annual General Meeting of shareholders concerning the capital. It shows the use made of such authorisations over the financial year and presents the authorisations which are to be put to the vote at the Annual General Meeting on 20 April 2021.

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

(1) *See the press release issued on 12 May 2020 on the loreal-finance.com website.*

(2) *Pursuant to Article R.225-101 of the French Commercial Code.*

(3) *See the press release issued on 25 May 2020 on the loreal-finance.com website and the information provided to shareholders in the "Regulated information/Annual General Meeting Document" section.*

	Authorisations in force				Authorisations proposed to the Annual General Meeting of 20 April 2021		
	Date of the Annual General Meeting (resolution number)	Duration (date of expiry)	Maximum authorised amount	Use of the authorisation in 2020	Resolution No.	Length	Maximum calling
Share capital increases							
Capital increase through the issue of shares with maintenance of preferential subscription rights	18 April 2019 (9)	26 months (17 June 2021)	Increase the share capital to €156,911,062.56[1]	None	17	26 months (19 June 2023)	Bring the share capital to €156,764,042.40[1]
Capital increase via the capitalisation of premiums, reserves, profits or other amounts	18 April 2019 (10)	26 months (17 June 2021)	Increase the share capital to €156,911,062.56[1]	None	18	26 months (19 June 2023)	Bring the share capital to €156,764,042.40[1]
Capital increase reserved for L'Oréal employees participating in the Company Savings Plan (PEE)	30 June 2020 (14)	26 months (29 August 2022)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication 5,581,172 shares at 31 December 2019)[2]	246,652 shares[3]	20	26 months (19 June 2023)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication 5,598,715 shares at 31 December 2020)[2]
Capital increase reserved for employees of foreign subsidiaries	30 June 2020 (15)	18 months (29 December 2021)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication 5,581,172 shares at 31 December 2019)[2]	206,315 shares[4]	21	18 months (19 October 2022)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication 5,598,715 shares at 31 December 2020)[2]
Share capital increase in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies.	18 April 2019 (11)	26 months (17 June 2021)	2% of share capital on the date of the decision to increase the capital (*i.e.* as an indication, 11,207,933 shares at 31 December 2019)[2]	None	19	26 months (19 June 2023)	2% of the share capital on the capital increase decision date (*i.e.* as an indication 11,197,430 shares at 31 December 2020)
Buyback by the Company of its own shares							
Buyback by the Company of its own shares	30 June 2020 (11)	18 months (29 December 2021)	10% of share capital on the date of the buybacks (*i.e.* as an indication, 55,811,720 shares at 31 December 2019)	None	16	18 months (19 October 2022)	10% of the share capital on the date of the buybacks (*i.e.* as an indication, 55,987,158 shares at 31 December 2020)
Reduction in the share capital via cancellation of shares							
Cancellation of shares purchased by the Company under Article L.22–10-60 (formerly L. 225–209) of the French Commercial Code	30 June 2020 (12)	26 months (29 August 2022)	10% of share capital on the date of cancellation per 24-month period (*i.e.* as an indication, 55,811,720 shares at 31 December 2019)	None			
Free grants of shares							
Grant of existing free shares or shares to be issued to the employees	30 June 2020 (13)	26 months (29 August 2022)	0.6% of the share capital on the grant decision date (*i.e.* tentatively 3,348,703 shares at 31 December 2019)	713,660 shares			

(1) Total ceiling on capital increases, for all authorisations combined. It corresponds to maximum increases of 40% of the capital.
(2) The cumulative amount of increases in share capital that may be carried out pursuant to the 20th and 21st resolutions submitted for a vote of the Annual General Meeting on 20 April 2021 may not exceed the total amount of 1% of the share capital, which constitutes a ceiling that applies jointly to these two resolutions, a ceiling that was also common to the 14th and 15th resolutions adopted by the Annual General Meeting of 30 June 2020.
(3) These new shares resulted in a capital increase of €49,330.40 and the recognition of an issue premium of €47,208,532.50. The capital increase corresponding to the free shares issued was achieved by withdrawal from the "Other Reserves" item in the amount of €7,000.40.
(4) These new shares resulted in a capital increase of €41,263.00 and the recognition of an issue premium of €46,018,560.75.

Since 22 June 2013, the Board of Directors no longer has authority to allot stock options to purchase or subscribe to shares.

At 31 December 2020, 57,397 share subscription options had been allocated and are not yet exercised. All these options are exercisable on the basis of one new share per option, and are therefore liable to lead to the creation of the same number of shares. Furthermore, 3,278,810 conditional shares had been granted to Group employees subject to performance conditions, not yet met. These 3,336,207 shares will be created when necessary and, where applicable, by the capitalisation of reserves. Accordingly, the potential share capital of the Company would amount to €112,641,557.40, divided into 563,207,787 shares with a par value of €0.20.

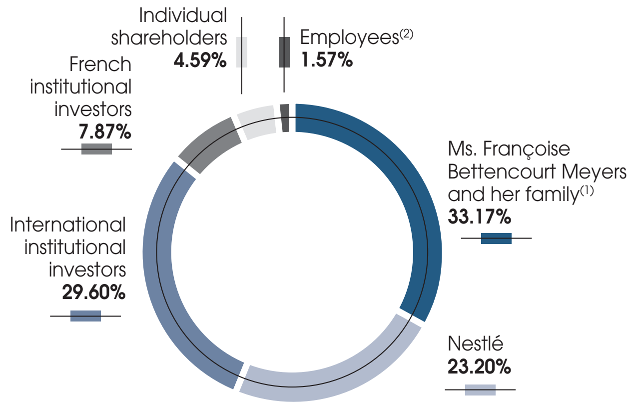
The Company has not issued any securities that grant direct rights to shares in the capital.

7.2.3. Changes in share capital over the last five years

Date	Nature of transaction	Amount of the change in share capital	Share premiums	Amount of share capital on completion of the transaction	Number of shares created or cancelled	Number of shares after the transaction
31.12.2015				€112,596,669.60		
01.01.2016 to 30.06.2016	Exercise of share subscription options	€226,538.40	€89,132,049.59	€112,823,208.00	1,132,692	564,116,040
30.06.2016	Cancellation of shares	-€640,500.00		€112,182,708.00	-3,202,500	560,913,540
01.07.2016 to 12.07.2016	Exercise of share subscription options	€9,974.00	€3,995,962.20	€112,192,682.00	49,870	560,963,410
13.07.2016	Conditional grant of shares	€205.00		€112,192,887.00	1,025	560,964,435
14.07.2016 to 31.12.2016	Exercise of share subscription options	€178,261.20	€69,671,555.92	€112,371,148.20	891,306	561,855,741
01.01.2017 to 02.05.2017	Exercise of share subscription options	€136,585.00	€49,890,155.95	€112,507,733.20	682,925	562,538,666
03.05.2017	Conditional grant of shares	€25.00		€112,507,758.20	125	562,538,791
03.05.2017 to 31.05.2017	Exercise of share subscription options	€38,323.60	€16,191,514.77	€112,546,081.80	191,618	562,730,409
31.05.2017	Cancellation of shares	-€569,320.80		€111,976,761.00	-2,846,604	559,883,805
01.06.2017 to 30.06.2017	Exercise of share subscription options	€16,641.00	€6,033,441.35	€111,993,402.00	83,205	559,967,010
30.06.2017	Conditional grant of shares	€50.00		€111,993,452.00	250	559,967,260
01.07.2017 to 31.12.2017	Exercise of share subscription options	€110,365.60	€45,927,808.87	€112,103,817.60	551,828	560,519,088
01.01.2018 to 17.04.2018	Exercise of share subscription options	€57,369.20	€21,158,193.70	€112,161,186.80	286,846	560,805,934
18.04.2018	Conditional grant of shares	€198,753.00		€112,359,939.80	993,765	561,799,699
19.04.2018 to 23.07.2018	Exercise of share subscription options	€64,937.80	€22,727,703.99	€112,424,877.60	324,689	562,124,388
26.04.2018	Cancellation of shares	-€499,562.80		€112,016,437.40	-2,497,814	560,082,187
24.07.2018	Employee shareholding plan	€91,122.60	€68,810,045.12	€112,516,000.20	455,613	562,580,001
26.07.2018 to 10.10.2018	Exercise of share subscription options	€45,549.40	€17,689,229.85	€112,061,986.80	227,747	560,309,934
11.10.2018	Employee shareholding plan	€0.40		€112,061,987.20	2	560,309,936
11.10.2018 to 14.11.2018	Exercise of share subscription options	€5,018.00	€1,919,400.30	€112,067,005.20	25,090	560,335,026
15.11.2018	Employee shareholding plan	€1,304.80	€1,340,421.04	€112,068,310.00	6,524	560,341,550
16.11.2018 to 30.11.2018	Exercise of share subscription options	€2,764.80	€830,879.04	€112,071,074.80	13,824	560,355,374
01.12.2018 to 31.12.2018	Exercise of share subscription options	€8,255.60	€2,909,254.74	€112,079,330.40	41,278	560,396,652
01.01.2019 to 26.02.2019	Exercise of share subscription options	€57,499.20	€21,553,333.36	€112,136,829.60	287,496	560,684,148
26.02.2019	Employee shareholding plan	€0.80		€112,136,830.40	4	560,684,152
27.02.2019 to 22.04.2019	Exercise of share subscription options	€31,104.00	€10,717,971.48	€112,167,934.40	155,520	560,839,672
23.04.2019	Conditional grant of shares	€141,252.40		€112,309,186.80	706,262	561,545,934
23.04.2019 to 22.10.2019	Exercise of share subscription options	€56,523.60	€22,792,564.74	€112,365,710.40	282,618	561,828,552
22.10.2019	Employee shareholding plan	€0.80		€112,365,711.20	4	561,828,556
22.10.2019 to 31.10.2019	Exercise of share subscription options	€2,883.00	€1,163,389.45	€112,368,594.20	14,415	561,842,971
31.10.2019	Cancellation of shares	-€754,225.00		€111,614,369.20	-3,771,125	558,071,846
01.11.2019 to 30.11.2019	Exercise of share subscription options	€3,504.00	€1,416,001.60	€111,617,873.20	17,520	558,089,366
01.12.2019 to 31.12.2019	Exercise of share subscription options	€5,567.80	€2,224,836.37	€111,623,441.00	27,839	558,117,205
01.01.2020 to 21.04.2020	Exercise of share subscription options	€65,159.60	26,407,167.34	€111,688,600.60	325,798	558,443,003
21.04.2020	Employee shareholding plan	€1.60		€111,688,602.20	8	558,443,011
21.04.2020	Conditional grant of shares	€167,120		€111,855,722.20	835,600	559,278,611
22.04.2020 to 03.11.2020	Exercise of share subscription options	€24,999.60	€10,338,492.22	€111,880,721.80	124,998	559,403,609
03.11.2020	Employee shareholding plan	€90,593.40	€93,227,093.25	€111,971,315.20	452,967	559,856,576
03.11.2020 to 21.12.2020	Exercise of share subscription options	€3,000	€1,244,850.00	€111,974,315.20	15,000	559,871,576
21.12.2020 to 31.12.2020	Employee shareholding plan	€0.80		€111,974,316.00	4	559,871,580

7.3. SHAREHOLDER STRUCTURE*

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2020



At 31 December 2020, the Company held none of its own shares.

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

(2) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the free shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 0.90% as part of the L'Oréal Employee Savings Plan and employee investment fund as defined by Article L. 225-102 of the French Commercial Code.

7.3.1. Legal entities or individuals acting in concert to the Company's knowledge

The Bettencourt Meyers family consists of Ms Françoise Bettencourt Meyers, Mr. Jean-Pierre Meyers, Mr. Jean–Victor Meyers and Mr. Nicolas Meyers, along with Téthys SAS. It is reminded that, following the expiry of the agreement signed in 2004 between the Bettencourt Meyers family and Nestlé S.A. (see *"Shareholders' agreements on shares in the Company's capital"* in section 7.3.5. below), these two shareholders are no longer acting in concert since 21 March 2018.

7.3.2. Changes in allocation of the share capital and voting rights over the last three years

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

	31.12.2020			31.12.2019			31.12.2018		
	Number of shares	% of capital	% of voting rights(3)	Number of shares	% of capital	% of voting rights(3)	Number of shares	% of capital	% of voting rights(3)
Ms Françoise Bettencourt Meyers and her family(1)	185,715,079	33.17	33.17	185,715,079	33.27	33.27	185,715,079	33.14	33.14
Nestlé S.A.	129,881,021	23.20	23.20	129,881,021	23.27	23.27	129,881,021	23.18	23.18
Employees(2)	8,787,341	1.57	1.57	8,124,383	1.46	1.46	8,142,675	1.45	1.45
Public	235,488,139	42.06	42.06	234,396,722	42.00	42.00	235,886,752	42.09	42.09
Treasury shares	0	0.00	0.00	0	0.00	0.00	771,125	0.14	0.14
TOTAL	**559,871,580**	**100**	**100**	**558,117,205**	**100**	**100**	**560,396,652**	**100**	**100**

(1) Including, at 31 December 2020, 152,514,292 L'Oréal shares held in absolute ownership by Téthys SAS, a company controlled by Ms Françoise Bettencourt Meyers and her family, 33,182,455 shares held in absolute ownership by Ms Françoise Bettencourt Meyers, 15,332 shares held in absolute ownership by Mr Jean-Pierre Meyers, 1,500 held in absolute ownership by Mr Jean-Victor Meyers and 1,500 held in absolute ownership by Mr Nicolas Meyers.

(2) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the free shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 0.90% in the L'Oréal Employee Savings Plan (PEE) as defined by Article L. 225-102 of the French Commercial Code.

(3) Calculated in accordance with Article 223-11 of the General Regulations of the AMF (French Autorité des Marchés Financiers*).*

The number of shares held by each member of the Board of Directors is detailed in Chapter 2, section 2.2.2. "List of corporate offices and directorships of the Directors exercised at 31 December 2020" of this document.

The Company is authorised to trade in its own shares on or off the Stock Exchange in accordance with Articles L. 22-10-62 formerly L. 225-209) et seq. and L. 225-210 to L. 225-217 of the French Commercial Code, within the limits and in accordance with the purposes defined by the authorisations granted to it by its Annual General Meeting.

At 31 December 2020, the Company did not hold any of its own shares.

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

7.3.3. Employee share ownership

The employees and former employees of L'Oréal and its affiliates held 8,787,341 shares at 31 December 2020 representing 1.57%(1) of the share capital, 0.90% of which is held in the Employee Savings Scheme (PEE) and the employee investment fund. At that date, this stake in the capital was held by 12,771 employees participating in the Group Employee Savings Scheme as defined by Article L. 225-102 of the French Commercial Code, and 19,280 employees participating in the Employee Share Ownership plan.

7.3.4. Disclosures to the Company of legal thresholds crossed during the financial year

None.

7.3.5. Shareholders' agreements relating to shares in the Company's share capital

Collective lock-up agreements within the scope of Articles 787 B and 885 I *bis* of the French General Tax Code

The members of the Bettencourt Meyers family, consisting of Ms Liliane Bettencourt, Ms Françoise Bettencourt Meyers, Director, Mr Jean-Pierre Meyers, Vice-Chairman of the Board of Directors, Mr Jean-Victor Meyers, Director, Mr Nicolas Meyers and Téthys SAS, as well as Mr Jean-Paul Agon, Chairman and Chief Executive Officer, for 100 shares, signed collective lock-up agreements under the Dutreil law on 16 December 2016.

These lock-up agreements were concluded in application of Articles 787 B and 885 I *bis* of the French Tax Code for a period of two years, tacitly renewable for one-year periods. The L'Oréal shares subject of these agreements represented 33.065% of the capital and of the voting rights at 16 December 2016. These lock-up agreements do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action.

The Company is not aware of any shareholders' agreements affecting shares and its capital other than the agreement described above.

Note: the agreement between, on the one hand, Ms Liliane Bettencourt and her family and, on the other hand, Nestlé ended on 21 March 2018

It is reminded that the memorandum of understanding signed on 3 February 2004 between, on the one hand Ms Liliane Bettencourt and her family and, on the other hand Nestlé, which provided for the merger of Gesparal within L'Oréal (merger completed on 29 April 2004), later amended to reflect the change in Nestlé's stake in their agreements through an amendment signed on 10 February 2014 between, on the one hand Ms Liliane Bettencourt and her family and, on the other hand Nestlé, ended on 21 March 2018.

Press release published by Ms Françoise Bettencourt Meyers on 21 September 2017

Press release from Ms Françoise Bettencourt Meyers following the death of Liliane Bettencourt on 21 September 2017: "I would like to reiterate, on behalf of our family, our entire commitment and loyalty to L'Oréal and to renew my confidence in its Chairman Jean-Paul Agon and his teams worldwide."

Nestlé S.A. press release of 15 February 2018

"Our shareholding in L'Oréal continues to be an important investment for us and we remain committed to the company that has given us very good returns over the years. We have full confidence in L'Oréal's management and strategic direction. The shareholders agreement between Nestlé and the Bettencourt family is due to expire on 21 March 2018. In order to maintain all available options for the benefit of Nestlé's shareholders, the Board of Directors has decided not to renew this agreement. We do not intend to increase our stake in L'Oréal and are committed to maintaining our constructive relationship with the Bettencourt family."

(1) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, since 2016, the percentage also includes the free shares granted in accordance with Article L. 225-197-1 of the French Commercial Code.

7.3.6. Buyback by the Company of its own shares

7.3.6.1. Information concerning share buybacks during the 2020 financial year

In 2020, the Company made no buybacks of its own shares. At its meeting held on 12 May 2020, the Board of Directors decided to renounce to any share buyback operations for the whole of 2020[1].

The following table summarises the information on share buybacks:

Date of authorisation of the Annual General Meeting	11th resolution of 30 June 2020
Authorisation expiry date	29 December 2021
Maximum amount of authorised buybacks	10% of the share capital on the date of the buybacks (*i.e.* as in indication, 55,811,720 shares at 31 December 2019)
Maximum purchase price per share (excluding costs)	€350
Authorised purposes	Cancellation Employee shareholding Free grants of shares Liquidity and market stabilisation External growth
Board of Directors' meeting that decided on the buybacks	N/A
Purpose of buybacks	N/A
Period of buybacks made	N/A
Number of shares bought back	N/A
Average purchase price per share	N/A
Use of shares bought back	N/A

7.3.6.2. Transactions carried out by L'Oréal with respect to its shares in 2020

At 31 December 2020, the Company held none of its own shares.

The Company carried out no share buybacks in 2020.

3,771,125 shares were cancelled during the last 24 months.

No use was made of derivatives to make the share buybacks. There was no open purchase or sale position at 31 December 2020.

7.3.6.3. Renewal by the Annual General Meeting of the authorisation given to the Board to trade in the Company's shares

By voting a new resolution, the Annual General Meeting could give the Board of Directors the means to enable it to continue with the buyback policy.

This authorisation would be given for a maximum period of 18 months as from the date of the Annual General Meeting and the purchase price per share could not exceed €400 (excluding expenses); it being specified that in the event a public offer by a third party for the shares of the Company is filed, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy its own shares for the following purposes:

- cancelling them;
- selling them within the scope of employee share ownership programmes and allocating them to free grants of shares for the benefit of employees, directors and corporate officers of the L'Oréal Group;
- market-making under a liquidity agreement; and
- retaining the shares and subsequently using them as payment in connection with external growth transactions.

The authorisation would concern up to 10% of the share capital, i.e., as an indication, 55,987,158 shares for a maximum amount of €22,394,863,200 at 31 December 2020; it being specified that the Company may not at any time hold more than 10% of its own share capital.

The purchase, sale, exchange or transfer of these shares may be carried out by any means on one or more occasions, on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include the use of all financial instruments and derivatives (see Resolution 16 presented in the draft resolutions).

(1) See the press release issued on 12 May 2020 on the loreal-finance.com website.

7.4. LONG-TERM INCENTIVE PLANS*

7.4.1. Presentation of the stock option plans for the purchase or subscription of shares and plans for conditional grants of shares to employees (ACAs)

Policy

For several years L'Oréal has set up long-term incentive plans in favour of its employees and corporate officers in an international context, in the form of grants of performance shares.

These grants serve a dual purpose:

- motivate and associate those who make significant contributions to future increases in the Group's results; and
- strengthen involvement and the sense of belonging of its beneficiaries by fostering long-term loyalty in a context of increased competition for talent.

Until 2009, L'Oréal's Board of Directors exclusively granted stock options to the senior managers and corporate officers whom L'Oréal wished to reward for their performance and their important role in business development and in the Group's current and future projects, wherever they might be located.

In 2009, L'Oréal's Board of Directors enlarged its policy by introducing a mechanism for the conditional grants of shares to employees (ACAs).

The objective was:

- to provide a long-term incentive offering greater motivation to all those who received stock options only occasionally or in limited numbers; and
- to reach out to a broader population of potential beneficiaries, particularly internationally, in a context of increased competition for talent.

In 2011, L'Oréal's Board of Directors decided to make ACAs the primary vehicle for its long-term incentive policy by extending the grant of shares to the main senior managers of the Group who until then had only received stock options: thus, except for the Chairman and Chief Executive Officer who received stock options only, the main senior managers of L'Oréal, including the members of the Executive Committee, received a mix of stock options and conditional grants of shares in order to encourage both their entrepreneurship spirit and to reward their performance in the medium to long term. Other eligible employees were incentivised by conditional grants of shares only.

In 2012, the Board of Directors, on the proposal of the Human Resources and Remuneration Committee, went one step further in this policy and decided to replace the grant of stock options by conditional grants of shares (ACAs) for all beneficiaries including the Chairman and Chief Executive Officer.

Since 2013, the Board of Directors, on the proposal of the Human Resources and Remuneration Committee, has continued this policy to make conditional grants of shares (ACAs), to the exclusion of any other long-term incentive instrument.

The plans are proposed by General Management to the Board of Directors which decides, after receiving the opinion of the Human Resources and Remuneration Committee, with regard to the opening of these plans and the applicable conditions and rules.

Since 2009, these grants are made after publication of the financial statements for the previous financial year, in accordance with the AFEP-MEDEF recommendation.

The decision with regard to each individual grant is, in every case, contingent upon the quality of the performance rendered at the time of implementation of the plan with particular attention being paid to the main talents for the future. According to the eligibility criteria linked to the position held by the beneficiary and the size of the entity or the country in which the beneficiary works, to ensure worldwide fairness, these grants are made every year, every two years or every three years.

The General Management and the Board of Directors stress the importance that is given to bringing together the interests of the beneficiaries of stock options and conditional grants of shares and those of the shareholders themselves.

The beneficiaries (employees, directors and corporate officers) share with the shareholders the same confidence in the strong steady growth of the Company with a medium and long-term vision. This is why stock options were granted for a period of 10 years including a five-year vesting period, and conditional grants of shares for a period of four years followed, for France up until the 2015 plan, by a 2-year holding period during which these shares cannot be sold.

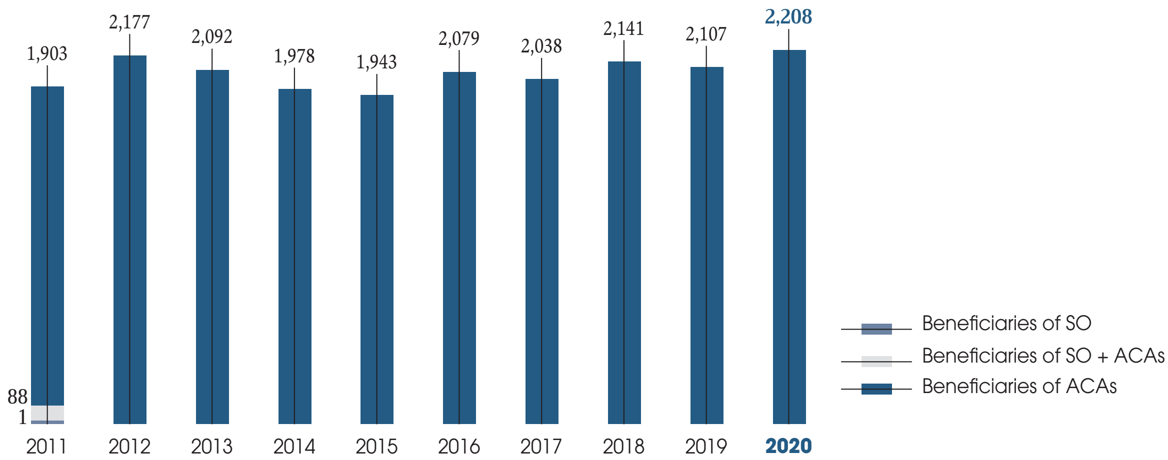
The Board of Directors calls the attention of the beneficiaries of stock options and conditional grants of shares to the regulations in force concerning persons holding "inside information". The beneficiaries of stock options and conditional grants of shares undertake to read the Stock Market Code of Ethics is attached to the stock-options and ACAs plan rules from which they benefit and to comply with the provisions thereof.

Number of beneficiaries

50% of the beneficiaries of the 14 October 2020 plan are women. More than 3,600 employees, representing 10% of the managers around the world, nearly 55% of whom are in international subsidiaries, benefit from at least one stock option plan or one conditional grant of shares plan (ACAs), as at 31 December 2020.

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

CHANGE IN THE NUMBER OF BENEFICIARIES OF STOCK OPTIONS AND ACAS SINCE 2011



7.4.2. Stock option plans for the subscription and purchase of L'Oréal S.A. shares

No stock options for the purchase or subscription of shares were granted in 2020, as the Board of Directors has decided since 2012, on the proposal of the Human Resources and Remuneration Committee, to replace the grant of stock options with ACAs for all beneficiaries including the Chairman and Chief Executive Officer.

7.4.2.1. Current stock option plans for the subscription of L'Oréal S.A. shares[1]

The main features of the plans that existed at 31 December 2020, are included in the tables set out hereafter:

AGM AUTHORISATION DATE	22.04.2011
Date of Board of Directors' Meeting	**22.04.2011**
Total number of beneficiaries	89
Total number of shares that may be subscribed or purchased	1,470,000
Including the number that may be subscribed or purchased by directors and corporate officers[1]: ● Mr Jean-Paul Agon	*200,000[2]*
Start date of exercising the options	23.04.2016
Date of expiry	22.04.2021
Subscription or acquisition price *(€)*	83.19
Number of stock options exercised at 31.12.2020	1,178,603
Total number of share subscription or purchase options that have been cancelled or lapsed	234,000
Number of share subscription or purchase options remaining year-end	**57,397**

(1) This is the number of stock options granted to corporate officers during their term of office within the context of each of the above-mentioned plans.
(2) The Board of Directors' Meeting of 22 April 2011 allotted 400,000 share subscription options to Mr Jean-Paul Agon. Mr Agon waived 200,000 of these options. He therefore benefits from 200,000 stock options under the plan decided by the Board of Directors at its meeting of 22 April 2011.

There were 57,397 outstanding options granted by the Board of Directors under the authorisations approved by the Annual General Meetings and not yet exercised at 31 December 2020, at an average price of €83.19, namely 0.01% of the 559,871,580 shares composing the share capital at such date.

(1) L'Oréal has no plans for stock options in L'Oréal subsidiaries.

7.4.2.2. Share subscription or purchase options granted to employees other than directors or corporate officers of L'Oréal or exercised by them during the 2020 financial year

	Total number of options granted	Weighted average price
Options granted, by L'Oréal S.A., to the ten employees(1) to whom the largest number of stock options was granted	No stock options granted in 2020	N/A

(1) *Employees other than directors or corporate officers of L'Oréal S.A. or employees of companies included in the scope of granting the stock options.*

	Total number of shares subscribed or purchased	Weighted average price	27.04.2010 plan	22.04.2011 plan
Options held with regard to L'Oréal S.A. exercised by the ten employees(1) with the highest number of options purchased or subscribed to in this manner	95,335	€81.34	55,835	39,500

(1) *Employees other than directors or corporate officers of L'Oréal S.A. or employees of companies included in the scope of granting the stock options.*

7.4.3. Plan for the Conditional Grants of Shares (ACAs)

7.4.3.1. Authorisation of the Ordinary and Extraordinary General Meeting of 30 June 2020

The Ordinary and Extraordinary General Meeting of 30 June 2020 gave the Board of Directors the authorisation to carry out free grants of existing shares and/or shares to be issued to employees, directors and corporate officers of the Company and of its French or foreign subsidiaries under the conditions of Article L. 225-197-2 of the French Commercial Code.

The Annual General Meeting set the period of validity of the authorisation, which may be used on one or more occasions, at 26 months.

The total number of free shares granted in this manner may not represent more than 0.6% of the share capital recorded on the date of the Board of Directors' decision.

The number of free shares granted to the Company's corporate officers may not represent more than 10% of the total number of free shares granted during a financial year pursuant to this resolution.

The Board of Directors will determine the identity of the beneficiaries of the free grants of shares and the number of free shares granted to each of them as well as the conditions to be met in order for the shares to finally vest, and in particular the performance conditions.

These performance conditions will take into account:

- partly, growth in L'Oréal's comparable cosmetics sales as compared to those of a panel of its biggest direct competitors; and
- partly, growth in L'Oréal's consolidated operating profit.

The Board of Directors indeed considers that these two criteria, assessed over a long period of three financial years and applied to several plans, are complementary, in line with the Group's objectives and its specificities and likely to promote balanced, continuing growth over the long term. They are demanding but remain a source of motivation for the beneficiaries. The grant of such shares to their beneficiaries, for all or part of the shares granted, will become final and binding subject to the other conditions set at the time of grant being met, at the end of a minimum vesting period of four years.

Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested for the beneficiaries at the end of the vesting period, the growth in L'Oréal's like-for-like sales must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors over the period, no share will be allocated for this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, a level of growth defined by the Board, but not made public for confidentiality reasons, must be achieved or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will be fully vested for this criterion.

The grant of these shares to their beneficiaries will become final prior to the expiry of the above-mentioned vesting periods in the event of disability of the beneficiary corresponding to classification in the second or third categories provided for in Article L. 341-4 of the French Social Security Code ("Code de la sécurité sociale"), and such shares will be freely transferable in the event of disability of the beneficiary corresponding to classification in the above-mentioned categories under the French Social Security Code. Pursuant to Article L. 225-197-3 of the French Commercial Code, in the event of the death of the beneficiary, his/her heirs may request the allocation of the shares within six months from the date of death. These shares are freely transferable.

The Board of Directors will be able to provide for vesting and holding periods which are longer than the minimum periods set above.

The mechanism for the Conditional Grant of Shares to employees complies with the AFEP-MEDEF Code of Corporate Governance and in particular:

- any conditional grants of shares to the corporate officers will be decided by the Board of Directors after assessment of their performance;
- final vesting of all or some of the shares will be linked to performance conditions to be met that are set by the Board;
- corporate officers will be obliged to retain 50% of the shares that are definitively granted to them at the end of the vesting period in registered form until the termination of their duties; and
- executive corporate officers may not be granted any shares at the time of their departure.

7.4.3.2. Conditional grants of shares granted within the framework of the authorisation of 30 June 2020 (ACAs plan of 14 October 2020)

On the basis of the proposals made by the General Management and examined by the Human Resources and Remuneration Committee, the Board of Directors decided, at its meeting on 14 October 2020, to make a conditional grant of shares within the scope of the authorisation granted by the Annual General Meeting on 30 June 2020.

The share capital at 14 October 2020 was composed of 559,278,611 shares, and 3,355,671 shares could therefore be issued.

The Board of Directors used this authorisation at its meeting of 14 October 2020 by granting 713,660 shares to 2,208 beneficiaries.

This is a free grant of shares to be issued.

Vesting of the shares is subject to a dual condition:

- presence: the shares granted will only vest after a period of four years at the end of which the beneficiary must still be an employee of the Group (except in the cases provided by the law or the Plan rules);
- performance:
  - vesting of all or part of 50% of the shares granted will depend on the growth in comparable cosmetics sales for financial years 2021, 2022 and 2023 compared with those of a panel of L'Oréal's biggest direct competitors made of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty, and
  - vesting of all or part of 50% of the shares granted will depend on growth in the Group's consolidated operating profit, over the same period.

The calculation will be made on the basis of the arithmetic average of the performances for 2021, 2022 and 2023.

Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors over the period, no share will be allocated for this criterion. The Board defines a threshold, not made public for confidentiality reasons, below which no share will finally vest pursuant to this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to finally vest for the beneficiaries at the end of the vesting period, a level of growth defined by the Board, but not made public for confidentiality reasons, must be met or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

The Human Resources and Remuneration Committee is responsible for communicating to the Board of Directors the level of indicators recorded for the years to be used for the calculation of the performance conditions. The Board of Directors records, at the appropriate time, the level of performance achieved on which the number of shares that finally vests depends.

The data recorded year after year to determine the levels of performance achieved are published in sections 7.4.3.5 "Shares finally vested under the 20 April 2017 ACA Plan" and 7.4.3.6. "Tables monitoring performance conditions for the ACAs plans that are currently in progress".

The vesting of the first 200 conditional shares (ACAs) is not subject to fulfilment of the performance conditions except for the members of the Executive Committee, including the Chairman and Chief Executive Officer.

7.4.3.3. Shares granted to the ten employees other than directors or corporate officers to whom the largest number of shares have been granted

The total number of shares granted in 2020 to the ten employees other than directors or corporate officers who received the largest number of shares was 111,250 shares.

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7.4.3.4. Existing conditional grants of shares at 31 December 2020

Date of authorisation by the Extraordinary General Meeting	20.04.2016	20.04.2016	17.04.2018	30.06.2020
Date of grant by the Board of Directors	20.04.2017	17.04.2018	18.04.2019	14.10.2020
Total number of shares conditionally granted	906,000	931,000	843,075	713,660
Of which the ten employees other than directors or corporate officers granted the largest number of shares(1)	*137,600*	*141,000*	*128,000*	*111,250*
Number of beneficiaries	2,038	2,141	2,107	2,208
Performance conditions	• 50% growth in like-for-like cosmetics sales as compared to a panel of competitors* • 50% growth in L'Oréal Group's consolidated operating profit			
Date of final vesting	21.04.2021	18.04.2022	19.04.2023	15.10.2024
End of lock-in period	N/A	N/A	N/A	N/A

(1) Employees who are not diretors or corporate officers of L'Oréal or employees of companies included within the scope of the grant of shares.
(2) The panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.

7.4.3.5. Shares finally vested under the 20 April 2017 ACAs plan

The Board of Directors Meeting on 11 February 2021 found that 82.95 % of the performance conditions achieved during the three years taken into consideration by the 20 April 2017 ACAS plan, namely 2018, 2019 and 2020, for those in excess of 200 shares. Indeed, the acquisition of the first 200 ACAs is not subject to the achievement of the performance conditions, except for the members of the Executive Committee, including the Chairman and CEO.

Accordingly, the beneficiaries who fulfil the conditions under the plan of 21 April 2021 and, in particular, the condition of presence in the Company, will receive 82.95 % of the shares that were granted to them.

For information purposes, 32,000 shares were granted to the corporate officer, under the Plan of 20 April 2017. After application of the performance conditions, Mr. Jean–Paul Agon will finally receive 26,544 shares.

TABLE MONITORING THE PERFORMANCE CONDITIONS OF THE ACAS PLAN OF 20 APRIL 2017

ACAs plan of 20 April 2017	2018	2019	2020	Arithmetic average of performances for 2018, 2019 and 2020
50% growth in like-for-like sales compared to a panel of competitors*	**+1.2 points** (+7.1%/+5.9%)	**+2.8 points** (+8.0%/+5.2%)	**+4.0 points** (-4.1%/-8.1%)	**+2.7 points**
50% growth in the Group's operating profit	**+5.25%** (4,676.3/4,922.0)	**+12.71%** (4,922.0/5,547.5)	**-6.10%** (5,547.5/5,209.0)	**+3.95%**

** Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

7.4.3.6. Tables monitoring performance conditions for the ACAs plans that are currently in progress

ACAs plan of 17 April 2018	2019	2020	2021
50% growth in like-for-like sales compared to a panel of competitors*	**+2.8 points** (+8.0%/+5.2%)	**+4.0 points** (-4.1%/-8.1%)	pending
50% growth in the Group's operating profit	**+12.71%** (4,922.0/5,547.5)	**-6.10%** (5,547.5/5,209.0)	pending

** Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

ACAs plan of 18 April 2019	2020	2021	2022
50% growth in like-for-like sales compared to a panel of competitors*	**+4.0 points** (-4.1%/-8.1%)	pending	pending
50% growth in the Group's operating profit	**-6.10%** (-5,547.5/5,209.0)	pending	pending

** Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

ACAs plan of 14 October 2020	2021	2022	2023
50% growth in like-for-like sales compared to a panel of competitors*	pending	pending	pending
50% growth in the Group's operating profit	pending	pending	pending

** Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty*

7.5. THE L'ORÉAL SHARE/L'ORÉAL SHARE MARKET

7.5.1. The L'Oréal share

7.5.1.1. Information on the L'Oréal share

ISIN code: FR0000120321.

Loyalty bonus codes:

- Shares that already benefit from preferential dividend rights: FR0011149590.
- Dividend +10% in 2021: FR0013374436.
- Dividend +10% in 2022: FR0013459336.
- Dividend +10% in 2023: FR0014000RC4.

Quantity: 1 share.

Par value: €0.20.

Trading on the spot market of Euronext Paris.

Eligible for the Deferred Settlement Service (SRD).

Unsponsored American Depositary Receipts are freely traded in the United States through certain banks operating in the United States.

7.5.1.2. Stock market data

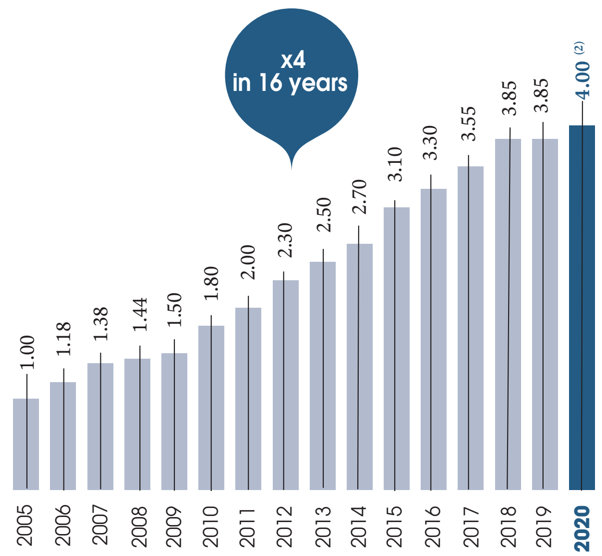
Share price at 31 December 2020	**€310.80**
Average of closing share prices for the last 30 trading days of 2020	€305.46
Low	€196.00 16.03.2020
High	€321.40 12.11.2020
Annual share price increase at 31 December 2020	
• L'Oréal	17.73%
• CAC 40	-7.14%
• Euronext 100	-3.57%
• DJ Euro Stoxx 50	-5.14%
• Stoxx Europe 600 Personal and Household Goods	11.07%
Market capitalisation at 31 December 2020	€174.0 billion(1)
At 31 December 2020, the L'Oréal share weighed:	
• in the CAC 40	6.17%
• in the Euronext 100(2)	5.51%
• in the DJ Euro Stoxx 50	2.94%
• in the Stoxx Europe 600 Personal and Household Goods	9.96%

(1) Out of the number of shares at 31 December 2020, i.e. 559,871,580 shares.
(2) Based on the total number of shares for the Euronext 100 index.

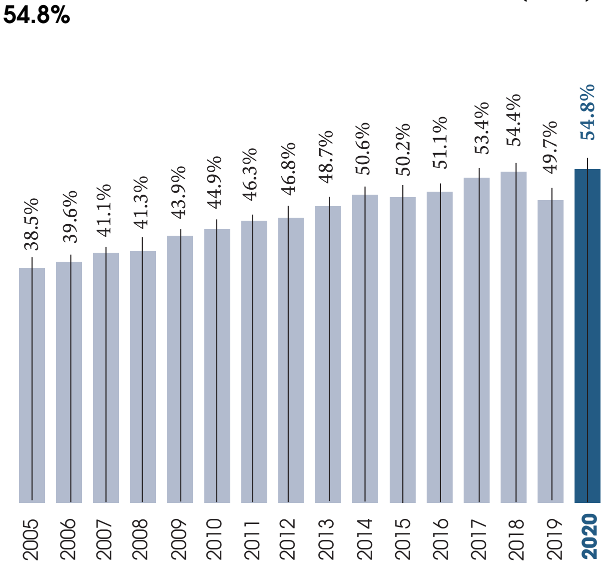
7.5.1.3. Dynamic shareholder return policy

- Earnings per share: €7.30[1]
- Dividend per share: €4.00[2]

STEADY INCREASE IN DIVIDEND PER SHARE (€)



SHARE OF PROFITS DEDICATED TO DIVIDENDS (AS %): 54.8%



(1) Diluted net profit per share attributable to owners of the Company excluding non-recurring items.
(2) Proposed dividend at the Annual General Meeting of 20 April 2021.

7.5.2. Share market

7.5.2.1. Trading volumes and change in the price of the Company's share

According to Euronext data, the only stock market for which reliable retrospective statistics could be collected.

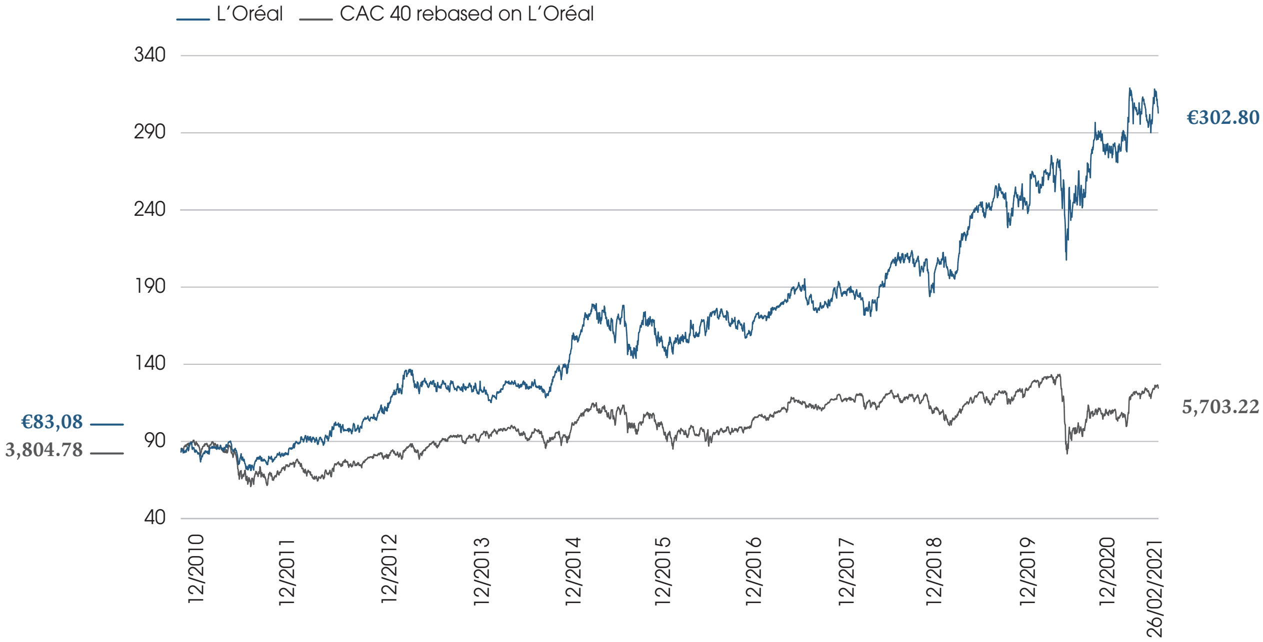
	Price *(€)*			Average daily trading volume
Date	**High**	**Low**	**Average**	*(€ millions)*
2018				
January	188.85	180.90	184.42	90.16
February	184.30	170.30	176.18	131.85
March	184.50	170.50	178.41	111.64
April	199.30	182.05	191.29	132.12
May	210.20	194.15	202.98	116.45
June	214.40	202.00	208.10	118.05
July	213.20	200.80	209.11	113.29
August	214.90	200.70	208.11	87.20
September	209.50	197.25	202.82	100.80
October	208.60	182.00	193.44	120.42
November	210.50	197.90	205.46	105.38
December	214.30	193.20	204.29	119.22

	Price *(€)*			Average daily trading volume
Date	**High**	**Low**	**Average**	*(€ millions)*
2019				
January	210,10	194,55	199,74	92,35
February	226,70	209,60	220,98	113,99
March	240,30	221,30	231,32	104,80
April	245,80	237,20	241,03	117,39
May	245,70	233,10	240,43	105,83
June	257,30	238,10	247,79	113,36
July	257,80	235,30	251,27	98,03
August	251,10	226,40	237,00	138,50
September	257,40	241,40	248,79	126,70
October	266,60	235,50	245,97	128,10
November	265,50	254,00	260,51	97,26
December	267,60	248,30	257,79	110,61

	Price *(€)*			Average daily trading volume
Date	**High**	**Low**	**Average**	*(€ millions)*
2020				
January	276.20	251.90	264.74	120.55
February	278.50	235.20	263.14	174.09
March	263.10	196.00	236.42	311.80
April	265.30	229.00	245.98	146.41
May	263.50	239.10	250.20	131.00
June	287.60	255.10	272.29	168.14
July	297.20	279.50	288.10	139.07
August	286.50	272.30	279.18	113.46
September	285.40	269.30	278.15	127.18
October	295.00	275.10	284.23	120.11
November	321.40	276.80	306.99	177.19
December	314.10	294.20	305.11	119.92

	Price *(€)*			Average daily trading volume
Date	**High**	**Low**	**Average**	*(€ millions)*
2021				
January	316.10	290.10	300.54	117.79
February	320.00	292.40	308.60	126.93

CHANGE IN THE L'ORÉAL SHARE PRICE COMPARED TO THE CAC 40 INDEX FROM 31 DECEMBER 2010 TO 26 FEBRUARY 2021



7.5.2.2. Total shareholder return

Amongst the various economic and financial indicators used to measure value creation, L'Oréal has chosen to apply the criterion of Total Shareholder Return (TSR). This indicator is a synthetic measurement that takes into account not only the value of the share but also the dividend income received (excluding tax credits before 1 January 2005).

7.5.2.2.1. Five-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends

Date of transaction	Nature of transaction	Investment *(€)*	Income *(€)*	Number of shares after the transaction
31.12.2015	Purchase of 97 shares at €155.30	15,064.10		97
03.05.2016	Dividend: €3.10 per share		300.70	97
	Reinvestment: purchase of 2 shares at €157.80	315.60		99
03.05.2017	Dividend: €3.30 per share		326.70	99
	Reinvestment: purchase of 2 shares at €184.55	369.10		101
27.04.2018	Dividend: €3.55 per share		358.55	101
	Reinvestment: purchase of 2 shares at €196.90	393.80		103
30.04.2019	Dividend: €3.85 per share		396.55	103
	Reinvestment: purchase of 2 shares at €245.10	490.20		105
07.07.2020	Dividend: €3.85 per share		404.25	105
	Reinvestment: purchase of 2 shares at €288.30	576.60		107
TOTAL		**17,209.40**	**1,786.75**	
TOTAL NET INVESTMENT		**15,422.65**		

Portfolio value at 31 December 2020 (107 shares at €310.80, price at 31 December 2020): €33,255.60.

The initial capital has thus been multiplied by 2.2 over 5 years (5-year inflation rate = 4.24% – Source: INSEE) and the final capital is 2.2 times the total net investment.

The Total Shareholder Return of the investment is thus 16.83% per year (assuming that the shares are sold on 31 December 2020, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.2.2. 10-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
31.12.2010	Purchase of 181 shares at €83.08	15,037.48		181
04.05.2011	Dividend: €1.80 per share		325.80	181
	Reinvestment: purchase of 4 shares at €85.79	343.16		185
03.05.2012	Dividend: €2.00 per share		370.00	185
	Reinvestment: purchase of 4 shares at €92.84	371.36		189
10.05.2013	Dividend: €2.30 per share		434.70	189
	Reinvestment: purchase of 4 shares at €134.05	536.20		193
05.05.2014	Dividend: €2.50 per share		482.50	193
	Reinvestment: purchase of 4 shares at €123.90	495.60		197
07.05.2015	Dividend: €2.70 per share		531.90	197
	Reinvestment: purchase of 4 shares at €168.60	674.40		201
03.05.2016	Dividend: €3.10 per share		623.10	201
	Reinvestment: purchase of 4 shares at €157.80	631.20		205
03.05.2017	Dividend: €3.30 per share		676.50	205
	Reinvestment: purchase of 4 shares at €184.55	738.20		209
27.04.2018	Dividend: €3.55 per share		741.95	209
	Reinvestment: purchase of 4 shares at €196.90	787.60		213
30.04.2019	Dividend: €3.85 per share		820.05	213
	Reinvestment: purchase of 4 shares at €245.10	980.40		217
07.07.2020	Dividend: €3.85 per share		835.45	217
	Reinvestment: purchase of 3 shares at €288.30	864.90		220
TOTAL		**21,460.50**	**5,841.95**	
TOTAL NET INVESTMENT		**15,618.55**		

Portfolio value at 31 December 2020 (220 shares at €310.80, price at 31 December 2020): €68,376.00.

The initial capital has thus been multiplied by 4.5 over 10 years (10-year inflation rate = 9.38% – Source: INSEE) and the final capital is 4.4 times the total net investment.

The Total Shareholder Return of the investment is thus 16.15% per year (assuming that the shares are sold on 31 December 2020, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.2.3. 20-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of dividends and share attribution rights

Date of transaction	Nature of transaction	Investment *(€)*	Income *(€)*	Number of shares after the transaction
31.12.2000	Purchase of 164 shares at €91.30	14,973.20		164
08.06.2001	Dividend: €0.44 per share		72.16	164
	Reinvestment: purchase of 1 share at €78.15	78.15		165
04.06.2002	Dividend: €0.54 per share		89.10	165
	Reinvestment: purchase of 2 shares at €74.95	149.90		167
27.05.2003	Dividend: €0.64 per share		106.88	167
	Reinvestment: purchase of 2 shares at €61.10	122.20		169
14.05.2004	Dividend: €0.73 per share		123.37	169
	Reinvestment: purchase of 2 shares at €63.65	127.30		171
11.05.2005	Dividend: €0.82 per share		140.22	171
	Reinvestment: purchase of 3 shares at €56.50	169.50		174
10.05.2006	Dividend: €1.00 per share		174.00	174
	Reinvestment: purchase of 3 shares at €72.65	217.95		177
03.05.2007	Dividend: €1.18 per share		208.86	177
	Reinvestment: purchase of 3 shares at €86.67	260.01		180
30.04.2008	Dividend: €1.38 per share		248.40	180
	Reinvestment: purchase of 4 shares at €76.21	304.84		184
24.04.2009	Dividend: €1.44 per share		264.96	184
	Reinvestment: purchase of 6 shares at €52.02	312.09		190
05.05.2010	Dividend: €1.50 per share		285.00	190
	Reinvestment: purchase of 4 shares at €76.77	307.08		194
04.05.2011	Dividend: €1.80 per share		349.20	194
	Reinvestment: purchase of 5 shares at €85.79	428.95		199
03.05.2012	Dividend: €2.00 per share		398.00	199
	Reinvestment: purchase of 5 shares at €92.84	464.20		204
10.05.2013	Dividend: €2.30 per share		469.20	204
	Reinvestment: purchase of 4 shares at €134.05	536.20		208
05.05.2014	Dividend: €2.50 per share		520.00	208
	Reinvestment: purchase of 5 shares at €123.90	619.50		213
07.05.2015	Dividend: €2.70 per share		575.10	213
	Reinvestment: purchase of 4 shares at €168.60	674.40		217
03.05.2016	Dividend: €3.10 per share		672.70	217
	Reinvestment: purchase of 5 shares at €157.80	789.00		222
03.05.2017	Dividend: €3.30 per share		732.60	222
	Reinvestment: purchase of 4 shares at €184.55	738.20		226
27.04.2018	Dividend: €3.55 per share		802.30	226
	Reinvestment: purchase of 5 shares at €196.90	984.50		231
30.04.2019	Dividend: €3.85 per share		889.35	231
	Reinvestment: purchase of 4 shares at €245.10	980.40		235
07.07.2020	Dividend: €3.85 per share		904.75	235
	Reinvestment: purchase of 4 shares at €288.30	1,153.20		239
TOTAL		**24,390.77**	**8,026.15**	
TOTAL NET INVESTMENT		**16,364.61**		

Portfolio value at 31 December 2020 (239 shares at €310.80, price at 31 December 2020): €74,281.20.

The initial capital has thus been multiplied by 5.0 over 20 years (20-year inflation rate = 28.19% – Source: INSEE) and the final capital is 4.5 times the total net investment.

The Total Shareholder Return of the investment is thus 8.15% per year (assuming that the shares are sold on 31 December 2020, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.3. Dividends

The limitation period for dividends is five years. Any dividends for which payment has not been requested are paid to the French Deposits and Consignments Fund *(Caisse des Dépôts et Consignations)*.

7.6. INFORMATION POLICY

L'Oréal is committed to improving the quality of its financial information and takes steps to ensure it maintains a regular dialogue with its shareholders and with French and international investors. Beyond its legal obligations, it has a whole range of information and communication tools: printed and digital media on the L'Oréal Finance website, shareholder events and meetings either organised physically or virtually, investor conferences and roadshows, which are made available to all stakeholders to give them a better understanding of L'Oréal's business model and the potential of the beauty market.

7.6.1. Additional communications media

Keen on transparency and accessibility of information, in 2020, in the context of the Covid-19 health crisis, L'Oréal's Financial Communications Department shared a wealth of complete financial and non-financial information with the entire financial community via communication tools, with a high emphasis on digital:

- L'Oréal makes two exhaustive and complementary annual publications available: the Annual Report and the Universal Registration Document can be consulted and downloaded at www.loreal-finance.com.
- The www.loreal-finance.com website contains a complete set of all financial and non-financial information. Its content and ergonomics evolve regularly to provide quicker and easier access to information.
- The L'Oréal Finance mobile application, available on the App Store and Google Play, which was entirely revamped in 2020, makes it possible to keep L'Oréal Finance news close to hand. Downloaded more than 57,000 times since it was created, it is highly appreciated by professionals and individual shareholders.
- The Letter to Shareholders and e-newsletters make it possible to keep shareholders and subscribers regularly informed of all major events in the life of the Group.
- Re-issued in 2020, the shareholder brochure "Take part in the L'Oréal adventure" describes the Company's business model and explains the advantages of registered shares to answer questions that shareholders may have about this shareholding method.
- Testifying to the loyalty of the shareholders who support the Group's development over the long term, more and more shareholders are showing an interest in becoming registered shareholders. Thanks to preferential dividends and the numerous advantages related to this method of shareholding, becoming a registered shareholder enables the Group's shareholders to be known to the Group, to have systematic and regular access to information, and to be closely involved in the Company's development.

7.6.2. A large number of shareholder events for regular and detailed dialogue

In 2020, in the context of the health crisis and to protect the health of all our stakeholders, shareholders and investors, employees of L'Oréal, all events were maintained and some were transformed to digital format to maintain the relationship and dialogue. Thus:

- The Financial Communications Department organised a financial information meeting and telephone conferences intended for analysts and institutional investors, to which journalists specialising in the cosmetics sector were invited. The presentations of the Group's financial results and the business activities of the Operational Divisions were broadcast live online on the financial website www.loreal-finance.com. All the information presented was made available on this site, on the day of its publication, when the annual and half-yearly results were published, as well as at investor conferences or Capital Market Days.
- The Annual General Meeting was broadcast live, then on replay, in French and English, on the L'Oréal Finance website. For several years, shareholders have had the option to vote remotely via the Votaccess platform. This year, in order to respect shareholder democracy and encourage dialogue with shareholders, L'Oréal set up a dedicated email address to receive, in the days preceding the Annual General Meeting[1], all their questions to be made directly to Management. This broadcast was viewed by around 5,000 shareholders.
- Meetings with shareholders, usually organised in different forms in several large regional cities in France and the Paris region, in collaboration with the French Individual Investor and Investment Club Federation (*Fédération des Investisseurs Individuels et des Clubs d'Investissement – F2iC*), the Association of Investor Relation Managers in France (*Cercle de Liaison des Informateurs Financiers en France – CLIFF*), shareholder associations and financial newspapers were organised in web conference format.
- L'Oréal participated in the second edition of "Investir Day", a 100% digital version, on 23 and 30 November 2020; it generated more than 10,000 views by shareholders, students or investors. At this event, presentations were given by **Christophe Babule**, Chief Administrative and Finance Officer of L'Oréal, on *"L'Oréal: a Sustainable Finance"*, **Alexandra Palt**, Chief Corporate Responsibility Officer and Executive Vice-President of the L'Oréal Foundation, on *"L'Oréal's commitment to Sustainable Development"* and, finally, **Lubomira Rochet**, Chief Digital Officer of L'Oréal on *"Digital, fuel for growth"*.
- L'Oréal also organised and participated in an online meeting with students from French business schools, in partnership with AXA and Orange, around a challenge in awareness and training in the Stock Market on the theme "And what meaning do you give to your shares?".

(1) *Within the framework of the AGM held behind closed doors (for more information see 7.1.11)*

- The Individual Shareholder Consultation Committee is a true body for consultation and dialogue with individual shareholders, and consists of 12 shareholders appointed for three years. As a representative of L'Oréal's individual shareholders, this Committee actively participates, through its reflections and work, in the development and enhancement of the Group's financial communication and acts as an ambassador; in 2020, the Consultation Committee met three times.
- The Investor Relations Department (IRD) organises numerous meetings throughout the year with institutional investors of the main international financial marketplaces. In 2020, they met with a total of more than 600 investors.
- Finally, a free phone service is available to L'Oréal shareholders calling from France (0 800 66 66 66) or other countries (+33 1 40 14 80 50). An interactive voice server gives shareholders 24/7 access to information on share prices, key dates or a summary of the latest press release. The Shareholder Services Department is also available on this number during business hours (8:45am – 6:00pm Paris time).

7.6.3. 2021 Financial Calendar

11.02.2021	**2020 Annual results**
15.04.2021	1st quarter 2021 sales
20.04.2021	Ordinary and Extraordinary General Meeting
July 2021*	First-half 2021 sales and results
October 2021*	Sales at 30 September 2021

** The precise date will be indicated on the website www.loreal-finance.com.*

7.6.4. Financial press releases published in 2020

04.02.2020	L'Oréal enters in exclusive negociation for the sale of its Roger & Gallet brand
06.02.2020	**2019 Annual results**
17.03.2020	Annual General Meeting of Tuesday 21 April 2020 / 2019 Universal Registration Document / 2020 Outlook
30.03.2020	Annual General Meeting Postponed - 2020 Outlook
31.03.2020	L'Oréal finalizes the acquisition of Mugler brands Azzaro fragrances
16.04.2020	First quarter 2020 sales
12.05.2020	Decisions of the L'Oréal Board of Directors of 12 May 2020
25.05.2020	Annual General Meeting of Tuesday 30 June 2020
18.06.2020	L'Oréal Signs Agreement to Acquire Thayers Natural Remedies
29.06.2020	L'Oréal has finalised the sale of Roger & Gallet to Impala
30.06.2020	Annual General Meeting and Board of Directors' Meeting of 30 June 2020
30.07.2020	2020 Half-Year Results
03.08.2020	Availability of the 2020 Half-Year Financial Report
31.08.2020	Launch of a second Employee Share Ownership Plan
14.10.2020	L'Oréal announces the succession of Jean-Paul Agon as Chief Executive Officer from 1 May 2021
22.10.2020	Sales at 30 September 2020
23.12.2020	L'Oréal announces the signing of an agreement for the acquisition of Takami Co

8.

ANNUAL GENERAL MEETING

8.1. DRAFT RESOLUTIONS AND REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING TO BE HELD ON TUESDAY 20 APRIL 2021 372

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8.2.1. Statutory Auditors' report on the issue of shares and securities granting access to the Company's share capital reserved for members of an employee savings scheme 393

8.2.2. Statutory Auditors' report on the issue of shares and securities granting access to the Company's share capital reserved for categories of beneficiaries consisting of employees of foreign subsidiaries within the scope of an employee share ownership program 394

This chapter sets out the draft resolutions which will be submitted to L'Oréal's Ordinary and Extraordinary General Meeting, the Report of the Board of Directors' ("explanatory statement") on these resolutions (adopted on 11 February 2021) and the Statutory Auditors' Reports referred to by some of these resolutions.

This meeting will be held on 20 April 2021.

8.1. DRAFT RESOLUTIONS AND REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING TO BE HELD ON TUESDAY 20 APRIL 2021

Agenda

Ordinary part

1. Approval of the 2020 parent company financial statements
2. Approval of the 2020 consolidated financial statements
3. Allocation of the Company's net profit for 2020 and setting of the dividend
4. Appointment of Mr Nicolas Hieronimus as a Director
5. Appointment of Mr Alexandre Ricard as a Director
6. Renewal of the term of office of Ms Françoise Bettencourt Meyers as Director
7. Renewal of the term of office of Mr Paul Bulcke as Director
8. Renewal of the term of office of Ms Virginie Morgon as Director
9. Approval of the information on the remuneration of each of the directors and corporate officers required by Article L. 22-10-9, I of the French Commercial Code
10. Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during the 2020 financial year or allocated for that year to the Chairman and Chief Executive Officer, Mr Jean–Paul Agon
11. Approval of the remuneration policy for Directors
12. Approval of the remuneration policy for the Chairman and Chief Executive Officer (Mr Jean-Paul Agon from 1 January to 30 April 2021)
13. Approval of the remuneration policy for the Chief Executive Officer (Mr Nicolas Hieronimus as from 1 May 2021)
14. Approval of the remuneration policy for the Chairman of the Board of Directors (Mr Jean-Paul Agon as from 1 May 2021)
15. Approval of the agreement on the status of Mr Nicolas Hieronimus whose employment contract will be suspended as from his appointment as Chief Executive Officer
16. Authorisation for the Company to buy back its own shares

Extraordinary part

17. Delegation of authority to the Board of Directors to increase the share capital through the issuance of ordinary shares, with maintenance of shareholders' preferential subscription rights
18. Delegation of authority to the Board of Directors to increase the share capital through the capitalisation of premiums, reserves, profits or other amounts
19. Delegation of authority to the Board of Directors to increase the share capital in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies granted to the Company.
20. Delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of shareholders' preferential subscription rights
21. Delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the framework of an employee share ownership plan
22. Amendment to Article 9 of the Articles of Association to provide for written consultation of the Directors under the conditions defined by the regulations
23. Powers for formalities

8.1.1. Ordinary part

Resolutions 1, 2, 3: Approval of the annual (parent company and consolidated) financial statements for 2020, allocating the company's net income and setting the dividend

| EXPLANATORY STATEMENT

Having reviewed the Reports of the Board of Directors and the Statutory Auditors, the Annual General Meeting is called on to approve:

- the parent company financial statements for 2020, with an income statement showing net income of €4,158,826,992.71 in 2020, compared with €4,105,828,765.28 for 2019; and
- the 2020 consolidated financial statements.

  The details of these financial statements are set out in the 2020 Annual Financial Report and the main data included in the package containing the notice convening the Annual General Meeting.

The Board of Directors proposes to the Annual General Meeting:

- an ordinary dividend of €4 per share, representing an increase of +3.9% over the dividend for the previous year.

  The rate of distribution of the ordinary dividend (ordinary dividend paid/net income diluted per share excluding non-recurring items, attributable to owners of the Company) would be 54,8% in 2020. Over the last five financial years, this rate was:

Year	2015	2016	2017	2018	2019
Rate of distribution	50.2%	51.1%	53.4%	54.4%	49.7%

- a preferential dividend per share of €4.40, corresponding to a 10% increase over the ordinary dividend. This amount is rounded down to the nearest euro cent, pursuant to Article 15 of the Company's Articles of Association.

  The preferential dividend will be granted to the shares held in registered form since 31 December 2018 at the latest, and which continuously remain in registered form until the dividend payment date in 2021. The number of shares eligible for this preferential dividend may not exceed, for the same shareholder, 0.5% of the share capital at the closing date of the previous financial year.

If the Annual General Meeting approves this proposal, the ex-dividend date for the dividends (both ordinary and preferential) will be 27 April 2021 at zero hour, Paris time, and they will be paid on 29 April 2021.

The amount of the ordinary dividend and the preferential dividend is eligible for the tax deduction provided for in Article 158.3 2° of the French General Tax Code, which is applicable in the event that an individual beneficiary opts to tax his or her income from movable assets on the progressive scale of income tax.

First resolution: approval of the 2020 parent company financial statements

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, approves the Report of the Board of Directors and the 2020 parent company financial statements, as presented, and the transactions reported in these financial statements and summarised in these Reports, showing net income of €4,158,826,992.71 versus €4,105,828,765.28 for 2019.

Second resolution: approval of the 2020 consolidated financial statements

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Reports of the Board of Directors and the Statutory Auditors, approves the 2020 consolidated financial statements and the transactions included in these financial statements and summarised in these Reports.

Third resolution: allocation of the Company's net income for 2020 and setting of the dividend

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, on the proposal of the Board of Directors, decides to allocate the net income for the 2020 financial year, amounting to €4,158,826,992.71 as follows:

No allocation to the legal reserve which already represents over one-tenth of the share capital	–
Amount allocated to the shareholders as dividend* (including preferential dividend)	**€2,261,674,177.20**
Balance that will be allocated to the "Other reserves" item	**€1,897,152,815.51**

* *Including a primary dividend equal to 5% of the amounts paid up on shares, i.e. the total amount of the share capital.*

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This amount is calculated on the basis of the number of shares forming the capital at 31 December 2020 and will be adjusted to reflect:

- the number of shares issued between 1 January 2021 and the date of payment of this dividend following the exercise of stock options or the final vesting of new free shares granted and giving entitlement to such dividend; and
- the final number of shares eligible for the preferential dividend, taking into account sales or transfers to a bearer account between 1 January 2021 and the date of payment of the dividend.

The Annual General Meeting therefore sets the ordinary dividend at 4 euros per share and the preferential dividend at 4.40 euros per share. The preferential dividend will be granted to the shares held in registered form since 31 December 2018 at the latest, and which continuously remain in registered form until the dividend payment date, it being specified that the number of shares giving entitlement to such a preferential dividend cannot exceed 0.5% of share capital for any one shareholder. The ex-dividend date for the dividends (both ordinary and preferential) will be 27 April 2021 at midnight (Paris time) and they will be paid on 29 April 2021.

In the event that, at the time of payment of the dividend, the Company holds treasury shares, the distributable profit corresponding to the unpaid dividend due to the holding of such shares would be allocated to the "Other reserves" item.

For individuals domiciled in France, the dividend is subject to income tax at a flat rate but may be taxed, at the shareholder's option, at a progressive rate. In such a case, the dividend is eligible for the tax deduction provided for in Article 158.3 2° of the French General Tax Code.

The table below shows the amount of the dividends distributed that were fully eligible for the tax deduction provided for in Article 158.3 2° of the French General Tax Code, for the last three financial years:

	2017	2018	2019
Ordinary dividend per share	€3.55	€3.85	€3.85
Preferential dividend per share	€0.35	€0.38	€0.38

Resolutions 4, 5, 6, 7, 8: Offices of Directors

EXPLANATORY STATEMENT

1. Composition of L'Oréal's Board of Directors at 31 December 2020

The Directors of L'Oréal come from different backgrounds. They complement one another due to their different professional experience, their skills and their nationalities. They have good knowledge of the Company. The Directors are present, active and closely involved. These are all assets that contribute to the quality of the Board's deliberations in the context of the decisions it is called on to make.

The Directors are attentive and vigilant and exercise complete freedom of judgement. This freedom of judgment enables them in particular to participate, in complete independence, in the decisions or work of the Board and its Committees.

Jean-Paul Agon, 64, joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, General Manager of the Asia Zone, Chairman and Chief Executive Officer of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006, and finally Chairman and Chief Executive Officer in 2011. A Director of L'Oréal since 2006, he is also the Chairman of the Strategy and Sustainability Committee. Jean-Paul Agon is also the Chairman of the L'Oréal Corporate Foundation and Director of Air Liquide. By decision of the Board of Directors following the 2021 Annual General Meeting, Jean-Paul Agon will hold the office of Chairman of the Board of Directors without assuming the office of Chief Executive Officer as from 1 May 2021.

Françoise Bettencourt Meyers, 67, daughter of Liliane Bettencourt and granddaughter of the founder of L'Oréal, Eugène Schueller, has been the Chairwoman of the family-owned holding company Téthys since 31 January 2012, and is the Chairwoman of the Supervisory Board of the investment subsidiary Téthys Invest, Chairwoman of the Bettencourt Schueller Foundation, and Honorary President of the Pour l'Audition Foundation. Françoise Bettencourt Meyers has been a Director of L'Oréal since 1997. Vice-Chairwoman of the Board of Directors since 2020, Françoise Bettencourt Meyers is also a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee and the Human Resources and Remuneration Committee.

Paul Bulcke, 66, of Belgian and Swiss nationality, is the Chairman of the Board of Directors of Nestlé. Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017. Paul Bulcke is the Vice-Chairman of the Board of Directors, and is a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee, and the Human Resources and Remuneration Committee. He is also a Director of Roche Holding (Switzerland).

Ana Sofia Amaral, 55, of Portuguese nationality, is the Scientific and Technical Affairs Director for L'Oréal Portugal. Ana Sofia Amaral was appointed in 2014 by L'Oréal's *Instance Européenne de Dialogue Social* (European Works Council) as a Director representing the employees; her term of office was then renewed for a period of four years in 2018. She is a member of the Human Resources and Remuneration Committee.

Sophie Bellon, 59, is Chairwoman of the Board of Directors of Sodexo. After a career in finance in the United States, she joined Sodexo in 1994, where she held a variety of positions, including Country Manager for the Business Division in France, then as R&D and Innovation Strategy Manager. Sophie Bellon has been a Director of L'Oréal since 2015. She is the Chairwoman of the Nominations and Governance Committee, the Human Resources and Remuneration Committee, and a member of the Audit Committee.

Patrice Caine, 50, has been Chairman and Chief Executive Officer of the Thales Group since December 2014, after holding management positions in various operating units (Aviation and Naval, Communications, Navigation and Identification, Air Systems, Radio-Communication Products, Network and Infrastructure Systems, and Protection Systems) from 2002 to 2013. Patrice Caine has been a Director of L'Oréal since April 2018, and is a member of the Strategy and Sustainability Committee and the Nominations and Governance Committee.

Fabienne Dulac, 53, is Chairwoman and Chief Executive Officer of Orange France and Deputy Chief Executive Officer of the Orange Group, which she joined in 1997. She has held various positions in marketing, business development, communications and digital. She is also a Director of Orange Bank and Willa (an incubator dedicated to female entrepreneurship). Fabienne Dulac has been a Director of L'Oréal since 2019 and is a member of the Audit Committee and the Human Resources and Remuneration Committee.

Belén Garijo, 60, of Spanish nationality, is Chairwoman and Chief Executive Officer of Merck Healthcare, an entity holding all the pharmaceutical operations of the German group Merck and a member of the Executive Committee of this Group; she will hold the office of Chairwoman of the Management Board and Chief Executive Officer of the Merck Group as from 1 May 2021. Belén Garijo has been a Director of L'Oréal since 2014 and is a member of the Human Resources and Remuneration Committee. She is also a Director of BBVA (Spain).

Béatrice Guillaume-Grabisch, 56, has been Executive Vice-President and Global Head of Human Resources and Business Services of the Nestlé Group since 2019, which she joined in 2013. She was formerly Chief Executive Officer of Nestlé Germany after a career in various consumer goods groups (Colgate-Palmolive, Beiersdorf, Johnson & Johnson, L'Oréal, Coca-Cola). Béatrice Guillaume-Grabisch has been a Director of L'Oréal since 2016 and is a member of the Audit Committee.

Ilham Kadri, 52, of French and Moroccan nationality, has been Chairwoman of the Executive Committee and CEO of Solvay since March 2019. Prior to that date, she served as Chairwoman and Chief Executive Officer of the American company Diversey since 2013 after having held responsibilities in research and development, sales, marketing, strategy, business management and digital in leading industrial companies (Shell, UCB, Dow, Sealed Air, etc.). She is also a director of A.O. Smith Corporation. Ilham Kadri has been a Director of L'Oréal since June 2020.

Georges Liarokapis, 58, of French and Greek nationality, is Coordinator of Sustainability for L'Oréal Western Europe. Georges Liarokapis was appointed by the CFE-CGC union as a Director representing the employees in 2014; his term of office was renewed for a period of four years in 2018. He is a member of the Audit Committee.

Jean-Victor Meyers, 34, has been a member of the Supervisory Board of the family-owned holding company Téthys since January 2011, and is a member of the Supervisory Committee of the investment subsidiary Téthys Invest and Chairman of Exemplaire and Constantine Capital SAS. Jean-Victor Meyers has been a Director of L'Oréal since 2012, and is a member of the Strategy and Sustainability Committee and the Audit Committee.

Nicolas Meyers, 32, has been a member of the Supervisory Board of the family holding company Téthys since 2011 and Téthys Invest since 2016. He has also been a director of the Bettencourt Schueller Foundation since 2012. Nicolas Meyers has been a Director of L'Oréal since 2020.

Virginie Morgon, 51, is Chairwoman of the Executive Board of Eurazeo, which she joined in 2008 after working for sixteen years at Lazard, and is also Chairwoman of Eurazeo North America Inc. (USA). She is also Co-Chair of the Paris Committee of the Human Rights Watch. Virginie Morgon has been a Director of L'Oréal since 2013 and is the Chairwoman of the Audit Committee.

2. Resolutions submitted for approval to the Annual General Meeting of 20 April 2021

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

Appointment of Mr Nicolas Hieronimus as Director

On the recommendation of the Nominations and Governance Committee, the Board of Directors submitted the appointment of Mr Nicolas Hieronimus, as Director, for a term of four years, to voting by the Annual General Meeting.

In effect, the Board of Directors believes that the participation of the Chief Executive Officer as a Director in the Board's discussions is essential.

Mr Nicolas Hieronimus, 57, joined L'Oréal 34 years ago and has spent his entire career with the Group, in many countries and divisions.

A graduate from ESSEC, in 1985, Nicolas Hieronimus joined L'Oréal in 1987 as Product Manager. He became Marketing Director for the Laboratoires Garnier in 1993. In 1998, he became General Manager of the Garnier Maybelline Division in the UK. In 2000, he was named General Manager, L'Oréal Paris France, and then International General Manager for L'Oréal Paris. In 2005, he became General Manager of L'Oréal Mexico. In 2008, Mr Jean-Paul Agon appointed him as General Manager of the L'Oréal Professional Products Division and welcomed him to the Group's Executive Committee. In January 2011, he was appointed President L'Oréal Luxe, a role that he held until the end of 2018. In 2013, he took up the position of President Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was named Deputy CEO in charge of Divisions in May 2017.

Appointment of Mr Alexandre Ricard as Director

On the recommendation of the Nominations and Governance Committee, the Board of Directors submitted the appointment of Mr Alexandre Ricard, as Director, for a term of four years, to voting by the Annual General Meeting.

Mr Ricard is a graduate of the ESCP, Wharton Business School and the University of Pennsylvania. After working for seven years as a strategy consultant at Accenture and a M&A consultant at Morgan & Stanley, Mr Alexandre Ricard joined the Pernod Ricard Group in 2003 in the Corporate Audit and Development Department. At the end of 2004, he was appointed Director of Finance and Administration of Irish Distillers, and then appointed Chief Executive Officer of Pernod Ricard Asia Duty Free in September 2006. In 2008, Mr Alexandre Ricard was appointed Chairman and Chief Executive Officer of Irish Distillers and joined the Executive Committee of Pernod Ricard. In 2011, he joined the General Management of Pernod Ricard as Deputy Chief Executive Officer in charge of the distribution network before taking up the current position of Chairman and Chief Executive Officer in February 2015.

Mr Alexandre Ricard will bring to the Board of Directors of L'Oréal his experience as an executive for a major international company, his strategic vision and his entrepreneurial spirit.

The Board will benefit from his knowledge of consumers and his marketing and digital expertise in the luxury, travel retail and mass-market retail channels, particularly in the Asian and American markets. He will also bring his deep understanding of financial, governance issues and his sense of ethics to the Board.

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

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

As the term of office of Ms Françoise Bettencourt Meyers as Director expires in 2021, her term for a term of four years is submitted to the Annual General Meeting.

A Director of L'Oréal since 1997, Ms Françoise Bettencourt Meyers is also Vice-Chairwoman of the Board of Directors, member of the Strategy and Sustainability Committee since 2012, and member of the Nominations and Governance Committee and the Human Resources and Remuneration Committee since 2020.

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

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

Over the four years of her term as Director, Ms Françoise Bettencourt Meyers' attendance rate has been 96.5% at Board meetings and 100% at the three Committees' meetings.

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

As the term of office of Mr Paul Bulcke as Director expires in 2021, the renewal of his term for four years is submitted to the Annual General Meeting.

Member of the L'Oréal Board of Directors from 2012 to 2014, and since 2017, Paul Bulcke is the Vice-Chairman of the Board of Directors, a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee, and the Human Resources and Remuneration Committee.

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

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

Over the four years of his term of office as Director, Mr Bulcke's attendance at meetings of the Board of Directors and the three Committees on which he serves has been 100%.

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

As the term of office of Ms Virginie Morgon expires in 2021, her renewal for a term of four years is submitted to the Annual General Meeting.

A Director of L'Oréal since 2013, Ms Morgon has also chaired the Audit Committee since 2016.

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

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

Over the four years of her term as Director, Ms Virginie Morgon's attendance rate has been 96.5% at meetings of the Board of Directors and 100% at meetings of the Audit Committee which she chairs.

3. Composition of the Board of Directors after the Annual General Meeting of 20 April 2021

If the Annual General Meeting approves the appointments and renewals submitted to it in 2021, the expiry dates of the terms of office of the 16 Directors of L'Oréal would be as follows:

			Board Committees			
	Independence	Expiry date of current term of office	Strategy and Sustainability	Audit	HR and Remuneration	Nomimations and Governance
Mr Jean-Paul Agon		2022	C			
Mr Nicolas Hieronimus		2025				
Ms Françoise Bettencourt Meyers		2025	●		●	●
Mr Paul Bulcke		2025	●		●	●
Ms Ana Sofia Amaral	Director representing employees	2022			●	
Ms Sophie Bellon	■	2023		●	C	C
Mr Patrice Caine	■	2022	●			●
Ms Fabienne Dulac	■	2023		●	●	
Ms Belén Garijo	■	2022			●	
Ms Béatrice Guillaume-Grabisch		2024		●		
Ms Ilham Kadri	■	2024				
Mr Georges Liarokapis	Director representing employees	2022		●		
Mr Jean-Victor Meyers		2024	●	●		
Mr Nicolas Meyers		2024				
Ms Virginie Morgon	■	2025		C		
Mr Alexandre Ricard	■	2025				

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

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3.1. Independence of Directors

Every year the Nominations and Governance Committee proposes to the Board of Directors that the situation of each of the Directors with regard to their independence be reviewed on a case-by-case basis according to the criteria set out in the AFEP-MEDEF Code.

The review of the independence of these Directors was carried out by the Board of Directors on the basis, in particular, of a study of the relationships existing between the Company and the companies in which the Directors hold offices.

If the Annual General Meeting approves the appointments and renewals that are proposed by the Board of Directors, the number of Independent Directors would be 7 out of 14, *i.e.* an independence rate of 50% (the two Directors representing the employees are not taken into account under the AFEP-MEDEF Code).

3.2. Balanced gender representation on the Board of Directors

If the Annual General Meeting approves the appointments and renewals submitted to it, the number of women on the Board of Directors would be 7 out of the 14 Directors appointed by the Annual General Meeting, *i.e.* a percentage representation of women of 50% (the two Directors representing the employees are not taken into account pursuant to the French Commercial Code).

3.3. Length of office and minimum number of shares held

The term of office of the Directors appointed by the L'Oréal Annual General Meeting is four years or less to allow a scheduled renewal of the terms of office of Directors. The term of office of a Director who is not appointed by the Annual General Meeting is four years.

Directors appointed by the Annual General Meeting must each hold a minimum of 500 L'Oréal shares: at least 250 shares on the date of his/her election by the Annual General Meeting, and the balance no later than 24 months after this appointment. The complete list of the duties of the Directors is provided in section 2.2.2 of the 2020 Universal Registration Document.

Fourth resolution: appointment of Mr Nicolas Hieronimus as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, appoints Mr Nicolas Hieronimus as a Director for a term of four years.

His term of office will expire at the end of the Annual General Meeting to be held in 2025 and called to approve the financial statements for the previous financial year.

Fifth resolution: Appointment of Mr Alexandre Ricard as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, appoints Mr Alexandre Ricard as a Director for a term of four years.

His term of office will expire at the end of the Annual General Meeting to be held in 2025 and called to approve the financial statements for the previous financial year.

Sixth resolution: Renewal of the term of office of Ms Françoise Bettencourt Meyers as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews the term of office as a Director of Ms Françoise Bettencourt Meyers for a term of four years.

Her term of office will expire at the end of the Annual General Meeting to be held in 2025 and called to approve the financial statements for the previous financial year.

Seventh resolution: Renewal of the term of office of Mr Paul Bulcke as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews Mr Paul Bulcke's term of office as a Director for a term of four years.

His term of office will expire at the end of the Annual General Meeting to be held in 2025 and called to approve the financial statements for the previous financial year.

Eighth resolution: Renewal of the term of Ms Virginie Morgon as Director

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, renews the term of office as Director of Ms Virginie Morgon for a term of four years.

Her term of office will expire at the end of the Annual General Meeting to be held in 2025 and called to approve the financial statements for the previous financial year.

Resolutions 9, 10, 11, 12, 13, 14: Remuneration of directors and corporate officers of the Company

| EXPLANATORY STATEMENT

The Annual General Meeting is called to approve the remunerations of L'Oréal's directors and corporate officers for 2020 (*ex post* vote).

The Annual General Meeting must vote every year on the remuneration granted or paid during the financial year ended to directors and corporate officers of the Company.

This "ex-post" vote covers two series of resolutions: one concerning all directors and corporate officers, i.e. for L'Oréal, the Directors and the Chairman and Chief Executive Officer; and the other concerning only the corporate officers of the company, i.e. for L'Oréal, Mr Jean-Paul Agon, Chairman and Chief Executive Officer.

Therefore, the shareholders are called, by the vote on the ninth resolution, to approve the information on the remuneration of each of the aforementioned directors and corporate officers of L'Oréal for 2020 as required by Article L. 22-10-9, I (formerly L. 225-37-3, I) of the French Commercial Code. This information is provided in section 2.4.2. of the 2020 Universal Registration Document.

They are also called, by the vote on the tenth resolution, to approve the fixed and variable components of the total remuneration and benefits of any kind paid during 2020 or allocated for that year to Mr Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal, pursuant to Article L. 22-10-34, II (formerly L. 225-100, III) of the French Commercial Code. This information is provided in section 2.4.2.2. of the 2020 Universal Registration Document and is summarised in the following table (*"Summary table of the components of remuneration paid during the 2020 financial year or allocated for that year to Mr Jean-Paul Agon, Chairman and Chief Executive Officer"*).

The Annual General Meeting is called to approve the remuneration policy for L'Oréal's directors and corporate officers (*ex ante* vote).

In the eleventh to fourteenth resolutions, the Annual General Meeting is called to approve, pursuant to the provisions of Article L. 22-10-8, II (formerly L. 225-37-2, II) of the French Commercial Code, the remuneration policies for the dictorsre and corporate officers of L'Oréal.

These policies shall apply as from financial year 2021 until the Annual General Meeting approves a new remuneration policy.

The provisions of these remuneration policies established by the Board of Directors are set out in section 2.4.1 of the 2020 Universal Registration Document.

Shareholders are called to approve separately:

- by the vote on the **eleventh** resolution, the remuneration policy for the Directors of L'Oréal established by the Board of Directors and provided in section 2.4.1. of the 2020 Universal Registration Document;
- by the vote on the **twelfth** resolution, the remuneration policy for the Chairman and Chief Executive Officer provided in section 2.4.1.2.1. of the 2020 Universal Registration Document. This policy would apply to Mr Jean-Paul Agon for the period from 1 January to 30 April 2021, the end date of his office as Chairman and Chief Executive Officer. A projection of this application in 2021 appears at the end of section 2.4.1.2.1. of the 2020 Universal Registration Document.
- by the vote on the **thirteenth** resolution, the remuneration policy for the Chief Executive Officer presented in the Report of the Board of Directors as set out in section 2.4.1.2.1. of the 2020 Universal Registration Document. This policy would apply to Mr Nicolas Hieronimus as from 1 May 2021, the date he will assume the position of Chief Executive Officer of L'Oréal. A projection of this application in 2021 appears at the end of section 2.4.1.2.1. of the 2020 Universal Registration Document; and
- by the vote on the **fourteenth** resolution, the remuneration policy for the Chairman of the Board of Directors presented in the Report of the Board of Directors as set out in section 2.4.1.2.2. of the 2020 Universal Registration Document. This policy would apply to Mr Jean-Paul Agon as from 1 May 2021, the date he will assume the office of Chairman of the Board of Directors without filling the position of Chief Executive Officer of L'Oréal. A projection of this application in 2021 appears at the end of section 2.4.1.2.2. of the 2020 Universal Registration Document.

SUMMARY TABLE OF THE COMPONENTS OF REMUNERATION PAID IN 2020 OR ALLOCATED FOR THAT YEAR TO MR JEAN-PAUL AGON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Remuneration components submitted for a vote	Amounts allocated for the 2020 financial year or accounting valuation	Amounts paid in 2020 or accounting valuation	Description
Fixed remuneration *2020/2019 changes*	**€2,200,000** 0%		At its meeting on 6 February 2020, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to maintain Mr Jean-Paul Agon's fixed gross annual remuneration at €2,200,000. This amount has not changed since 2014.
Annual variable remuneration	€859,831 97.71% out of a maximum target of 40% of the fixed remuneration, *i.e.* €880,000		Mr Jean-Paul Agon informed the Board, which accepted it, that he would renounce all remuneration for 2020 relating to the financial targets of his annual variable remuneration, which could reach a maximum of 40% of the fixed remuneration if non-financial and qualitative targets are reached (instead of a maximum of 100% for which he is eligible under the remuneration policy detailed in section 2.4.1. of Chapter 2 of the 2019 Universal Registration Document). **CRITERIA FOR ASSESSMENT OF PERFORMANCE FOR 2020** ● ***Quantifiable non-financial criteria*** (allocated equally among the following criteria) — **62.50%** • CSR (*Sharing Beauty with All* programme): Innovating Sustainably, Producing Sustainably, Living Sustainably and Developing Sustainably • Human Resources: Gender Balance, Development of talented employees, Access to training • Digital development ● ***Individual qualitative performance:*** Management, image, company reputation, dialogue with stakeholders**.** — **37.50%** The assessment is carried out on a criterion-by-criterion basis without offsetting among the criteria. A summary of achievements in 2020 is available in section 2.4.2.2. of the Universal Registration Document. **ASSESSMENT FOR 2020 BY THE BOARD OF DIRECTORS' MEETING OF 11 FEBRUARY 2021** On the basis of the aforementioned assessment criteria, the Board of Directors decided, on the recommendation of the Human Resources and Remuneration Committee, to award gross variable remuneration of €859,831 for 2020, which is 97.71% of the maximum target. For confidentiality reasons, L'Oréal does not communicate the details of the amounts paid by criterion; the assessment elements are detailed in section 2.4.2.2. of the Universal Registration Document. Pursuant to Article L. 22-10-34, II (formerly L. 225-100, III) of the French Commercial Code, the payment of this annual variable remuneration is subject to the approval of this tenth resolution.
		€2,168,831 98.6% out of a maximum target of 100% of the fixed remuneration	As a reminder, following the approval by the Annual General Meeting of 30 June 2020 of the ninth resolution, an annual variable remuneration was paid for the 2019 financial year amounting to a total of €2,168,831, since the Board of Directors decided on 6 February 2020, as proposed by the Human Resources and Remuneration Committee, that 98.6% of the maximum objective had been achieved.

Remuneration components submitted for a vote	Amounts allocated for the 2020 financial year or accounting valuation	Amounts paid in 2020 or accounting valuation	Description
Performance shares	0		Mr Jean-Paul Agon had informed the Board that he was renouncing any grant of performance shares if a plan were to be decided in 2020, a plan for which he was eligible in accordance with the remuneration policy detailed in section 2.4.1. of the 2019 Universal Registration Document.
Remuneration of Directors (formerly known as "attendance fees")	€0		The Board of Directors recorded the wish expressed by Mr Jean-Paul Agon, in 2014, to forego directors' fees in his capacity as Chairman and Chief Executive Officer.
Benefits in addition to remuneration	€0 €10,554		● **Benefits in kind**: Mr Jean-Paul Agon benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. ● **Additional social protection schemes:** employee benefit and healthcare schemes and defined-contribution pension. Mr Jean-Paul Agon continues to be treated in the same way as a senior manager during the term of his corporate office, which allows him to continue to benefit from the additional social protection schemes and, in particular, the employee benefit and healthcare schemes applicable to the Company's employees. The amount of the employer's contributions to these different schemes was €10,554 in 2020, including €6,376 for the defined contribution pension scheme; it is noted that the amount due in this respect will be deducted from the pension due for the defined benefits pension in accordance with the provisions of this collective scheme. The continuation of this treatment was approved by the Annual General Meeting on 27 April 2010.

Mr Jean-Paul Agon does not receive exceptional or multi-year remuneration.

The information on (i) the termination indemnities, (ii) dismissal or retirement benefits, (iii) the financial consideration for the non–compete clause, and (iv) the supplementary defined-benefit pension scheme to which Mr Jean-Paul Agon may be entitled under his suspended employment contract, can be found in section 2.4.3. of the Universal Registration Document.

The application of the defined-benefit pension plan provisions of Mr Jean-Paul Agon's employment contract of Mr Jean-Paul Agon for the duration of his renewed corporate office was approved by the Annual General Meeting of 17 April 2018.

Ninth resolution: approval of the information on the remuneration of each of the drectiors and corporate officers required by Article L. 22-10-9, I of the French Commercial Code

Pursuant to Article L. 22-10-34, I (formerly L. 225-100, II) of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the information described in section I of Article L. 22-10-9 (formerly L. 225-37-3, I) of the French Commercial Code as presented in section 2.4.2. of the Universal Registration Document.

Tenth resolution: approval of the fixed and variable components of the total remuneration and benefits of any kind paid during the 2020 financial year or allocated for that year to the Chairman and Chief Executive Officer, Mr Jean–Paul Agon

Pursuant to Article L. 22-10-34, II (formerly L. 225-100 III) of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the fixed and variable components of the total remuneration and benefits of any kind paid in the 2020 financial year or allocated for that year to the Chairman and Chief Executive Officer, Mr Jean-Paul Agon, as presented in section 2.4.2.2. of the Universal Registration Document.

Eleventh resolution: approval of the remuneration policy for Directors

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 (formerly L. 225-37-2) of the French Commercial Code, approves the remuneration policy for Directors as presented in the aforementioned report and restated in section 2.4.1.1. of the Universal Registration Document.

Twelfth resolution: approval of the remuneration policy for the Chairman and Chief Executive Officer (Mr Jean-Paul Agon from 1 January to 30 April 2021)

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 (formerly L. 225-37-2) of the French Commercial Code, approves the remuneration policy for the Chairman and Chief Executive Officer as presented in the aforementioned report and restated in section 2.4.1.2.1. of the Universal Registration Document.

Thirteenth resolution: approval of the remuneration policy for the Chief Executive Officer (Mr Nicolas Hieronimus as from 1 May 2021)

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 (formerly L. 225-37-2) of the French Commercial Code, approves the remuneration policy for the Chief Executive Officer as presented in the aforementioned report and restated in section 2.4.1.2.1. of the Universal Registration Document.

Fourteenth resolution: approval of the remuneration policy for the Chairman of the Board of Directors (Mr Jean-Paul Agon as from 1 May 2021)

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 22-10-8 (formerly L. 225-37-2) of the French Commercial Code, approves the remuneration policy for the Chairman of the Board of Directors as presented in the aforementioned report and restated in section 2.4.1.2.2. of the Universal Registration Document.

Resolution 15: Approval of the agreement on the status of Mr Nicolas Hieronimus whose employment contract will be suspended as from his appointment as Chief Executive Officer

| EXPLANATORY STATEMENT

On the recommendation of the Nominations and Governance Committee, the L'Oréal Board of Directors, on 14 October 2020, announced its intention to dissociate the functions of Chairman and Chief Executive Officer, to appoint Mr Jean-Paul Agon as Chairman of the Board, and to appoint Mr Nicolas Hieronimus, the current Deputy Chief Executive Officer and employee of L'Oréal, as Chief Executive Officer.

This new governance will take effect on 1 May 2021, by decision of the Board of Directors at the meeting held following the Annual General Meeting of L'Oréal shareholders on 20 April 2021, which is also called to appoint Mr Nicolas Hieronimus as Director.

The Code of Corporate Governance for listed companies established jointly by the AFEP and MEDEF to which L'Oréal refers, recommends, but does not require, that companies should put an end to combining an employment contract with a corporate office (§ 22.1). L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing directors and corporate officers *ad nutum*.

The Board of Directors notes that if, in accordance with the AFEP-MEDEF recommendation, his employment contract with L'Oréal were to be terminated, Mr Nicolas Hieronimus would lose the status he acquired as a result of the 34 years he spent working for the Group as an employee.

The Board of Directors does not wish for Mr Nicolas Hieronimus, having accepted the office of Chief Executive Officer after a 34-year career with L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee.

The Board of Directors believes that the objective pursued by the AFEP-MEDEF recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

Mr Nicolas Hieronimus will receive a fixed remuneration, a variable remuneration and performance shares for his corporate office.

The Board of Directors decided not to allocate any indemnity in the event of termination of the corporate office.

In the event of termination of his suspended employment contract during the term of corporate office, and depending on the reasons for such termination, Mr Nicolas Hieronimus would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or at the Company's request pursuant to the suspended employment contract. These indemnities, which are attached solely to termination of the employment contract and in strict application of the French National Collective Bargaining Agreement for Chemical Industries and the Company-level agreements applicable to all L'Oréal's managers, are due in any event pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the French National Collective Bargaining Agreement for Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Mr Nicolas Hieronimus will continue to benefit, under his suspended employment contract, from the "Garantie de Ressources des Retraites Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme closed to new members effective from 31 December 2015. The Income Guarantee is calculated on the basis of the number of years of professional service in the Company up to 31 December 2019, up to a limit of 25 years. Generally, after 31 December 2019, no new rights will be granted under this scheme pursuant to Order no. 2019-697 of 3 July 2019 concerning supplementary professional retirement schemes, which stipulated the closure of all defined benefit schemes governed by Article L. 137-11 of the French Social Security Code. The main features of this scheme are described in section 4.3.2.5. of the Board of Directors' L'Oréal's 2020 Universal Registration Document. In this specific case, Mr Nicolas Hieronimus has reached since 2012 the 25-year cap for professional activity in the Group stipulated by the scheme and therefore has not benefited from any new rights to additional annuity since this date.

In respect of his employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-compete clause would be payable monthly for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr Nicolas Hieronimus were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract described above.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the aforementioned pension scheme, will be based on the amount of remuneration at the date of suspension of the employment contract in 2021. This reference remuneration is €1,750,000 of fixed remuneration and €1,850,000 of variable remuneration. This remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse nationale d'assurance vieillesse).

The seniority applied will cover his entire career within the Group, including the years spent as a corporate officer.

Mr Nicolas Hieronimus is also treated in the same way as a senior manager during the term of his corporate office, which will allow him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees. These elements are set out in the remuneration policy submitted for the approval of the Annual General Meeting of L'Oréal shareholders on 20 April 2021.

These provisions are set forth in an agreement on the status of Mr Nicolas Hieronimus whose employment contract will be suspended as from 1 May 2021. This agreement entered into by L'Oréal and its future Chief Executive Officer, Mr Nicolas Hieronimus, is governed by the procedure on related-party agreements. Pursuant to Article L. 22-10-13 of the French Commercial Code, information about this agreement was published on the L'Oréal website no later than the date it was signed.

This agreement is being submitted for the approval of this Annual General Meeting of 20 April 2021 ruling on the Statutory Auditors' Special Report in anticipating the appointment of Mr Nicolas Hieronimus as Chief Executive Officer, as from 1 May 2021, by the Board of Directors at the meeting held after this General Meeting.

Fifteenth resolution: Approval of the agreement on the status of Mr Nicolas Hieronimus whose employment contract will be suspended as from his appointment as Chief Executive Officer

The Annual General Meeting, having reviewed the Special Report of the Statutory Auditors presented pursuant to Article L. 225-40 of the French Commercial Code concerning the agreements cited in Article L. 225-38 of said Code, approves the agreement on the status of Mr Nicolas Hieronimus whose employment contract will be suspended as from 1 May, as set out in the explanatory statement for this resolution prepared by the Board of Directors and in the above report of the Statutory Auditors.

This resolution is adopted subject to the condition precedent of the appointment of Mr Nicolas Hieronimus as Chief Executive Officer of L'Oréal, as from 1 May 2021, by the Board of Directors at the meeting to be held at the end of this Annual General Meeting.

Resolution 16: Authorisation for the Company to buy back its own shares

| EXPLANATORY STATEMENT

As the existing authorisation is due to expire in October 2021, it is proposed that the Annual General Meeting give the Board a new authorisation, it being specified that in the event of a public offer being filed by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy its own shares for the following purposes:

- cancelling them by a reduction in its capital;
- selling them within the scope of employee share ownership programmes and their allocation to free grants of shares for the benefit of employees, directors and corporate officers of the L'Oréal Group;
- market-making under a liquidity agreement entered into with an investment services provider in accordance with the ethics charter recognised by the French Financial Markets Authority (*Autorité des Marchés Financiers*); and
- retaining them and subsequently using them as payment in connection with external growth transactions.

The purchase, sale, exchange or transfer of these shares may be carried out by any means, on one or more occasions, in particular on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

The Annual General Meeting decides that this authorisation will take effect on the date of this Annual General Meeting and will expire at the end of a period of 18 months from the date of this Annual General Meeting. It renders ineffective from this day onwards any previous authorisation for the unused portion with the same purpose.

The purchase price per share may not exceed €400 (excluding expenses). The authorisation would be for a maximum of 10% of the share capital, namely, for information purposes, at 31 December 2020, 55,987,158 shares for a maximum amount of €22,394,863,200, it being specified that the Company may not at any time hold more than 10% of its own share capital.

Sixteenth resolution: Authorisation for the Company to buy back its own shares

The Annual General Meeting, voting with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, authorises the Board of Directors, with the option to delegate to the Chairman and Chief Executive Officer, to purchase shares of the Company in accordance with Articles L. 225-210 et seq. and L. 22-10-62 et seq. of the French Commercial Code, and EU Regulation No 596/2014 of the European Parliament and of the Council of 16 April 2014, and subject to the following conditions:

- the purchase price per share may not exceed €400 (excluding expenses);
- the number of shares that may be bought by the Company may not exceed 10% of the number of shares forming the Company's capital on the date of execution of these buybacks, which is, for information purposes, at 31 December 2020, 55,987,158 shares for a maximum amount of €22,394,863,200, it being specified that the Company may at no time hold over 10% of its own share capital.

The Company may buy back its own shares under the conditions defined by the laws and regulations in force, and notably with a view to:

- cancelling them by a reduction in its capital;
- allocating or selling them to employees, directors and corporate officers of the Company and affiliates, under the terms and conditions provided for by French or foreign law, and in particular within the scope of employee profit sharing schemes, free grants of shares or all employee share ownership programmes as well as for the purpose of carrying out any transaction to cover the above-mentioned employee share ownership programmes;

- market-making under a liquidity agreement entered into with an investment services provider in accordance with the ethics charter recognised by the French Financial Markets Authority (AMF);
- retaining them and subsequently using them as payment in connection with external growth transactions.

The purchase, sale, exchange or transfer of these shares may be carried out by any means, on one or more occasions, in particular on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

These transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned, it being specified that in the event of a public offer being filed by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Annual General Meeting decides that this authorisation will take effect on the date of this Annual General Meeting and will expire at the end of a period of 18 months from the date of this Annual General Meeting. It renders ineffective from this day onwards any previous authorisation for the unused portion with the same purpose.

The Board of Directors will have the option of allocating and reassigning to any of these objectives all the treasury shares currently held by the Company. Full powers are granted to the Board of Directors, with the option for it to delegate, for the implementation of this resolution and, more generally, to do anything that may be necessary.

8.1.2. Extraordinary part

Resolution 17: Delegation of authority to the Board of Directors to increase the share capital through the issuance of ordinary shares, with maintenance of shareholders' preferential subscription rights

| EXPLANATORY STATEMENT

It is proposed to the Annual General Meeting to delegate to the Board of Directors its authority to increase the share capital through the issuance of ordinary shares with maintenance of shareholders' preferential subscription rights.

The total amount of increases in share capital that could be executed may not have the effect of raising the share capital, which was €111,974,316 at 31 December 2020, to an amount greater than €156,764,042.40.

The increases that may be carried out under the thirteenth resolution approved at the Annual General Meeting of 30 June 2020 and the eighteenth, nineteenth, twentieth, and twenty-first resolutions submitted to the vote of this General Meeting shall also be charged against this ceiling. This corresponds to a maximum increase of 40% of the share capital.

No overallotment option is provided.

The period of validity of this delegation would be 26 months from the date of this Annual General Meeting, it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the General Meeting.

Seventeenth resolution: delegation of authority granted to the Board of Directors to increase the share capital through the issuance of ordinary shares, with maintenance of shareholders' preferential subscription rights

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors, and acting in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code, including Article L. 225–129-2 of said Code, and Article L. 22-10-49 (formerly L. 225-129-4) of the same Code:

1. delegates authority to the Board of Directors to decide on one or more capital increases through the issuance of ordinary shares of the Company. The delegation thus granted to the Board of Directors is valid for a period of 26 months from the date of this Annual General Meeting;
2. decides that the total amount of the capital increases that could be executed may not have the effect of raising the share capital, which was €111,974,316 at 31 December 2020, to an amount greater than €156,764,042.40. The increases that may be carried out under the thirteenth resolution approved at the Annual General Meeting of 30 June 2020 and the eighteenth, nineteenth, twentieth, and twenty-first resolutions submitted to the vote of this General Meeting shall also be charged against this ceiling; it is specified that this total nominal amount does not take into account adjustments that may be made pursuant to applicable laws and regulations and, if applicable, contractual provisions that provide for other cases of adjustment in order to protect the rights of the holders of free shares, subscription options or purchase options. This corresponds to a maximum increase of 40% of the share capital;
3. decides that, if this delegation is used by the Board of Directors, shareholders shall have a preferential right to subscribe to the shares issued under this resolution in proportion to the amount of their shares. If subscriptions to shares by right and, if applicable, to additional shares, have not absorbed the total issue of shares, the Board of Directors may offer all or a portion of the unsubscribed shares to the public, or limit the capital increase to the amount of the subscriptions, provided that this amount totals at least three-quarters of the increase decided;
4. decides that capital increase transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned. However, in the event that a third party files a public offer for the Company's shares, the Board of Directors will not be able, during the offer period, to decide to implement this delegation of authority without the prior authorisation of the Annual General Meeting;
5. decides that the Board of Directors will have full powers, with the possibility to delegate further under the conditions provided for by law, to implement this delegation within the limits and subject to the conditions specified above in order to set the terms and conditions of the capital increases and, in particular, to generally carry out all acts and formalities, take any decisions and enter into any agreements that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly; and
6. notes that this delegation renders ineffective any prior delegation having the same purpose.

Resolution 18: Delegation of authority to the Board of Directors to increase the share capital through the capitalisation of premiums, reserves, profits or other amounts

| EXPLANATORY STATEMENT

It is proposed to the Annual General Meeting to delegate to the Board of Directors its authority to increase the share capital through the capitalisation of premiums, reserves, profits or other amounts.

The maximum nominal amount of the capital increases that may be executed shall be equal to the total amount of the sums that may be capitalised and shall be charged against the amount of the total ceiling stipulated in the seventeenth resolution of this General Meeting.

In the event of a free grant of shares, fractional grant rights shall be neither negotiable nor assignable. The corresponding shares shall be sold and the sums from the sale shall be allocated to the holders of these rights.

The period of validity of this delegation would be 26 months from the date of the Annual General Meeting, it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors shall not be able to use this authorisation during the public offer period without the prior authorisation of the General Meeting.

Eighteenth resolution: delegation of authority to the Board of Directors to increase the share capital through the capitalisation of premiums, reserves, profits or other amounts

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, and acting in accordance with Articles L. 225-129 et seq. of the French Commercial Code, and Articles L. 22-10-49 (formerly L. 225-129-4) and L. 22-10-50 (formerly L. 225-130, sub–section 1) of the same Code:

1. delegates its authority to the Board of Directors, with the possibility to delegate further, to decide on one or more capital increases through capitalisation of premiums, reserves, profits or other sums for which capitalisation is allowed, in the form of allotments of free shares or an increase in the par value of the existing shares or through the combined use of these two processes. The delegation thus granted to the Board of Directors is valid for a period of 26 months from the date of this Annual General Meeting;
2. decides that the maximum nominal amount of the capital increases that may be executed shall be equal to the total amount of the sums that may be capitalised and shall be charged against the amount of the total ceiling stipulated in the seventeenth resolution of this General Meeting. This total nominal amount does not take into account adjustments that may be made pursuant to applicable laws and regulations and, if applicable, contractual provisions that provide for other cases of adjustment in order to protect the rights of the holders of free shares, subscription options or purchase options;
3. if the Board of Directors uses this delegation, decides, if applicable, and pursuant to the provisions of Article L. 22–10-50 (formerly L. 225-130, sub-section 1) of the French Commercial Code, that fractional rights shall not be negotiable or assignable and that the corresponding shares shall be sold: the sums from the sale shall be allocated to the holders of the rights under the conditions and within the terms stipulated by the applicable regulations;
4. decides that capital increase transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned. However, if a public offer is filed by a third party for the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting;
5. decides that the Board of Directors will have full powers, with the possibility to delegate further under the conditions provided for by law, to implement this delegation within the limits and subject to the conditions specified above in order to set the terms and conditions of the capital increases and in particular, to generally carry out all acts and formalities, take any decisions and enter into any agreements that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly; and
6. notes that this delegation renders ineffective any prior delegation having the same purpose.

Resolution 19: Delegation of authority to the Board of Directors to increase the share capital in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies granted to the Company

| EXPLANATORY STATEMENT

It is proposed to the Annual General Meeting to delegate to the Board of Directors its authority to increase the share capital of the Company in order to remunerate contributions in kind made to the Company consisting of equity securities or securities giving access to the share capital of third party companies, outside a public exchange offer, to proceed to external growth transactions if any.

The Board shall decide on the Report of the Contribution Auditor(s) concerning the value of the contributions if this report is necessary.

The amount of the capital increase(s) that may be carried out would be limited to 2% of the share capital on the date of the capital increase decision and would be charged against the total ceiling on capital increases stipulated in the seventeenth resolution of this General Meeting.

The period of validity of this delegation would be 26 months from the date of the Annual General Meeting, it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors shall not be able to use this authorisation during the public offer period without the prior authorisation of the General Meeting.

This authorisation would carry by law the cancellation of shareholders' preferential subscription rights.

Nineteenth resolution: delegation of authority to the Board of Directors to increase the share capital in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies made to the Company

The Annual General Meeting, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings and acting in accordance with the provisions of Articles L. 225-129 *et seq.* of the French Commercial Code, particularly Article L. 225-147 of said Code, and Articles L. 22-10-49 (formerly L. 225-129-4) and L. 22-10-53 (formerly Article L. 225–147, sub-section 6) of the same Code:

1. delegates to the Board of Directors, under the conditions provided for by law, the option to carry out a capital increase, on one or more occasions, up to a maximum of 2% of the share capital on the date of the capital increase decision, on the Report of the Contribution Auditor(s) cited in sections 1 and 2 of the aforementioned Article L. 225-147 if it is necessary, in order to remunerate contributions in kind made to the Company consisting of equity securities or securities giving access to the share capital, through the issuance, on one or more occasions, of ordinary shares of the Company, when the provisions of Article L. 22-10-54 (formerly L. 225-148) of the French Commercial Code are not applicable;
2. decides that the amount of the capital increase(s) that may be carried out under this resolution will be charged against the total ceiling for share capital increases stipulated in the seventeenth resolution of this General Meeting;
3. decides that, if a third party files a public offer for the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the General Meeting;
4. notes that, in accordance with the law, the shareholders will not have a preferential subscription right to the shares issued under this delegation;
5. decides that the Board of Directors will have full powers, with the possibility to delegate further, under the conditions provided for by law, to implement this resolution in order to:
   - decide on the capital increase that remunerates the contributions,
   - establish the list of equity securities or securities contributed, approve, on the basis of the Report of the Contribution Auditor(s) cited in sections 1 and 2 of the aforementioned Article L. 225-147, if it is necessary, the valuation of the contributions, set the conditions of the issuance of the shares that remunerate the contributions and, if applicable, the amount of the cash balance to be paid, approve the grant of specific advantages and their value, and reduce, if the contributors so agree, the valuation of the contributions or the remuneration for the specific advantages,
   - note the completion of each capital increase and amend the articles of association accordingly,
   - deduct any costs of the capital increase(s) against the contribution premium and take from this amount the sums necessary to fund the legal reserve,
   - in general, take all measures and perform all formalities useful for the issuance, listing, and the financial service of the shares issued under this delegation;
6. sets the validity period of this authorisation at 26 months from the date of this Annual General Meeting ; and
7. notes that this delegation renders ineffective any prior delegation having the same purpose.

Resolutions 20, 21: Delegations of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees and certain categories of employees internationally, with cancellation of the shareholders' preferential subscription rights

EXPLANATORY STATEMENT

It is proposed to the Annual General Meeting, pursuant to the twentieth resolution, to delegate the Board of Directors with the authority to decide on a capital increase in favour of the Group's employees who are members of an Employee Savings Scheme.

This resolution, valid for a period of 26 months, would enable the employees of Group companies to subscribe to L'Oréal shares, in France, within the scope of employee savings schemes.

In order for the Board to be able to implement, where applicable, a global employee share ownership programme under the best possible conditions, it is also proposed to the Annual General Meeting in the twenty-first resolution to delegate to the Board of Directors the authority to increase the share capital in favour of Group employees or categories of Group employees outside France.

This resolution, valid for a period of 18 months, would make it possible to propose the subscription of L'Oréal shares to Group employees or categories of Group employees outside France, by adapting the conditions of the offering to local specificities.

Under the twentieth resolution, the issue price may not be higher than the average of the trading prices recorded on the Euronext Paris market for the twenty trading days prior to the date of the decision setting the opening date of the subscription period, nor may it exceed the legal maximum of 30% of this average, it being specified that the Board of Directors, or its delegated agent, is expressly authorised, if he deems wise, to reduce or eliminate the discount.

Pursuant to the twenty-first resolution, the issue price would be determined under terms and conditions similar to those set for the twentieth resolution, and could also be set taking into account the specific regime of an offering of shares in the Company carried out within the framework of a share ownership scheme governed by foreign law.

The Annual General Meeting is therefore asked, under the twentieth and twenty-first resolutions, to delegate to the Board of Directors the authority to increase the share capital of the Company, on one or more occasions, within the limit of 1% of the share capital, which is, for information purposes at 31 December 2020 through the issue of 5,598,715 new shares; this ceiling being applicable jointly to the twentieth and twenty-first resolutions. The amount of the capital increases that may be carried out on the basis of the twentieth and twenty-first resolutions would be charged against the total ceiling of 40% of the capital stipulated in the seventeenth resolution approved by this Annual General Meeting.

Twentieth resolution: delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of shareholders' preferential subscription rights

The Annual General Meeting, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings and acting in accordance with the provisions of Articles L. 225-129–2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labour Code:

1. delegates to the Board of Directors the authority to carry out, on one or more occasions, on its own decisions alone, in the proportions and at the times it may consider appropriate, the issuance of ordinary shares or securities giving access to the Company's capital reserved for employees, corporate officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are members of an Employee Savings Scheme;
2. decides to cancel, in favour of the employees, directors, corporate officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are members of an Employee Savings Scheme, the shareholders' preferential subscription rights to the shares or securities giving access to the Company's capital; it being specified that the subscription of the shares or securities giving access to the Company's capital issued on the basis of this resolution may be carried out through any employee investment fund and, in particular, a "structured" employee investment fund within the meaning of the regulations of the French financial markets authority (*Autorité des Marchés Financiers*), or any other collective body authorised by the regulations;
3. sets the period of validity of this delegation of authority at 26 months as from the date of this Annual General Meeting, and notes that this delegation renders ineffective the unused portion of any prior delegation for the same purpose; it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the General Meeting;

4. decides to set at 1% of the share capital existing at the date of this Annual General Meeting, the capital increase that could thus be carried out (namely, for information purposes, as at 31 December 2020, an increase in the share capital by a nominal amount of €1,119,743 by issuing 5,598,715 new shares); it being specified that the cumulative amount of the increases in share capital that may be carried out under this resolution and the twenty-first resolution may not exceed the maximum amount of 1% of the share capital existing at the date of this Annual General Meeting, which constitutes a ceiling applicable jointly to the twentieth and twenty-first resolutions;
5. decides that the amount of the increases in capital that may be carried out pursuant to this resolution will be charged against the total ceiling stipulated in the seventeenth resolution of this Annual General Meeting or, as applicable, against the ceiling stipulated by a similar resolution that may potentially succeed this seventeenth resolution during the valid period of this delegation;
6. decides that the subscription price may include a discount to the average of the trading prices on the Euronext Paris market for the 20 trading days prior to the date of the decision setting the opening date of the subscription period. Such discount may not exceed the legal maximum of 30% of this average, it being specified that the Board of Directors, or its delegated agent, if it deems appropriate, is expressly authorised to reduce or eliminate the discount, in particular to take into account market practices, legal and tax regimes applicable in the countries of residence of the beneficiaries of the capital increase;
7. decides, pursuant to Article L. 3332-21 of the French Labour Code, that the Board of Directors will be able to provide for the free grant to the beneficiaries specified above of shares that have already been issued or are to be issued, for the employer contribution that may be paid pursuant to the Employee Savings Scheme regulations, and/or in respect of the discount, provided that, after taking into account their equivalent monetary value, valued at the subscription price, this does not have the effect of exceeding the limits provided for in Articles L. 3332-11 and L. 3332-19 of the French Labour Code;
8. decides that the Board of Directors will have full powers with the possibility to delegate further under the conditions provided for by law, to implement this delegation of authority within the limits and under the conditions specified above, in particular in order to:
   - set the conditions that must be met by the employees and eligible former employees to be able to subscribe, individually or through an employee investment fund, to the shares issued pursuant to this delegation,
   - decide on the list of the companies whose employees may benefit from the issue,
   - decide on the amount to be issued, the features, where applicable, of the securities giving rights to the Company's capital, the issue price, the dates of the subscription period and the terms and conditions of each issue,
   - set the time period allotted to the beneficiaries to pay up their securities and the payment terms,
   - set the date, even with retrospective effect, as of which the new shares will carry dividend rights,
   - deduct, where applicable, the costs, taxes and fees of such issues from the amount of the share premiums and deduct, where applicable, from the amounts of the share premiums, the amounts required to increase the legal reserve to the level required by the French legislation and regulations in force, and, in the event of an issue of new free shares granted in respect of the employer contribution and/or discount, to deduct, where applicable, the sums necessary for paying up such shares from the reserves, profits or share premiums of its choice; and
   - in general, carry out all acts and formalities, take any decisions and enter into any agreements that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly.

Twenty-first resolution: delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the scope of an employee share ownership plan

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, and acting in accordance with the provisions of Articles L. 225-129-2 and L. 225-138 of the French Commercial Code:

1. delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or more occasions, in the proportions and at the times it may consider appropriate, through the issue of shares or securities giving access to the Company's capital with cancellation of shareholders' preferential subscription rights in favour of the beneficiaries defined below;
2. decides to cancel shareholders' preferential subscription rights to the shares and securities giving access to the Company's capital issued within the scope of this delegation of authority and to reserve the right to subscribe them to one or several categories of beneficiaries meeting the following characteristics: (i) employees, directors and corporate officers of affiliates of the Company under the conditions of Article L. 225-180 of the French Commercial Code and Article L. 3341-1 of the French Labour Code and which have their headquarters outside France and/or (ii) for UCITS or other entities governed by French or foreign law, whether or not they constitute a legal person, of employee share ownership schemes invested in shares of the Company whose unitholders or shareholders will consist of the persons mentioned in paragraph (i) or enabling the persons mentioned in paragraph (i) to benefit, either directly or indirectly, from a Company employee share ownership plan or employee share savings scheme;
3. sets the period of validity of this delegation of authority at 18 months as from the date of this Annual General Meeting, and notes that this delegation renders ineffective the unused portion of any prior delegation for the same purpose; it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting;

4. decides that the issue price of the new shares, to be issued pursuant to this delegation of authority, will be set, (i) on the basis of an average of the trading prices on the Euronext Paris market for the 20 trading days prior to the date of the decision of the Board of Directors or the Chief Executive Officer, setting the opening date of the subscription period, with a maximum discount of 30%, and/or (ii) at the same price as decided on the basis of the twentieth resolution at the time of a simultaneous transaction, and/or (iii) in accordance with the terms and conditions for setting the subscription price for the Company's shares taking into account the specific regime of an offering of shares in the Company that would be carried out within the framework of a share ownership scheme governed by foreign law, and in particular within the scope of a Share Incentive Plan in the United Kingdom or a 401k or 423 plan in the United States;
5. decides to set at 1% of the share capital existing at the date of this Annual General Meeting, the capital increase that may be carried out (namely, for information purposes, at 31 December 2020, an increase in the share capital by a maximum nominal amount of €1,119,743 through the issue of 5,598,715 new shares), it being specified that the cumulative amount of the increases in share capital that may be carried out under this resolution and the twentieth resolution may not exceed the maximum amount of 1% of the share capital existing at the date of this Annual General Meeting, which constitutes a ceiling applicable jointly to the twentieth and twenty-first resolutions;
6. decides that the amount of the capital increase(s) in capital that may be carried out under this resolution will be charged against the total ceiling stipulated in the seventeenth resolution of this Annual General Meeting;
7. decides that the Board of Directors will have full powers, to delegate further under the conditions provided for by law, with the possibility to delegate authority on one or more occasions, in particular in order to:
   - decide on the list of beneficiaries, from one or more categories defined above, or the categories of employees who will be beneficiaries of each issue and the number of shares to be subscribed to by each of them,
   - determine the formulas and methods of subscription which will be presented to the employees in each country concerned, in light, where applicable, of the local legal constraints that apply, and select the countries chosen from those in which the Group has subsidiaries as well as such subsidiaries whose employees will be able to participate in the transaction,
   - decide on the maximum number of shares to be issued, within the limits set by this resolution and record the final amount of each capital increase and amend the Articles of Association accordingly,
   - decide on the dates and any other terms and conditions of such an increase in capital under the conditions provided for by law,
   - deduct the costs of such an increase in capital from the amount of the related share premiums and take from this amount the amounts necessary to increase the legal reserve to one-tenth of the new amount of the share capital resulting from such an increase, and
   - in general, carry out all acts and formalities, take any decisions and enter into any agreements that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly.

Resolution 22: Amendment to Article 9 of the Articles of Association to provide for written consultation of the Directors under the conditions defined by the regulations

| EXPLANATORY STATEMENT

The Annual General Meeting is asked, pursuant to Article L. 225-37 of the French Commercial Code, as amended by law No. 2019-744 of 19 July 2019, to provide for the possibility for the members of the Board of Directors to take certain decisions by written consultation, meaning without holding a Board meeting.

Article 9 "Deliberations of the Board of Directors" of the Company's Articles of Association would be amended as a result.

This new option is intended to increase the Board's reactivity by offering this additional flexibility in decision-making process falling within powers specific to the Board of Directors, which are limited to those listed by the regulations.

To date, decisions covered by the regulations are provisional appointments of Directors in the event of death or resignation, co-optations when the number of directors is lower than the statutory minimum or when the composition of the Board no longer complies with the proportion of each gender required by law, the authorisations of pledges, endorsements and securities, the calling of the Annual General Meeting, the use of any delegation granted by the General Meeting to bring the Articles of Association in line with laws and regulations, and the transfer of the headquarters within the same department.

Twenty-second resolution: Amendment to Article 9 of the Articles of Association to provide for written consultation of the Directors under the conditions defined by the regulations

The Annual General Meeting, voting with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors, decides to amend § 2 of Article 9 of the Company's Articles of Association to provide for written consultation of directors under the conditions defined by the regulations. The rest of Article 9 of the Company's Articles of Association remains unchanged.

Current version of § 2 of Article 9 of the Articles of Association	New version of § 2 of Article 9 of the Articles of Association
§ 2 – The Board of Directors meets when convened by its Chairman as often as this is deemed necessary in the interest of the Company.	§ 2 – The Board of Directors meets when convened by its Chairman as often as this is deemed necessary in the interest of the Company.
Board meetings are held either at the registered office or at any other place indicated by the author(s) of the notice to attend.	Board meetings are held either at the registered office or at any other place indicated by the author(s) of the notice to attend.
Notices to attend meetings may be issued by any means and may even be issued verbally.	Notices to attend meetings may be issued by any means and may even be issued verbally.
In accordance with legal and statutory provisions and subject to the limitations stipulated by these provisions, directors participating in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of quorum and majority calculations.	In accordance with legal and statutory provisions and subject to the limitations stipulated by these provisions, directors participating in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of quorum and majority calculations.
	The Board of Directors may also take the decisions listed by the regulations by written consultation of the Directors.
Sessions are held under the chairmanship of the Chairman of the Board of Directors.	Sessions are held under the chairmanship of the Chairman of the Board of Directors.
If the Chairman is absent, the session is directed by the director specially elected for this purpose by the Board members present at the meeting; if the votes are equal for this election, the session is chaired by the oldest of the candidates.	If the Chairman is absent, the session is directed by the director specially elected for this purpose by the Board members present at the meeting; if the votes are equal for this election, the session is chaired by the oldest of the candidates.

Resolution 23: Powers for formalities

| EXPLANATORY STATEMENT

This resolution is intended to grant the powers necessary to carry out all formalities resulting from the Annual General Meeting.

Twenty-third resolution: Powers for formalities

The Annual General Meeting grants full powers to the bearer of an original, copy or extract of these minutes to accomplish all legal and administrative formalities, and to make all filings and announcements prescribed by law.

8.2. STATUTORY AUDITORS' REPORTS

8.2.1. Statutory Auditors' report on the issue of shares and securities granting access to the Company's share capital reserved for members of an employee savings scheme

(Ordinary and Extraordinary Annual General Meeting of 20 April 2021 - Twentieth resolution)

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

L'ORÉAL

14, rue Royale

75008 Paris

To the Shareholders

In our capacity as the Statutory Auditors of your Company and in accordance with articles L.228-92 and L.225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegation of authority to the Board of Directors to issue ordinary shares or securities granting access to the Company's share capital, with cancelation of preferential subscription rights, reserved for employees, directors, corporate officers and eligible former employees of your Company and of French and non-French entities related to your Company within the meaning of article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labour Code (*Code du travail),* who are members of a Company employee savings scheme, a matter submitted for your approval.

This transaction is submitted for your approval in accordance with the provisions of article L.225-129-6 of the French Commercial Code and articles L.3332-18 *et seq.* of the French Labour Code.

The total number of shares that may be issued, on one or more occasions, either immediately or in the future, under this delegation, may not exceed 1% of the Company's share capital as at the date of this Annual General Meeting, it being specified that:

- the aggregate amount of the share capital increases that may be carried out under this resolution and the twentieth resolution may not exceed the maximum amount of 1% of the share capital as at the date of this Annual General Meeting, and
- the amount of any share capital increases that may be carried out, under this resolution, will count towards the maximum limit for share capital increases set in paragraph two of the seventeenth resolution of this Annual General Meeting.

On the basis of its report, the Board of Directors invites you to delegate, for a period of twenty-six months as from the date of this Annual General Meeting, the authority to decide to undertake one or more share capital increases and to cancel your preferential subscription rights to the shares or securities to be issued. The Board of Directors would be responsible for setting the final terms and conditions of any such issue.

It is the role of the Board of Directors to prepare a report in accordance with articles R.225-113 *et seq.* of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the information taken from the financial statements, on the proposed cancelation of preferential subscription rights and on certain other information relating to the issue, presented in this report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying the information disclosed in the Board of Directors' report relating to the transaction and the terms and conditions for setting the issue price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of each proposed issue, we have no matters to report as regards the methods used to set the issue price of the securities to be issued as set out in the Board of Directors' report.

Since the final terms and conditions of the issue(s) have not been set, we do not express an opinion in this respect or, consequently, on the proposed cancelation of shareholders' preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code, we will prepare an additional report if and when the Board of Directors uses this delegation of authority to issue shares or securities granting access to other securities, or issue securities granting access to securities to be issued.

Neuilly-sur-Seine and Paris-La Défense, 17 February 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire Ferrié	Frédéric Moulin

8.2.2. Statutory Auditors' report on the issue of shares and securities granting access to the Company's share capital reserved for categories of beneficiaries consisting of employees of foreign subsidiaries within the scope of an employee share ownership program

(Ordinary and Extraordinary Annual General Meeting of 20 April 2021 – Twenty-first resolution)

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

L'ORÉAL

14, rue Royale

75008 Paris

To the Shareholders

In our capacity as the Statutory Auditors of your Company and in accordance with articles L.228-92 and L.225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegation of authority to the Board of Directors to issue ordinary shares or securities granting access to the Company's share capital, with cancelation of preferential subscription rights, reserved for one or more categories of beneficiaries meeting the following characteristics: (i) employees, directors and corporate officers of entities related to the Company within the meaning of article L.225-180 of the French Commercial Code and article L.3341-1 of the French Labour Code (*Code du travail*), which have their registered office outside France and/or (ii) UCITS or other entities governed by French or non-French law, whether or not they have legal personality, established for the purposes of employee share ownership programs invested in shares of the Company whose unitholders or shareholders will consist of the persons defined in (i) or enabling the persons defined in (i) to benefit, either directly or indirectly, from an employee share ownership or Company employee share savings program, a matter submitted for your approval.

The total number of shares that may be issued, on one or more occasions, either immediately or in the future, under this delegation, may not exceed 1% of the Company's share capital as at the date of this Annual General Meeting, it being specified that:

- the aggregate amount of the share capital increases that may be carried out under this resolution and the twentieth resolution may not exceed the maximum amount of 1% of the share capital as at the date of this Annual General Meeting,
- the amount of any share capital increases that may be carried out, under this resolution, will count towards the maximum limit for share capital increases set in paragraph two of the seventeenth resolution of this Annual General Meeting.

On the basis of its report, the Board of Directors invites you to delegate, for a period of eighteen months as from the date of this Annual General Meeting, the authority to decide to undertake one or more share capital increases and to cancel your preferential subscription rights to the shares or securities to be issued. The Board of Directors would be responsible for setting the final terms and conditions of any such issue.

It is the role of the Board of Directors to prepare a report in accordance with articles R.225-113 *et seq.* of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the information taken from the financial statements, on the proposed cancelation of preferential subscription rights and on certain other information relating to the issue, presented in this report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying the information disclosed in the Board of Directors' report relating to the transaction and the terms and conditions for setting the issue price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of each proposed issue, we have no matters to report as regards the methods used to set the issue price of the securities to be issued as set out in the Board of Directors' report.

Since the final terms and conditions of the issue(s) have not been set, we do not express an opinion in this respect or, consequently, on the proposed cancelation of shareholders' preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code, we will prepare an additional report if and when the Board of Directors uses this delegation of authority to issue shares or securities granting access to other securities, or issue securities granting access to securities to be issued.

Neuilly-sur-Seine and Paris-La Défense, 17 February 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire Ferrié	Fredéric Moulin

9. APPENDICES

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9.1. STATUTORY AUDITORS

9.1.1. Auditors

	Current appointments			
	Date of first appointment	Date of appointment	Term of office	Expiry date
Auditors				
PricewaterhouseCoopers Audit				
Auditor, member of the Compagnie Régionale de Versailles, represented by Anne-Claire Ferrié 63, rue de Villiers 92200 Neuilly-sur-Seine (France)	29 April 2004	20 April 2016	6 years	AGM reviewing the financial statements for 2021 to be held in 2022
Deloitte & Associés				
Auditor, member of the Compagnie Régionale de Versailles, represented by Frédéric Moulin 6, place de la Pyramide 92908 Paris-La Défense Cedex (France)	29 April 2004	20 April 2016	6 years	AGM reviewing the financial statements for 2021 to be held in 2022
Substitute auditors				
Mr Georghiou Jean-Christophe 63, rue de Villiers 92200 Neuilly-sur-Seine (France)	20 April 2016	20 April 2016	6 years	
Société BEAS 6, place de la Pyramide 92908 Paris-La Défense Cedex (France)	27 April 2010	20 April 2016	6 years	

9.1.2. Fees to Statutory Auditors and members of their networks payable by the Group

See note 15 of the Consolidated financial statements in chapter 5 of this document.

9.2. HISTORICAL FINANCIAL INFORMATION INCLUDED BY REFERENCE

In accordance with Article 19 of European regulation EU No. 2017/1129 of 14 June 2017, this 2020 Universal Registration Document contains the following information by reference:

- the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS and the accompanying Statutory Auditors' Report presented on pages 302 to 305 of the 2019 Registration Document, filed with the French Financial Markets Authority (AMF) on 17 March 2020 under number D.20-0133, and the information extracted from the 2019 Management Report presented on pages 32 to 41 of the 2019 Registration Document;
- the consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS and the accompanying Statutory Auditors' Report presented on pages 300 to 303 of the 2018 Registration Document, filed with the French Financial Markets Authority (AMF) on 14 March 2019 under number D. 19-0151, and the information extracted from the 2018 Management Report presented on pages 27 to 37 of the 2018 Registration Document.

9.3. PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr Christophe Babule, Chief Financial Officer, on the authority of L'Oréal's Chairman and Chief Executive Officer, Mr Jean-Paul Agon.

9.4. DECLARATION BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

"I declare that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all the other companies included in the scope of consolidation, and that the elements of the Management Report included in this document, as detailed in the table of concordance in section 9.8, present a fair review of the development and performance of the business and the position of the Company and all the other companies included in the scope of consolidation, together with a description of the principal risks and uncertainties that they face."

Clichy, 12 March 2021

On the authority of the Chairman and Chief Executive Officer,

Christophe Babule,

Chief Financial Officer

9.5. CROSS-REFERENCE TABLE WITH THE UNIVERSAL REGISTRATION DOCUMENT

In order to facilitate the reading of this Universal Registration Document, the following table provides the page references of the main information required by Annex 1 of European delegated regulation No. 2019/980, completing the European regulation No. 2017/1129.

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8.3. Information on the borrowing requirements and funding structure	18, 289-292, 331
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12.1. Information about the Board of Directors and the General Management	8-11, 50-51, 59-66
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14.1. Date of expiration of the current tenure	9, 59-66
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16. Major shareholders	
16.1. Shareholders having more than a 5% interest in the issuer's capital or voting rights	355
16.2. Existence of different voting rights	351
16.3. Control of the issuer	N/A
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9.6. ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

In order to facilitate the reading of Annual Financial Report (*Rapport Financier Annuel*), the following table provides the page references of the main information required by Article L. 451-1-2 of the French Monetary and Financial Code and by Article 222–3 of the General Regulation of the Autorité des Marchés Financiers.

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9.7. CROSS-REFERENCE TABLE WITH THE AMF[1] TABLES ON THE REMUNERATION OF DIRECTORS AND CORPORATE OFFICERS

The following thematic table has been prepared in order to make it possible to look at the information provided on remuneration from the perspective of the presentation in the form of 11 tables recommended by the AMF in its guide for preparing universal registration documents published on 8 January 2021 (see also AFEP-MEDEF Code).

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Table No 5. Stock options for the subscription or purchase of shares exercised during the financial year by each corporate officer	111 4th table
Table No 6. Performance shares granted to each corporate officer	112 1st table
Table No 7. Performance shares that have vested for each corporate officer	112 2nd table
Table No 8. History of grants of stock options for the subscription or purchase of shares	111 3rd table
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Table No 10. Historical information on free grants of shares	362 1st table
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(1) *AMF:* Autorité des Marchés Financiers.

9.8. MANAGEMENT REPORT CROSS-REFERENCE TABLE

In order to review the elements of the Management Report, the following thematic table makes it possible to identify the main information provided for by Articles L. 225-100 et seq., L. 22-10-35 et L. 22-10-36, L. 232-1 and R. 225-102 et seq. of the French Commercial Code and the specific section of the Annual Report related to the corporate governance pursuant to Articles L. 225-37, al 6 et seq., L. 22-10-8 et seq. of the French Commercial Code.

Elements of the 2020 Management Report	References	Chapter/Pages
Group situation and activity		
Situation of the Company during the past fiscal year and objective and exhaustive analysis of the business development, results and financial situation of the Company and the Group, in particular its debt situation, in relation to the volume and complexity of business	L. 225-100-1, I-1°, L. 232-1, II, L. 233-6 and L. 233-26 of the French Commercial Code	33-40
Key financial performance indicators	L. 225-100-1, I-2° of the French Commercial Code	12-18
Key non-financial performance indicators relating to the Company and the Group's specific activity	L. 225-100-1, I-2° of the French Commercial Code	12-18, 45-46
Significant events since the beginning of the current fiscal year	L. 232-1, II and L. 233-26 of the French Commercial Code	41
Company and Group foreseeable trends and outlooks	L. 232-1, II and L. 233-26 of the French Commercial Code	41
Identity of the main shareholders and voting rights holders in the General Meeting, and modifications during the fiscal year	L .233-13 of the French Commercial Code	355
Existing branch offices ("succursales")	L. 232-1, II of the French Commercial Code	47
Significant acquisitions during the fiscal year of equity interests in companies which have their registered office in France	L. 233-6 paragraph 1 of the French Commercial Code	342
Disposal of cross-shareholdings	L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code	N/A
Research and Development activities (and operations)	L. 232-1, II and L. 233-26 of the French Commercial Code	23–32
Table of Company results over the past five fiscal years	R. 225-102 of the French Commercial Code	341
Information on suppliers and customers payment terms	D. 441-6 of the French Commercial Code	340
Intragroup loans granted and auditors declaration	L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code	N/A
Risks factors, internal control and risk management		
Description of the main risks and uncertainties faced by the Company	L. 225-100-1, I-3° and 4° of the French Commercial Code	140-149
Description of the financial risks related to the effects of climate change and of the measures taken by the Company to reduce them through a low-carbon strategy in all components of its business	L. 22-10-35, 1° of the French Commercial Code	146, 169-175, 193-200
Internal control and risk management procedures implemented by the Company and the Groupe, related to preparation and processing of financial and accounting information	L. 22-10-35, 2° of the French Commercial Code	124-125
Information on the objectives and policy regarding the hedging of each main category of transactions and on the exposure to price, credit, liquidity and treasury risks, including the use of financial instruments	L. 225-100-1., 4° of the French Commercial Code	293-296
Anti-corruption policy	Loi n° 2016-1691 of December 9, 2016 called « Sapin 2 »	227-228
Vigilance Plan and update on its effective implementation	L. 225-102-4 of the French Commercial Code	127-139
Corporate Governance		
Information on remuneration		
Remuneration policy of the Directors and Corporate Officers	L. 22-10-8, I, paragraph 2 of the French Commercial Code	88-100
Remuneration and benefits of any kind paid during or awarded in respect of the fiscal year to each Director and Corporate Officer	L. 22-10-9, I-1° of the French Commercial Code	101-105

Elements of the 2020 Management Report	References	Chapter/Pages
Relative proportion of the fixed and variable remuneration	L. 22-10-9, I-2° of the French Commercial Code	91
Use of the "claw back" possibility to claim the return of variable remuneration	L. 22-10-9, I-3° of the French Commercial Code	N/A
Commitments of any kind made by the Company for the benefit of its Directors and Corporate Officers, corresponding to elements of remuneration, indemnities or benefits due or likely to be due as a result of the assumption, termination or change in their duties, or thereafter	L. 22-10-9, I-4° of the French Commercial Code	106-110
Remuneration paid or granted by a company included in the scope of consolidation pursuant to Article L. 233-16 of the French Commercial Code	L. 22-10-9, I-5° of the French Commercial Code	N/A
Remuneration ratios between the remuneration of each Corporate Officer and the average and median remunerations of the Company employees	L. 22-10-9, I-6° of the French Commercial Code	105
Annual change in the remuneration, the Company's performances, the average remuneration of the Company employees and the abovementioned ratios over the five past fiscal years	L. 22-10-9, I-7° of the French Commercial Code	105
Explanation on how the total remuneration complies with the remuneration policy adopted, including the way it contributes to long term performances of the Company and the way the performance criteria has been applied	L. 22-10-9, I-8° of the French Commercial Code	89-90, 103-105
Manner in which the vote of the last ordinary general meeting provided for by I of article L. 22-10-34 of the French Commercial Code has been taken into account	L 22-10-9 I-9° of the French Commercial Code	88
Deviation from the procedure for the implementation of the remuneration policy and any derogations	L. 22-10-9, I-10° of the French Commercial Code	99
Application of Article L. 225-45 al. 2 of the French Commercial Code (suspension of payment of directors' remuneration in the event of failure to comply with the Board of Directors' gender diversity)	L. 22-10-9, I-11° of the French Commercial Code	N/A
Attribution and retention of stock options by Directors and Corporate Officers	L. 225-185 of the French Commercial Code	111
Attribution and retention of free share grants to Corporate Officers	L. 225-197-1 and L. 22-10-59 of the French Commercial Code	112
Information on governance		
List of all terms of office and functions held in any company by each Director and Corporate Officer during the fiscal year	L. 225-37-4, 1° of the French Commercial Code	59-66
Agreements between an Executive Officer or a major shareholder and a subsidiary	L. 225-37-4, 2° of the French Commercial Code	N/A
Table summarizing the authorisations in force granted by the Annual General Meeting	L. 225-37-4, 3° of the French Commercial Code	353
Procedures for exercising the General Management	L. 225-37-4, 4° of the French Commercial Code	50
Composition, preparation and modus operandi of the work of the Board of Directors	L. 22-10-10, 1° of the French Commercial Code	53, 69-73
Description of the diversity policy, objectives and results applied to Board members (including gender diversity)	L. 22-10-10, 2° of the French Commercial Code	54–55
Limits provided by the Board of Directors on Chief Executive Officer's powers	L. 22-10-10, 3° of the French Commercial Code	80
Reference to of the AFEP-MEDEF Corporate Governance Code and application of the comply or explain principle	L. 22-10-10, 4° of the French Commercial Code	50, 113
Specific conditions related to shareholders' attendance at the Annual General meeting	L. 22-10-10, 5° of the French Commercial Code	351-352
Description and implementation of the evaluation procedure of non-regulated agreements	L 22-10-10, 6° of the French Commercial Code	75
Information that may have an impact in the event of a takeover bid or exchange offer Shareholders' agreements relating to the securities comprising the Company's share capital	L. 22-10-11 of the French Commercial Code	355-356
Share ownership and capital		
Structure and change in Company capital and threshold notifications	L. 233-13 of the French Commercial Code	355-356
Acquisition and disposal by the Company of treasury shares	L. 225-211 of the French Commercial Code	357
Employee share ownership	L. 225-102 al. 1 of the French Commercial Code	355-356

Elements of the 2020 Management Report	References	Chapter/Pages
Possible adjustments for securities giving access to share capital in case of buybacks of shares or financial transactions	R. 228-90 and R. 228-91 of the French Commercial Code	N/A
Information on trading by Directors, Corporate Officers and related persons in L'Oréal Shar	L. 621-18-2 of the French Monetary and Financial Code	114
Amount of dividends paid out in respect of the three previous fiscal years	243 *bis* of the French Tax Code	17, 363
Non-financial statement	L. 225-102-1, L.22-10-38, R. 225-105 of the French Commercial Code	See Cross-reference table, 236-238
Additional Information		
Additional tax information	223 *quater* and 223 *quinquies* of the French Tax Code	339
Injunctions or financial penalties in respect of anti-competitive practices	L. 464-2 of the French Commercial Code	304

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