L'ORÉAL

2022 UNIVERSAL REGISTRATION DOCUMENT

Including the Annual Financial Report, the Integrated Report
and the Non-Financial Information Statement

Contents

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

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

L'ORÉAL

Universal Registration Document

2022

INCLUDING THE ANNUAL FINANCIAL REPORT
THE INTEGRATED REPORT AND THE NON-FINANCIAL INFORMATION STATEMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The Universal Registration Document has been filed on March 16, 2023 with the French Financial Markets Authority (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to article 9 of said regulation.

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

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

This document, available on www.loreal-finance.com, is a free translation of the original 2022 Universal Registration Document issued in French Language and is provided solely for information purposes. In case of discrepancy between the French and English versions, the French language version of the Universal Registration Document shall prevail.

“More than ever, L’Oréal is driven by tremendous energy”

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

In a turbulent environment, L’Oréal showed outstanding agility and overcame a series of challenges thanks to the assets that make it strong.

The first of these assets is our people: the L’Oréalians. They are the secret to our company’s success. Their determination to go that extra mile and their spirit of solidarity were, once again, exemplary. They have my utmost admiration.

Nicolas Hieronimus’ inspiring leadership was of course crucial in guiding teams and unlocking the impressive growth momentum in our sales, market shares and results. He and the Executive Committee succeeded in swiftly rising to challenges while seizing every opportunity in an ever-changing market. The complementarity of our roles as Chairman and CEO is crucial in pursuing L’Oréal’s ambitious and harmonious development.

I know our people are utterly committed to fighting for a more sustainable planet and a more caring world. As Chairman, I will always ensure L’Oréal continues to embody and inspire change with perseverance, ambition and sincerity.

Dual financial and social excellence will always be at the heart of our business model.

On behalf of the Board of Directors, I would like to thank and congratulate our CEO, the members of the Executive Committee and all our employees around the world for their remarkable achievements.

L’Oréal’s highly demanding governance is also one of its fundamental assets. With their wide-ranging expertise and fruitful exchanges, our directors foster a long-term vision and set a clear course for the Group. This year, the Board focused on strategies in Research & Innovation, Beauty Tech and Green Sciences, as well as our corporate social and environmental responsibility.

Another key asset is the loyalty of our shareholders, with whom the Group has a very close relationship. In this respect, 2022 was a year to remember in terms of The many awards received by L’Oréal for the quality of its financial communications.

Finally, our founding principles never waver. They give us the stability to weather any storm. Underpinned by entrepreneurial spirit, boldness, imagination and ethics, L’Oréal is full of resources, thrives on its diversity and is concerned about the world we live in.

All of these assets fill me with immense confidence inthe future.

We are perfectly prepared to create the best of beauty. Our market is solid, our value creation model is balanced and virtuous. Our governance is robust and vigilant. Our teams are talented and determined. Our brands are strong and inclusive. Innovation is in our DNA and greatly augmented by our Beauty Tech and digital edge.

More than ever, L’Oréal is driven by tremendous energy.

“ L’Oréal has emerged stronger from 2022, we are fit for the future”

NICOLAS HIERONIMUS
Chief Executive Officer of L’Oréal

2022 was another year of remarkable, balanced and responsible performance. Reinforcing its position as the world’s leading beauty company, L’Oréal grew 1.8 times faster than the market, with +10.9% like-for-like growth and +18.5% reported, outperforming the market across all Divisions, all geographic Zones and all categories for the second year in a row.

The L’Oréal engine fired on all cylinders and the Group delivered another strong operating margin improvement. In line with our dual ambition of economic and corporate performance, L’Oréal has continued to deliver strong environmental and social performance. Our teams around the world are at the heart of this tremendous collective success.

Over the past three years, in a context of unprecedented poly-crisis, we have continued to transform ourselves and make our business model more virtuous. Leveraging our Research & Innovation capacity and strong brands, as well as our digital leadership, we have widened the gap with the market: we have emerged stronger from 2022 and are confident in our ability to achieve another year of growth in sales and profits in 2023.

Looking forward, we already see the dawn of a new era, multipolar and fragmented, augmented by Tech and Artificial Intelligence, with the highest expectations in terms of sustainability, purpose and cultural diversity. L’Oréal is uniquely positioned to win in this new world and evolve from «beauty for all» to «beauty for each», by leveraging its strengths: an unrivalled portfolio of desirable brands; our innovation leadership to champion Beauty Tech and stimulate consumers’ appetite for beauty with cutting-edge products and services; our industrial agility and our multipolar model – strategically centralised and operationally decentralised, with a strong entrepreneurial spirit. We are confident that the beauty market will grow yet further and that we will outperform, thanks to our unique culture.

L’Oréal is ready for a new era!

Watch the full interview with the CEO by scanning this QR code or on lorealrapportannuel2022.com

CHAPITRE 1

Presentation of the Group Integrated Report *

1

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

This chapter presents the well-balanced business model of the L'Oréal Group, its strategic orientations, its 2022 results, its non-financial performance, and its relationships with its stakeholders, particularly in the context of the L'Oréal for the Future sustainability programme[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 is 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 enjoy the unwavering support of his family, who have always accompanied our development.

Our goal is to offer each and every person around the world the best of beauty
in terms of quality, efficiency, safety, sincerity and responsibility
to satisfy all beauty needs and desires 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.*

L'Oréal's Sense of 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 sense of purpose was developed following the work implemented over almost two years, initiated and driven at the highest level by Mr Jean-Paul Agon and Mr Nicolas Hieronimus, as well as several members of the Executive Committee. L'Oréal's *raison d'être* was the result of dialogues with the Group's 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 its contribution to the world as a company, its values and its commitments in one document.

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

In 2022, L'Oréal received the Award for ESG Purpose and Commitments at the 2022 General Meeting and Gender Balance Awards ceremony, organised by the Institut du Capitalisme Responsable.

A single sentence epitomises L'Oréal's Sense of Purpose: "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. The majority of the Group's brands have supported their cause since 2018, in fields such as combating violence against women with the "Abuse is Not Love" programme from Yves Saint Laurent Beauty, with L'Oréal Paris backing the Stand Up campaign against street harassment and Lancôme helping women get access to reading with the *Write her Future* programme or in the environmental field with Biotherm's[(1)] *Water Lovers programme*.

In its Management Report, dislosed in the present document, 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:

- economic performance is inseparable from 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 sense of purpose. Chapter 4 reports on the social, environmental and societal policies and progress, inclusion and ethics within the L'Oréal for the Future programme covering the Group's commitments to sustainable development;
- L'Oréal also presents its progress and achievements in non-financial areas through its annual reporting made to the United Nations Global Compact;
- this chapter also reports on the Group's financial performance, particularly through its business model (see section 1.2.); and
- the Group's CSR performance is one of the factors considered in determining the variable portion of the remuneration of L'Oréal's executive corporate officers (see section 2.4.) and the Group's principal executives (see section 4.1.).

1.1.2. The strategy and fundamentals of L'Oréal

1. A clear vision and strategy

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

L'Oréal's strategy is Glocalisation, meaning the globalisation of its brands with a detailed understanding and respect for local differences, with the aim of winning and satisfying 1.5 billion consumers. 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. One single 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 a major competitive advantage for L'Oréal. The Group boasts more than one hundred years of cosmetic expertise, talented specialists and an in-depth knowledge of consumers. This is built on a detailed knowledge of beauty cultures, needs, desires and aspirations. L'Oréal covers all continents across more than 150 countries, all product categories[(2)], all distribution channels including e-commerce and Travel Retail, and all price segments.

By focusing its energy on a single business, along with an obsession for seizing "what is new and fresh" ("*Saisir ce qui commence*"), L'Oréal is able to identify new consumer trends and respond rapidly. The digital revolution in particular, in perfect alignment with "social beauty", connected and shared, acts to speed up the development of the beauty market driven by economic, technological, demographic and sociological developments.

(1) In 2022 Biotherm launched an ambitious mission to use yacht races, including the Route du Rhum 2022, to raise public awareness of the threats affecting the oceans.
(2) Hair colour, skincare, sun care, make-up, perfumes, hygiene products, etc.

3. The challenge of innovation: the strength of Research, Innovation (R&I) and Technology

Innovation has been and remains the core of the L'Oréal model: the Group was born from a breakthrough innovation – safe hair dye invented by its founder Eugène Schueller. L'Oréal believes that beauty happens when science and creativity come together to meet the needs of consumers who expect new experiences over and above products and services. The discoveries of R&I, as well as the unique intuition and creativity of the marketing teams, mean that products are constantly evolving to meet consumers' needs. 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.

On the one hand, the beauty of the future is now focused on **Green Sciences** that reconcile efficiency, naturalness and sustainability to give the Group's products, formulas or packaging a competitive advantage ; and, on the other hand, on **Beauty Tech** to enhance science via cutting-edge technologies on a large scale and to offer unparalleled beauty experiences. Innovation is at the heart of the model and, coupled with technology, is a driving force for growth and discovery of new areas of beauty. Data, artificial intelligence, robotics and nanotechnologies will strengthen and speed up the Group's innovations to help make it a champion of the Beauty Tech. L'Oréal invents the beauty of the future while becoming the company of the future.

4. Marketing of brands, products, services and of the customer experience

Over the next decade, the cosmetics market will become more digital and competitive, with the arrival of new players from new markets and other industries such as fashion, luxury and e-commerce. In this context, L'Oréal's expertise and excellence in creating and developing major brands that are prized by consumers all over the world will be essential assets. L'Oréal has always been able to create star products, from brand new franchise launches to innovations that evolve into "icons" over time. The skills of the marketing departments for our brands and laboratories are key assets in the collaborative, agile design of new products, services and customer experiences.

5. Adapting and seizing every opportunity through multi-polar growth in each region and division

L'Oréal's global footprint enables it to steer its growth by continuously adapting to the context it faces, seize opportunities as they arise and minimise exposure to areas where business is slower. In terms of regions, China is a major contributor for the Group and is set to become the leading beauty market; its consumers represent a significant source of growth, both in the local market and in Travel Retail. Then, North America, currently the premier beauty market, is boosted by its demographics, the reinforcement of ethnic diversity, and the ongoing acceleration of e-commerce. The third growth accelerator for the Group is that of emerging markets, particularly South-East Asia, India and the Middle East, with a population of 3 billion; these markets are young, connected and hungry for beauty products. Although Europe remains the Group's core region as well as its historic cradle, L'Oréal is also expected to accelerate its growth in Africa and continue its expansion in other regions of the world.

The Group's four divisions enable it to meet all consumer expectations. The Luxe Division is now the Group's primary division, responding to the desire for quality and experience in the upper-middle classes; the Consumer Products Division, the leading division in terms of units sold, is the main tool for conquering emerging markets; the Dermatological Beauty Division(1) responds to increasingly high expectations in terms of skincare and has more than doubled in size in five years; finally, the Professional Products Division enhances the sophistication of the market and the salon sector.

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

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

7. Prioritising people and social harmony

In keeping with the legacy of our founder, Eugène Schueller, individuals and social harmony are at the heart of L'Oréal and must remain our priority in a climate where attracting talent is becoming increasingly complex. The Group's values have always been humanist in nature. In entrepreneurial culture, passionate and committed teams are the strategic intangible assets that always have and always will make all the difference.

L'Oréal's human and social project constitutes both the strength and the appeal of its model in an ever-changing world. It is based around two priorities: the attention paid to developing each employee through ongoing training, accelerated career paths or international careers; and a unique social model that combines competitive social performance and shared growth (profit-sharing, incentives, employee shareholding plan etc.).

For more than 15 years, L'Oréal has been committed to diversity, equity and inclusion and recognised for its actions worldwide. The Group's policy in this area is further developed in section 4.3.2.6.

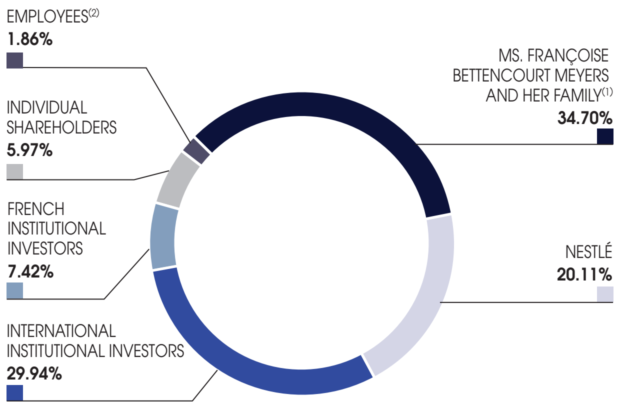
(1) *"Dermatological Beauty" Division, as announced on February 10, 2023. Previously named "Active Cosmetics" Division.*

1.1.3. 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.

1.1.3.1. Loyal shareholders, stable capital structure

Shareholders as at 31 December 2022



(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. The percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Including 1.02% of the share capital 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.

1.1.3.2. 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 2022, the Board of Directors comprised 16 members:

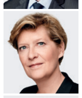
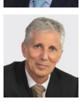
- the Chairman, Mr Jean-Paul Agon;
- the Chief Executive Officer, Mr Nicolas Hieronimus;
- three Directors (one of whom is the Board's Vice-Chairman) from the Bettencourt Meyers family, which owns 34.70% of the share capital – Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers;
- two Directors (one of whom is the Board's Vice-Chairman) linked to Nestlé, which owns 20.11% of the share capital – Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch;
- seven independent Directors: Ms Sophie Bellon, Ms Fabienne Dulac, Ms Belén Garijo, Ms Ilham Kadri, Ms Virginie Morgon, Mr Patrice Caine and Mr Alexandre Ricard. 50% of the Directors are therefore independent (7 out of 14 excluding the Directors representing the employees); and
- two Directors representing the employees: Mr Thierry Hamel and Mr Benny de Vlieger.

The Board takes steps to ensure that the Directors come from different backgrounds, that most of them have international experience acquired in groups with a global dimension, and that they have complementary skills (see section 2.2.1.2.). The diversity of skills and expertise on the Board enables it to understand rapidly and in detail the development challenges that L'Oréal faces.

L'Oréal is attentive to compliance with the principle of balanced gender representation on the Board: 50% of its members are women[1] and three Board Committees out of four are chaired by women.

(1) Excluding Directors representing the employees.

Composition of the Board at 31 December 2022

	At 31 December 2022		Age	Female/Male	Nationality	No. of offices in listed companies*	Independence	Initial date of appointment	Expiry date of term of office (AGM)	Years of service on the Board	Board Committees: Strategy and Sustainability	Board Committees: Audit	Board Committees: HR and Remuneration	Board Committees: Nominations and Governance
Chairman	**Mr Jean-Paul Agon**		66	M	French			25/04/2006	2026	16	**C**			
Chief Executive Officer	**Mr Nicolas Hieronimus**		58	M	French			20/04/2021	2025	1				
Françoise Bettencourt Meyers and her family	**Ms Françoise Bettencourt Meyers** Vice-Chairwoman		69	F	French			12/06/1997	2025	25	●		●	●
	Mr Jean-Victor Meyers		36	M	French			13/02/2012	2024	10	●			
	Mr Nicolas Meyers		34	M	French			30/06/2020	2024	2		●		
Directors linked to Nestlé	**Mr Paul Bulcke**** Vice-Chairman		68	M	Belgian Swiss	1		20/04/2017	2025	5	●		●	●
	Ms Béatrice Guillaume-Grabisch		58	F	French			20/04/2016	2024	6		●		
Independent directors	**Ms Sophie Bellon**		61	F	French	1	♦	22/04/2015	2023	7			**C**	**C**
	Mr Patrice Caine		52	M	French	1	♦	17/04/2018	2026	4	●			●
	Ms Fabienne Dulac		55	F	French	1	♦	18/04/2019	2023	3		●	●	
	Ms Belén Garijo		62	F	Spanish	2	♦	17/04/2014	2026	8			●	
	Ms Ilham Kadri		53	F	French Moroccan	2	♦	30/06/2020	2024	2		●		
	Ms Virginie Morgon		53	F	French	1	♦	26/04/2013	2025	9		**C**		
	Mr Alexandre Ricard		50	M	French	1	♦	20/04/2021	2025	1	●			
Directors representing employees	**Mr Thierry Hamel**		68	M	French			21/04/2022	2026	< 1				
	Mr Benny de Vlieger		58	M	Belgian			21/04/2022	2026	< 1				

56.8
average age of directors

50%
independent directors***

50%
female directors***

50%
male directors ***

♦ *Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors* ● *Member of the Committee*
C *Chairman of the Committee*
* *Number of offices (excluding L'Oréal) held in listed companies, including foreign companies, in accordance with the provisions of Article 20 of the AFEP-MEDEF Code (i.e. excluding offices in subsidiaries and shareholdings, held alone or in concert, by a corporate executive officer of companies whose main activity is to acquire and manage such holdings).*
** *Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017.*
*** *Excluding directors representing employees.*

Activities of the Board and its Committees in 2022

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 2022, the Board carried out an evaluation of its modus operandi and organisation, as it has done every year since 1996 (see section 2.3.5.).

BOARD OF DIRECTORS
7 meetings in 2022 – 97.5% attendance rate
MAIN WORK IN 2022

- **Corporate governance:**
  - Changes in the composition of the Board and Committees, preparation of draft resolutions on the renewal of terms of office ;
  - Information on the expectations of investors and proxy advisors ;
  - Extension of the separation of the offices of Chairman and Chief Executive Officer ;
  - Evaluation of the modus operandi of the Board and executive session.
- **Remuneration policy, Human Resources, gender balance within the management bodies**: discussion of the remuneration policy for directors and corporate officers for 2022 ; determination of the remuneration for directors and corporate officers for 2021 and evaluation of the performance of the Chief Executive Officer ; determination of the performance share award plan of 13 October 2022 and the third worldwide shareholding plan ; information and discussion of the Group's Human Resources policy, including the remuneration policy, diversity and gender balance policy, and the L'Oréal for Youth programme.
- **Business activity and results**: definition of the strategic orientations, taking into account social and environmental challenges; systematic review of the Group's results and analysis of changes in the cosmetics market.
- Information on the consequences of the Covid-19 **health crisis** and the **war in Ukraine.**
- **Strategic themes reviewed in 2022**: Cyber security, CSR, Ethics policy, Operations, China, Digital and e-commerce activities.
- **Strategic seminar held in June 2022**: Research & Innovation (Beauty Tech and Green Sciences) ; Risk mapping ; Indies Brands.
- **Training of the Board on CSR issues** in October 2022 with internal and external stakeholders.

STRATEGY AND SUSTAINABILITY COMMITTEE	AUDIT COMMITTEE	NOMINATIONS AND GOVERNANCE COMMITTEE	HUMAN RESOURCES AND REMUNERATION COMMITTEE
6 meetings – 100% attendance rate	*5 meetings – 93.5% attendance rate*	*4 meetings – 100% attendance rate*	*4 meetings – 91.5% attendance rate*
2022 MAIN ACTIVITIES	2022 MAIN ACTIVITIES	2022 MAIN ACTIVITIES	2022 MAIN ACTIVITIES
• **Health and geopolitical situation:** regular report on the consequences of Covid-19 and the situation in Ukraine • **Strategy:** – Analysis of sales, update on business activities, market trends and competition, analysis of the performance of the latest product launches. – Review of proposed acquisitions and partnership projects. – Review of the Ambition France project (change in the scope of L'Oréal S.A.). – Review of the Group's strategic development prospects. • **Sustainable development:** – Review of recent initiatives (L'Oréal for the Future programme). – Review of the proposed credit line subject to ESG criteria and bond issues linked to sustainable development goals.	• **Monitoring the process for preparation of financial information:** Review of annual and interim results, analysis of operating income by Division and Zone. Review of Statutory Auditors' Reports. Review of the Statutory Auditors' audit plan for 2022. Treasury and financing. • **Internal Control, Risks and Compliance:** – Review of the internal control systems implemented. – Monitoring Internal Audit activities, including CSR and cyber security. – Risk mapping. – Reports on data privacy, insurance, fraud risk, digital risks and challenges. • **Monitoring the process for preparation of non-financial information and non-financial risks:** – Duty of vigilance: focus on Human Rights. – Examination of climate risks in 2022. – Draft double materiality matrix.	• **Composition of the Board:** – Reflection on the composition of the Board and its Committees. – Arrangements for renewing the terms of office of the two Directors representing the employees, their onboarding and training. • **Governance:** – Analysis of 2022 voting policies for investors and proxy advisors. – L'Oréal guide for new Directors representing the employees. – Review of the independence of Directors. – Review of the results of the Board's self-assessment. – Values Committee: 2022 review. • **Succession plans and emergency plans:** annual review. • **Regulatory updates and knowledge of market practices and expectations:** Draft European Directive on duty of vigilance/ sustainability and regulatory developments ; Update of the AFEP-MEDEF Code Application Guide (March 2022). Government report on Directors representing employees and AMF and HCGE reports for 2022.	• **Remuneration of corporate officers:** – Analysis of the voting policies of investors and proxy advisors concerning remuneration. – Remuneration of corporate officers for 2021 and 2022 : analysis of 2021 performance, setting objectives and weightings for 2022 for the Chief Executive Officer. – Recommendations on corporate officer remuneration policies for 2023. – Say on Pay : draft resolutions. – Remuneration ratios. • **Remuneration of Directors:** Breakdown for 2022 and proposed changes for 2023. • **Annual review of ongoing regulated agreements** • **Human Resources policy:** Group remuneration policy, disability policy, policy on diversity and equality in management bodies. • **Long-term incentives policy:** – Recording of performance relating to the ACAs Plan of 2018. – Draft resolution for the 2022 AGM, proposing the inclusion of non-financial criteria. – Preparation of the 2022 ACAs Plan.

1.1.3.3. Composition of the Executive Committee at 1 March 2023

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

Nicolas Hieronimus

Chief Executive Officer

Nationality: French
Age: 59

Barbara Lavernos

Deputy Chief Executive Officer, in charge of Research, Innovation and Technology

Nationality: French
Age: 54

Christophe Babule

Chief Financial Officer

Nationality: French
Age: 57

Vincent Boinay

President – Travel Retail

Nationality: French
Age: 55

Cyril Chapuy

President – Luxe

Nationality: French
Age: 52

Myriam Cohen-Welgryn

President – Dermatological Beauty

Nationality: French
Age: 57

Vianney Derville

President – Europe Zone

Nationality: French
Age: 55

Asmita Dubey

Chief Digital and Marketing Officer

Nationality: Indian
Age: 49

David Greenberg

President – North America & Chief Executive Officer L'Oréal USA

Nationality: American
Age: 60

Omar Hajeri

President – Professional Products

Nationality: French/Tunisian
Age: 46

Blanca Juti

Chief Corporate Affairs & Engagement Officer

Nationality: Finnish/Mexican
Age: 54

Jean-Claude Le Grand

Chief Human Relations Officer

Nationality: French/American
Age: 58

Fabrice Megarbane

President – North Asia Zone & Chief Executive Officer L'Oréal China

Nationality: French/Syrian
Age: 48

Alexandra Palt

Chief Corporate Responsibility Officer and CEO of the Fondation L'Oréal

Nationality: Austrian
Age: 50

Alexis Perakis-Valat

President – Consumer Products

Nationality: French/Greek
Age: 51

Ersi Pirishi

President – Latin America Zone

Nationality: French/Cypriot
Age: 58

Frédéric Rozé

Chief Global Growth Officer

Nationality: French / American
Age: 61

Vismay Sharma

President – South Asia, Pacific, Middle East, North Africa Zones

Nationality: Indian
Age: 51

Antoine Vanlaeys

Chief Operations Officer

Nationality: French
Age: 54

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

L'Oréal has built up its business on the basis of strong ethical principles that guide its development and contribute to establishing its reputation : Integrity, Respect, Courage and Transparency. These principles underpin the Group's culture and business model and its compliance, responsible innovation, CSR, philanthropy, Human Rights, and diversity, equity and inclusion policies.

L'Oréal's commitments to act ethically and responsibly are set out in L'Oréal's Code of Ethics. This document is available in 45 languages. It is distributed to all employees. Country Managers (or for Corporate or Zone staff, the members of the Executive Committee to whom they report) are responsible for ensuring compliance with the Code.

1.2. L'Oréal, a value-creating model

1.2.1. Business model

THE BEAUTY INDUSTRY

Outlook and challenges

A resilient, growing market

Significant need for beauty post-Covid

Increasing demand from the middle classes in emerging countries

Innovative beauty

Increasing digitalisation towards the provision of personalised, connected and shared beauty solutions

CSR challenges

Consumer engagement and changes in behaviour are essential

Need for an ecological and inclusive transition in the context of limited natural resources and climate change

Responsible marketing and advertising

OUR SENSE OF PURPOSE ("NOTRE RAISON D'ÊTRE")

Create the beauty

OUR STRENGTHS

No. 1 IN BEAUTY

Our sole business: beauty, nothing but beauty and all beauty

A unique portfolio of brands

A balanced, multi-polar model (Zones, Divisions, categories, distribution networks)

A global industrial footprint

Steady and sustainable economic and financial performance

Recognised social and environmental performance *(See 1.2.5)*

Committed and qualified employees

Loyal shareholders and stable governance

Culture of ethics, based on 4 Principles: Integrity, Respect, Courage, Transparency

OUR STRATEGY

GLOCALIZATION

This is the globalisation of its brands with a detailed understanding and respect for local differences.

The goal is to offer beauty by responding to the specific aspirations of consumers in every region of the world.

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

BEAUTY FOR ALL

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

that moves the world

OUR STRATEGIC DRIVERS

6 DRIVERS

Research & Innovation and Green Sciences

Creativity at the service of our brands

Operational and safety excellence

Digital and Beauty Tech

Multi-channel distribution

Sustainable CSR commitments (See 1.3.2)

L'ORÉAL POUR LE FUTUR

TRANSFORMING OUR BUSINESS:
climate, water, biodiversity and resources.

EMPOWERING OUR ECOSYSTEM IN OUR TRANSFORMATION:
living wage, raising awareness among consumers and suppliers.

CONTRIBUTING TO THE CHALLENGES OF THE WORLD:
impact investing funds in favour of the circular economy and the regeneration of nature, a more inclusive society.

OUR DUAL OBJECTIVE

ECONOMIC AND CORPORATE EXCELLENCE

to create lasting value for all.

1.2.2. Value chain

VALUE CHAIN

Research, Innovation and Technology

- **561** patents filed in 2022
- **€1,139 million**: 2022 expenditure (3% of sales)
- **20** cosmetics research centres, **13** assessment centres, **1** advanced research centre
- **4,222** employees in the Research team
- Colorsonic and Coloright, winners of the CES Innovation Awards 2022

Design and Marketing

- In 1989, testing of finished products on animals ended
- Development of predictive method with the production of reconstructed skin

Sourcing

- **1,145** social audits were conducted in 2022
- **€6.4 billion** in production-related purchases
- **82%** of newly-listed raw materials are renewable
- **24%** of the number of newly-listed raw materials sourced from green chemistry

Factories and logistics centres

- **38** factories worldwide
- In 2022, **97%** of the Group's factories are ISO 9001 certified and **100%** comply with the ISO 22716 standard

ENVIRONMENTAL PERFORMANCE

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

2022 RESULTS
61%

BY 2030,
All Group products will be eco-designed (1)

2022 RESULTS
97%

BY 2030,
100% of our strategic suppliers' employees will be paid at least a living wage

2022 RESULTS
Reporting in progress

BY 2030,
100% of the water used in our industrial processes will be recycled and reused in a loop (Waterloop factories (2))

2022 RESULTS
13%

CREATING VALUE FOR OUR STAKEHOLDERS

Employees

- €7.2 billion in personnel costs (including social security contributions)
- 1st prize for gender equality in business (Equileap France)
- *Profit-sharing*:€418 million
- Over 37,000 employee shareholders
- 87,369 employees at the end of 2022

Consumers

- Roll-out of an environmental and social labelling system for products
- Product quality and safety: approximately 100 quality checks for each cosmetic product

Shareholders

- Dividends distributed in 2022: €2.6 billion
- Market capitalisation at 31/12/2022: €178.5 billion
- Shareholder return over 10 years: +14.05% per year

Providers and suppliers of goods and services

- 49% of strategic suppliers were evaluated on the basis of their environmental and social performance (total, direct, indirect)

Digital and Marketing

- **36** international brands
- **75%** of our media investments are digital
- **4th** biggest advertiser worldwide, across all industries
- Responsible communication commitment: Member of the Unstereotype Alliance
- L'Oréal's Influencer Value Charter

Distribution

- More than **6.5** billion products distributed
- **152** distribution centres
- End of 2022, elimination of single-use plastics from all distribution centres worldwide

Product use and end-of-life

- L'Oréal is a founding member of the EcoBeautyScore Consortium
- The 3 "R"s approach to the eco-design of packaging: Reduce packaging intensity; Replace with materials with a better environmental footprint; Recycle by creating packaging that will contribute to the circular economy

BY 2025,
100% of the advertising displays at our points of sale will be eco-designed(1)

2022 RESULTS
97%

BY 2030,
on average we will have halved the greenhouse gas emissions per finished product linked to the transport of our products compared to 2016

2022 RESULTS
+6.7%

BY 2030,
we will innovate to enable our consumers to reduce their greenhouse gas emissions resulting from the use of our products by 25% compared to 2016, on average and per finished product

2022 RESULTS
-24%

Government and local authorities

- Tax charge in 2022: €2.4 billion

Communities

- More than 2.5 million people benefited from the brands' social commitment programmes.
- L'Oréal For Youth: 25,000 work opportunities per year for under-30s.

Ecosystem and environment

- 61% of the waste generated by our industrial sites was reused or recycled
- 57% reduction in CO_2 emissions in absolute terms and 6% reduction of the water withdrawal per unit of finished product vs 2019 (factories and distribution centres)

(1) The mention of "eco-designed" products refers to new or renovated products whose social and environmental profile improved.
(2) The Concept of a Waterloop Factory is defined in section 4.3.1.1.4.

SUPPORTED BY THE FUNCTIONAL DIVISIONS,
at the heart of the Group's strength

ADMINISTRATION AND FINANCE
Financial policy, investments, management, M&A, consolidation and legal and fiscal coordination

HUMAN RESOURCES
Recruitment, development and social innovation

CORPORATE AFFAIRS AND ENGAGEMENT
Corporate communications, public affairs and coordination of brand communications

CORPORATE SOCIAL RESPONSIBILITY
Sustainable development through the L'Oréal for the Future programme,philanthropy and the L'Oréal Corporate Foundation

1.2.3. A global business focused on beauty

L'ORÉAL'S 4 DIVISIONS AND ITS MAJOR BRANDS

PROFESSIONAL PRODUCTS

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

€4.5 billion	11.7%	21.3%(1)
SALES	OF GROUP SALES	OPERATING MARGIN

L'ORÉAL PROFESSIONNEL PARIS • KÉRASTASE PARIS • REDKEN 5TH AVENUE NYC • matrix • PUREOLOGY

CONSUMER PRODUCTS

Democratising the best that the world of beauty has to offer.

€14.0 billion	36.6%	19.8%(1)
SALES	OF GROUP SALES	OPERATING MARGIN

L'ORÉAL PARIS • Mixa • MAYBELLINE NEW YORK • GARNIER • essie • 3CE STYLENANDA • NYX PROFESSIONAL MAKEUP

36
INTERNATIONAL BRANDS
INCLUDING **11** BILLIONAIRE BRANDS

LUXE

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

€14.7 billion	38.3%	22.9%(1)
SALES	OF GROUP SALES	OPERATING MARGIN

LANCÔME • YVES SAINT LAURENT • GIORGIO ARMANI beauty • Maison Margiela PARIS • Kiehl's SINCE 1851 • HR • BIOTHERM • IT COSMETICS • VALENTINO • MUGLER • VIKTOR&ROLF • PRADA • AZZARO • DIESEL • URBAN DECAY • RALPH LAUREN • TAKAMI • shu uemura • CARITA PARIS

ACTIVE COSMETICS

Provide sustainable and life-changing dermatological solutions.

€5.1 billion	13.4%	25.4%(1)
SALES	OF GROUP SALES	OPERATING MARGIN

LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE • CeraVe • SKINCEUTICALS ADVANCED PROFESSIONAL SKINCARE • VICHY LABORATOIRES • skinbetter SCIENCE

(1) *As a % of sales at 31 December 2022.*

ALL PRODUCT CATEGORIES

- Skincare • Make-up
- Hair colourants
- Haircare • Perfumes
- Hygiene products

ALL DISTRIBUTION NETWORKS

- Hair salons • Local stores in new markets
- e-commerce • Travel retail • Mass market retail • Department store perfumeries
- Pharmacies • Drugstores • Medi-spas
- Branded retail

THE 5 GEOGRAPHIC ZONES

3
Zones with sales of more than €10 billion

2
Zones promising future growth

150+ countries
International presence

€10.16 billion
SALES

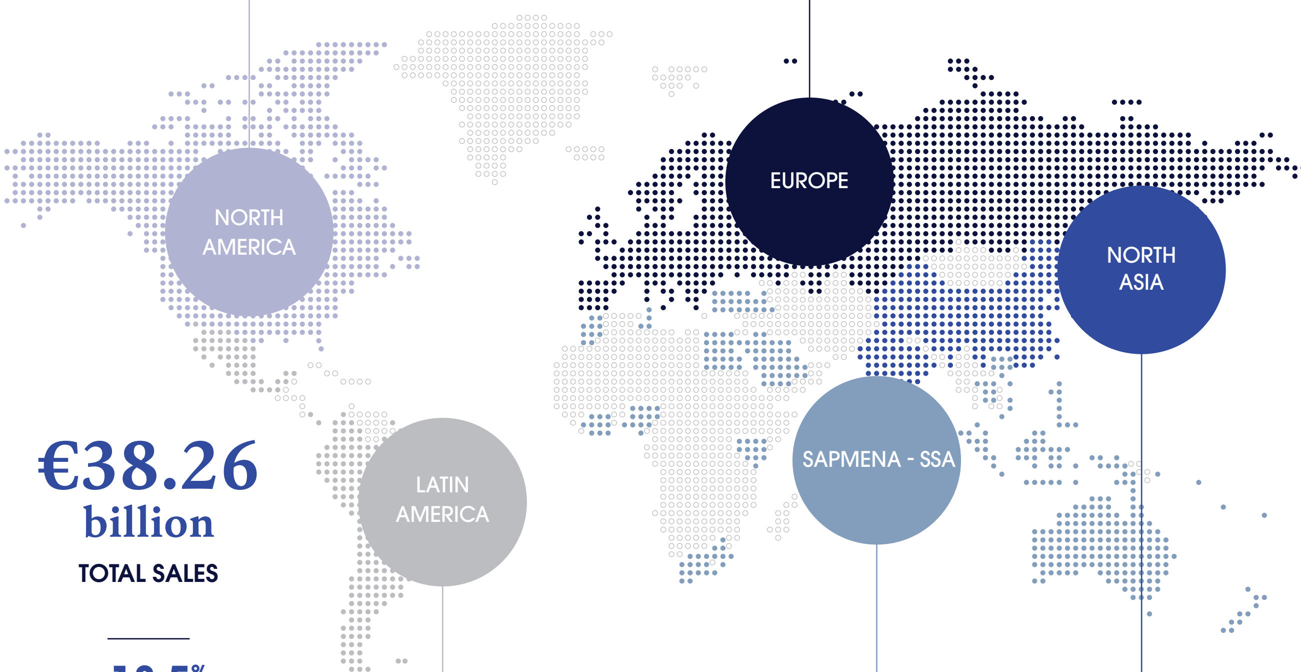
26.6% share of Group sales

+24.6% sales growth in 2022(1)

€11.44 billion
SALES

29.9% share of Group sales

+12.3% sales growth in 2022(1)



€38.26 billion
TOTAL SALES

+18.5%
growth in sales in 2022 (1)

€2.38 billion
SALES

6.2% share of Group sales

+34.1% sales growth in 2022(1)

€2.96 billion
SALES

7.7% share of Group sales

+28.1% sales growth in 2022(1)

€11.32 billion
SALES

29.6% share of Group sales

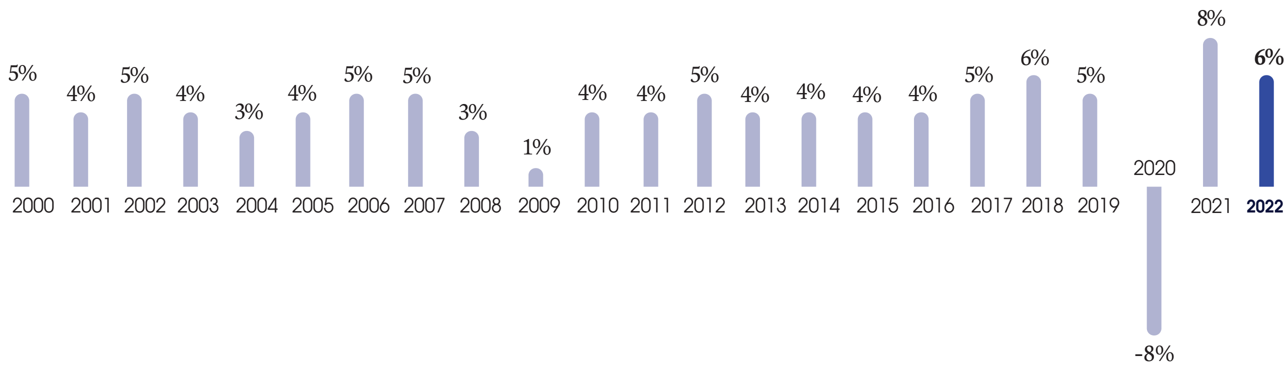
+14.8% sales growth in 2022(1)

(1) *Based on reported figures.*

1.2.4. The beauty market, resilient in a turbulent macroeconomic climate

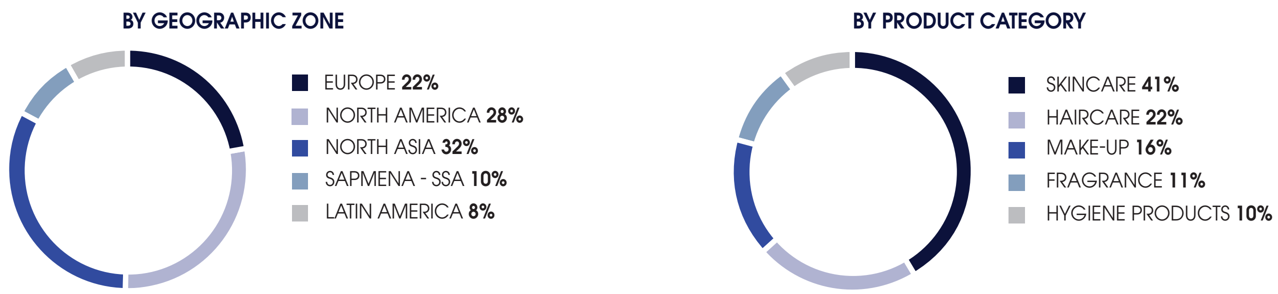
Important: *the competitive positions and market share held by the Group's Divisions and brands mentioned in this Document are based on studies, panels and polls obtained from specialised organisations and companies, or, in the absence of comprehensive studies, are the result of estimates made by L'Oréal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

Estimated evolution of worldwide cosmetics market from 2000 to 2022[1]



The cosmetics market remains a supply-led market driven by innovation, where consumers are always on the look-out for quality, performance, visible results, but also for how the products make them feel. The global cosmetics market is a particularly robust market worth more than €250 billion[1], which has demonstrated its strong capacity for resilience in a turbulent geopolitical and economic climate. The cosmetics consumer always looks for quality and puts a premium on trends, new ideas, or leading-edge technology.

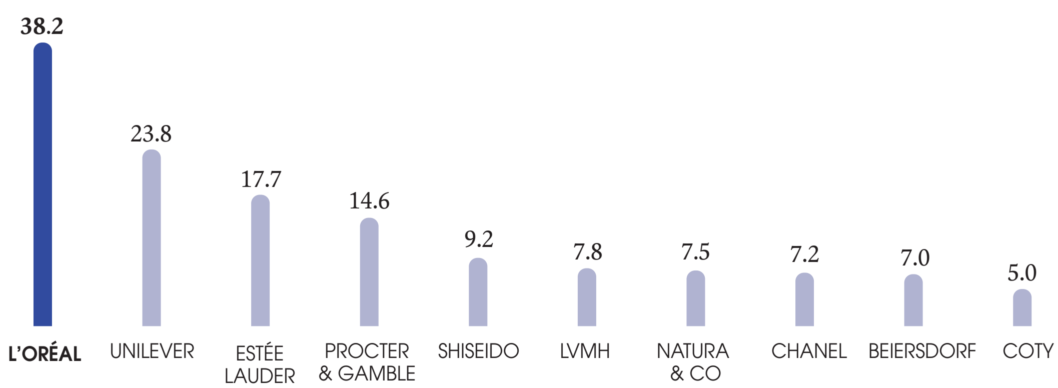
The global estimated cosmetics market in 2022: > €250 billion euros[1]



After 2021, a year that saw points of sale reopen almost completely and online sales increase, 2022 was a turbulent year, but one during which the beauty market was able to adapt, reaffirming its sector position as strong and agile in the face of the disruption surrounding it. Beyond North Asia, which was affected by China's zero-Covid policy, there was significant growth in all Zones, particularly in SAPMENA – SSA and Latin America, which experienced double-digit growth.

The main worldwide players

2021 sales in billions of US $[2]

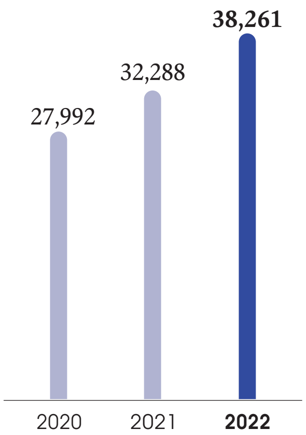


In 2021, the top ten cosmetics companies generated aggregate sales of $137.96 billion, or 58.6% of the total revenue of WWD Beauty's top 100.

(1) *Source: L'Oréal estimates of the global cosmetics market based on net manufacturer prices. Excluding soap, toothpaste, razors and blades. At constant exchange rates.*
(2) *Source: Beauty's top 100, WWD, May 2022, based on 2021 sales.*

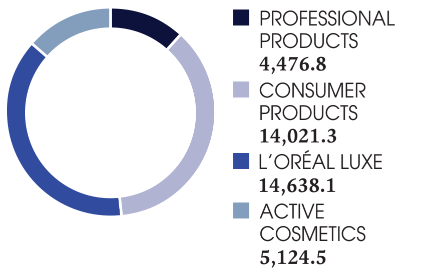
1.2.5. Key figures

Consolidated sales
(€ millions)

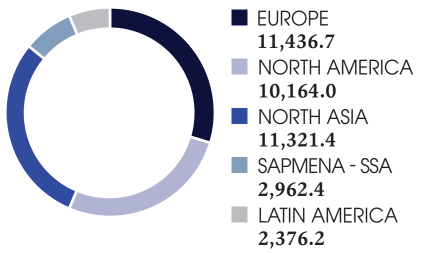


Breakdown of sales *(€ millions)*

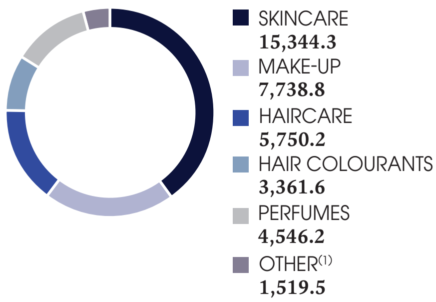
BY OPERATIONAL DIVISION



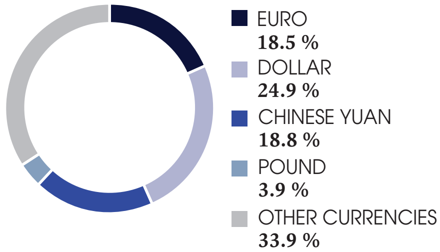
BY GEOGRAPHIC ZONE



BY BUSINESS SEGMENT

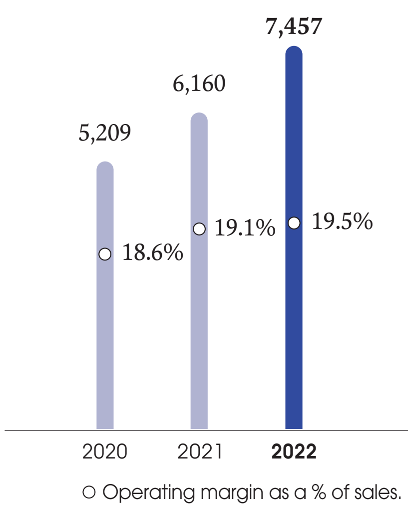


BY CURRENCY

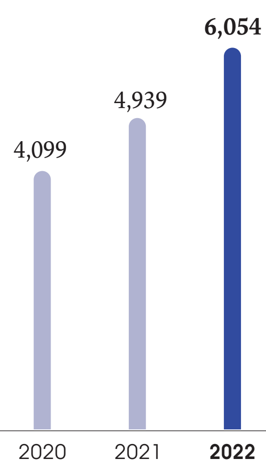


(1) "Other" includes hygiene products and sales made by American distributors with non-Group brands.

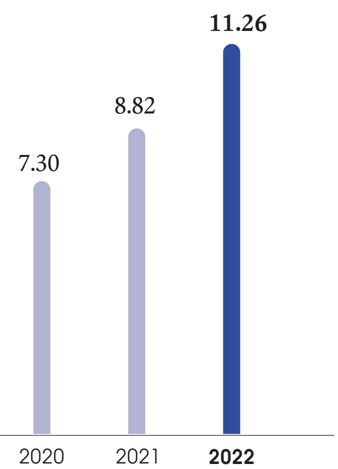
Operating profit
(€ millions)



Net profit excluding non-recurring items[(2)] attributable to the owners of the company
(€ millions)

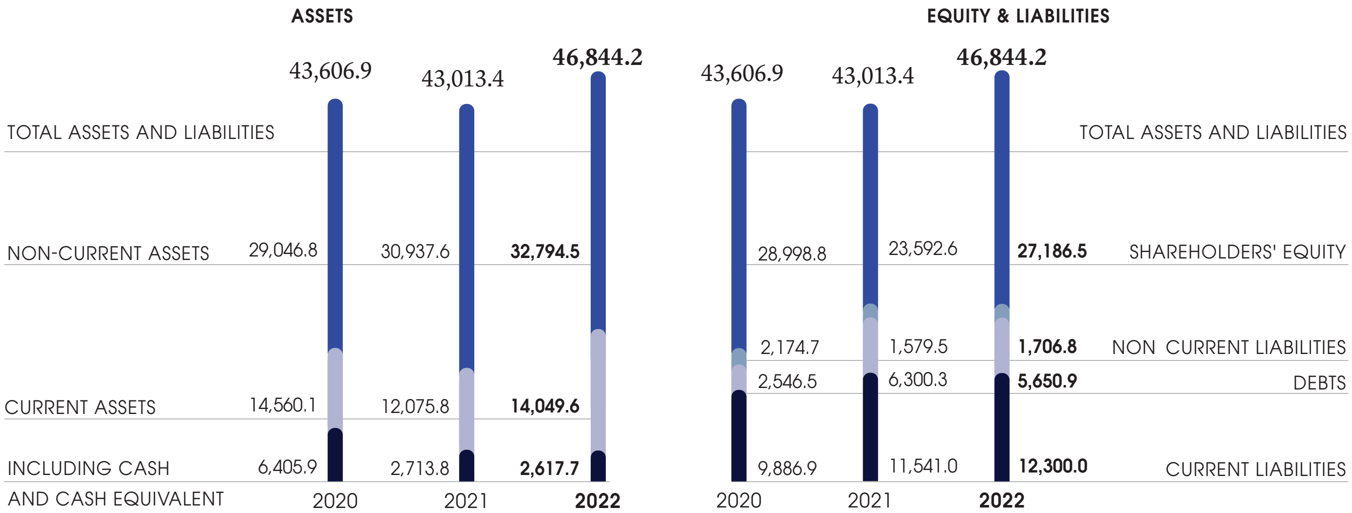


Earnings per share[(3)]
(€)



(2) Non-recurring items primarily include capital gains or losses on disposals of long-term assets, impairment of assets, restructuring costs and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements. See note 11.4 of the Consolidated financial statements.
(3) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

A solid balance sheet *(€ millions)*



Net debt

	31.12.2020	31.12.2021	31.12.2022
Net cash position = Net cash or net debt (€ millions)(1)	+3,859.4(2)	-3,586.4(2)	-3,033.2
Net debt ratio (Net financial position/Equity)	n/a	15.2%	11%

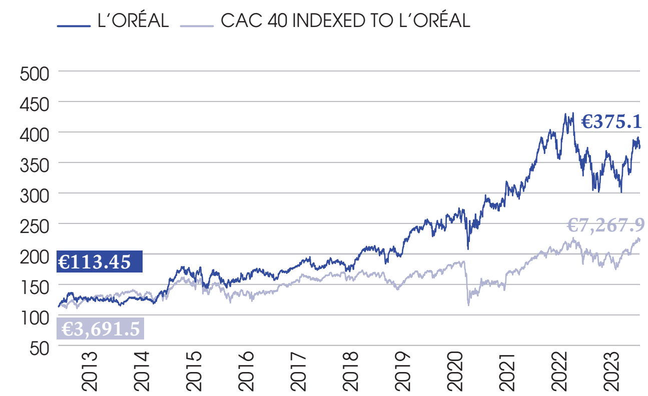
(1) Net cash or net debt = cash and cash equivalents – current and non-current financial debt.
(2) Including IFRS 16 lease debt for €2,035.9 million in 2019, €1,681.6 million in 2020, €1,670.3 million in 2021 and €1,620.5 million in 2022.

Short-term and long-term ratings

	Short-term rating	Long-term rating
S&P Global	**A1+** SEPTEMBER 2022	**AA** SEPTEMBER 2022
Moody's	**PRIME - 1** MARCH 2022	**AA1** MARCH 2022

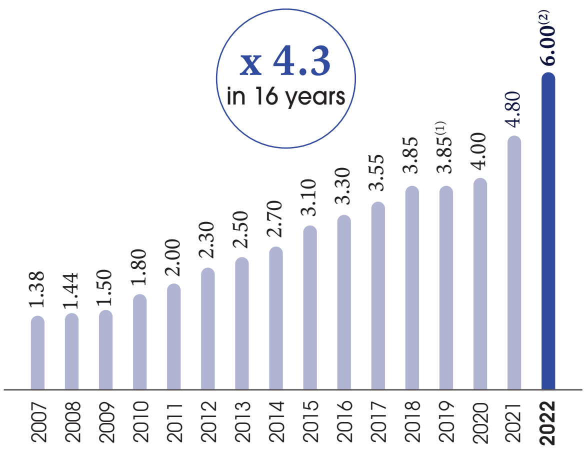
Change in the L'Oréal share price compared to the CAC 40 index

(from 27 February 2013 to 28 February 2023)



Steady increase in dividend per share

(€)



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

(2) Dividend proposed to the Annual General Meeting of 21 April 2023.

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
31.12.2012	Purchase of 143 shares at 104.90 €	15,000.7		143
10.05.2013	Dividend : 2.30€ per share		328.90	143
	Reinvestment : purchase of 3 shares at 134.05 €	402.15		146
05.05.2014	Dividend : 2.50€ per share		365.00	146
	Reinvestment : purchase of 3 shares at 123.90 €	371.70		149
07.05.2015	Dividend : 2.70€ per share		402.30	149
	Reinvestment : purchase of 3 shares at 168.60 €	505.80		152
03.05.2016	Dividend : 3.10€ per share		471.20	152
	Reinvestment : purchase of 3 shares at 157.80 €	473.40		155
03.05.2017	Dividend : 3.30€ per share		511.50	155
	Reinvestment : purchase of 3 shares at 184.55 €	553.65		158
27.04.2018	Dividend : 3.55€ per share		560.90	158
	Reinvestment : purchase of 3 shares at 196.90 €	590.70		161
30.04.2019	Dividend : 3.85€ per share		619.85	161
	Reinvestment : purchase of 3 shares at 245.10 €	735.30		164
07.07.2020	Dividend : 3.85€ per share		631.40	164
	Reinvestment : purchase of 3 shares at 288.30 €	864.90		167
29.04.2021	Dividend : 4.00€ per share		668.00	167
	Reinvestment : purchase of 2 shares at 343.10 €	686.20		169
29.04.2022	Dividend : 4.80€ per share		811.20	169
30.12.2022	Reinvestment : purchase of 3 shares at 348.90 €	1,046.70		172
TOTAL		**21,231.20**	**5,370.25**	
TOTAL NET INVESTMENT		**15,860.94**		

Portfolio value at 31 December 2022 (172 shares at €333.6, price at 30 December 2022[1]): €57,379.

The initial capital has thus been multiplied by 3.8 over 10 years (10-year inflation rate = 12.99% – Source: INSEE) and the final capital is 3.6 times the total net investment.

The Total Shareholder Return of the investment is thus 14% per year (assuming that the shares are sold on 30 December 2022, 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.

(1) The last trading day of 2022 is Friday, December 30, 2022.

L'Oréal recognised for its non-financial performance

CDP: AAA for the seventh consecutive year

Global leader in sustainable development for our actions on combating climate change, protecting forestry and sustainable water management.

The CDP is a not-for-profit organisation that encourages companies to publish their environmental data and assesses their sustainable development performance and their transparency.

S&P Global Ratings: 85/100

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

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

EcoVadis: 83/100 – Platinum Award

The Group was awarded the Platinum award by EcoVadis. Figuring in the top 1% of companies assessed by the agency, L'Oréal was recognised for its non-financial performance in four major areas: Ethics, the Environment, Social & Human Rights, and Responsible Purchasing.

EcoVadis is one of the world's foremost non-financial rating agencies. This assessment, which is based on international standards, focuses on the extent to which CSR principles have been integrated into a company's actions and practices.

Ethisphere: 13th year

In 2022, L'Oréal was recognised for the 13th time as one of the world's most ethical companies. The Group is therefore one of the companies with the most advanced business ethics practices.

The Ethisphere Institute, a world leader in the definition and promotion of ethical standards, recognises companies that have demonstrated their commitment to ethical business practices through programmes that have a positive impact on employees, communities and, more broadly, onstakeholders, and that contribute to sustainable and profitable long-term commercial performance.

Bloomberg Gender-Equality Index

L'Oréal was recognized for the fifth consecutive time by the Bloomberg Gender-Equality Index, which acknowledges the most advanced companies in the area of gender equality among 418 companies evaluated in 45 countries.

The Bloomberg Gender-Equality Index recognises the most advanced companies in the area of gender equality.

Universum: 5th place

In 2022, L'Oréal was ranked #5 in the world (business schools), making it the first EU multinational company in the Top 5.

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

1.2.6. Significant dates in the Group's development

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

1928
- *Monsavon*

1929
- Imédia,the first rapid oxidative hair dye

1934
- *DOP*

1935
- Ambre Solaire, the first filtering sun protection oil

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

1960
- Launch of Elnett hairspray

1963
- Listing of L'Oréal on the Paris Stock Exchange

1964
- *Lancôme*

1965
- *Laboratoires Garnier*

1970
- *Biotherm*

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

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

1981
- Creation of Laboratoires dermatologiques Galderma

1988
- *Armani licence*

1989
- *La Roche-Posay*

1993
- *Redken 5th Avenue*

1994
- *Acquisition of US agent Cosmair*

1996
- *Maybelline*

1998-2000
- *Softsheen and Carson*

2000
- Creation of the Chinese subsidiary
- *Matrix et Kiehl's since 1851*

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

2004
- *Absorption of holding company Gesparal*

2006
- *The Body Shop*

2007
- Creation of the Fondation L'Oréal

2008
- *YSL Beauté*

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

2010
- *Essie Cosmetics*

2012
- *Urban Decay*

2013
- Announcement of the *Sharing Beauty with All* programme for 2020 and the Share & Care programme

2014
- L'Oréal/Nestlé Strategic Agreement
- *Magic Holdings and NYX Professional Makeup*
- Disposal of Galderma

2015
- *Niely Cosméticos*

2016
- *IT Cosmetics*

2017
- *CeraVe*
- Disposal of The Body Shop

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

2019
- *Licensing agreement with Prada*

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

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

2022
- *Skinbetter Science in the United States*
- L'Oréal's 1st €3 billion bond including a sustainability-linked tranche
- 3rd employee shareholding plan

- *Acquisitions or licenses*
- Important dates

1.2.7. Ongoing transformation to meet new aspirations

With €38.26 billion in net sales and nearly 87,400 employees in 2022, L'Oréal is the world leader in beauty.

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. 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, to become the company of the future.

Digital transformation to become the champion

Digital technology has radically transformed the Group, and is fully integrated in the business, in all brands, jobs and countries. It is based on a solid network of over 3,800 digital experts, almost 62,000 trained employees and a wealth of in-house know-how. Digital has boosted L'Oréal's strengths tenfold and represents a 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.

E-commerce is an additional source of business, and a growth accelerator because it means we can reach new consumers wherever there is no existing distribution network. The proportion of the Group's sales represented by e-commerce multiplied by nearly 6 between 2015 and 2022 (5% to 28%[1]), with growth in all Zones and Divisions. L'Oréal aims to increase its e-commerce business to reach up to 50% of its sales. This means strengthening its industrial flexibility, adapting its supply chain in an "omnichannel" approach and redesigning the downstream value chain immediately.

The new frontier of L'Oréal's digital adventure is the Metaverse, which will provide infinite opportunities to interact with consumers and even market products in virtual universes.

Transformation to Beauty Tech to invent the beauty of the future

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

L'Oréal, which is already a digital-first company, decided to be the pioneer, champion and leader of Beauty Tech in all its areas of application. By building up state-of-the-art, secure IT, its leadership in Beauty Tech and its expertise in artificial intelligence and data will enable L'Oréal to be a data-driven company for all its activities and business lines. The ongoing transformation of Operations towards greater agility is integral to the Group's ambition to become a world leader in Beauty Tech.

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.

Transformation of our formulation towards Green Sciences, to combine performance, safety and sustainability

The transformation of our formulations towards the Green Sciences is at the heart of the beauty of the future. This new frontier of research, which combines biotechnology with new agronomic and cultivation techniques, is making it possible for L'Oréal to expand its portfolio of raw materials and to develop ingredients with a favourable environmental profile to break free from petrochemicals. This programme helps to minimise the environmental impacts associated with the cultivation of the plants these ingredients are sourced from, so as to rely on eco-friendly transformation procedures. This transition will provide consumers with performance, safety and sustainability, and L'Oréal with a new competitive advantage.

Transformation towards an increasingly sustainable business model, within the planetary boundaries defined by science

Through its L'Oréal for the Future programme, L'Oréal has set itself a number of ambitious targets for combating climate change: in terms of reducing its CO_2 emissions in order to achieve "carbon neutral" status[2] for its sites, in terms of the use and recycling of water in its industrial processes and in terms of its product design (formulation and packaging) through bio-sourcing and the circular economy.

On the social front, L'Oréal ensures that its strategic suppliers pay their employees a decent living wage and adopts policies to help people from disadvantaged communities to access employment. The Group has also committed on the one hand to supporting women in vulnerable situations with a charitable endowment fund of €50 million, and secondly, to investing €100 million in two investment funds dedicated to the circular economy and the regeneration of ecosystems. In 2022, L'Oréal co-founded the EcoBeautyScore Consortium, with more than fifty players from the beauty sector, to set up a scheme to indicate the environmental impact of cosmetic products so that consumers can make more sustainable choices.

(1) *Sales achieved on our brands' websites and with e-commerce pure players + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data).*
(2) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. *See section 4.3.1.1.3. B/.*

Transformation of work: reinventing the "future of work" while strengthening the L'Oréal culture

All across the globe, the working world has undergone profound changes as a result of the Covid-19 health crisis, particularly with remote working becoming more widespread, a phenomenon that employees now want in their everyday lives, as well as a key factor in the appeal of an employer. In this new "hybrid" working environment, L'Oréal has opted for balanced and flexible solutions between on-site and remote working to preserve and promote opportunities for exchange, cooperation and creativity.

Furthermore, in a context of accelerated digitalisation of consumption, production, distribution and communication methods, the Group anticipated the global impact these transformations will have on its structure by continuing to develop its employees' skills in these areas, as well as by recruiting new expertise, particularly in the field of technology. Thanks to its various initiatives, L'Oréal took 5th place in the Universum global ranking 2022 of business school students' preferred companies for the second consecutive year. The Group is the highest-ranked EU multinational company in this prestigious ranking.

Ongoing structural transformation to rationalise and identify synergies

In spring 2020, L'Oréal launched an initiative entitled NEXT to simplify its structures with a view to a post-Covid world. This review involves simplifying the organisation (by creating five internal shared service centres and seven geographic areas), reviewing the brand portfolio of each Division on an annual basis, and finally, simplifying the number of products in each brand's catalogue to reduce complex manufacturing and research.

1.2.8. The mission of the Research department: responsible, inclusive innovation, in absolute safety

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

With more than 4,222 researchers and spending of approximately 3% of sales, L'Oréal has the top R&I force in the cosmetics industry. This is a considerable asset, with a level of expertise and a wealth of unique scientific and technical data. The performance, security and absolute safety of ingredients, the superior quality of the products and the sincerity of their claims are the fundamentals that inspire the Group's laboratory teams every day.

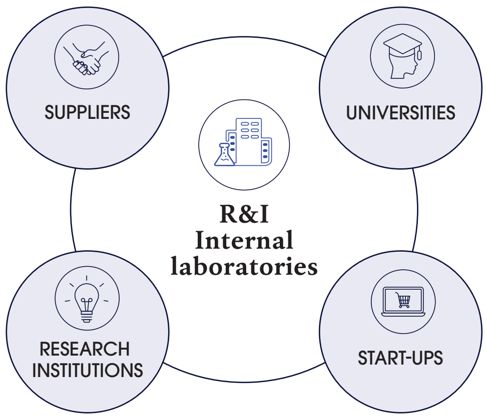
From upstream to downstream

Advanced Research teams create, develop and source raw materials, drawing on the knowledge of skin and hair from around the world. The Application Domains teams develop formula architectures that improve the performance of active ingredients. The Development Laboratories create innovative formulas with a proven superiority for each brand. This innovation model is nurtured by a constant dialogue between the laboratories and marketing to respond to the expectations of consumers, supporting them with the latest technological breakthroughs.

Research facilities around the world

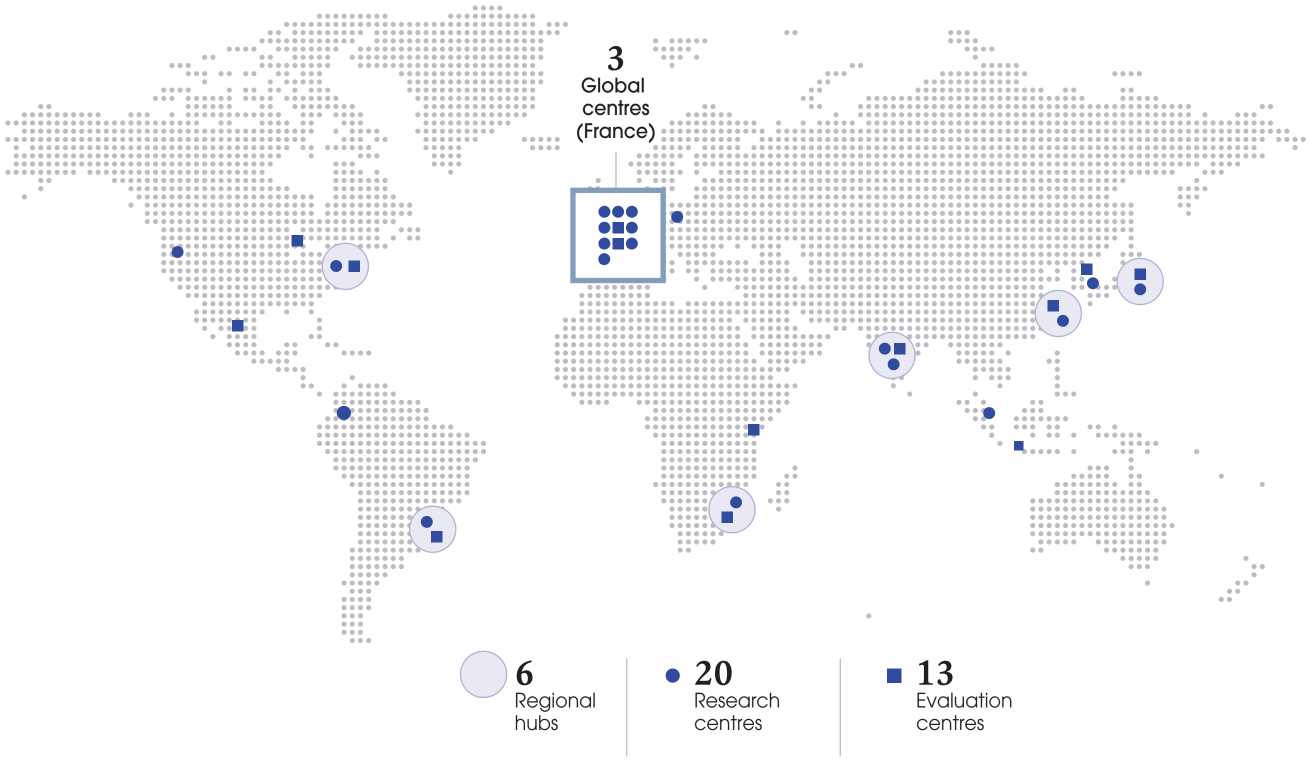
In order to adapt to consumer expectations worldwide, L'Oréal's Research teams work in 20 cosmetics research centres and 13 assessment centres. The research centres are grouped into three global centres in France and 6 regional hubs(1) that identify consumer needs and study their beauty regimes. R&I 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 beauty products or experiences, that are in tune with market needs and local expectations.

R&I: a vast ecosystem open to the world



(1) Global centres in France: Advanced Research, Haircare and Cosmetics. Regional hubs: Japan, US, China, India, South Africa and Brazil.

Group laboratories established around the world



	Research and Innovation expenses (€ millions)	Research headcount	Number of patents filed
2020	964	4,044	500
2021	1,029	4,054	517
2022	**1,139**	**4,222**	**561**

Research: the transition to Green Sciences and Biology is picking up speed

The scientific revolution of Green Sciences

Green Sciences cover all the scientific fields on which R&I relies to achieve L'Oréal's objectives in terms of the preservation of natural resources and biodiversity. They have completely revolutionised the way we understand and do science, which focuses on three areas:

- sustainable cultivation to reinvent the way we grow our raw materials. By applying these responsible agricultural techniques, L'Oréal is preserving water resources, contributing to soil health and strengthening biodiversity while limiting greenhouse gas emissions and respecting populations and their ecosystems ;
- green transformation such as biotechnology, green extraction and green chemistry, to extract and transform raw materials to obtain the ingredients required for formulations ;
- formulation sciences, which, by combining ingredients from Green Sciences, enable us to offer responsible and sustainable products to consumers, while complying with our safety and performance requirements.

"Sustainable" partnerships

The R&I teams worldwide are bringing about a new scientific revolution in cosmetics, based on the principle: Science x Nature x Technologies. This dynamic innovation ecosystem makes it possible to increase the opportunities for research and innovation to:

- explore new areas of knowledge;
- transform the portfolio of raw materials through partnerships (e.g. Microphyt for microalgae)[1];
- innovate in extended labs with the Green Sciences Incubator, thereby supporting start-ups.

(1) *Financing via BOLD, L'Oréal's venture capital fund.*

Innovation at the heart of the business model

An estimated 50 million people globally live with limited fine motor skills, making certain daily habits, like applying makeup, challenging. Developed by L'Oréal scientists and engineers, HAPTA is a handheld, ultra-precise smart makeup applicator for users with limited hand and arm mobility, offering them the ability to apply lipstick at home[(1)]. HAPTA will help individuals feel more independent, confident, and empowered to enjoy the self-expressive power of beauty[(2)]. HAPTA will be launched in 2023 by Lancôme, first as a lipstick applicator followed by additional makeup applications.

Our technological innovations in the beauty domain received 16 awards, including six innovation awards at the 2023 Consumer Electronics Show in Las Vegas, and for the third year running, the judges' prize in the "Augmented Beauty" category of Time Magazine's special edition dedicated to the 100 Best Inventions of the year.

New levels of performance for the Group's iconic anti-ageing ingredient: Pro-Xylane

Twenty years after Pro-Xylane was first discovered, R&I unveils a new raw material: Pro-Xylane PRO. A product of glycobiology[(3)], Pro-Xylane improves the synthesis of glycosaminoglycans, molecules that play a key role in the skin's ageing process. L'Oréal has published 12 scientific publications and filed more than 70 patent applications worldwide for this innovative anti-ageing active ingredient.

UVMune 400, the first sun filtering technology to effectively protect against ultra-long UVA rays

UVA and UVB rays are some of the main causes of skin cancer. It is essential to stay protected from these rays throughout your lifetime. L'Oréal has a long history of expertise in the development of sunscreens, starting with its patenting of Mexoryl SX in 1982, and of Mexoryl XL in 1989. Together these products protect against UVB and short UVA rays, but are less effective against ultra-long UVA, the 30% of solar rays that have so far been insufficiently filtered and which cause deep skin damage. After 10 years of research in collaboration with BASF, in 2021 L'Oréal launched UVMune 400, a solar filtration technology powered by Mexoryl 400, the first solar filter to absorb ultra-long UVA rays so effectively. This is the Group's biggest suncare innovation in 30 years. This technology is behind the launch of La Roche-Posay's Anthelios UVMune 400, a hybrid product that provides both seasonal and daily protection.

Inclusivity at each stage of L'Oréal's innovation model

Enhancing the inclusivity of beauty experiences with a more thorough knowledge of consumers in their infinite diversity

L'Oréal aims to offer the best in beauty for all skin and hair types, all genders, all identities, cultures, age groups, beauty regimes and all lifestyles. Research places learning about skin and hair from around the world at the heart of its innovation strategy, so as to better understand consumers in their infinite diversity.

This makes it possible to :

- identify the technical and emotional drivers connected with the expectations and specific needs of each consumer ;
- better anticipate the technological and digital issues of the beauty of the future ;
- evaluate the effectiveness of beauty routines in the most appropriate and inclusive way possible.

Designing the future of beauty with "Typology", an extensive international study

In 2022, R&I launched the "Typology" programme, which aims to enhance its expertise in the diversity and representativeness of individuals worldwide, so as to develop inclusive services, in compliance with applicable regulations.

The study targeted 8 countries and 15,000 volunteers of all genders, ages, phototypes, hair types and ethnic origins. It aims to collect reliable information and personal data on a sample of people representing more than half of the world's population. Only the data required for this study, provided to L'Oréal in an anonymised format, was collected[(4)]. The study of this data sample provides a better understanding of the issues consumers encounter in their beauty routines, country of residence and environment.

Developing objective evaluation methods and diagnostic tools that are increasingly inclusive

The market is changing and there is strong growth in demand for personalised services and diagnostics. In order to offer consumers made-to-measure experiences, L'Oréal uses clinical skin diagnostics that take this diversity into account. In 2022, the Research teams designed an inclusive clinical skin diagnosis tool based on Artificial Intelligence, using the data from this study, making it possible for algorithms and conclusions to be sufficiently corroborated. The performance of this algorithm was then validated and confirmed in an inclusive study in the United States, where subjects and dermatologists met numerous diversity criteria. This essential study has also been the subject of a scientific publication, co-written by Dr Nina Jablonski and Dr Aurélie Jean, who are members of L'Oréal's Global Diversity, Equity & Inclusion Advisory Board.

(1) Press release of 4 January 2023: https://www.loreal.com/en/press-release/group/ces-2023/
(2) HAPTA will incorporate technology originally created by Verily to stabilise utensils to give people with limited hand and arm mobility the ability to eat with confidence and independence.
(3) Expertise in the importance of sugars for skin.
(4) 450,000 responses, 60,000 photos and videos taken via smartphone, and 240,000 photographs captured via SkinCam®.

Research with commitment, in full transparency

Beauty without animal testing

In the 1980s, Group committed to developing alternatives to animal testing to assess the safety of its ingredients and its products. Today, none of the Group's products or ingredients are tested on animals by L'Oréal. L'Oréal definitively stopped the safety testing of its products on animals in 1989. The Group believes that there are other effective ways of ensuring that cosmetic products are safe. Over 40 years ago, L'Oréal was the first company to develop reconstructed skin, which is a more accurate way to test the effects of ingredients and cosmetic products on human skin than any other method; this is currently the case in the laboratories of L'Oréal's subsidiary, Episkin, in France, China and Brazil. It is available to governments, organisations and other companies so they do not have to resort to animal testing.

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

In 2022, Episkin launched a new innovative reconstructed cornea model (HCE SkinEthic™), which is already available in Brazil, Argentina, Colombia and Chile. Based on this new model, the Time-To-Toxicity (TTT) evaluation method was included in the OECD(1) test guidelines in 2022. Approval of this method has made it possible to predict eye irritation with a single in vitro test. This is a major step in the fight against animal testing.

Transparency: a key challenge in recent years and for the future

L'Oréal continues to strengthen its commitment to transparency in order to meet growing consumer demand for information about the composition of products. Launched in 2019, the "Inside our Products" website is available in 45 countries and in 8 languages, and references more than 1,300 ingredients. This content is gradually being added to the websites of the Group's major brands. At the same time, the expansion of the Product Impact Labelling (PIL) system provides consumers with information on the environmental and social impact of certain products in the Garnier, La Roche-Posay, L'Oréal Paris, Vichy and Biotherm brands in France. The latest transparency initiative is the InFragrance scheme: based on an analysis of 20,000 perfume formulas and thanks to the collaboration of our main fragrance suppliers (Firmenich, Givaudan, IFF and Mane), this approach allows consumers to understand the natural or synthetic origin of ingredients, their olfactory properties and the way in which they are combined to create the fragrance of products. As a responsible leader in the beauty industry, L'Oréal would like this model to be open to other players in the sector, both manufacturers and retailers, so as to provide more transparency to consumers.

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

L'Oréal's Operations Division creates innovative, inclusive and sustainable beauty in collaboration with its partners. They harness the power of technology and strive for excellence to design, develop, supply, produce and distribute products and services worldwide. Consumers are at the heart of the decisions made by the Operations Division, which seeks the most agile and effective solutions, and guarantees compliance with strict standards of quality, safety and CSR at the global level.

Resilience and transformation for growth

Relying on an approach of operational excellence conducted for years, the expertise and commitment of the Operations teams have boosted the Group's growth. In a challenging global context, they have demonstrated their agility and resilience, while pursuing their digital, sustainable and innovative transformation. The high–technology industry is at the heart of the Operations Division, and this enhances its agility across the entire value chain, enabling it to meet market challenges.

Thanks to science and new technologies, the Operations Division can be innovative and is able provide a specific response to the new challenges posed by consumer expectations for personalisation, agility and traceability, on the one hand, and to the employee experience on the other, such as simplification, ergonomics and real-time access to information.

In production, the combination of new technologies and the deployment of additional capacity worldwide provide flexible and agile production solutions. The omnichannel transformation of the supply chain continues, providing an optimised customer experience and increased interaction with consumers, and responsibly promoting the use of new technologies (IoT(2), connected products, big data).

(1) Organisation for Economic Co-operation and Development.
(2) Internet of Things.

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. Thanks to science, experience and performance, packaging is a key differentiating factor for the product and therefore of its perceived value creation for the consumer. The L'Oréal teams, distributed over five Packaging Hubs around the world, specialise in design, consumer experience, innovation and product development. They rely on the expertise of laboratories dedicated to materials and packaging to create cutting-edge innovations worldwide. L'Oréal filed 50 patents for packaging in 2022.

Since 2007, L'Oréal has adopted an eco-design process for its packaging. This process comprises three steps: Reduce the intensity of packaging and thus use fewer resources; Replace impactful materials with materials that have a better environmental footprint (renewable, post-consumer recycled); Recycle by creating packaging that contributes to the circular economy.

At the end of 2022, 97% of the Group's products have an improved environmental or social profile[1]. By 2030, 100% of the plastic used in the packaging of L'Oréal products will be either recycled or bio-sourced and L'Oréal will reduce the volume of packaging used for its products by 20% compared to 2019. In 2022, 78.1% of the PET plastic used came from recycled sources.

Pursuing its strategy to participate in the circular economy, in 2022 L'Oréal signed a partnership with US chemicals company Eastman for a multi-year contract for the supply of plastic produced from the molecular recycling of polyester waste.

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

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

L'Oréal builds solid relationships with its suppliers to ensure its procurement is responsible and to guarantee the flexibility, reliability and traceability of its supply streams. In a climate of tension and volatility, these long-term supplier relationships play a key role in the Group's ability to secure the volume and price of its raw materials supplies. In 2022, the Group conducted 1,145 social audits, a total of more than 16,000 since 2006.

From 2010, L'Oréal chose to engage with suppliers that have an inclusive solidarity model in order to provide access to employment for people from economically or socially disadvantaged communities, such as people with a disability, the long-term unemployed or fair-trade suppliers (see section 4.3.3.6.). At the end of 2022, 85,544 people had been able to access employment via L'Oréal's Solidarity Sourcing programme.

Manufacturing performance that relies on a global system combining agility with operational excellence

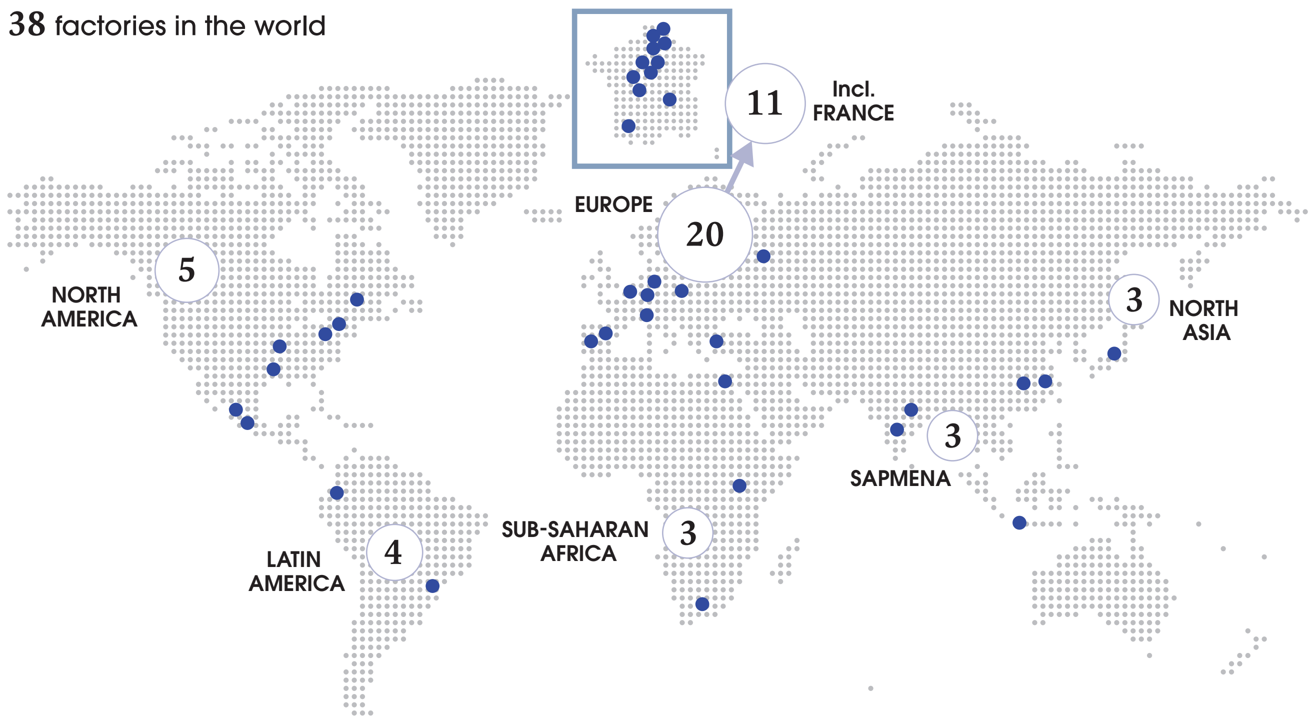
L'Oréal has 38 high-tech factories around the world, located close to its consumer markets. This network of plants is constantly evolving to accommodate the growth of the Group, incorporate acquisitions, embrace external innovations and adapt to rapid changes in the beauty market. It is supported by a network of subcontracting partners to deal with cyclical peaks in demand.

The Group's manufacturing organisation is also based on specialisation by technology[2] to maximise best practices, increase agility, improve productivity and to optimise investments. As such, the Aulnay-sous-Bois factory in the Paris region, which celebrated its 30th year of operation in 2022, has adapted to manufacture perfumes for the Luxe Division, in response to a growth in demand. This site is a prime example of L'Oréal's agility, its expertise in "French-style luxury" and the territorial connection of its manufacturing base. In 2022, the Operations Division also adjusted its skincare manufacturing capacity worldwide, with major projects in the United States, North Asia and Europe (France), in response to strong growth in this category.

(1) Basis of calculation representing 72% of all projects, excluding items considered to be irrelevant, such as ad hoc animation and promotion products and regulatory compliance leading to changes that are not visible to consumers.

(2) Haircare, skincare, makeup, perfumes, hygiene products, etc.

Manufacturing footprint by geographic zone



Operational excellence

L'Oréal's industrial sites use the most advanced technologies – robotic technologies, automation and cobotics (collaborative robots) – continuously adapting to meet the demands of the market and the diversity of consumer offerings: from large-scale production plants for the consumer products market to agile plants producing ultra-luxury limited editions.

Regardless the technology used or the market in which it operates, the Group deploys its Operational Excellence System in all its plants throughout the world. This is a systemic approach that relies on the commitment of all Operations employees in technical fields, process control and the culture of operational excellence, to guarantee safety, hygiene, quality, product availability, levels of service, productivity, ergonomics and environmental impact.

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 2022, 97% of L'Oréal plants were ISO 9001 (Quality Management) certified and 100% were ISO 22716 (Best cosmetics manufacturing practices) compliant.

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

The ongoing quality improvement process has been effective as seen in the low rate of consumer complaints in 2022: 46 complaints per million products sold[1].

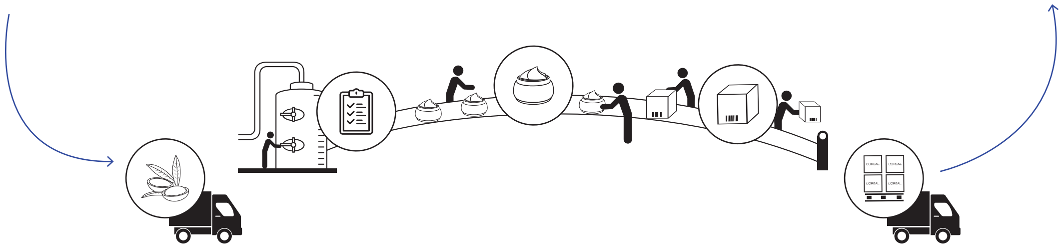
(1) *At 30 November 2022.*

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 through 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 38 plants, from the reception of raw materials, through the manufacturing of formulas and the packaging of finished products, until products are put on the market

Plants certified to the highest level

100% of the Group's plants are ISO 22716 * compliant

97% of the Group's plants are ISO 9001 ** compliant

* *Best practices in cosmetics manufacturing*
** *Quality management*

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

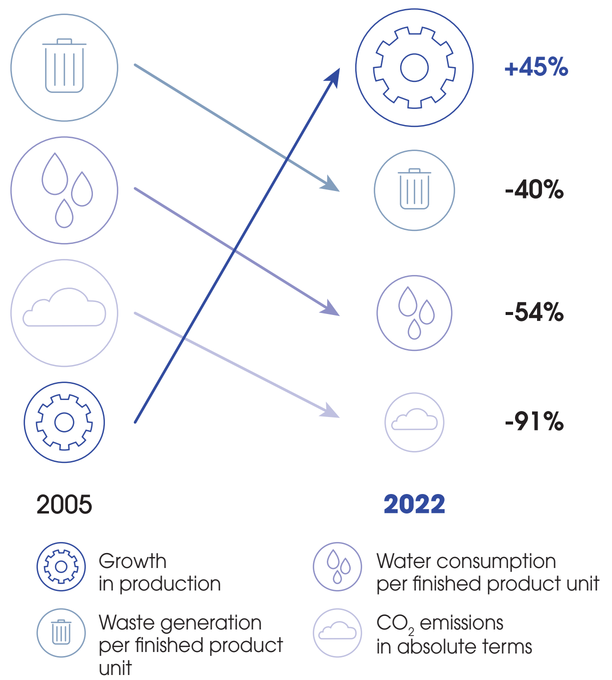
In 2022, the Safety Management System, which applies to the Group's teams and all administrative sites, laboratories, plants, distribution centres and shops, was recognised by RoSPA[(1)], which allotted 58 awards to L'Oréal. L'Oréal's factory in North Little Rock, USA was a finalist for the highly prestigious Sir George Earle Trophy. This award recognises excellence in management and performance in terms of health, safety and well-being, both at and outside work.

At the heart of production: environmental protection

The Group's environmental policy aims to roll out best practices in sustainable production so as to limit the direct impact of the Group's business activities on the environment, and to preserve biodiversity and resources: energy efficiency, use of renewable energy, optimisation of water consumption and recycling, reduction of waste generation etc. In 2022, L'Oréal continued to prioritise programmes to reduce its environmental footprint[(2)] with, since 2019, a 57% drop in CO_2 emissions in absolute value (-91% since 2005), a -6% drop in water withdrawal per unit of finished product (-54% since 2005), and a -3% drop in waste generation per unit of finished product (-40% since 2005). It should be noted that 96% of residual waste was recovered in 2022, meaning that it was reused, recycled or used for energy recovery.

(1) Royal Society for the Prevention of Accidents.
(2) Continuation of renewable energy projects around the world (e.g., start-up of two new treatment plants in France).

A long-standing commitment to responsible production (plants and distribution centres compared with 2005



At the end of 2022, 60 owned plants and distribution centres (industrial sites), including 22 factories[(1)], are "carbon neutral"[(2)].

All sites in the North Asia Zone (continental China, Japan, South Korea, Hong Kong and Taiwan) and those in L'Oréal Brazil became "carbon neutral"[(3)] in 2022 (see section 4.3.1.1.3.).

At year-end 2022, there were five Waterloop factories (Burgos in Spain, Settimo in Italy, Vorsino in Russia, Libramont in Belgium and Yichang in China): all the water required by the utilities (equipment cleaning, steam production etc.) comes from reused water or water recycled in a closed loop on the site (see section 4.3.1.1.4.).

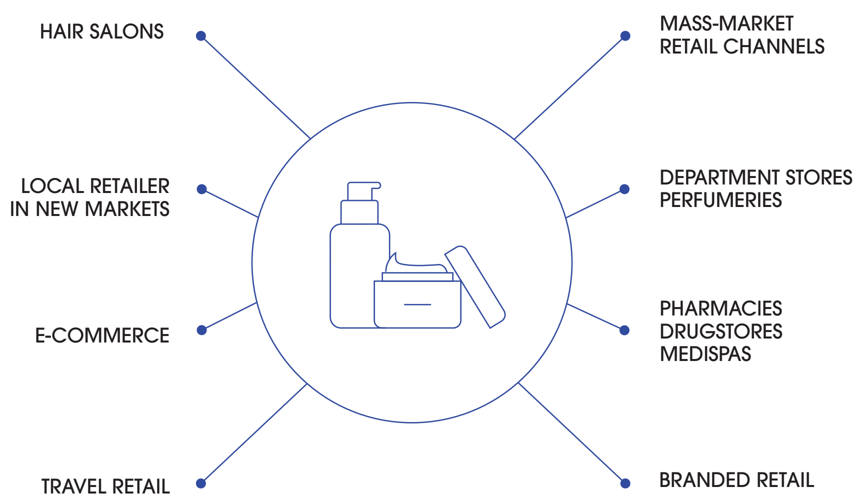
L'Oréal's commitment for over 25 years to environmental leadership was recognised in 2016, 2017, 2018, 2019, 2020, 2021 and 2022 with the best possible rating by the CDP[(3)]: a triple "A". L'Oréal is thus the only company in the world, out of more than 12,000 companies assessed, to receive a triple "A" ranking for the seventh consecutive year, for its commitment and results in the three key areas: the fight against climate change, sustainable water management and the fight against deforestation.

A responsible, omnichannel logistics strategy

The Group's Supply Chain Department organises and optimises the delivery of every one of the over 6.5 billion L'Oréal products to all customers, as well as directly to consumers. It is responsible for making sure that the products are delivered under optimum conditions, at the right time and at the best cost. The Supply Chain Department and its distribution centres were particularly strategic and responsive in 2022 in order to support L'Oréal's growth in an extremely volatile market.

L'Oréal's unique features in a global market are its diverse range of distribution channels and its portfolio of many different beauty and cosmetic product categories. L'Oréal continuously optimises all information flows and physical flows from suppliers to customers.

Presence across all distribution channels



(1) Libramont in Belgium, Settimo in Italy, Burgos and Alcalá de Henares in Spain, Rambouillet, Ormes, Gauchy, Vichy, La Roche-Posay, Aulnay, Saint-Quentin, Lassigny and Caudry in France, Karlsruhe and Salzhemmendorf in Germany, Yichang and Suzhou in China, Gotemba in Japan, Funza in Colombia, Sao Paulo in Brazil, Florence in the USA, and Baddi in India. This factory has achieved "carbon-neutral" status, thanks to its use of 100% of renewable hydroelectric energy and an improvement in its energy efficiency.

(2) A site can claim "carbon neutral" status if it meets the following requirements: • Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

(3) 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.

The goal is to increase agility to handle market variations on all distribution channels and to adapt to market expectations in real time. 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 152 distribution centres is a strategic lever to ensure agile coverage of market challenges and expand our service offer. To create a more responsive supply chain, L'Oréal is investing in its distribution centres to gradually transform them into Fulfilment Centres[(1)]: powered by automation and data, they manage a range of services to consumers such as personalisation, box preparation and tailor-made delivery. They facilitate stock interoperability for omnichannel management and allow enhanced product traceability. In 2022, in Suzhou in China, L'Oréal began constructing its first "Intelligent Fulfilment Centre" to enhance its offering of personalised beauty services and experiences.

In order to reduce its environmental footprint, L'Oréal is co-creating with carriers low-carbon multimodal solutions adapted to the specific features of each geographic zone (green delivery, reduced air freight, hydrogen engines etc.). To improve the energy efficiency of its plants, L'Oréal is rolling out the use of 100% renewable energy worldwide. In 2022, L'Oréal and its partners opened the Group's second largest Latin American distribution centre in Jarinu, Brazil. As an eco-construction, this distribution centre uses 100% renewable energy.

The new Vennecy distribution centre in France has been in operation since October 2022 for the distribution of consumer products. Exemplary in terms of environmental performance (enhanced insulation, optimised mix of natural/LED lighting, passive air conditioning, roof-top photovoltaic power system and biomass-fired boilers), this centre uses data and automation to optimise flows and accentuate its ability to adapt to the markets.

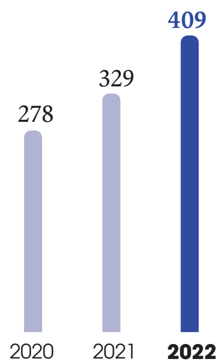
Global economic performance at the service of the brands and the commercial entities

In a climate of short and long-terms global tension, the Operations Division plays a key economic role for all brands and markets, which has an impact on the overall cost of products and their distribution.

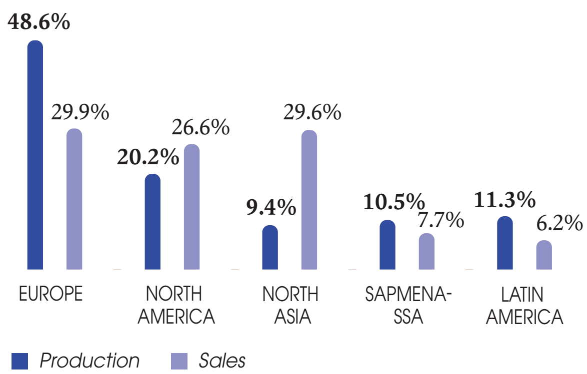
Economic optimisation efforts led by Operations involve tracking the total landed cost, i.e., the final full cost of a product, which includes the cost of packaging and raw materials, the value added by the plants and all supply chain costs.

Commitment to invest in Operations

(Production and supply chain commitments in € millions)



Production and sales of the operational Divisions by geographic zone in 2022: production close to its markets



(1) Distribution centres specially adapted for e-commerce distribution, where packages sent directly to consumers are prepared.

1.3. 2022 Financial Results and Corporate Social Responsibility commitments

1.3.1. 2022 Results

Commenting on the figures, Nicolas Hieronimus, CEO of L'Oréal, said[1]:"We achieved a remarkable performance this year, thanks to our innovation leadership, our highly desirable brands, our operational agility and the tremendous commitment of our teams. Comparable growth vs. 2019 accelerated quarter after quarter and reached +23% over the full year. Our balanced growth across Divisions and regions once again demonstrates the relevance of our multipolar model: strategically centralised and operationally decentralised with a strong entrepreneurial mindset, this model is ideally suited to the current environment. We have emerged stronger from 2022 and reinforced our position as the world's leading beauty company. These high-quality results allow us to consistently support our social and environmental commitments, in line with our dual ambition of economic and corporate performance. Mindful of the current uncertainties, we remain ambitious for the future, optimistic about the outlook for the beauty market, and confident in our ability to keep outperforming the market and achieve in 2023 another year of growth in sales and profits."

1.3.1.1. Overview of the results for 2022

- **Sales: 38.26 billion euros,**
  - +18.5% reported,
  - +10.9% like-for-like[2];
  - a comparable increase of +23.4% vs 2019.
- **Strengthening global leadership in the beauty market.**
- **Well-balanced growth between volume and value. 28% of sales in e-commerce.**
- **Strong improvement in operating margin: 19.5%** (+40 bps); operating profit: 7,456.9 million euros.
- **Earnings per share[3]: 11.26 euros,** up by +27.6%.
- **Dividend[4]: 6.00 euros.**
- **Third employee share ownership plan** successfully rolled out in more than 60 countries.
- **L'Oréal For Youth:** 25,000 work opportunities per year for under-30s.
- **L'Oréal Fund for Women:** already €30.8 million allocated to support over 1.2 million women in vulnerable situation throughout the world.
- **Solidarity Sourcing programme** benefiting 85,000 workers from discriminated communities.
- **Sustainability leader:** only company in the world to have been awarded a **'AAA' rating by CDP** for seven years in a row; **platinum medal by EcoVadis**, which ranked L'Oréal in the global top 1% of best companies assessed in terms of environmental and social performance.
- Named for the 13th year as one of the world's most ethical companies by **Ethisphere**.

1.3.1.2. Consolidated sales

Sales amounted to 38.26 billion euros at 31 December 2022, up by +18.5% reported.

Like-for-like, *i.e.* based on a comparable scope of consolidation and identical exchange rates, the growth of L'Oréal group sales was +10.9%.

The net impact of changes in the scope of consolidation was +0.4%.

At the end of 2022, **currency fluctuations** had an impact of +7.2%.

(1) Press realease of 9 February 2023.
(2) Like-for-like: based on a comparable scope of consolidation and identical exchange rates.
(3) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.
(4) To be proposed at the Annual General Meeting of 21 April 2023.

Sales by Division and Geographic Zone

€ millions	2020	2021	2022	% 2022 sales	2021/2022 progression	
					Like-for-like	Reported figures
By Division						
Professional Products	3,097.3	3,783.9	4,476.8	11.7%	+10.1%	+18.3%
Consumer Products	11,703.8	12,233.5	14,021.3	36.6%	+8.3%	+14.6%
L'Oréal Luxe	10,179.9	12,346.2	14,638.1	38.3%	+10.2%	+18.6%
Active Cosmetics	3,011.1	3,924.0	5,124.5	13.4%	+21.9%	+30.6%
Group total	**27,992.1**	**32,287.6**	**38,260.6**	**100%**	**+10.9%**	**+18.5%**
By geographic Zone						
Europe	9,199.3	10,184.8	11,436.7	29.9%	+11.6%	+12.3%
North America	6,903.4	8,155.9	10,164.0	26.6%	+10.4%	+24.6%
North Asia	8,318.1	9,863.3	11,321.4	29.6%	+6.6%	+14.8%
SAPMENA – SSA(1)	2,101.9	2,312.0	2,962.4	7.7%	+22.0%	+28.1%
Latin America	1,469.3	1,771.5	2,376.2	6.2%	+18.6%	+34.1%
GROUP TOTAL	**27,992.1**	**32,287.6**	**38,260.6**	**100%**	**+10.9%**	**+18.5%**

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

Summary by Division

Professional products

The Professional Products Division recorded strong growth, at +10.1% like-for-like and +18.3% reported

The Division strengthened its position in the professional beauty market, maintaining its growth momentum across all geographic Zones, with outstanding performances in mainland China, India and Brazil. It continued to perform in all distribution channels – in salons, in its SalonCentric network in the United States and in e-commerce – again confirming the success of its omnichannel strategy.

Growth in the premiumising haircare market was largely driven by the performance of *Kérastase,* whose sales exceeded the symbolic one-billion-euro mark for the first time, and *Série Expert* by *L'Oréal Professionnel,* with the success of the *Metal Detox* innovation. The Division also achieved growth in hair colour, with its iconic lines *Shades EQ* by *Redken* and *Inoa* by *L'Oréal Professionnel.*

As the industry leader, the Division continued to involve all its partner hairstylists in the sustainable transition with the rollout of its "Hairstylists for the Future" programme.

Consumer products

The Consumer Products Division posted its best growth in 20 years: +8.3% like-for-like and +14.6% reported.

The Division's growth was driven by innovation and sound valorisation, without sacrificing volume. All major brands outperformed the market, thanks to successful initiatives in the different categories.

The Division achieved sustained growth in haircare, with *Elvive Hyaluron Plump* confirming its worldwide success. Makeup was the Division's fastest growing category, with successful launches including *Superstay Vinyl Ink* by *Maybelline New York* - the first long-wear, shiny, liquid lipstick - as well as *Bare With Me* concealer and *Jumbo False Eyelashes* by *NYX Professional Makeup.* In skincare, *Garnier* was the Division's top growth contributor, with its *Vitamin C Brightening Serum* a standout success.

North America and Europe saw very robust performances. At the same time, growth accelerated significantly in Latin America and SAPMENA-SSA, with remarkable performance in high-potential countries such as Mexico, India and Brazil. This more than compensated for the challenging market conditions in China, where the Division accelerated its market share gains in the fourth quarter.

L'Oréal Luxe

L'Oréal Luxe recorded strong growth, at +10.2% like-for-like and +18.6% reported, outperforming a global luxury beauty market that proved dynamic again this year.

L'Oréal Luxe strengthened its leadership in fragrance, the fastest-growing category in the selective market. This performance was driven by global bestsellers, such as *Libre* by *Yves Saint Laurent, La Vie Est Belle* by *Lancôme* and *Acqua di Gio* by *Armani,* as well as launches that had an impressive start, including *Prada Paradoxe.* In skincare, the Division grew three times faster than the market, spurred by the ultra-premium segment, with a spectacular performance from *Helena Rubinstein,* cutting-edge innovations such as *Lancôme's Rénergie H.C.F Triple Serum,* and the success of recent acquisitions including the Japanese brand *Takami.* The Division also grew in makeup, thanks to the initiatives of *Yves Saint Laurent* and *Urban Decay.*

In an unsettled environment, particularly in the second half of the year with the drastic slowdown of the Chinese market, the Division confirmed the strength of its geographic footprint which has allowed it to reinforce its global market share since 2019. The Division grew in step with the market in Europe and significantly increased its position in North Asia.

Active Cosmetics[1]

The Active Cosmetics Division ended the year with outstanding growth, at +21.9% like-for-like and +30.6% based on reported figures.

Reinforcing its medical prescription leadership, the Active Cosmetics Division strengthened its recommendation-based model and grew twice as fast as the dermocosmetics market. The Division posted double-digit growth in all Zones, with a remarkable performance in North America, SAPMENA–SSA and mainland China. *La Roche-Posay* and *CeraVe* contributed equally to the Division's growth. *La Roche-Posay*, the Division's biggest brand, sustained its outstanding momentum, driven by its main pillars *Cicaplast* and *Effaclar*, and by the success of the *UVMune 400* breakthrough innovation in sun protection. *CeraVe* continued to expand internationally, achieving spectacular growth in both the United States and the rest of the world. *Vichy* maintained its strong momentum thanks to *Dercos* and the *Capital Soleil UV* franchise in both seasonal and daily sun protection. On the aesthetic front, *SkinCeuticals* recorded double-digit growth, fuelled by the excellent performance of *A.G.E Interrupter* anti-wrinkle cream. The newly acquired brand *Skinbetter Science*, integrated into the Division in the fourth quarter, showed promising potential.

Summary by geographic Zone

Europe

The Zone achieved growth of +11.6% like-for-like and +12.3% reported.

The European beauty market grew beyond pre-pandemic levels, driven by fragrance, makeup and sun protection. It remained dynamic during the second half of the year despite rising inflation. L'Oréal again significantly outperformed the market thanks to its diversified offering, which meets the needs of all consumer segments, and its valorisation strategy, allowing Europe to be the Group's number one growth contributor this year. L'Oréal outperformed in the majority of countries, especially Germany, the United Kingdom and Spain. The Central European countries posted very strong growth. L'Oréal also continued to outperform in e-commerce.

The Consumer Products Division achieved its strongest growth of the last few years, driven by its makeup rebound and highly successful launches. Leading the fragrances category, L'Oréal Luxe had further success. The Active Cosmetics Division outperformed across the Zone thanks to the success of *La Roche-Posay* and *CeraVe*, which continued to expand rapidly. Finally, the Professional Products Division successfully pursued its valorisation strategy, significantly contributing to the growth of premium haircare in the Zone.

North America

The Zone ended the year at +10.4% like-for-like and +24.6% reported, reaching the 10 billion euro mark in sales. Strong innovation, operational agility and well-executed valorisation of the offer amid rising inflation were instrumental in achieving this milestone.

The Consumer Products Division strengthened its position, outperforming the makeup market led by *NYX Professional Makeup* and *Maybelline New York*. L'Oréal Luxe outperformed the market in fragrance, thanks to its unique portfolio and key launches like *Prada Paradoxe* and *Viktor & Rolf Good Fortune*. The Professional Products Division remained strong in the salon channel and through the SalonCentric platform, significantly outpacing the market ; it performed particularly well in haircare, with *Pureology* and *Kérastase*. The Active Cosmetics Division closed the year with strong double-digit growth, well ahead of the dermocosmetics market. *CeraVe* and *La Roche-Posay* maintained good momentum ; the acquisition of the US skincare brand *Skinbetter Science* got off to a strong start.

North Asia

The Zone ended the year at +6.6% like-for-like and +14.8% based on reported figures.

L'Oréal's unique brand portfolio and its digital excellence were once again key drivers to outperform throughout the Zone, in all markets and all channels. The Professional Products and Active Cosmetics Divisions continued their double-digit growth, leveraging their premium brand portfolio. The Consumer Products Division capitalised on *L'Oréal Paris'* notable success in the skincare and haircare categories, and on *3CE Stylenanda* growth momentum. L'Oréal Luxe achieved robust growth in a negative market; this remarkable performance was driven by premium skincare, fragrance and the strong acceleration of *Yves Saint Laurent* across the Zone.

In mainland China, the beauty market was clearly affected by the public health restrictions. In this challenging context, L'Oréal grew appreciably, with a double-digit increase in online sales. Leveraging brand love and operational agility, L'Oréal succeeded in providing consumers with quality premium and innovative products. This remarkable success resulted in strong offline and online market share gains throughout the year, as well as during Double 11, the world's biggest shopping festival ; L'Oréal brands topped the rankings for each beauty category on Tmall, further consolidating the Group's leadership, notably in luxury, where L'Oréal surpassed 30% of market share in 2022.

L'Oréal recorded double-digit growth in Japan and Korea, where it outperformed the beauty market, which bounced back strongly in 2022.

All L'Oréal sites in the North Asia Zone became "carbon neutral"[2] in 2022.

(1) "Dermatological Beauty" Division, as announced on 10 February 2023. Preivously "Active Cosmetics" Division.

(2) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
•Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting.

SAPMENA – SSA[1]

The Zone grew strongly, at +22.0% like-for-like and +28.1% reported.

In SAPMENA, the Group achieved solid growth across all markets despite sourcing challenges. Consumers returned to stores and L'Oréal recorded booming sales in the brick-and-mortar channel. In the Pacific, growth was mainly driven by the fragrance and skincare categories, notably with the expansion of *La Roche Posay* and *CeraVe*. *Maybelline New York* makeup and *Garnier* skincare both fuelled progression across South-East Asia. The spectacular growth in India was spurred by the success of the Professional Products Division and the Consumer Products Division across all categories. Growth in the Gulf States continued to gather momentum.

In Sub-Saharan Africa (SSA), L'Oréal significantly outperformed the market thanks to the dynamism of all Divisions, with the Active Cosmetics Division achieving spectacular growth following the successful launch of *CeraVe* in the region.

Latin America

The Zone posted strong growth, at +18.6% like-for-like and +34.1% based on reported figures.

L'Oréal recorded double-digit growth in key countries and gained market share. All Divisions contributed to this impressive performance, led by the Consumer Products Division, which saw spectacular growth. The Group continued to increase the weight of sales in e-commerce, while also enjoying double-digit growth in brick-and-mortar thanks to a winning omnichannel activation strategy.

The skincare category drove very strong growth in Mexico, while Brazil's performance was propelled by the remarkable growth of the Consumer Products Division and L'Oréal Luxe.

1.3.1.3. 2022 Consolidated results

Operating profitability and consolidated income statement

	2020		2021		2022	
	€ millions	% 2020 sales	€ millions	% 2021 sales	€ millions	% 2022 sales
Sales	**27,992.1**	**100.0%**	**32,287.6**	**100.0%**	**38 260.6**	**100.0%**
Cost of sales	-7,532.3	26.9%	-8,433.3	26.1%	- 10 577.4	27.6%
Gross profit	**20,459.8**	**73.1%**	**23,854.3**	**73.9%**	**27 683.3**	**72.4%**
R&I expenses	-964.4	3.4%	-1,028.7	3.2%	- 1 138.6	3.0%
Advertising and promotion expenses	-8,647.9	30.9%	-10,591.0	32.8%	- 12 059.0	31.5%
Selling, general and administrative expenses	-5,638.5	20,1 %	-6,074.2	18.8%	- 7 028.8	18.4%
OPERATING PROFIT	**5,547.5**	**18.6%**	**6,160.3**	**19.1%**	**7 456.9**	**19.5%**

Gross profit, at 27,683.3 million euros, came out at 72.4% of sales, compared with 73.9% in 2021, a difference of 150 basis points.

Research & Innovation expenses, at 3% of sales, increased by more than +10%.

Advertising and promotion expenses accounted for 31.5% of sales, a decrease of 130 basis points.

Selling, general and administrative expenses, at 18.4% of sales, decreased by 40 basis points.

Overall, **operating profit** increased by +21.0% to 7,456.9 million euros, and amounted to 19.5% of sales, an improvement of 40 basis points.

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

Net profit

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

€ millions	2020	2021	2022	Evolution
Operating profit	**5,209.0**	**6,160.3**	**7,456.9**	**+21%**
Financial revenues and expenses excluding Sanofi dividends	-95.9	-59.6	-73.0	
Sanofi dividends	372.4	378.3	468.2	
Profit before tax excluding non-recurring items	**5,485.5**	**6,478.9**	**7 852.1**	**+21.2%**
Income tax excluding non-recurring items	-1,383.1	-1,535.6	-1,793.4	
Net profit excluding non-recurring items of equity consolidated companies	+0.9	+0.6	+1.5	
Non-controlling interests	-4.2	-5.5	*- 6.1*	
Net profit excluding non-recurring items after non-controlling interests	**4,099.0**	**4,938.5**	**6,054.1**	**+22.6%**
EPS [(1)] *(€)*	7.30	8.82	11.26	+27.6%
NET PROFIT AFTER NON-CONTROLLING INTERESTS	**3,563.4**	**4,597.1**	**5,706.6**	**+ 24.10%**
Diluted EPS after non-controlling interests *(€)*	6.34	8.21	10.61	
Diluted average number of shares	561,635,963	559,791,545	537,657,548	

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

Net finance costs amounted to 73 million euros.

Sanofi dividends totalled 468.2 million euros. This year, in addition to the annual dividend of 393.7 million euros, Sanofi paid an additional dividend-in-kind in the form of newly listed Euroapi shares for an amount of 74.5 million euros.

Income tax excluding non-recurrent items amounted to 1,793 million euros, representing a tax rate of 22.8%.

Net profit excluding non-recurring items after non-controlling interests stood at 6,054 million euros.

Earnings per share[(1)], at 11.26 euros, increased by +27.6%.

Non-recurring items after non-controlling interests[(2)] amounted to 347 million euros net of tax.

Net profit after non-controlling interests came out at 5,706 million euros, increasing by +24.1%.

Cash flow statement, Balance sheet and Cash position

Gross cash flow amounted to 7,289 million euros, an increase of +9.8%.

The **working capital requirement** increased by 1,010 million euros.

At 1,343.2 million euros, **investments** represented 3.5% of sales.

Net cash flow[(3)], at 4,935 million euros, decreased by 12.7%.

The **balance sheet** remains strong, with shareholders' equity amounting to 27.2 billion euros.

Proposed dividend at the Annual General Meeting of 21 April 2023

The Board of Directors has decided to propose a dividend of 6.00 euros per share at the shareholders' Annual General Meeting of 21 April 2023, an increase of +25% compared with the dividend paid in 2022. The dividend will be paid on 28 April 2023 (ex-dividend date 26 April at 0:00am, Paris time).

Share capital

At 31 December 2022, the capital of the company is formed by 535,186,562 shares.

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

Operating profit by Division[1]

	2020		2021		2022	
	€ millions	% 2020 sales	€ millions	% 2021 sales	€ millions	% 2022 sales
Professional Products	582	18,8%	807	21.3%	954	21.3%
Consumer Products	2,388	20,4%	2,466	20.2%	2,775	19.8%
L'Oréal Luxe	2,276	22,4%	2,816	22.8%	3,350	22.9%
Active Cosmetics	766	25,4%	991	25.2%	1,303	25.4%
DIVISIONS TOTAL	**6,012**	**21,5%**	**7,080**	**21.9%**	**8,382**	**21.9 %**
Non-allocated[1]	-803	-803	-920	-2.8%	*-925*	*- 2.4%*
GROUP	**5,209**	**18,6%**	**6,160**	**19.1%**	**7,457**	**19.5%**

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

The profitability of the **Professional Products Division** came out at 21.3%, stable compared with 2021.

The profitability of the **Consumer Products Division** came out at 19.8%, vs 20.2% in 2021.

The profitability of **L'Oréal Luxe** improved by 10 basis points, at 22.9%.

The profitability of the **Active Cosmetics Division** increased by 20 basis points to 25.4%.

Non-allocated expenses amounted to 925.1 million euros.

Sales by business segment

				2021/2022 evolution	
€ millions	2020	2021	2022	Like-for-like	Reported figures
Skincare	11,052	12,982	15,344	10.1%	18.2%
Make-up	5,969	6,627	7,739	9..2%	16.8%
Haircare	4,254	4,880	5,750	12.0%	17.8%
Hair colourants	2,972	3,016	3,362	4.6%	11.5%
Perfumes	2,529	3,512	4,546	22.8%	29.5%
Other[1]	1,216	1,271	1,520	6.3%	19.6%
TOTAL COSMETICS SALES	**27,992**	**32,288**	**38,261**	**10.9%**	**18.5%**

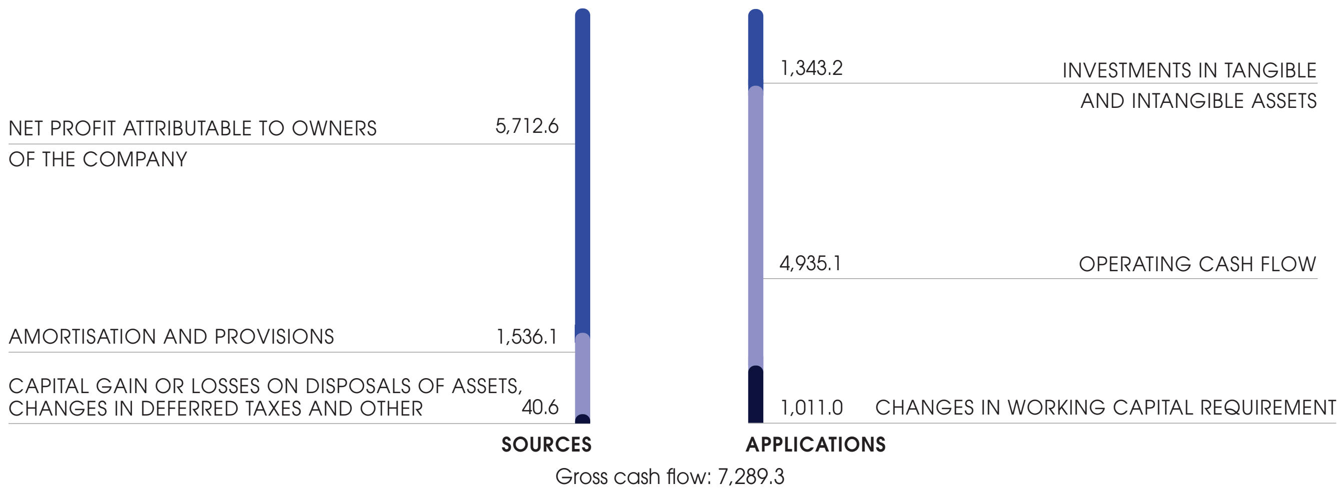
"Other" includes hygiene products, sales made by American distributors with non-Group brands.

Compared consolidated income statements

€ millions	2022	2021	2020
Net sales	**38,260.6**	**32,287.6**	**27,992.1**
Cost of sales	-10,577.4	-8,433.3	-7,532.3
Gross profit	**27,683.3**	**23,854.3**	**20,459.8**
Research & Innovation expenses	-1,138.6	-1,028.7	-964.4
Advertising and promotion expenses	-12,059.0	-10,591.0	-8,647.9
Selling, general and administrative expenses	-7,028.8	-6,074.2	-5,638.5
Operating profit	**7,456.9**	**6,160.3**	**5,209.0**
Other income and expenses	-241.5	-432.0	-709.0
Operational profit	**7,215.4**	**5,728.3**	**4,500.0**
Finance costs on gross debt	-70.4	-38.0	-79.2
Finance income on cash and cash equivalents	69,8	18,5	18.5
Finance costs, net	**-0.6**	**-19.4**	**-59.4**
Other financial incomeand expenses	-72.3	-40.2	-36.5
Sanofi dividends	468.2	378.3	372.4
Profit before tax and associates	**7,610.6**	**6,046.9**	**4,776.5**
Income tax	-1,899.4	-1,445.4	-1,209.8
Share of profit in associates	1.4	0.6	0.9
Net profit	**5,712.6**	**4,602.2**	**3,567.6**
Attributable to:			
• owners of the company	5,706.6	4,597.1	3,563.4
• non-controlling interests	6.0	5.1	4.2
Earnings per share attributable to owners of the company *(euros)*	10.65	8.24	6.37
Diluted earnings per share attributable to owners of the company *(euros)*	10.61	8.21	6.34
Earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.30	8.86	7.33
Diluted earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.26	8.82	7.30

(1) In 2022, the operating margin was negatively impacted by -40bp in each division and by -20bp at group level:
a. -20bp in each division, due to the reallocation of certain central costs to divisions, offset by symmetry by a 20bp decline in non-allocated expenses;
b. -20bp in each division and at group level, as the group expensed in 2022 the cost of configuring and customizing software used in Saas mode, in accordance with IFRIC's April 2021 decision.

Sources and application of funds



Financial ratios

	2020	2021	2022
Operating profit/Sales *(as % of sales)*	18.6%	19.1%	19.5%
Net profit excluding non-recurring items attributable to the owners of the group/ Opening shareholders' equity *(% of shareholders' equity)*	13.9%	17.0%	25.8%
Net gearing(1) *(% of shareholders' equity)*	n/a	15.2%	11.2%
Gross cash flow/Investments	5,9x	6,2x	5,4x

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

L'Oréal 2017-2022

€ millions	2017	2018	2019	2020	2021	2022
Results						
Consolidated sales	26,023	26,937	29,874	27,992	32,288	38,260
Operating profit	4,676	4,922	5,548	5,209	6,160	7,457
As a percentage of consolidated sales	18.0%	18.3%	18.6%	18.6%	19.1%	19.5%
Profit before tax excluding non-recurring items	5,003	5,278	5,848	5,485	6,479	7,852
Net profit excluding non-recurring items attributable to the owners of the company	3,748	3,988	4,357	4,099	4,938	6,054
Net profit attributable to owners of the company	3,581	3,895	3,750	3,563	4,597	5,707
Total dividend	2,006	2,177	2,173	2,268	2,601	3,246
Balance sheet						
Non-current assets	24,320	25,991	29,893	29,047	30,938	32,794
Current assets excl. cash and cash equivalents	7,792	8,474	8,631	8,154	9,362	11,432
Cash and cash equivalents	3,047	3,992	5,286	6,406	2,714	2,618
Equity(1)	24,819	26,933	29,426	28,999	23,593	27,187
Net financial position(2)	-1,872	-2,751	-2,399	-3,859	3,586	3,033
Gross cash flow	4,972	5,178	5,802	5,724	6,640	7,289
Per share data (€)						
Diluted earnings per share attributable to owners of the company excluding non-recurring items	6.65	7.08	7.74	7.30	8.82	11.26
Dividend	3.55	3.85	3.85	4.00	4.80	6.00(3)
Share price at 31 December(4)	184.95	201.20	264.00	310.80	416.95	333.60
Highest share price during the year(4)	197.15	214.90	267.60	321.40	433.65	431.95
Lowest share price during the year(4)	167.75	170.30	194.55	196.00	290.10	300.45
Diluted weighted average number of shares outstanding(4)	563,528,502	563,098,506	562,813,129	561,635,963	559,791,545	537,657,548

(1) Plus non-controlling interests.
(2) The net cash surplus was €1,872 million in 2017, €2,751 million in 2018, €2,399 million in 2019, €3,859 million in 2020 and -€3,586 million in 2021. The net debt was -€3,033 million in 2022.
(3) Dividend proposed to the Annual General Meeting of 21 april 2023.
(4) 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 €107,037,312.40 at 31 December 2022; the par value of one share is €0.2.

1.3.1.4. Important events and post-closing events

Research, Beauty Tech and digital

- L'Oréal unveils latest beauty tech innovations ahead of CES 2022: reinventing haircoloration with two user-design breakthrough innovations dedicated to transform the experience both at home for consumers and in hair salons for professionals coloright and colorsonic, a 2022 CES innovation awards honoree, reinvent consumer haircoloring experience through user-design breakthroughs at home and in the salon.
- L'Oréal and Verily, an Alphabet precision health company, announced today a strategic partnership, exclusive in beauty, to advance skin health.
- On the occasion of International Fragrance Day, L'Oréal and EMOTIV, the leading neurotechnology company, announced today a strategic partnership in beauty, to help consumers make accurate and personalised choices around their fragrance desires. The partnership which combines an Emotiv neurotech device with proprietary scents and algorithms by L'Oréal.
- L'Oréal's corporate venture capital fund BOLD (Business Opportunities for L'Oréal Development) announces a **minority investment in Japanese beauty startup SPARTY**, Inc. a D2C business model grounded in personalized beauty. This investment in SPARTY marks the first venture capital investment by L'Oréal in Japan.
- After 10 years of research, L'Oréal introduced **UVMune 400**, its breakthrough sun filtering technology that effectively protects the skin against insidious ultra-long UVA rays, preventing sun-induced deep skin damages, which is a major public health issue.
- At **Viva Technology 2022** in Paris, L'Oréal unveiled its vision of the Future of Beauty through an exploration of the **Web3 and the metaverse** and immersive beauty experiences
- In January, L'Oréal unveiled **two new CES® 2023 Innovation Award-winning beauty technologies: HAPTA**, the world's first handheld computerised makeup applicator designed for users with limited hand or arm mobility; and **L'Oréal Brow Magic**, the first at-home electronic eyebrow makeup applicator. L'Oréal Brow Magic is the fruit of several years' collaboration with micro-printing startup Prinker Korea Inc, in which the venture capital fund BOLD, Business Opportunities for L'Oréal Development, made a minority investment.
- In November, **L'Oréal Colorsonic** was selected as one of ***Time* magazine's Best Inventions of 2022**, in the Beauty Tech category. The lightweight, handheld device uses an innovative, mess-free process to mix hair colour and apply it evenly, delivering consistent colouring results for consumers at home.
- In January, *NYX Professional Makeup* announced **GORJS**, the world's first beauty decentralized autonomous organization ("DAO") focused on fostering the development of the **3D artist community**.
- To promote authenticity, inclusivity and creativity for self-expression in the **metaverse**, L'Oréal premiered virtual beauty looks in November through the **first ever multi-brand beauty partnership with leading cross-game avatar platform Ready Player Me.** *Maybelline New York* and *L'Oréal Professionnel* provide exclusive makeup and hair styles for avatar creation, which can be used on more than 4,000 platforms and apps worldwide.
- In January, the venture capital fund BOLD, Business Opportunities for L'Oréal Development, made a minority investment in **US-based startup Digital Village**, a metaverse-as-a-service platform and NFT marketplace for brands, creators and communities.
- **L'Oréal and French biotech Microphyt have announced a strategic partnership**. In November, the venture capital fund BOLD, Business Opportunities for L'Oréal Development, acquired a minority stake in Microphyt. The partnership is an additional proof point of L'Oréal's Research and Innovation strategy towards Green Sciences through investment in innovative biotech startups.

Environmental, social and governance performance

- L'Oréal has joined forces with some thirty companies in the cosmetics sector, as well as professional associations, to form the EcoBeautyScore Consortium. It aims to develop an industry-wide environmental impact assessment and scoring system for cosmetics products.
- For the 5th year in a row, L'Oréal is among the top **20 most** gender-equitable **companies of the world in Equileap's Global Gender Equality Ranking** ; L'Oréal will once again be No. 1 in France
- L'Oréal has received a Long-Term Issuer Credit rating of AA from Standard and Poor's and an Issuer Rating of Aa1 from Moody's. The outlooks assigned to the ratings by both agencies are 'Stable'.
- L'Oréal has announced the launch of a **Circular Innovation Fund** to develop and amplify innovative circular solutions around the world. L'Oréal, lead investor, is contributing €50 million to the new €150 million fund. This investment is part of L'Oréal for the Future sustainability program.
- L'Oréal has announced the launch of its **third Employee Share Ownership Plan**. This operation has been successfully deployed in more than 60 countries and makes it possible to closely involve L'Oréal employees, both in France and abroad, in the Group's development.

- L'Oréal has announced the launch of the **L'Oréal BOLD Female Founders** initiative designed to support female-led startups. It will be developed by its venture capital fund, BOLD Business Opportunities for L'Oréal Development, through a dedicated initial allocation of 25 million euros.
- The Fondation L'Oréal and UNESCO celebrated 45 eminent women scientists from over 35 countries and all regions of the world at an unprecedented **For Women in Science International Awards Ceremony**, aimed at promoting scientific excellence for women. On this occasion, 15 exceptional researchers were rewarded in recognition of their outstanding scientific achievements, and 30 young researchers were awarded the title of Young International Talents.
- L'Oréal received the "Palme de la Pédagogie" during the **Award Ceremony of the Young Shareholders Golden Palms**, created by EDHEC Business School and the Federation of Individual Investors and Investment Clubs (F2iC). This award recognises the company that has made the most efforts to inform and communicate to its shareholders.
- L'Oréal received **the Award for ESG Purpose and Commitments** at the 2022 General Meeting and Gender Balance Awards ceremony, organised by the Institut du Capitalisme Responsable.
- L'Oréal has announced that **all its sites in the North Asia Zone have achieved carbon neutrality**(1) (scopes 1 & 2), using exclusively renewable energies. This result illustrates the Group's efforts to combat climate change and is an important step towards achieving the objectives of the L'Oréal for the Future sustainability program.
- **L'Oréal was awarded the EcoVadis "Platinum" medal**, with a score of 83/100, for its environmental and social performance. Thanks to this award, L'Oréal ranks now in the top 1% of companies worldwide (among more than 100,000 evaluated) that perform best in these areas.
- 2022 marks **the first year of the L'Oréal For Youth Programme**, which aims to offer work opportunities to young people and takes concrete action to increase their employability, especially for those from disadvantaged backgrounds who face difficulties in accessing the labour market. Since its launch, the program has offered more than 18,300 job opportunities for those under 30 and the L'Oréal Group aims to increase to 25,000 professional opportunities per year from 2022.
- **L'Oréal Chairman, Jean-Paul Agon, awarded the 2022 Appeal of Conscience Foundation**. This prestigious distinction is awarded to visionary business leaders who are committed to social responsibility and who put their company's resources and global capabilities at the service of the international community. Jean-Paul Agon was recognized for his innovative leadership committed to respect for human dignity, diversity and inclusion.
- L'Oréal ranked 14th in **Refinitiv's 2022 Diversity & Inclusion Index**, which lists the world's 100 most diverse and inclusive companies among the 12,000 global companies evaluated across 24 criteria.
- As part of its European Energy Sobriety Plan, L'Oréal signed a contract with EDF in September via a PPA (Power Purchase Agreement) **for the supply of green electricity** for its France plants and campuses. The construction of two exclusive 30-hectare solar fields will provide 25% of L'Oréal's energy consumption in France, starting in 2025.
- L'Oréal is the only company in the world to have received a **'AAA' score from CDP** seven years in a row, for its leadership in corporate transparency and environmental performance, through its commitment to tackle climate change and take action to protect forests and water security.
- In December, **all L'Oréal Brazil sites became "carbon neutral"** (1) (head office, research and innovation centre, plant and distribution centre), three years ahead of schedule for its L'Oréal for the Future objectives.
- For the 5th consecutive year, L'Oréal was recognized by the **Bloomberg Gender-Equality Index** (GEI) for having successfully created an inclusive and equal work environment. L'Oréal is one of the 418 companies across 45 countries and regions to be part of the 2022 Index.
- In November, L'Oréal was again recognised as a leading employer, taking **5th place in the Universum global ranking** of business students' favourite companies, making the Group the number-one European firm.
- In December, L'Oréal received the **top award for the best shareholder relations in the CAC 40** from *Le Revenu* magazine, which ranks listed companies based on the quality of their relationship with individual investors.

(1) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
•Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting.

Others

- The Board of Directors cancelled, with effect from February 10, 2022, the 22,260,000 L'Oréal shares that had been repurchased from Nestlé, in accordance with the decisions of the Board of Directors dated December 7, 2021.
- David Greenberg has been appointed CEO of L'Oréal USA, President of North America Zone, and member of L'Oréal Executive Committee.
- L'Oréal strongly condemns the Russian invasion and the war in Ukraine and announced its decision to temporarily close all its own stores, directly operated counters in department stores as well as its own brand e-commerce sites and suspend all industrial and national media investments.
- L'Oréal has announced the successful launch of its first bond issue 5, including a tranche with a CSR reference framework, for a total nominal amount of €3 billion. This inaugural issue received exceptional market reception with a total demand of €10.7 billion, more than 3.5 times the combined volume of supply.
- 30th anniversary of **L'Oréal Brandstorm**, the innovation competition for students from all over the world.
- L'Oréal China Corporate Venture Capital (Shanghai Meicifang Investment Co., Ltd) has announced its first equity investment in China by investing in **Chinese luxury fragrance brand Documents**, with the support of venture capital fund BOLD Business Opportunities for L'Oréal Development.
- After two years of renovation, L'Oréal has announced the **reopening of the famous Carita Beauty House**, at 11 rue du Faubourg Saint-Honoré (Paris).
- L'Oréal China has launched **two pioneering projects in the city of Suzhou**, laying the foundation stone of its first-ever connected fulfillment center and announcing the official opening of its 'Healthy Beauty' workshop at the Suzhou plant.
- **L'Oréal has completed the acquisition of Skinbetter Science, an American skincare brand at the forefront of dermatological research**, distributed by health professionals - dermatology, plastic surgery and aesthetic medicine.

2023 Outlook

Mindful of the current uncertainties, we remain ambitious for the future, optimistic about the outlook for the beauty market, and confident in our ability to keep outperforming the market and achieve in 2023 another year of growth in sales and profits.

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 (see sections 1.2.8. and 1.2.9.) ; 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 2022, the Group's investments totalled €1,343 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 2022 can be broken down as follows : production and the physical supply chain represented approximately 29% of total investments; marketing investments, including moulds, POS advertising materials and stores accounted for 34%; IT investments spread over all these categories represented 23% of total investments; research and the head offices in the different countries accounted for the remainder[1]. Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

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

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."

Employees are the driving force behind the Group and one of its major competitive advantages. They are working to roll out the Group's vision through its portfolio of brands, its governance, its research and innovation, data and technology in its transformation.

The Group's human and social project revolves around one vision: to offer its employees an inspiring, inclusive and innovative working environment, which places human beings at the heart of each of its decisions. This is reflected in particular in developing the individual and collective performances of its employees and investing in the skills of the future. This also relies on a working environment that promotes engagement and collective performance, where growth is shared with employees.

Social innovation is at the heart of this approach, with the Share & Care programme in particular, or the programmes to transform our working methods (Simplicity 2 or Best of Both, the hybrid working policy).

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. Social audits are also conducted on the suppliers of the plants and distribution centres.

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

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

Focus: sharing growth with employees

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

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

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

L'ORÉAL Share & Care

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

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

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

For many years, L'Oréal has begun a profound transformation of its model, in all areas, to adapt to the great changes in the world. 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.).

In June 2020, L'Oréal initiated the second generation of its commitments to sustainable development, under the umbrella of its programme L'Oréal for the Future, with a new set of particularly ambitious targets for 2030, in order to cover all the impacts associated with the Group's value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers. L'Oréal for the Future, which aims to ensure that the Group's business activities remain within the planetary boundaries defined by environmental science, marks a new ambition for the sustainable development of L'Oréal with the intention to capitalise on previous achievements : the commitment from 2009 to reduce the environmental footprint of factories and distribution centres by 50% compared to 2005, then the Sharing Beauty With All programme launched in 2013 with sustainable production, sustainable innovation, sustainable consumption and shared growth targets for 2020, which has made sustainable development one of the Group's key strategic pillars.

In 2015, L'Oréal also undertook to define Science-Based Targets (SBT) to reduce its greenhouse gas emissions across its entire value chain over the long term, in accordance with the Paris Climate Change Agreements. In December 2017, the SBT initiative validated the Group's proposal : L'Oréal is committed to reducing greenhouse gas emissions on its Scopes 1, 2 and 3 by 25% in absolute value by 2030, compared with the 2016 baseline.

L'Oréal for the Future: 2022 Results

The following table summarises the targets for the L'Oréal for the Future programme, as well as the extent to which they were achieved in 2022. Detailed information (policies, performance indicators, results etc.) is provided in chapter 4.

2022 results *Targets*

Transforming our business

CLIMATE

By 2025, all our sites will have achieved "carbon neutral"[(1)] status by improving energy efficiency and using 100% renewable energy▲.

65% → 100%
2021 Results: 58%

By 2030, we will innovate to enable our consumers to reduce their greenhouse gas emissions resulting from the use of our products by 25% compared to 2016, on average and per finished product[(2) (3)].

-24% → -25%
2021 Results: -12%

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

+6.7% → -50%
2021 Results: +12%

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

The methodology used to calculate this indicator was defined in 2021 and is being piloted in 2022, pending approval. It will be rolled out in 2023.

WATER

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

The methodology used to calculate this indicator was defined in 2022 and will be subject to a pilot for approval in 2023, allowing for roll-out between 2025 and 2026.

By 2030, we will innovate to enable our consumers to reduce by 25%, on average and per finished product, the water consumption linked to the use of our products, compared to 2017[(3) (4)].

+1% → -25%
2021 Results: +5%

By 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop▲ [(5)].

13% → 100%
2021 Results: 15%

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

The methodology used to calculate this indicator is currently being defined in collaboration with the CDP.

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▲ [(6)].

92%[(6)] → 100%
2021 Results: 94%[(6)]

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

The methodology used to calculate this indicator was updated in 2022 and is in the process of being rolled out.

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

The calculation methodology was defined in 2021 and is in the process of being rolled out.

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

(1) A site can claim "carbon neutral" status if it meets the following requirements: • Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

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

(3) Methodology for calculating this commitment specified in chapter 4.

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

(5) Waterloop factories.

(6) Scope: bio-sourced ingredients of formulas, packaging excluded.

RESOURCES

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

61% → 95%
2021 Results: 60%

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

26% → 100%
2021 Results: 21%

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

-3% → - 20%
2021 Results: -3%

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

38% → 100%
2021 Results: 39%

By 2025, 100% of our new displays will be eco-designed(3).

97% → 100%
2021 Results: 91%

By 2025, 100% of our new Free Standing Stores will be designed and built following our principles of sustainability principles(3).

50% → 100%
2021 Results: 32%

By 2030, 100% of the waste generated in our sites(7) will be recycled or reused.

61% → 100%
2021 Results: 59%

Empowering our ecosystem in our transformation

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

The methodology used to calculate this indicator was defined in 2021 and is being piloted, for roll out in 2023.

By 2030, we will have helped 100,000 people from disadvantaged communities gain access to employment*(3).

17,827 → 100,000 people
2021 Results: 13,946

By 2030, 3 million people will benefit from our brands' social engagement programmes(3).

More than 2,500,000 → 3 million
2021 Results: 985,089

By 2022, the Product Environmental and Social Labelling system will apply to all the Group's rinse-off products(8).

83% → 100%
2021 Results: 76%

By 2030, all Group products will be eco-designed*(9).

97% → 100%
2021 Results: 96%

Contribute to solving the challenges of the world

By 2030, we will have allocated €50 million to support the most vulnerable women via the L'Oréal Fund for Women.

30 million → 50 million
2021 Results: 12 million

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

22 million → 50 million
2021 Results: 2 million

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

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

By 2030, we will have invested €50 million to finance projects that will help promote a more circular economy, *via* the Circular Innovation Fund.

15 million(10) → 50 million
The Fund has been constructing and deploying its investment portfolio since 2022.

(7) Industrial sites.
(8) In 2021, an environmental impact score was calculated for 76% of the Group's rinse-off products; labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.
(9) Basis of calculation representing 72% of all projects, excluding items considered to be irrelevant, such as ad hoc animation and promotion products and regulatory compliance leading to changes that are not visible to consumers.
(10) Amount committed by the Circular Innovation Fund.

1.4. A tailored, agile and responsive organisation

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.

From an organisational and managerial perspective, L'Oréal is strategically centralised and operationally decentralised with a strong entrepreneurial spirit. This unique model empowers its in-country teams and guarantees flexibility and excellence on the ground. This organisational structure is perfectly suited to the current environment. During the 2020 crisis, it was a considerable asset in terms of putting in place measures that were tailored to the specific circumstances in each country.

The Group completed in 2021 the reorganisation of Zones it had announced in November 2020, aligning them more closely with consumers.

1.4.1. L'Oréal S.A.

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

The subsidiaries operate the Group's business activities in the countries or region(s) in which they are located, on the domestic or the export markets. To do so, they define the development strategy specific to their market(s), 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(s).

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 1.2.3.).

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

1.4.3. Geographic zones

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

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

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

1.4.4. Functional Divisions

Several specialist corporate departments provide their expertise and support to the Operational Divisions, to subsidiaries in their markets and to the other business activities (see section 1.2.2.).

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

1.5. Internal Control and risk management system

The Group operates in a constantly changing environment. 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 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.

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.

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.

Chapter 3 provides detailed information on identifying and managing the most significant risks from the point of view of investment decision-making, within the meaning of the regulations. These risks are listed in the table below.

Major risks to which the Group believes it is exposed

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

* *Most material risks in each category.*

Residual importance: Low *Moderate* *Significant*

CHAPTER 2

Corporate governance *

2

* *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 2022, and the remuneration policy pursuant to Article L. 22-10-8 of the French Commercial Code.

2.1. Framework for the implementation of corporate governance principles

2.1.1. AFEP-MEDEF Code: the reference Code

The Code of Corporate Governance to which the Company refers is the AFEP-MEDEF Code.

This chapter includes[1] a specific section of the Management Report on corporate governance and reports on the following, in particular:

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

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

- the table summarising the authorisations in force granted by the Annual General Meeting (see section 7.2.2.);
- 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 7.1.4.); 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.).

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

2.1.2. Balance of power within the Board of Directors

2.1.2.1. General Management procedures: Separation of the functions of Chairman of the Board and Chief Executive Officer

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

After a period of 5 years (between 2006 and 2011) during which the duties of Chairman of the Board of Directors and those of Chief Executive Officer were separated in order to ensure a smooth transition between Sir Lindsay Owen-Jones and Mr Jean-Paul Agon, the Board of Directors decided in 2011 to merge these positions and to appoint Mr Jean-Paul Agon as Chairman of the Board of Directors responsible for the Company's General Management (Chairman and Chief Executive Officer of L'Oréal), roles that he held until 30 April 2021. As the Company's Articles of Association do not provide for any exception to the legal retirement age of 65 years for the Chief Executive Officer, Mr Jean-Paul Agon was required to hand over his duties as Chief Executive Officer before 6 July 2021. On the recommendation of the Nominations and Governance Committee, the Board of Directors decided to separate the functions from 1 May 2021, appoint Mr Nicolas Hieronimus as Chief Executive Officer, and renew Mr Jean-Paul Agon's mandate as Chairman. The Board reiterated this decision on April 21, 2022 on the occasion of the renewal of Jean-Paul Agon's term as Director.

Mr Nicolas Hieronimus joined L'Oréal 35 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 President – Professional Products 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 President of the Selective Divisions (Luxe, Active Cosmetics, Professional Products). He was named Deputy CEO in charge of Divisions in May 2017.

(1) *In accordance with the provisions of Article L. 225-37, section 6 of the French Commercial Code.*

This structure will ensure the sustainability of the Group's performance, values and commitments, as well as the quality of its governance.

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

Mr Nicolas Hieronimus will provide his expertise in the cosmetics market and his intimate knowledge of L'Oréal, as well as his vision of the future of Beauty, to implement the strategic orientations of years to come, take advantage of all the opportunities offered by a fast-changing world, adapt the Group and reinvent it in keeping with its values, commitments and purpose (raison d'être) to "Create the beauty that moves the world".

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

A harmonious composition

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

At 31 December 2022, the Board of Directors is made up of the Chairman and Chief Executive Officer, three Directors (one of whom is Vice-Chairman of the Board) from the Bettencourt Meyers family, two Directors (one of whom is Vice-Chairman of the Board) linked to Nestlé, seven independent Directors and two Directors representing the employees.

Thus 50%[(1)] 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. The diversity and complementarity of the Directors' experience and expertise (entrepreneurial, financial, non-financial, including CSR and HR/labour relations, industrial, digital etc.) enable them to quickly and thoroughly understand the development issues facing the L'Oréal Group, the leader in the highly competitive, globalised cosmetics market in which the requirement to innovate and adapt is very high.

Specialised active and effective Committees of the Board

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

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

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

As part of its review of its activities at the end of 2022, the Board again emphasised the quality of the work and recommendations of its Committees, which helped to inform its decisions.

Executive sessions

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

The Board considers that these meetings, which are not attended by any corporate officers or any employees of the Group, contribute to good governance. Initially attended by the Chairman of the Board, executive sessions then continue without him.

Regular evaluation of the organisation and functioning of the Board

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

Attentive prevention of conflicts of interest

The Directors are required to act in all circumstances in the interest of the Company and of all its shareholders. Every year, the Board of Directors assesses the situation of the Directors using the conflict of interest prevention process. Each Director has the obligation to report potential conflicts of interest which could concern him/her and, in any event, must abstain from participating in the corresponding debates and deliberations.

2.1.2.3. Relationships between the Board and General Management

Powers and duties of the Chief Executive Officer

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

Mr Nicolas Hieronimus exercises these powers within the limit of the Company's purpose subject to the powers expressly granted by French law to Annual General Meetings and the Board of Directors. He represents the Company in its dealings with third parties.

(1) *Excluding Directors representing the employees.*

The Chief Executive Officer communicates completely transparently with all the Directors and keeps them regularly informed of all aspects of the Company's affairs and its performances. He is required to provide each Director with all documents and information required to perform their remit. More specifically, the Chief Executive Officer provides the Board members with useful information in connection with the preparation of meetings, or at any time during the life of the Company if the importance or urgency of the information so requires, enabling the Board to manage with complete freedom the issues that concern it. This provision of ongoing information also includes any relevant information concerning the Company, and in particular press articles and reports containing financial analysis. The Chief Executive Officer gives the Board and its Committees the possibility to meet with the senior managers of L'Oréal within the strict framework of their remits and duties. In consultation with the Chief Executive Officer, the Board and the Committees may use external consultants if they consider it necessary.

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

Duties of the Chairman of the Board of Directors

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

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

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

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

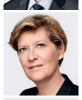
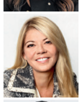
He is provided with the material resources required to perform his duties.

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

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

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

2.2. Composition of the Board at 31 December 2022

	At 31 December 2022		Age	Female/Male	Nationality	No. of offices in listed companies*	Independence	Initial date of appointment	Expiry date of term of office (AGM)	Years of service on the Board	Board Committees: Strategy and Sustainability	Board Committees: Audit	Board Committees: HR and Remuneration	Board Committees: Nominations and Governance
Chairman	**Mr Jean-Paul Agon**		66	M	French			25/04/2006	2026	16	C			
Chief Executive Officer	**Mr Nicolas Hieronimus**		58	M	French			20/04/2021	2025	1				
Françoise Bettencourt Meyers and her family	**Ms Françoise Bettencourt Meyers** Vice-Chairwoman		69	F	French			12/06/1997	2025	25	●		●	●
Françoise Bettencourt Meyers and her family	**Mr Jean-Victor Meyers**		36	M	French			13/02/2012	2024	10	●			
Françoise Bettencourt Meyers and her family	**Mr Nicolas Meyers**		34	M	French			30/06/2020	2024	2		●		
Directors linked to Nestlé	**Mr Paul Bulcke**** Vice-Chairman		68	M	Belgian Swiss	1		20/04/2017	2025	5	●		●	●
Directors linked to Nestlé	**Ms Béatrice Guillaume-Grabisch**		58	F	French			20/04/2016	2024	6		●		
Independent directors	**Ms Sophie Bellon**		61	F	French	1	♦	22/04/2015	2023	7			C	C
Independent directors	**Mr Patrice Caine**		52	M	French	1	♦	17/04/2018	2026	4	●			●
Independent directors	**Ms Fabienne Dulac**		55	F	French	1	♦	18/04/2019	2023	3		●	●	
Independent directors	**Ms Belén Garijo**		62	F	Spanish	2	♦	17/04/2014	2026	8			●	
Independent directors	**Ms Ilham Kadri**		53	F	French Moroccan	2	♦	30/06/2020	2024	2		●		
Independent directors	**Ms Virginie Morgon**		53	F	French	1	♦	26/04/2013	2025	9		C		
Independent directors	**Mr Alexandre Ricard**		50	M	French	1	♦	20/04/2021	2025	1	●			
Directors representing employees	**Mr Thierry Hamel**		68	M	French			21/04/2022	2026	< 1				
Directors representing employees	**Mr Benny de Vlieger**		58	M	Belgian			21/04/2022	2026	< 1				

56.8
average age of directors

50%
independent directors***

50%
female directors***

50%
male directors ***

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

* *Number of offices (excluding L'Oréal) held in listed companies, including foreign companies, in accordance with the provisions of Article 20 of the AFEP-MEDEF Code (i.e. excluding offices in subsidiaries and shareholdings, held alone or in concert, by a corporate executive officer of companies whose main activity is to acquire and manage such holdings).*

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

*** *Excluding directors representing employees.*

2.2.1. Guiding principles

2.2.1.1. Balance in the composition of the Board of Directors

At 31 December 2022, the Board of Directors comprised 16 members.

Its composition is balanced with, in addition to the Chairman of the Board and the Chief Executive Officer, seven independent Directors, three Directors from the Bettencourt-Meyers family, which holds 34.70% of the share capital, two Directors linked to Nestlé, which holds 20.11% of the share capital(1), and two Directors representing the employees.

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, nationalities and international profiles).

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.

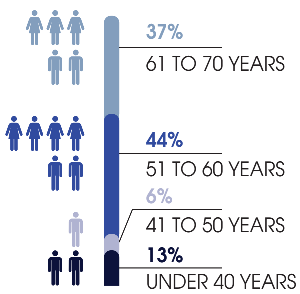
Summary table of the diversity policy applied to the Board of Directors

Criteria	Policy and objectives	Means of implementation and outcomes achieved in 2022
Age and seniority of Directors	Search for generational balance beyond compliance with the Internal Rules: • no more than one-third of Directors over the age of 70; and • in principle, it is agreed that Directors must resign from the Board before the Annual General Meeting following their 73rd birthday. Other than the age of Directors, search for balanced distribution in terms of seniority on the Board.	Directors are aged between 34 and 69, with an average age of 56.8. The Board considers that its composition is balanced, with Directors with long-standing knowledge of L'Oréal and Directors who have joined more recently.
Gender balance Representation of men and women	Compliance with the Copé-Zimmermann law which provides for a minimum of 40% of Directors of the same gender on Boards. Desire to maintain gender balance of around 50% on the Board. Gender balance in the Committees.	The Board believes that the proportion of 50% of female Directors perfectly meets the obligations for a balanced representation of women and men on the Board of Directors. Three out of four Committees are chaired by women (Audit Committee, Nominations and Governance Committee and Human Resources and Remuneration Committee).
Nationalities International profiles	Recruitment of international profiles: • search for Directors of foreign nationality or international culture; and/or • having international experience in L'Oréal's strategic markets.	The Board has five different nationalities (Belgian, Spanish, French, Moroccan, and Swiss). The majority of Directors have international careers and responsibilities. Five Directors are based outside France.
Qualifications and professional experience	Search for complementarity in the experience of Directors. Definition of a base of skills and expertise shared by all Directors. Skills related to L'Oréal's strategy and development objectives.	The Nominations and Governance Committee has identified a set of skills and expertise, validated by the Board. (See below)

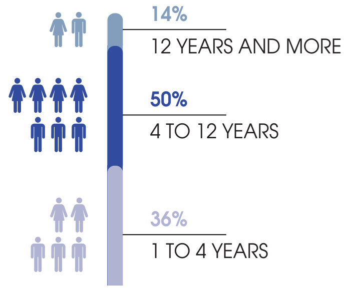
(1) *The breakdown of L'Oréal's share capital at 31 December 2022 is shown in chapter 7.*

Situation at 31 December 2022

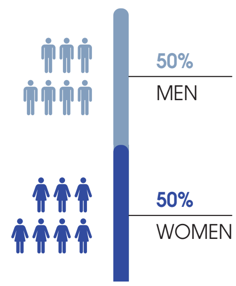
BREAKDOWN BY AGE



SENIORITY IN OFFICE*



BREAKDOWN BY GENDER*



* *Excluding Directors representing the employees.*

Qualifications and professional experience of the Directors

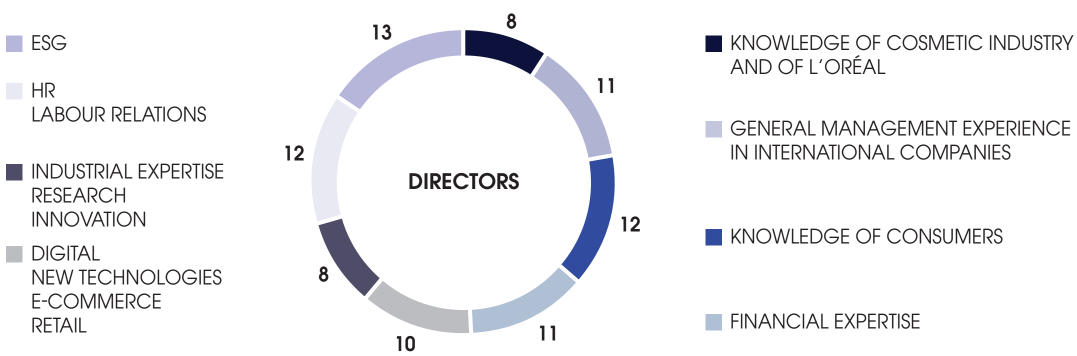
Skills base and shared expertise

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

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

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

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



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

Selecting new Directors

The procedure for selecting new Directors is described in Article 5.3.1. of the Internal Rules of the Board of Directors, which is reproduced in full in section 2.3.6.

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

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

2.2.1.3. Two Directors representing the employees since July 2014

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

Mr Thierry Hamel has been appointed by the CFE-CGC union. He is a Project Manager - Sales Excellence & Vocational Training in the Professional Products Division in France.

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

Their four-year term of office began at the end of the Annual General Meeting of 21 April 2022. As soon as they take up their office, the Directors representing employees will, just like all L'Oréal Directors, receive support in the form of dedicated meetings with, in particular, the Chairman of the Board, the Chief Executive Officer, the Chairwoman of the Nominations and Governance Committee and the Secretary of the Board of Directors.

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

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

At its meeting on 7 December 2022, on the recommendation of the Nominations and Governance Committee, it was decided that Mr Thierry Hamel and Mr Benny de Vlieger would join the Human Resources and Remuneration Committee and the Audit Committee respectively at the end of the Annual General Meeting of 21 April 2023.

2.2.1.4. Independent Directors

All the Directors of L'Oréal have freedom of judgement

The balance of powers on the Board is ensured through a very precise definition and sharing of the tasks to be carried out by everyone. All the Directors receive information on an ongoing basis and have suitable means for the performance of their duties. They all have a duty of vigilance and participate, in total independence, in the decisions and work of the Board and, where applicable, its Committees. They are all required to comply with the rules in force with regard to conflicts of interest.

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

A member of the Board is considered independent when he/she does not maintain any relationship of any kind with the Company, its Group or its Management which could interfere with his/her freedom of judgement. With this in mind, the criteria that guide the Board in determining whether a member can qualify as independent are the following criteria specified by the AFEP-MEDEF Code:

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

At its meeting on 9 February 2023, the Board of Directors examined, on a case-by-case basis, the situation of each of the members concerned in light of the independence criteria provided for in the AFEP-MEDEF Code.

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

Based on the work carried out by the Nominations and Governance Committee, the Board of Directors analysed on 9 February 2023, as it does every year, whether any business relationship exists with these Directors. Business relationships refer to the financial flows that took place during financial year 2022 between L'Oréal and companies in which the Directors who qualify as independent also hold an office or position. As to the significance of the business relationship, and in keeping with French Financial Markets Authority - AMF recommendations, the Board of Directors carried out a quantitative and qualitative analysis, adopting a wide multi-criteria approach (duration and continuity, importance of the business relationship for L'Oréal and the Director, and organisation of the relationship). Following this analysis, the Board concluded there was no significant business relationships.

In summary, on 31 December 2022, seven members of the Board of Directors out of 14 (excluding the Directors representing the employees) qualify as independent (*i.e.* 50% of the Board of Directors). It is specified that the following are not considered to be independent: Mr Jean-Paul Agon (former executive corporate officer for less than five years and Director since 2006); Mr Nicolas Hieronimus (executive corporate officer); Ms Françoise Bettencourt Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers (Bettencourt Meyers family holding 34.70% of the share capital); Mr Paul Bulcke and Ms Béatrice Guillaume-Grabisch (Nestlé holding 20.11% 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, Directors are subject to compliance with the rules in force with regard to conflicts of interest and stock market ethics upon their appointment as a Director and throughout their term of office.

Selection of responsible Directors

Directors are appointed, subject to approval from the Annual General Meeting, following a selection process. This process determines the Director profiles required by the Company in terms of skills, qualifications and experience needed to complement those of the Directors already appointed. Issues such as candidates' availability, numbers of directorships held and independence are also considered (see section 2.2.1.2.). Particular attention is also paid to directorships held in other companies; Directors are required to devote the necessary time and attention to their duties and limit the number of their directorships to ensure their availability (article 3.3. of the Internal Rules of the Board).

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

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

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

Responsible exercise of office

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

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

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

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

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

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

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

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

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

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

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

Regarding any arrangement or agreement entered into with the major shareholders, customers, suppliers, or others, under which a Director was selected as a member of the Board of Directors, an agreement between the Bettencourt Meyers family and Nestlé S.A., which expired on 21 March 2018, concerned the reciprocal voting commitment in favour of the appointment as Directors of three members proposed by the Bettencourt Meyers family and two members proposed by Nestlé.

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

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

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

Stock market ethics

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

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

Inside information is information of a precise nature, which has not been made public and which, if it were made public, would likely to have a significant effect on the share price.

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

Lastly, Directors are required to notify the AMF of each transaction carried out by them or by persons closely associated with them related to L'Oréal shares. This obligation is periodically restated by the Company (see summary of these operations in section 2.6.).

2.2.2. List of corporate offices and directorships of the Directors and corporate officers exercised at 31 December 2022

Jean-Paul Agon

-

CHAIRMAN OF THE BOARD OF DIRECTORS

-

Age: 66

French

Expiry date of term of office: 2026

Chairman of the Strategy and Sustainability Committee

Jean-Paul Agon joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, General Manager of the Asia Zone, Chairman and Chief Executive Officer of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006, and finally Chairman and Chief Executive Officer in 2011. Since 1 May 2021, Jean-Paul Agon has been the Chairman of the Board of Directors. Jean-Paul Agon has been a Director of L'Oréal since 2006. Jean-Paul Agon is the Chairman of the L'Oréal Corporate Foundation.

- Professional address: L'Oréal – 41, rue Martre – 92117 Clichy Cedex – France
- Holds 1,258,000 L'Oréal shares

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

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French companies		
Air Liquide S.A.	Director	2022
L'Oréal	Chairman and Chief Executive Officer	2021
Others		
HEC Foundation	Member of the Board of Directors	2022
L'Oréal Fund for Women	Chairman of the Board of Directors	2021

Nicolas Hieronimus

-

CHIEF EXECUTIVE OFFICER

-

Age: 58

French

Expiry date of term of office: 2025

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

- Professional address: L'Oréal – 41, rue Martre – 92117 Clichy Cedex – France
- Holds 219,428 L'Oréal shares

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

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

Françoise Bettencourt Meyers

-

VICE-CHAIRWOMAN

-

Age: 69

French

Expiry date of term of office: 2025

Committee Member:

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

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

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

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

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

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

Paul Bulcke

-

VICE-CHAIRMAN

-

Age: 68

Belgian and Swiss

Expiry date of term of office: 2025

Committee Member:

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

After pursuing an international career at the highest level within the Nestlé Group, holding various positions in Europe and Latin America, in 2004 Paul Bulcke was appointed Executive Vice President and Zone Director for zone Americas of Nestlé S.A. before becoming Chief Executive Officer of Nestlé S.A. from 2008 to 2016. Paul Bulcke has served as the Chairman of the Board of Directors of Nestlé since 2017.

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

- Professional address: Nestlé – Avenue Nestlé, 55 – CH 1800 Vevey – Switzerland
- Holds 5,000 L'Oréal shares

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

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

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
Foreign company		
Roche Holding Ltd (Switzerland)	Member of the Board of Directors	2022
Other		
European Round Table for Industry (ERT) (Belgium)	Member	2021

* *Listed company.*

Sophie Bellon

-

Age: 61

French

Expiry date of term of office: 2023

Chairwoman of the Nominations and Governance Committee

Chairwoman of the Human Resources and Remuneration Committee

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

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

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

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

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

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

* *Listed company.*
S *Sodexo group company.*

Patrice Caine

-

Age: 52

French

Expiry date of term of office: 2026

Committee Member:

- Strategy and Sustainability
- Nominations and Governance

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

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

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

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French company	
Naval Group (ex-DCNS)	Director
Others	
National Association for Research and Technology (ANRT)	Chairman
France Industrie (created by the merger between Cercle de l'Industrie and Industrial Federations Group)	Vice-Chairman
French Aerospace Industries Association (GIFAS)	Vice-Chairman

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

* *Listed company.*

Fabienne Dulac

-

Age: 55

French

Expiry date of term of office: 2023

Committee Member:

- Audit
- Human Resources and Remuneration

Chief Transformation Officer of the Orange Group from April 2023 and a member of its Executive Committee since 2015. She joined this group in 1997 and held various roles in marketing, business development, communication and digital before serving as Chief Executive Officer of Orange France from 2015 to April 2023. She is currently responsible for the implementation of the Orange Group's major transformation projects. She is also a Director of the company *La Française des Jeux* and a Director of Willa (an incubator dedicated to female entrepreneurship).

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

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Orange*	Chief Transformation Officer of Orange group (from April 2023)

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Orange France °	Chairwoman and Chief Executive Officer (up until April 2023)
Orange *	Deputy Chief Executive Officer (up until 2023)
La Française des Jeux*	Director
Other	
Willa	Member of the Board of Directors

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

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

Belén Garijo

-

Age: 62

Spanish

Expiry date of term of office: 2026

Member of the Human Resources and Remuneration Committee

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

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

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

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

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

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

* *Listed companies*

Béatrice Guillaume-Grabisch

-

Age: 58

French

Expiry date of term of office: 2024

Member of the Audit Committee

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

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

- Professional address: Nestlé – Avenue Nestlé, 55 – CH 1800 Vevey – Switzerland
- Holds 1,830 L'Oréal shares

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Nestlé S.A. (Switzerland)*	Executive Vice President and Global Head Human Resources and Business Services	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Other		
GS1	Director	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Foreign company		
Nestlé (Germany)	Executive Vice President	2018
Other		
MarkenVerband/Brand producers' association (Germany)	Member of the Management Board	2019

* *Listed company.*

Thierry Hamel

-

Age: 68

French

Expiry date of term of office: 2026

Thierry Hamel joined the L'Oréal Group in 1979 and has spent a large part of his career in the Professional Products Division, where he serves as Project Manager – Sales Excellence & Vocational Training in the Professional Products Division in France.

Thierry Hamel was appointed Director representing the employees in April 2022 by the CFE-CGC union for a four-year term.

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
None	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
None	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED	**EXPIRY DATE OF TERM OF OFFICE**
None	

Ilham Kadri

-

Age: 53

French and Moroccan

Expiry date of term of office: 2024

Member of the Audit Committee

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

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

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL		
Solvay (Belgium) *	Chairwoman of the Executive Committee and CEO Member of the Board of Directors	
OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
Foreign company		
A.O. Smith Corporation*	Member of the Board of Directors	
Other		
Brussels University Hospital	Director	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
Foreign company		
Diversey	Chairwoman and CEO	2018

* *Listed company.*

Jean-Victor Meyers

-

Age: 36

French

Expiry date of term of office: 2024

Member of the Strategy and Sustainability Committee

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

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

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD		
French companies		
Téthys SAS	Member of the Supervisory Board	
Téthys Invest SAS	Member of the Supervisory Board	
Orsay Holding SAS	Chairman	
CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		**EXPIRY DATE OF TERM OF OFFICE**
French company		
Exemplaire SAS	Chairman	2022

Nicolas Meyers

-

Age: 34

French

Expiry date of term of office: 2024

Member of the Audit Committee

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

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

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

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Téthys SAS	Member of the Supervisory Board
Téthys Invest SAS	Member of the Supervisory Board
Lille Capital SAS	Chairman
Other	
Bettencourt Schueller Foundation	Member of the Board of Directors

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

Virginie Morgon

-

Age: 53

French

Expiry date of term of office: 2025

Chairwoman of the Audit Committee

Chairwoman of the Management Board of Eurazeo from 2008 to February 2023, after 16 years at Lazard. 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.

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL	
Eurazeo *	Chairwoman of the Management Board (until February 2023)

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD	
French companies	
Eurazeo Investment Manager [E]	Chairwoman of the Board of Directors (until 2023)
Eurazeo Mid Cap[E]	Chairwoman of the Board of Directors (until 2023)
Doctolib[E]	Member of the Supervisory Committee (until February 2023)
Foreign companies	
Alpine Newco Inc. (USA) [E]	Chairwoman (until February 2023)
Eurazeo North America Inc. (USA) [E]	Chairwoman (until February 2023)
Others	
Human Rights Watch	*Co-Chair* of the Paris Committee
Eurazeo endowment fund [E]	Chairwoman of the Board of Directors (until February 2023)

CORPORATE OFFICES AND DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS AND EXPIRED		EXPIRY DATE OF TERM OF OFFICE
French companies		
Idinvest Partners	Chairwoman of the Supervisory Board	2021
Eurazeo	Chief Executive Officer	2018
Asmodee Holding	Chairwoman of the Supervisory Board	2018
Eurazeo PME	Chairwoman of the Supervisory Board	2018
Grandir (Les Petits Chaperons Rouges investment)	Member of the Supervisory Board	2018
CPK	Vice-Chairwoman of the Supervisory Committee	2018
Vivendi	Member of the Supervisory Board	2018
Foreign companies		
Moncler SpA (Italy)	Member of the Board of Directors	2022
Moncler SpA (Italy)	Vice-Chairwoman of the Board of Directors	2019
Abasic SL (Spain)	Director	2018
Open Road Parent LLC (USA)	*Member of the Board of Directors*	2018
Trader Interactive LLC (USA)	*Member of the Board of Directors*	2018

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

Alexandre Ricard

-

Age: 50

French

Expiry date of term of office: 2025

Member of the Strategy and Sustainability Committee

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

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

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

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

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

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

* *Listed company.*
[PR] *Pernod Ricard Group company.*

Benny de Vlieger

-

Age: 58

Belgian

Expiry date of term of office: 2026

Having previously worked in the Delhaize group, Benny de Vlieger joined L'Oréal Belgium in 1989. He is a Sales Representative for the Consumer Products Division in Belgium.

Benny de Vlieger was appointed Director representing the employees in April 2022 by L'Oréal's Instance Européenne de Dialogue Social (European Works Council) for a four-year term.

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

MAIN CORPORATE OFFICE HELD OUTSIDE L'ORÉAL
None

OTHER CORPORATE OFFICES AND DIRECTORSHIPS HELD
None

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

2.2.3. Changes in corporate offices and directorships of Directors

Changes in 2022

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

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

  The Annual General Meeting of 21 April 2022 renewed Mr Jean-Paul Agon's tenure as Director for a four-year term. The Board of Directors can count on his commitment, experience and skills, as well as his expertise in matters of governance, to meet the growing expectations of stakeholders. Mr Jean-Paul Agon has been committed to the success and reputation of the company for over 40 years. His in-depth knowledge of the company, its environment and the beauty market represent a major asset for the Board in their discussions and decisions relating to the definition of L'Oréal's strategy and the monitoring the implementation thereof. Mr Agon is also deeply committed to the values of L'Oréal and the embedding of its culture.

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

  The Annual General Meeting of 21 April 2022 renewed Mr Patrice Caine's tenure as Director for a four-year term. The Board benefits from Mr Caine's expertise in the area of governance, his experience as an executive in a leading international company, his strategic vision, his industrial expertise, as well as an in-depth knowledge of new technologies and cyber security.

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

  The Annual General Meeting of 21 April 2022 renewed Ms Belén Garijo's tenure as Director for a four-year term. The Board benefits from her experience as a director of a large international group. Her scientific skills and expertise in research and innovation acquired during a career in the pharmaceutical industry represent valuable assets for the Board.

Changes in 2023

Renewal of the term of office of two Directors: Ms Sophie Bellon and Ms Fabienne Dulac

- **Renewal of the term of office of Ms Sophie Bellon as Director**

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

Ms Sophie Bellon is Chairwoman and Chief Executive Officer of the Sodexo group, and has held various positions within this group for more than 20 years.

Sodexo, a global leader in quality-of-life services, is located in 53 countries and has 422,000 employees worldwide.

Ms Sophie Bellon has been a Director of L'Oréal since 2015. She is Chairwoman of the Human Resources and Remuneration Committee. Ms Sophie Bellon will chair the Nominations and Governance Committee until the close of the Annual General Meeting of 21 April 2023: Mr Patrice Caine will replace her at the head of this Committee, of which she will remain a member. She was also a member of the Audit Committee until April 2022.

Ms Bellon is an independent director who is highly involved in the work of the Committees and who brings to the Board her interdisciplinary business knowledge, her international experience, her expertise in governance issues, her strategic vision and her commitment to social and societal responsibility.

Over the four years of her tenure as Director, her attendance rate has been 100% for meetings of the Board of Directors and 98% for committee meetings.

- **Renewal of the term of office of Ms Fabienne Dulac as Director**

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

Ms Dulac is Chief Transformation Officer of the Orange Group from April 2023 and is a member of its Executive Committee since 2015. She joined this group in 1997 and held various positions in marketing, business development, communication and digital, before serving as Chief Executive Officer of Orange France from 2015 to April 2023. She is responsible for the implementation of the Orange Group's major transformation projects. She is also a Director of La Française des Jeux.

Fabienne Dulac has been a Director of L'Oréal since 2019. She is a member of two committees: the Audit Committee and the Human Resources and Remuneration Committee.

She exercises her office as independent director with great commitment and great freedom of judgement. Her contribution to L'Oréal's Board of Directors includes her knowledge of the digital industry, consumers and customer relationships, her expertise in Human Resources and her experience in leading a highly transformational organisation.

Over the four years of her tenure as Director, her attendance rate has been 88% for meetings of the Board of Directors and 84% for committee meetings.

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

The balances of independence and gender will remain unchanged:

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

2.3. Organisation and modus operandi of the Board of Directors

2.3.1. General information on the meetings of the Board of Directors and its Committees in 2022

The Board met 7 times in 2022.

Four Committees prepare for the discussions and deliberations by the Board. 19 meetings were held in 2022:

- 6 meetings of the Strategy and Sustainability Committee;
- 5 meetings of the Audit Committee;
- 4 meetings of the Nominations and Governance Committee; and
- 4 meetings of the Human Resources and Remuneration Committee.

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

Executive sessions:

Directors meet at least once a year without the presence of the executive corporate officer, Directors representing employees or any other Group employee (Article 4.2 of the Internal Rules). An executive session was held on 7 December 2022. The Chairman of the Board attended initially, after which he withdrew and the executive session continued without him. The Audit Committee also meets twice a year in the presence of Statutory Auditors and in the absence of any representative from Management, at the end of the meetings dedicated to reviewing the annual and interim financial statements. These two meetings were held on 9 February and 28 July 2022.

Attendance rate

The preparation and holding of Board and Committee meetings requires significant availability and investment by the Directors. In 2022, the attendance rate at Board meetings was 97.5% 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.

Individual attendance rates of Directors in 2022 at Board and Committee meetings

	Board of Directors	Strategy and Sustainability	Audit	Nominations and Governance	Human Resources and Remuneration
	7 meetings	*6 meetings*	*5 meetings*	*4 meetings*	*4 meetings*
Mr Jean-Paul Agon	100%	100%			
Mr Nicolas Hieronimus	100%				
Ms Françoise Bettencourt Meyers	100%	100%		100%	100%
Mr Paul Bulcke	100%	100%		100%	100%
Ms Sophie Bellon	100%		100%**	100%	100%
Mr Patrice Caine	100%	100%		100%	
Ms Fabienne Dulac	71%		80%		100%
Ms Belén Garijo	86%				50%
Ms Béatrice Guillaume-Grabisch	100%		100%		
Mr Thierry Hamel (from 21 April 2022)	100%				
Ms Ilham Kadri	100%		75%*		
Mr Jean-Victor Meyers	100%	100%			
Mr Nicolas Meyers	100%		100%		
Ms Virginie Morgon	100%		100%		
Mr Alexandre Ricard	100%	100%*			
Mr Benny de Vlieger (from 21 April 2022)	100%				
2022 AVERAGE	**97.5%**	**100%**	**93.5%**	**100%**	**91.5%**

* Director who joined this Committee in 2022.
** Director who left this Committee in 2022.

2.3.2. Activities of the Board of Directors

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

The economic and financial positionn 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.

Each of the four Consultative Committees set up by the Board of Directors to work on topics falling within their field of expertise is involved in determining and monitoring the strategy. The Committees' work systematically gives rise to a report presented by their Chairman/Chairwoman at Board meetings.

The work of the Board of Directors is based on Internal Rules, reproduced in full in this document and also available on loreal-finance.com. They are regularly 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 9 February and 13 October 2022. These updates involved changing the minimum number of shares that must be held by Directors and incorporating the updated "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".

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 more detail in sections 2.2. and 2.3.

The Board's work in 2022

Composition	Independence ◆	Number of meetings in 2022	Attendance rate	Board Committees
16 Directors	50%	7	97.5%	4

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

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

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

2022 main activities

Corporate governance

Composition of the Board of Directors:

- Proposed renewal of the terms of office of Mr Jean-Paul Agon, Mr Patrice Caine and Ms Belén Garijo to be submitted to the approval of the Annual General Meeting of 21 April 2022;
- Welcome of two new Directors representing the employees: Mr Thierry Hamel and Mr Benny de Vlieger.

Composition of the Committees:

- Review of the composition of the Committees: Ms Ilham Kadri joined the Audit Committee, replacing Ms Sophie Bellon and Mr Alexandre Ricard joined the Strategy and Sustainability Committee.

Extension of the separation of offices:

- Renewal of Mr Jean-Paul Agon's term of office as Chairman of the Board of Directors;
- Renewal of the term of office of Mr Nicolas Hieronimus as Chief Executive Officer.

Evaluation of the modus operandi and organisation of the Board:

- Definition of the strategic topics on which the Board wishes to focus its reflections in 2023;
- Proposals for improvement.

Holding of an executive session:

- A meeting of Directors in the absence of any executive corporate officers, Directors representing the employees or other Group employees.

Dialogue with shareholders and investors:

- Information and discussion about 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;
- Information and discussion about the assessment of "shareholder relations": roadshows, conferences, events and meetings on specific topics, particularly CSR issues, and e-meetings with the Individual Shareholder Consultation Committee;
- Information and discussion about changes in the expectations and focus of investors before and after the publication of results;
- Responses to written questions posed by shareholders prior to the Annual General Meeting.

Review of current agreements and the independence of Directors

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

- Discussion of the **remuneration policy for directors and corporate officers** for 2022, and for the Chairman of the Board of Directors and the Chief Executive Officer in particular;
- **Determination of the 2021 remuneration** for directors and corporate officers and **evaluation of the performance** of the Chief Executive Officer;
- Adoption of the **Performance Share Plan** (ACAs) of 13 October 2022;
- Third **Employee Shareholding Plan;**
- Information and discussion about the Group's **Human Resources policy**, including the remuneration policy, diversity and gender balance policy, professional gender equality, talent retention and L'Oréal's attractiveness as an employer, and the L'Oréal for Youth programme;
- Setting **targets for gender balance** within strategic positions.

Business activity, results and strategy

- Oversight of the Group's economic and financial management;
- Definition of the **strategic orientations** taking social and environmental needs into consideration;
- Systematic review at each meeting of **the Group's activities and results** (net sales generated by division, by geographic zone, by brand and via e-commerce) and of **evolutions in the cosmetics market**, the results of competitors and the Group's relative positioning;
- Analysis of **proposed acquisitions**;
- Information on the consequences of the Covid-19 **health crisis** and the **situation in Ukraine**;
- **Strategic themes** reviewed by the Board in 2022, with presentations by the L'Oréal executives responsible for these issues, followed by discussions:
  - Cybersecurity,
  - CSR,
  - Ethics policy,
  - Operations,
  - China,
  - Digital and e-commerce activities;
- Topics discussed at the annual **Strategic Consultation meeting in June 2022:**
  - Research & Innovation, Beauty Tech and Green Sciences;
  - Risk mapping;
  - Indie brands.

CSR training for Board members with presentations by L'Oréal's external and internal stakeholders, followed by discussions:

- The acceleration of climate change;
- Sustainability reporting: European standards;
- The environmental impact of digital technology;
- L'Oréal's Sustainable Development, Beauty Tech and IT roadmap.

2.3.3. Activities of the Board Committees

The Board's debates and decisions are assisted by the work performed by its Committees, which report to it after each of their meetings. The remits of each Committee are described in detail in the Internal Rules of the Board of Directors. The Board's Committees act strictly within the framework of the remits given to them by the Board. They actively prepare for its work and make proposals but they do not have any decision-making powers. All the Directors who are members of a Committee participate in Committee meetings with complete freedom of judgement and in the interest of all the shareholders. In 2022, the Committees were once again tasked with preparing the Board's deliberations. The composition of these Committees, their remits and their work in 2022 are described below.

Strategy and Sustainability Committee

Composition	Independence	Number of meetings in 2022	Attendance (average 100%)	Date of appointment to the Committee
Mr Jean-Paul Agon (Chairman)		6	100%	2011
Ms Françoise Bettencourt Meyers			100%	2012
Mr Paul Bulcke			100%	2017
Mr Patrice Caine	◆		100%	2020
Mr Jean-Victor Meyers			100%	2020
Mr Alexandre Ricard	◆		100%	2022

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

It is specified that two members are members of the Bettencourt Meyers family and one member is linked to Nestlé.

An update on the latest CSR initiatives is presented at each meeting by L'Oréal's Chief Corporate Responsibility Officer.

2022 main activities

Health and geopolitical situation

- Regular report on the consequences of Covid-19;
- Situation in Ukraine.

Strategy

- Analysis of sales, update on business activities;
- Update on changes in the markets and on competition;
- Analysis of the performance of the latest product launches;
- Review of proposed acquisitions and partnership projects;
- Follow-up of recent acquisitions;
- Review of the Ambition France project: change in the scope of L'Oréal S.A.;
- Review of the Group's strategic development prospects;
- Review of one of the Group's brands at each meeting.

Sustainable development

- Systematic review at each meeting of the latest initiatives of the L'Oréal for the Future programme, presented by the Chief Corporate Responsibility Officer:
  - the L'Oréal Fund for Nature Regeneration,
  - creation of the Circular Innovation Fund,
  - achievement of "carbon neutral"[(1)] status for scopes 1 & 2 by some sites,
  - creation of the EcoBeautyScore Consortium,
  - living wage policy,
  - "One D/Way for the future" event held for the first time, to disseminate best practices and enhance employee engagement,
  - refillable packaging initiatives,
  - digital sobriety plan.
- Review of the proposed credit line subject to ESG criteria and bond issues linked to sustainable development goals.

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. *See section 4.3.1.1.3. B/.*

Audit Committee

Composition	Independence: 60%	Number of meetings in 2022	Attendance (average 93.5%)	Date of appointment to the Committee
Ms Virginie Morgon (Chairwoman)	◆	5	100%	2013
Ms Fabienne Dulac	◆		80%	2019
Ms Béatrice Guillaume-Grabisch			100%	2016
Ms Ilham Kadri	◆		75%	2022
Mr Nicolas Meyers			100%	2021

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

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

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

The Statutory Auditors attend meetings, except for discussions on items that concern them. The Committee meets at least twice a year without management present, with the participation of the Statutory Auditors. The Committee did not deem it appropriate to call upon outside expert. The Chairman of the Board of Directors and the Chief Executive Officer are not members of the Committee.

CHANGE FOR 2023

On the recommendation of the Nominations and Governance Committee, the Board of Directors decided that Benny de Vlieger would join the Audit Committee at the close of the Annual General Meeting of 21 April 2023.

2022 main activities

Monitoring the process for preparation of financial information

- Review of annual and interim results, including press releases and the balance sheet. Analysis of operating income by Division and Zone;
- Review of the Independent Auditors' Reports on parent company and consolidated financial statements (including the key points of the audit);
- Review of the Statutory Auditors' 2022 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;
- Approval by the Audit Committee of non-audit services and updating of 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;
- Treasury and financing.

Internal control, risks and compliance

- Review of the internal control systems implemented (in particular the Vigilance Plan and the Corruption Prevention Plan);
- Summary of the internal control reviews carried out in 2022 by the Statutory Auditors;
- Monitoring Internal Audit activities, including CSR commitments and cyber security updates;
- Updating the Group's risk mapping;
- Review of legal risks and potential litigation and of major events that could have a significant impact on L'Oréal's financial position and on its assets and liabilities;
- Monitoring the business plan for major acquisitions, goodwill and impairment;
- Data privacy: monitoring the policies implemented;
- Reporting on insurance issues and the risk of fraud;
- Digital risks and challenges.

Monitoring the process for preparation of non-financial information and non-financial risks

- Review of changes in the regulations on non-financial reporting: Corporate Sustainability Reporting Directive (CSRD);
- Review of draft standards for non-financial reporting: draft standards of the European Financial Reporting Advisory Group (EFRAG) and the International Sustainability Standards Board (ISSB), as well as the draft rules of the Securities and Exchange Commission (SEC);
- Review of the audits carried out by the Independent Third-Party Organisation with regard to CSR information and the Statutory Auditors, making it possible to issue a voluntary reasonable assurance report on an array of indicators;
- Duty of vigilance: focus on Human Rights;
- Examination of climate risks in 2022;
- Presentation of the draft double materiality matrix.

Nominations and Governance Committee

Composition	Independence: 50%	Number of meetings in 2022	Attendance (average 100%)	Date of appointment to the Committee
Ms Sophie Bellon (Chairwoman)	◆	4	100%	2016
Ms Françoise Bettencourt Meyers			100%	2020
Mr Paul Bulcke			100%	2017
Mr Patrice Caine	◆		100%	2018

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

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

CHANGES FOR 2023

On the recommendation of the Nominations and Governance Committee, the Board of Directors decided that Patrice Caine would replace Sophie Bellon as Chair of this committee at the close of the Annual General Meeting of 21 April 2023.

2022 main activities

Composition of the Board

- Reflection on the composition of the Board (diversity, complementary profiles, expertise, gender balance, combining of offices etc.) and update of the skills matrix for Directors;
- Update on the term of office renewals that are subject to the approval of the Annual General Meeting of 21 April 2023;
- Review of the arrangements for renewing the terms of office of the two Directors representing the employees;
- Onboarding and training of the two new Directors representing the employees;
- Reflection on the composition of the Board Committees and proposals.

Governance

- Analysis of the 2022 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.);
- Guide for new Directors representing the employees: review of the draft document drawn up with the assistance of Directors representing the employees who have completed their term of office;
- Examination of the independence of each of the Directors in light of the criteria set out in the AFEP-MEDEF Code; and examination of the current agreements.
- Review of the summary results of the Board's self-assessment;
- Analysis of the 2022 reports of the French Financial Markets Authority - AMF and the Haut Comité de Gouvernement d'Entreprise (High Committee on Corporate Governance);
- Values Committee: review of activity in 2022;
- Proposal to the Board regarding the organisation of the executive session of December 2022.

Succession plans and emergency plan

- Review of the succession plans for the purpose of ensuring the continuity of General Management and Chairmanship of the Board in the event of an unforeseen vacancy in the medium-term;
- Review of the key positions in the organisation from the perspective of ensuring the continuity of business activities (in the short-term).

Regulatory updates and knowledge of market practices and expectations

- Draft European Directive on Corporate Sustainability Due Diligence;
- Extension of the statutory remit of the Board of Directors in connection with the activities of sociétés anonymes (public limited companies)[1];
- Update of the Application Guide for the AFEP-MEDEF Corporate Governance Code for listed companies (March 2022);
- Government report on Directors representing employees;
- Anticipated changes to European regulations (EFRAG, Women on Boards Directive etc.).

(1) *Article 6 of Act no. 2022-296 of 2 March 2022 aiming to democratise sport in France.*

Human Resources and Remuneration Committee

Composition	Independence: 60%	Number of meetings in 2022	Attendance (average 91.5%)	Date of appointment to the Committee
Ms Sophie Bellon (Chairwoman)	◆	4	100%	2018
Ms Françoise Bettencourt Meyers			100%	2020
Mr Paul Bulcke			100%	2017
Ms Fabienne Dulac	◆		100%	2020
Ms Belén Garijo	◆		50%	2015

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

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

CHANGE FOR 2023

On the recommendation of the Nominations and Governance Committee, the Board of Directors decided that Thierry Hamel would join the Human Resources and Remuneration Committee at the close of the Annual General Meeting of 21 April 2023.

2022 main activities

Remuneration of corporate officers

- Analysis of the voting policies of investors and proxy advisors concerning remuneration issues;
- Remuneration of the corporate officers for 2021 and 2022:
  - analysis of the 2021 performance of the Chairman and Chief Executive Officer (from January to the end of April 2021) and of the Chief Executive Officer (from May to the end of December 2021) and communication to the Board of a recommendation on setting the annual variable remuneration for 2021;
  - proposal of the targets and weightings for 2022 for the Chief Executive Officer;
- Remuneration of the corporate officers for 2023:
  - review of the remuneration policy applicable to the Chairman of the Board of Directors and to the CEO; and
  - consideration of the structure of the annual variable remuneration of the Chief Executive Officer, and targets for 2023.
- Say on Pay: preparation of the draft resolutions to be proposed to the Annual General Meeting of 21 April 2022;
- Topical issues with regard to remuneration: 2022 report from the AMF and the HCGE, as well updates to the Application Guide for the AFEP-MEDEF Code;
- Ratios on pay differentials: widening of the scope.

Remuneration of Directors

- Directors' fees: breakdown of fees for 2022;
- Proposed changes to the policy for 2023.

Regulated agreements

- Review of ongoing regulated agreement relating to Mr Nicolas Hieronimus.

Human Resources policy

- Review of the Group's remuneration policy: new developments and inflation updates;
- Review of the Group's disability policy;
- Diversity and equality in management bodies: presentation of the various levers and results obtained, specifically with regard to gender equality in management bodies[1].

Long Term Incentives ("LTI") Policy

- Delivery of LTI plans: recording of performance relating to the ACAs Plan of 2018;
- Review of the draft resolution concerning the ACAs Plan for the 2022 Annual General Meeting, proposing the inclusion of non-financial criteria;
- Preparation of the ACAs Plan for October 2022;
- Proposed allocation to the Chief Executive Officer.

Employee shareholding

- Review of the 3rd Global Plan implemented in 2022.

(1) *The results in terms of gender balance in the top 10% most responsible positions are presented in section 4.3.2.6.*

2.3.4. The involvement of the Board and its Committees in sustainability issues

Strategy and Sustainability Committee

- Reviews the Group's strategic orientations.
- Reviews the strategic projects and their economic, financial, societal and environmental consequences.
- Reviews the sustainable development commitments and regularly reviews CSR issues.

2022 main activities

- Review of the Group's strategic development prospects
- Automatic review at each meeting of the latest CSR initiatives:
  - the L'Oréal Fund for Nature Regeneration,
  - Creation of the Circular Innovation Fund,
  - Achievement of "carbon neutral" status(1) for scopes 1 & 2 by some sites,
  - Foundation of the EcoBeautyScore Consortium,
  - Living wage policy,
  - "One D/Way for the future" event held for the first time, to disseminate best practices and enhance employee engagement,
  - Refillable packaging initiative,
  - Digital sobriety plan.

Audit Committee

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

2022 main activities

- Review of changes in the regulations on non-financial reporting (CSRD) and draft standardisation (EFRAG, ISSB & SEC)
- Salient human rights risks
- Examination of climate risks in 2022
- Examination of the draft double materiality matrix.

Human Resources and Remuneration Committee

- Makes proposals on the remuneration of corporate officers, including the non-financial targets of variable remuneration.
- Reviews the Human Resources policy and the rules ofethical conduct.

2022 main activities

- Analysis of the Chief Executive Officer's financial and non-financial performance
- Review of the Human Resources policy including the Group's Diversity, Equity and Inclusion policy
- Review of the project to incorporate environmental and diversity criteria into long-term incentive (LTI) plans.

Nominations and Governance Committee

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

2022 main activities

- Reflection on the composition of the Board (diversity, complementary profiles, expertise, gender balance)
- Identification of CSR expertise as part of updating the skills matrix for Directors
- Review of the activity of the Values Committee
- Regulatory changes expected at European level (EFRAG, Duty of Vigilance, Women on Boards Directive etc.) and the AMF's 2022 report on CSR.

Board of Directors

- **Defines the strategic orientations, factors social and environmental issues into its decisions, reviews the Group's CSR policy every year and possesses a report from each S&S Committee meeting on the L'Oréal for the Future programme.**

2022 main activities

- Automatic reporting on the work carried out by its four committees
- Updating of the strategic orientations, taking social and environmental challenges into consideration
- Review of the risk mapping update, taking sustainability risks into consideration
- Review of the status of the L'Oréal for the Future sustainability programme by the Chief Corporate Responsibility Officer.
- Presentation of the members of the Executive Committee, systematically taking into account the CSR challenges facing their business: Chief Human Relations Officer, President – North Asia Zone & Chief Executive Officer L'Oréal China, Chief Digital and Marketing Officer, Chief Operations Officer, Deputy Chief Executive Officer, in charge of Research, Innovation and Technology
- Update on the Group's ethics policy
- Update on how the sense of purpose (raison d'être) is being fulfilled

- CSR training for Board members by internal and external experts on:
  - Acceleration of climate change
  - Sustainability reporting: European standards
  - The environmental impact of digital technology
  - L'Oréal's sustainable development, Beauty Tech and IT roadmap

(1) A site can claim "carbon neutral" status if it meets the following requirements:
- *Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and*
- *Indirect, CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.*

2.3.5. Self-evaluation by the Board of Directors

Organisation of the annual evaluation of the modus operandi of the Board

September 2022
- Update of the Thematic interview guide.
- Update of the Flash questionnaire developed with the help of an external consulting firm.

October 2022

Nominations and Governance Committee (NGC)
- Validation of the Interview Guide, the Flash Questionnaire and the internal evaluation procedure.

October - November 2022
- Sending the Flash questionnaire and the Interview Guide to the directors.
- Individual interviews (Directors / Secretary of the Board).

December 2022

NGC
- Detailed report of the evaluations.

Board of Directors
- Summary of the evaluations.
- 2022 balance sheet.
- Discussions / wishes for 2023.
- Decision on internal/ external evaluation in 2023.

March 2023
- Publication of the evaluation summary in the 2022 Universal Registration Document.

- **Annual procedure** for the formal evaluation of the Board, carried out within the framework of the AFEP-MEDEF Code, to which the Company refers, and of market recommendations such as those issued by the AMF.
- **Principal objectives:**
  - To confirm that the agendas for Board meetings cover the full scope of the Board's remit, that important issues have been appropriately prepared and discussed, and that each member's contribution to the work of the Board has been measured;
  - To formulate suggested improvements;
  - To issue proposals regarding the strategic topics to be examined more thoroughly in 2023.
- **Format and procedure:**
  - A **thematic interview guide**, which was updated in October 2022, sets out the principles stipulated in the AFEP-MEDEF Code and identifies the Board's practices and market expectations. It enables each Director to ask questions about the operation of the Board and their personal contribution to its work and decisions;
  - A questionnaire was prepared and reviewed in 2022 **with the assistance of the consulting firm Spencer Stuart;**
  - **Individual meetings** were held between the Directors and the Secretary of the Board in November and December 2022;
  - **Feedback on the responses and interviews** was given at the Nominations and Governance Committee meeting of 6 December 2022, then at the Board of Directors meeting of 7 December 2022, followed by discussion between Directors and decisions for 2023.
- **Key themes of the evaluation**:
  - The composition of the Board, its organisation and its modus operandi;
  - The quality and relevance of the information provided;
  - The Board's involvement in defining L'Oréal's strategy;
  - The activities of the Committees;
  - Key governance issues.

General assessment	Areas for improvement/Action to be taken/ Issues to be addressed
The composition of the Board	
• **Diversity** in terms of gender, age, profile and experience. • **Required expertise** to be well represented with regard to the requirements defined by the Board (see section 2.2.1.2.), particularly in terms of the current Chief Executive Officer's experience of managing major international companies – which brings with it a highly valued entrepreneurial spirit. • The **international experience** of the Directors. • Appropriate **size** for the quality of the work, discussions and decision-making. • Appropriate number of **independent Directors** (50%), given their profile, considerable freedom of expression and the structure of share ownership. • Successful **onboarding of new Directors** with a satisfactory procedures (the transfer of all necessary information documents, meetings with the Board Secretary, and the organisation of interviews with members of the Group's Executive Committee and the Chief Ethics, Risk and Compliance Officer). • Appropriate **composition of the Committees**, with the appropriate Directors serving on them.	• When future Directors are recruited, ensuring that **this level and this diversity of skills and international experience is maintained**.

General assessment	Areas for improvement/Action to be taken/ Issues to be addressed
Modus operandi of the Board of Directors	
• **Active and involved** Directors. • **Environment of mutual trust** with considerable freedom of speech. • **Deeply committed independent Directors**. • **Free and frank discussions led by** a Chair who encourages discussion and debate • **Transparency** of the Chief Executive Officer, who keeps Directors informed of the Company's performance and the challenges it faces. • Preservation of the **confidential nature of discussions and decisions**. • Proper application of the rules relating to **conflicts of interest**. • Good general use of the **digital platform**, particularly by the Audit Committee.	• Continue to highlight the **requirement for confidentiality** at the start of each meeting. • Maintain the efforts made in 2022 **to respect schedules without reducing time for discussions**. • Extend the **use of the digital platform** to Committees that do not yet use it.
Information provided by the Board	
• **Satisfactory** and sufficiently detailed information. • **Content of briefing packs** provided in advance of meetings improved compared to previous years. • **Broad variety of themes dealt with in 2022.** • Well prepared, complete and transparent **presentations by L'Oréal managers**. • Highly useful regular presentation on sales, the markets and competition, e-commerce and Travel Retail, enabling immersion in the operational business of the Company and performance monitoring. • Continue receiving analysts' reports after the publication of the results and sales figures.	• **Provision of certain documents** even further in advance, in line with the confidentiality requirements and deadline constraints with which the Company has to comply. • Invite **external stakeholders** for appropriate topics. • The topics for management presentations on the agenda for Board meetings in 2023 were determined at the end of the self-assessment procedure and discussed at the Board meeting of 7 December 2022 (not published for confidentiality reasons).
Training for members of the Board	
• Appreciation of **CSR training** on 13 October 2022.	• Directors representing the employees want to receive training on the various financial ratios and the subjects specific to the Committees they will be joining in 2023.
The Board and strategy	
• Satisfactory performance of its various tasks, particularly the determination of strategic orientations and oversight of their implementation. • Good anticipation of medium- and long-term thinking. • **Broad agenda of the Strategic Consultation in June 2022** with a wide range of topics (risk mapping – indie brands – Beauty Tech – green science). • **CSR issues regularly addressed** by the Board and Committees. • Decisions taken after consideration of L'Oréal's corporate social challenges. • Proposed acquisitions well presented and discussed, in line with the strategy.	• The items on the agenda for the Strategic Seminar of 8 and 9 June 2023 were determined at the end of the self assessment procedure and discussed at the Board meeting of 7 December 2022 (not published for confidentiality reasons). • Organise sessions for in-depth sharing of experience on certain topics, particularly at strategic seminars.
Board Committees	
• **Strategy and Sustainability Committee:** Report on one brand at each meeting highly appreciated. Regular CSR review deemed important. • **Audit Committee:** Work was further enhanced this year with the introduction of an additional meeting in view of the broadening of its remit, focussing particularly on sustainability reporting. • **Human Resources and Remuneration Committee**: well prepared, work well planned. • **Nominations and Governance Committee**: good planning in the selection of new Directors.	• **Use of the digital platform** in the Human Resources and Remuneration Committee and the Nominations and Governance Committee to be implemented.
Governance issues	

• **Procedure for exercising the General Management**:
  • Separation of the offices of Chairman and Chief Executive Officer, which is working very well.
  • Complementary relationship between the Chairman and the Chief Executive Officer is valued.
  • Balance of power ensured (presence and number of major shareholders; profile of independent Directors; freedom of expression).
• **Lead Director**: does not apply to L'Oréal given the current composition and modus operandi of the Board.
• **Executive sessions**: running well.
• **Conflicts of interest**: well managed by the rules in force (non-participation in debates and decisions, annual declaration of independence, procedure for reviewing current agreements).
• **Contact with investors and proxy advisors:** current procedure for meetings with L'Oréal teams satisfactory.	

2.3.6. 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 9 February and 13 October 2022. These updates involved changing the minimum number of shares that must be held by Directors and incorporating the updated "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". 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 the Board of Directors

1.1. General powers of the Board

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

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

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

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

The Corporate Governance Report relays the Board's activity.

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

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

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

1.2. Relations between General Management and the Board

1.2.1. Forms of General Management

General Management of the Company is carried out, under the responsibility of either the Chairman of the Board of Directors (the Chairman and Chief Executive Officer) or by another individual with the position of Chief Executive Officer. Leaving the possibility to choose between the separation or combination of roles, French law does not give preference to any form and gives the Board authority to choose between the two methods of organisation of the General Management considering 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 and Chief Executive Officer 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 bymeans of videoconference or telecommunication facilities, except in the case of a major impediment;
- by attending, whenever possible, all General Shareholders' Meetings;
- by attending the meetings of the Board Committees of which he/she is a member.

The Corporate Governance Report gives shareholders all useful information on the Directors' individual participation in these sessions and meetings.

In connection with decisions to be made, the Director must ensure that he/she has all the information he/she considers essential for the smooth conduct of the work of the Board or the Committees. If this information is not made available to him/her, or he/she considers that it has not been made available, he/she must request such information from the Chairman of the Board who is required to ensure that the Directors are in a position to perform their duties.

3.4. Training for Directors

All the Directors, and in particular those representing the employees, may benefit, on their appointment or throughout their directorship, from the appropriate training programmes for the performance of the office.

These training programmes are organised and proposed by the Company and are provided at its expense.

3.5. Obligation of reserve and confidentiality

The Directors undertake not to express themselves individually other than in the internal deliberations of the Board on questions raised at Board meetings.

Outside the Company, only collegial expression is possible, particularly in the form of releases intended to provide the markets with information.

With regard to information not in the public domain to which the Director has access as a result of his duties, the Director must consider him/herself to be bound by strict professional confidentiality, which is more demanding than the mere legal obligation of discretion. This obligation applies to all persons called on to attend Board meetings, and covers all information of a confidential nature and all information presented as confidential by the Chairman of the Board.

Beyond this legal obligation and to ensure the quality of the discussions of the Board of Directors, all the information given to Board members and the opinions they express must be kept strictly confidential.

This obligation applies to any person invited to attend a Board meeting.

3.6. Stock market ethics

3.6.1. Principles

The Company has put in place a "Stock Market Code of Ethics" that is regularly updated, in particular to take into account changes in the regulations in force. This Code was updated following the applicability, as from 3 July 2016, of European Regulation (EU) No. 596/2014 on market abuse ("Market Abuse Regulation"). The Board members comply with the Principles of Stock Market Ethics "related to inside information" provided for by this code.

Inside information must only be used by the Director in the exercise of his office. Such information must in no case be communicated to a third party other than in the exercise of the Director's duties, and for any other purpose or any other activity than those for which it is held.

It is the duty of all Directors to refrain from trading in, having others trade in, or enabling others (including through recommendations or encouragements) to trade in the securities of the Company on the basis of this information, until such time as the information has been made public.

It is the personal responsibility of each Director to determine whether the information he/she holds is inside information or not, and accordingly whether he/she may or may not use or transmit any of the information, and whether he/she may or may not trade or have others trade in the Company's securities.

3.6.2. Abstention periods

During the period preceding the publication of any inside information to which Directors have access, in their capacity of insiders, the members of the Board must by law refrain from all trading in the Company's securities.

Furthermore, in accordance with the Market Abuse Regulation and the recommendations of the French Financial Markets Authority - AMF, they are prohibited from trading in the Company's shares over the following periods:

- a minimum of 30 calendar days before the date of publication of the press release on the annual and half-year results;
- a minimum of 15 calendar days before the date of publication of the press release on quarterly financial information.

The Directors are only authorised to trade in L'Oréal shares on the day after publishing the press release.

3.6.3. Insider trading

The Director has been informed of the provisions in force relating to the holding of inside information, insider trading and the unlawful disclosure of inside information: Articles 465-1 *et seq.*, L. 621-14 and L. 621-15, III c of the French Monetary and Financial Code and Articles 7 *et seq.* of the Market Abuse Regulation.

3.6.4. Obligation to declare trading in the securities of the Company

In accordance with the applicable regulations, the Directors and closely associated persons, as defined by Article 3.1.26 of the Market Abuse Regulation, must inform the AMF[1] of all acquisitions, sales, subscriptions or trades of the Company's shares and transactions involving related instruments where the cumulative amount of such transactions is higher than €20,000 for the current calendar year.

The Directors and closely associated persons must submit their declarations to the AMF by email within three trading days following completion of the transaction.

These individuals must simultaneously provide a copy of this declaration to the Secretary of the Company's Board of Directors.

The declarations are then posted on the AMF's website and are mentioned in an annual summary set out in the Company's Management Report.

(1) *On the AMF's secure website, ONDE, after verification of identity by email to the following address: ONDE_Administrateur_Deposant@amf-france.org.*

3.6.5. 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 250 shares in the Company: at least 125 shares on the date of his/her election by the Annual General Meeting, and the balance no later than 24 months after this election.

The decision as to whether the shares held by the Director should be registered or deposited, in full or in part, is the responsibility of the Director.

This stock ownership obligation is not applicable to the Directors representing the employees.

4. Modus operandi of the Board of Directors

4.1. Convening the Board

The Board is convened by any appropriate means. Notices convening a meeting may be transmitted by the Secretary of the Board of Directors. They are sent in writing at least eight days prior to each meeting, except in particular circumstances. The notices specify the venue of the meeting, which may be the headquarters or any other venue.

All the documents that are necessary to inform the Directors about the agenda and about any questions submitted to the Board for review are enclosed with the notice convening the meeting or are sent or provided to them within a reasonable period of time, prior to the meeting.

These documents may be provided to them on a secure digital platform, within a reasonable period of time prior to the meeting. They may in exceptional cases be provided at the meeting.

4.2. Board meetings and method of participation

The Board meets as often as required in the best interest of the Company, and at least five times per year.

The dates of the Board meetings for the following year are set no later than the beginning of the summer, except in the case of Extraordinary Meetings.

The frequency and length of Board meetings must be such that they allow for an in-depth review and discussion of the matters that fall within the scope of the remits of the Committees.

The Directors meet once a year without the presence of the executive corporate officer, the Directors representing the employees or any other Group employee.

In accordance with the legal and regulatory provisions and with Article 9 section 2 of the Articles of Association, Directors who take part in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of calculating the quorum and the majority.

These means must guarantee simultaneous, continuous retransmission of the debates.

However, these means of participation are excluded when the Board so decides and in any event when it decides with regard to closing of the Company's parent company and consolidated financial statements and on the preparation of the Management Report.

A Director who participates by means of videoconference or teletransmission must ensure that the confidentiality of the debates is preserved.

The attendance register mentions the Board members who attend Board meetings by means of videoconference or telecommunication facilities, with the Secretary of the meeting having the task of initialling the register for them.

The Board may take the following decisions by written consultation with the Directors, electronically if necessary: (i) co-optation of Directors, (ii) authorisations related to the sureties, endorsements and warranties referred to in Article L. 225-35 of the French Commercial Code, (iii) amendments to the Articles of Association to ensure compliance with the legislative and regulatory provisions, when the Annual General Meeting has approved a delegation for this purpose, (iv) the convening of the Annual General Meeting and (v) decisions to transfer the registered office within the same department.

At the request of the Chairman of the Board, the Board Secretary will send the consultation to each Director, with an indication of the appropriate deadline by which to respond, as determined by the Chairman based on the decision to be taken, the urgency or the time required to reflect on the vote to be made. The document provided for this purpose details the procedures of the consultation, its purpose, a presentation and the reasons for the proposed decision, as well as the draft deliberation. Directors who have not responded by the end of the specified deadline will not be considered to form part of the quorum for the purposes of taking the decisions set out in the consultation, unless the Chairman has extended the said deadline. The Secretary of the Board counts the votes of the Directors on the proposed resolution and informs the Board of the result of the vote.

4.3. Minutes of Board meetings

Minutes are prepared for each Board meeting.

The minutes of the meeting mention the use of videoconference or telecommunication facilities and the name of each person who participated in the Board by such means. The minutes also indicate whether any technical incidents occurred during a meeting held by means of videoconference or telecommunication facilities, and if such incidents disrupted the course of the meeting.

The minutes of the deliberations include a summary of the debates and specify the decisions that were made. They mention the questions raised or the reservations expressed by participants.

The draft minutes of the last Board meeting are sent or given to all the Directors at the latest on the date when the next meeting is convened.

The Secretary of the Board is empowered to issue and certify copies or extracts of the minutes of Board meetings.

Decisions taken by means of written consultation with the Directors are recorded in minutes that are stored under the same conditions as other decisions taken by the Board of Directors.

4.4. Secretary of the Board

The Secretary is appointed by the Board. He/she assists the Chairman in organising the Board's work and in particular with regard to the definition of the annual work programme and the dates of Board meetings.

With the support of the General Management, he/she ensures the quality and production, sufficiently in advance, of the documents and drafts put to the vote of the Board at its meetings.

He/she prepares the draft minutes of Board meetings, which are submitted for the Board's approval.

He/she is responsible for the secure IT platform made available to the Directors.

He/she monitors on an ongoing basis changes in the regulations and reflections in the marketplace with regard to the corporate governance of listed companies.

The Secretary organises, together with the Chairman, the annual evaluation of the Board's work and receives the annual reports on independence by each Director (see Article 3.2).

Every Director may consult the Board Secretary at any time with regard to the scope of the rights and obligations linked to his/her office.

4.5. Annual evaluation of the modus operandi of the Board

Every year, the Board carries out an evaluation of its ability to respond to the expectations of shareholders by reviewing its composition, its organisation and its modus operandi.

At its last meeting for the year and on the basis of a summary of the interviews that are previously organised and conducted with each Director, based on 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; and
- 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".

  It decides on this point having analysed the risks weighing down on the independence of the Statutory Auditors and the safeguard measures they apply. The Committee may approve each non-audit service 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/Chairwoman of the Board is associated with its work, except with regard to all the topics concerning him or her personally.

The Committee must regularly report on its work to the Board and makes proposals to the Board.

5.4. Human Resources and Remuneration Committee

5.4.1. Remits

The Board freely determines the remuneration of the Chairman/Chairwoman, the Chief Executive Officer and the Deputy Chief Executive Officers.

Within this framework, the main tasks of the Human Resources and Remuneration Committee are to make proposals with regard to the following in particular:

- the fixed and variable remuneration of the Chairman/Chairwoman of the Board and any other benefits he or she receives;
- the fixed and variable remuneration of the Chief Executive Officer and any other benefits he or she receives (pension, severance indemnities, etc.);
- the amount of the remuneration package for Directors to be submitted to the Annual General Meeting and the method of distribution;
- the implementation of long-term incentive plans such as, for example, those that could provide for the distribution of stock options or for free grants of shares.

The Committee considers questions relating to the remuneration of corporate officers outside their presence.

The Committee also examines:

- all of the other components of the Human Resources policy including employee relations, recruitment, diversity, talent management and fostering employee loyalty. As part of this review, the Committee is informed, in particular, of the remuneration policy for the main non-executive corporate officers;
- the rules of ethical conduct, as set out in the Code of Business Ethics, and the Group's strong values, such as respect and integrity, which must be widely disseminated, known and put into practice.

5.4.2. Work organisation

The Committee meets when convened by its Chairman/Chairwoman, whenever the Chairman/Chairwoman or Board considers this appropriate. The agenda of the meetings is set by the Chairman/Chairwoman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the Company's senior managers.

The Chairman/Chairwoman of the Board is associated with its work, except with regard to all the topics concerning him or her personally. The Committee is required to report regularly on its work to the Board and make proposals to the Board.

6. Remuneration of Directors

Directors receive a remuneration in this capacity, the amount of which is approved by the Ordinary General Meeting, and which is allocated as decided by the Board.

The method of allocation of this remuneration comprises a predominant variable portion determined on the basis of the regularity of attendance at Board and Committee meetings.

The Board of Directors may award exceptional remuneration for specific assignments or offices entrusted to the Directors and subject to related-party agreements.

The Directors have the possibility of asking for reimbursement of the expenses necessary for the performance of their corporate office upon presentation of supporting documents.

2.4. Remuneration of directors and corporate officers

2.4.1. Remuneration policy for directors and corporate officers

Pursuant to Article L. 22-10-8 of the French Commercial Code, the Annual General Meeting of 21 April 2023 is called to approve the remuneration policy for directors and corporate officers as established by the Board of Directors (resolutions 10 to 12), i.e. the remuneration of:

- L'Oréal Directors;
- Chairman of the Board of Directors; and
- Chief Executive Officer.

This policy describes all the components of directors and corporate officers' remuneration, and explains the decision-making process followed to determine, review and implement this policy.

For the record, the Annual General Meeting of 21 April 2022 approved the remuneration policy for Directors at 99.73%, for the Chairman of the Board of Directors at 95.80% and for the Chief Executive Officer at 93.04%.

On the recommendation of the Human Resources and Remuneration Committee, the Board of Directors meeting of 9 February 2023 decided to re-recommend the remuneration policies for the Chairman of the Board of Directors and the Chief Executive Officer, submitted for the approval of the Annual General Meeting of 21 April 2023, and made the changes set out below to the remuneration policy for Directors.

2.4.1.1. Remuneration policy for Directors

Directors receive remuneration(1), 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.

On the recommendation of the Human Resources and Remuneration Committee, the Board of Directors wishes to improve the remuneration paid for the work of the Board Committees, the importance of which is increasing.

Remuneration for serving on the Audit Committee will increase from €25,000 to €30,000, with the variable portion being increased by €5,000.

Remuneration for serving on the Strategy and Sustainability Committee will increase from €15,000 to €16,000, with the variable portion being increased by €1,000.

Remuneration for serving on the Nominations and Governance Committee and the Human Resources and Remuneration Committee will increase from €11,500 to €16,000, with the fixed portion being increased by €1,400 and the variable portion being increased by €3,100.

The Board of Directors is proposing to the Annual General Meeting of 21 April 2023 that the maximum annual amount for Directors' remuneration, set at €1,600,000 be revised and increased to a maximum of €1,700,000 (resolution no. 6). This authorisation would supersede the one granted by the Annual General Meeting in 2018.

The Board of Directors proposes the following allocation procedures (for a full year) under the remuneration policy submitted for the approval of the Annual General Meeting of 21 April 2023 (resolution no. 10), with effect from that date:

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 sum	Variable annual amount**	**Total amount per Committee*** **
Audit	€10,000	€20,000	**€30,000**
Strategy and Sustainability	€6,000	€10,000	**€16,000**
Nominations and Governance	€6,000	€10,000	**€16,000**
Human Resources and Remuneration	€6,000	€10,000	**€16,000**

* *Based on six meetings per year.*
** *Allocated on the basis of attendance at Committee meetings.*
*** *Based on a 100% attendance rate.*

In accordance with the provisions of the AFEP-MEDEF Code, the majority of this remuneration for distribution among the Directors is comprised of a variable portion that depends on regularity of attendance at meetings.

Committee Chairs receive double the remuneration of committee members.

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.

In the event of a meeting of an ad-hoc Committee formed to work on a specific matter that does not fall within the remit of any other existing Committee, the Human Resources and Remuneration Committee may propose to the Board the payment of additional remuneration to the Directors who are members of this Committee, in accordance with the overall budget.

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.

(1) *Formerly known as "attendance fees".*

According to this Code, corporate officers ("dirigeants mandataires sociaux") of a French "société anonyme à conseil d'administration" (public limited company with a Board of Directors) are: the Chairman and Chief Executive Officer (Président-Directeur Général), the CEO, and Directeurs Généraux Délégués (executive corporate officers), and the Chairman of the Board without assuming the office of Chief Executive Officer (non-executive corporate officers).

The remuneration policies are designed to apply to:

- Mr Nicolas Hieronimus, in his position as Chief Executive Officer; and
- Mr Jean-Paul Agon, in his position as Chairman of the Board of Directors.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board ensures that the remuneration policy complies with the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality, and takes into account market practices.

2.4.1.2.1. Remuneration policy applicable to the executive corporate officer

A/ Fundamental principles for determination of the remuneration of the executive corporate officer

Specific requirements for appointments as executive corporate officers for employees who have completely succeeded in the various stages of their careers in the Group

L'Oréal's constant practice has been to appoint senior managers who have completely succeeded in the various stages of their careers in the Group as executive corporate officers.

The remuneration policy applicable to the executive corporate officer is the logical result of this choice.

It must make it possible to attract the most talented employees of L'Oréal to the very top positions in General Management, without them being deprived for all that, after a long career in the Group, of the benefits to which they would have continued to be entitled if they had remained employees.

To achieve this objective, the Board of Directors decided to maintain the employment contract of the executive corporate officer with at least 15 years' service at the time of their appointment in the Group and ensured that the benefits under the suspended employment contract are not combined with those in respect of the corporate office.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF and intended to avoid the combination of benefits drawn from both an employment contract and a corporate office, could be fully achieved by maintaining the suspended employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

This is why the Board of Directors has decided to make a clear distinction between:

- on the one hand, the remuneration components related to the corporate office: fixed and variable remuneration and grant of performance shares; and
- on the other hand, the other benefits that may be due pursuant to the suspended employment contract: termination indemnities, retirement indemnities in the event of voluntary retirement or retirement at the Company's request, financial consideration for the non-compete clause and the defined benefit pension scheme

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract described above.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the aforementioned pension scheme, will be based on the amount of remuneration at the date of suspension of the employment contract. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse Nationale d'Assurance Vieillesse). The seniority applied will cover the entire career, including the years spent as a corporate officer.

Information on the benefits that could be owed under the suspended employment contract are discussed in section 2.4.3. "Termination indemnities and supplementary pension scheme applicable to corporate officers".

The executive corporate officer is also considered in the same way as a senior manager during the term of their corporate office, which allows them to continue to benefit from the additional social protection schemes and, in particular, from the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

Remuneration that is consistent with the remuneration of the Company's senior managers

The remuneration policy for the executive corporate officer is in line, where applicable, with the policy which was applied to them as senior managers.

Their level of remuneration as an executive corporate officer is set on the basis of the level of responsibilities they exercised in the company at the time of their appointment.

The remuneration policy is based on the same foundations and instruments as those applied to the Company's senior managers. The remuneration principles are therefore stable and durable.

The Board of Directors is informed every year of the Group's Human Resources policy. It is in a position to verify the consistency between the remuneration of the executive corporate officer and the procedures in place, particularly for the members of the Group's Executive Committee, on the basis of the work by the Human Resources and Remuneration Committee and the Nominations and Governance Committee.

Competitive remuneration in comparison to a coherent and stable reference panel

The remuneration of the executive corporate officer must be competitive in order to attract, motivate and retain the best talents in the Company's top positions.

This remuneration is assessed overall, namely by taking into account all the components that make it up.

To assess the competitiveness of this remuneration, a coherent and stable reference panel is defined with the assistance of an external consulting firm.

The panel consists of French and international companies that have leading global positions. These companies operate on similar markets and are, in the cosmetics sector, direct competitors of L'Oréal, or operate on the wider everyday consumer goods market, as regards all or part of their business activities.

This panel is composed of the remuneration of executives in the following companies:

Coty	Kimberly Clark	Reckitt Benckiser	Beiersdorf	Danone
GSK	Henkel	LVMH	Unilever	Colgate Palmolive
Estée Lauder	Johnson & Johnson	Procter & Gamble	Kering	

This panel is re-examined every year by the Human Resources and Remuneration Committee in order to check its relevance. It may evolve, particularly to take into account the changes in the structure or business activities of selected companies, on the basis of the proposals made by the external advisory firm.

Remuneration that is aligned to the Company's social interest 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. This is in line with L'Oréal's stated objective of economic and societal excellence.

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, and their long-term remuneration, includes non-financial criteria related to L'Oréal's sense of purpose and the commitments made by the Group, particularly in the context of its corporate social, societal and environmental responsibility programmes.

These criteria will be assessed year-on-year with a long-term perspective.

Remuneration that creates medium and long-term value for the shareholders

The executive corporate officer's remuneration must be linked to the changes over the medium-to long-term in the Company's intrinsic value and share performance. A significant portion of the executive corporate officer's remuneration thus consists of performance shares, a significant percentage of which is retained until the end of his/her corporate office, with the undertaking not to carry out risk hedging transactions.

This leads to alignment with the shareholders' interests, understood as long-term value creation.

B/ Policy on fixed and variable remuneration and granting of performance shares to the executive corporate officer

The key for allocating target 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.

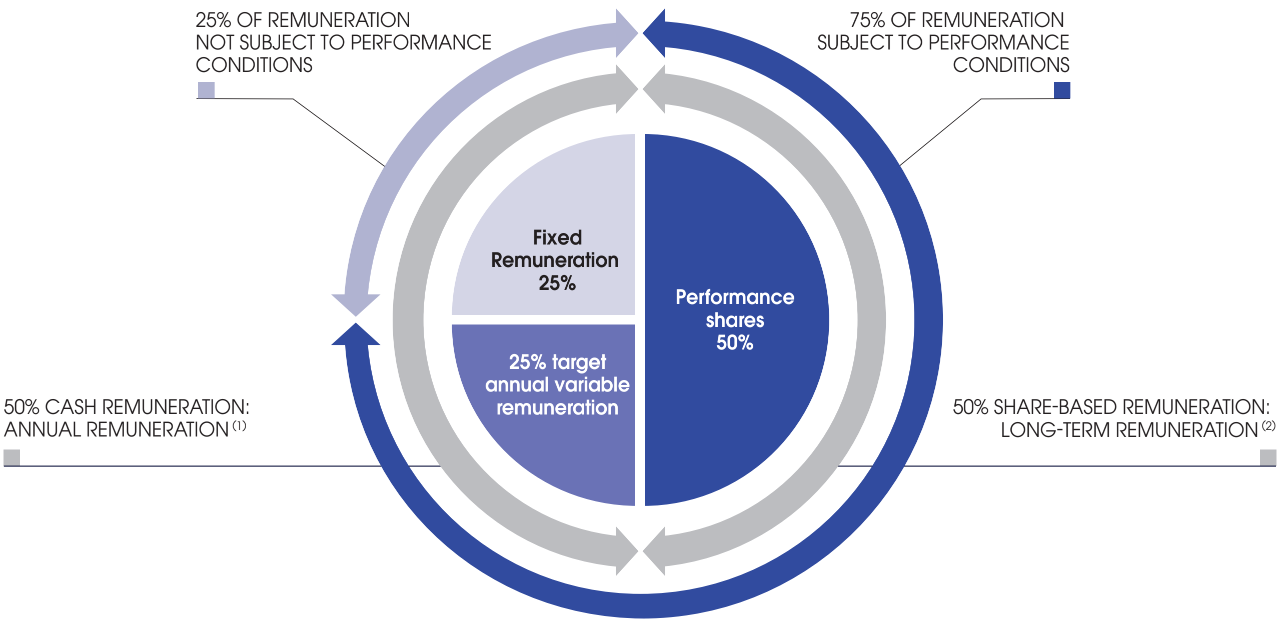
The Board of Directors adopts the various components of this remuneration, paying attention to the necessary balance between each of them.

Each component of the target 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(1);
- 50/50 between annual remuneration and long-term remuneration (performance shares)(2);
- 50/50 between cash remuneration and share-based remuneration; and
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

Diagram showing the balance between the different components of the target annual remuneration



N.B.: the employer's contributions to the additional social protection plans are to be added to the above.

Fixed remuneration

The fixed remuneration must reflect the responsibilities of the executive corporate officer, his/her level of experience and skills.

It is stable for several years and may be re-examined at the time of renewal of the term of office. It serves as a basis to determine the maximum percentage of the target annual variable remuneration.

Annual variable remuneration

The target annual variable remuneration may amount to a maximum of 100% of the fixed remuneration.

The annual variable remuneration may exceed 100% of the fixed remuneration and up to a maximum of 120% of this remuneration in order to be able to remunerate outperformance. This outperformance is assessed on a criterion-by-criterion basis.

The aim is not to encourage inappropriate and excessive risk taking. For this purpose, the annual variable remuneration remains reasonable in comparison with the fixed portion.

The variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year.

The variable remuneration is based on precise performance appraisal criteria determined at the beginning of the year by the Board of Directors.

These criteria are financial, non-financial and qualitative.

The financial and non-financial criteria are simple and quantifiable. They represent a predominant portion of the annual variable remuneration. A limit is set on the qualitative portion.

The weighting of each of the criteria and the objectives to be met are set at the beginning of the year in question and communicated to the executive corporate officer.

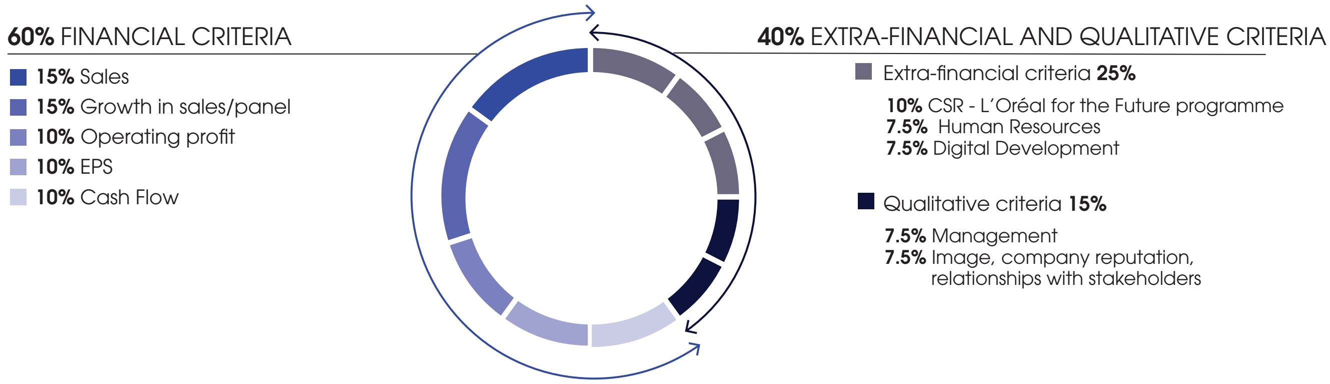
(1) *Annual variable remuneration may reach 120% of the annual fixed remuneration in the event of outperformance. See below.*
(2) *Long-term remuneration (performance shares) may not exceed 60% of annual remuneration. See below.*

These criteria are the following:

- for 60% of the annual variable remuneration:
  - financial criteria directly correlated with the Company's performance indicators:
    - evolution in comparable sales as compared to the budget (15%),
    - evolution in market share compared to that of key competitors (15%),
    - evolution in operating profit as compared to the budget (10%),
    - evolution in net earnings per share as compared to the budget (10%), and
    - evolution in cash flow as compared to the budget (10%);
- for 40% of the annual variable remuneration:
  - non-financial criteria, linked in particular to:
    - the progress of the L'Oréal for the Future programme, which combines L'Oréal's commitments to sustainable development for 2030 (10%),
    - the implementation of the Human Resources policy with special attention to the development of gender balance in the management bodies (7.5%), and
    - the digital development policy (7.5%);
  - qualitative criteria (15%).

The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration.

Details of weighting of annual variable remuneration



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

TRANSFORMING OUR BUSINESS

Fighting climate change

- By 2025, achieving "carbon neutral"(1) status for all Group sites by improving energy efficiency and using 100% renewable energy.
- By 2030, average reduction of 50% per finished product of greenhouse gas emissions related to the transport of Group products compared with 2016.

Managing water sustainably

- By 2030, 100% of the water used in the Group's manufacturing processes will be recycled and reused in a loop.

Respecting biodiversity

- By 2030, 100% of ingredients in the Group's formulas and bio-sourced packaging materials will be traceable and come from sustainable sources.

Preserving natural resources

- By 2030, 95% of ingredients in the Group's formulas will be bio-sourced, and come from abundant minerals or circular processes.
- By 2030, 100% of the Group's plastic packaging will be recycled or bio-sourced (target of 50% by 2025).

EMPOWERING OUR ECOSYSYEM IN OUR TRANSFORMATION

- By 2030, all Group products will be eco-designed.
- By 2030, 100,000 people from underprivileged communities will be helped by the Group to access employment.

Insofar as the payment of variable and exceptional elements allocated to the executive corporate officer are subject to the approval of the Annual General Meeting of shareholders, no provision has been made for an extension period or the possibility for the Company to demand the return of the annual variable remuneration.

(1) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./year; and
• Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Granting of performance shares

Since 2009, the Board of Directors has granted performance shares to employees of the Group and, since 2012, also to its executive corporate officer, within the scope of Articles L. 225-197-1 *et seq.*, L. 22-10-59, L. 22-10-60 and L. 22-10-8 of the French Commercial Code and the authorisations granted by the Annual General Meeting.

These grants are linked to the performance and their aim is to encourage achievement of the Group's long-term objectives and the resulting value creation for the shareholders. Consequently, the final vesting of the shares is subject to performance conditions which are recorded at the end of a vesting period of four years from the grant date.

The value of these shares, estimated at the grant date according to the IFRS applied for the preparation of the consolidated financial statements, represents approximately 50% of the executive corporate officer's annual remuneration and may not exceed 60%.

The Board of Directors reserves the possibility to decide on an additional grant if a particular event justifies it. This potential grant to the executive corporate officer, duly documented by the Board of Directors, may not exceed a total annual ceiling (taking into account any grants already awarded in the year) of 5% of the total number of free shares granted during that same financial year.

The executive corporate officer is required to retain 50% of the free shares finally vested to him or her at the end of the vesting period, in registered form, until the termination of his or her duties, following a review of the performance conditions.

The executive corporate officer makes a formal undertaking not to enter into any risk hedging transactions with regard to the performance shares, until the end of the holding period set by the Board of Directors.

An executive corporate officer may not be granted performance shares at the time of his or her departure.

Performance conditions

The performance criteria cover all shares granted to the executive corporate officer.

They take into account:

- in part, **criteria for financial performance** based on:
  - growth in comparable cosmetics sales of L'Oréal as compared to a panel of L'Oréal's major direct competitors;
  - growth in L'Oréal's consolidated operating profit;
- in part, **criteria for non-financial performance** based on:
  - fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (hereinafter "L'Oréal for the Future Commitments"):
    - % of sites with "carbon neutral"[1] status;
    - % of formula ingredients that are bio-sourced, traceable and come from sustainable sources;
    - % of plastic packaging that comes from either recycled or biobased sources;
    - number of people benefitting from the Group's brands' social commitment programmes;
  - gender balance within strategic positions including the Executive Committee.

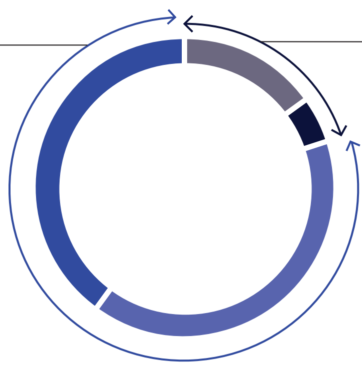
The Board of Directors considers that both these types of criteria, assessed over a long period of three full financial years and reapplied to several plans, are complementary, in line with the objectives and specificities of the Group and likely to promote continuous, balanced and sustainable long-term growth. They are exacting but remain a source of motivation for the beneficiaries.

The shares are only finally vested at the end of a 4-year period, allowing sufficient time to be able to assess the performance achieved over three full financial years.

Details of weighting of share-based remuneration

80% FINANCIAL CRITERIA

- **40%** Net sales
- **40%** Operating profit



20% NON-FINANCIAL CRITERIA

- **15%** CSR The *L'Oréal for the Future programme*
  - % of sites with "carbon neutral" *status*[1]
  - % of biobased ingredients
  - % of plastic packaging from recycled or biobased sources
  - Number of beneficiaries of social engagement programmes
- **5%** Gender balance objective

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Conditional vesting thresholds

Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the number of finally vested shares is in decline. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion.

Pursuant to the criterion related to operating profit, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all free shares granted to be finally vested by the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares is in decline. If the operating profit does not increase in absolute value over the period, no shares will finally vest pursuant to this criterion.

With regard to the criterion of fulfilling commitments made under the L'Oréal for the Future programme, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, a certain average level of achievement of the L'Oréal for the Future Commitments, defined by the Board and made public, must be reached over the period. Below this level, the grant decreases. No shares will vest if the average of the results for the L'Oréal for the Future Commitments falls below the minimum level defined by the Board and made public.

Pursuant to the criterion relating to gender balance in strategic positions, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, the average representation of one of the sexes must account for at least 40% of employees in strategic positions. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.

The results recorded each year to determine the levels of performance achieved are published in chapter 7 "Share Capital and Stock Market Information".

Consequences on performance shares in the event of departure

The right to performance shares is lost in the event of departure from the Group due to resignation (other than in the case of termination of corporate office in connection with the exercise of pension rights under applicable retirement regimes) or termination for gross misconduct or gross negligence. In the event of dismissal of an executive corporate officer, the Board will decide, pursuant to the AFEP-MEDEF Code, on the outcome of performance shares granted as from the appointment as executive corporate officer.

When the benefit of performance share grants to the executive corporate officer is maintained in the event of his or her departure prior to expiry of the vesting period, it is motivated by the following considerations:

- the performance shares represent a predominant component of the executive corporate officer's annual remuneration assessed during the year of the grant;
- they are the consideration for the execution of his or her corporate office subject to the achievement of long-term performance;
- the maintenance thereof encourages the executive corporate officer to take a long-term view; and
- the final vesting of the shares remains subject to achievement of the performance conditions.

Achievement of the performance conditions of the last three performance share plans

Performance share plan dated:	20/04/2017	17/04/2018	18/04/2019
Arithmetic average of performances across the 3 financial years concerned	2018 – 2019 – 2020	2019 – 2020 – 2021	2020 – 2021 – 2022
• For 50%: Growth in comparable sales as compared to a panel of competitors*	+ 2.7 points	+ 4.6 points	+6.1 points
• For 50%: Growth in the Group's operating profit	3.95%	8.3%	+11.1%
Level of achievement of the performance conditions	**82.95%**	**100%**	**100%**

* *Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

Other benefits

a) Remuneration for term of office as Director

The executive corporate officer does not benefit from the payment of a remuneration for his/her position as Director.

b) Benefits in addition to remuneration

- **Benefits in kind**

There are no plans to supplement the executive corporate officer's fixed remuneration by granting benefits in kind.

The executive corporate officer benefits from the necessary material resources for performance of his or her office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, are not benefits in kind.

- **Additional social protection schemes**

The executive corporate officer continues to be treated in the same way as a senior manager during the term of his corporate office which allows him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

Illustration of the compensation policy in 2023: Components of remuneration attributable to Mr Nicolas Hieronimus, Chief Executive Officer

The structure of Mr Nicolas Hieronimus' remuneration is in line with the principles developed in section 2.4.1.2.1. of the remuneration policy applicable to the executive corporate officer, and forms a balanced whole with a breakdown that is approximately:

- 50/50 between fixed remuneration and target annual variable remuneration;
- 50/50 between annual remuneration and long-term remuneration (performance shares);
- 50/50 between cash remuneration and share-based remuneration; and
- 75/25 between remuneration subject to performance conditions and remuneration not subject to performance conditions.

Mr Nicolas Hieronimus' annual variable remuneration may exceed 100% of his fixed remuneration and up to a maximum of 120% in order to be able to remunerate outperformance. 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 2023 in accordance with the remuneration policy submitted for the approval of the Annual General Meeting of 21 April 2023.

	Amount	Description
Fixed remuneration 2022-2023 changes	€2,000,000 0%	At its meeting of 9 February 2023, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 21 April 2023 to maintain the fixed remuneration of Mr Nicolas Hieronimus at the gross amount of €2,000,000 on an annual basis. This amount has not changed since 2021.
Annual variable remuneration	€2,000,000 (target 100% of the fixed amount) Maximum 120% of the fixed amount, or €2,400,000	The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year. The annual variable remuneration may reach 120% of the fixed remuneration if there is outperformance on the objectives; the target is set at 100% of the fixed remuneration.

Criteria for assessment of performance for 2023	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**	**40%**
• *Quantifiable criteria: 25%*	
- L'Oréal for the Future: sustainable development commitments for 2030	10%
- Human Resources: gender parity, development of talented employees, access to training	7.5%
- Digital development	7.5%
• *Individual qualitative performance: 15%*	
- Management	7.5%
- Image, company reputation, dialogue with stakeholders	7.5%

The quantifiable, financial (60%) and non-financial (25%) criteria account for 85% of annual variable remuneration. The weighting of each of these criteria, both financial, non-financial and qualitative, and the targets to be met were set at the start of the year and communicated to the executive corporate officer. The assessment is made without offsetting among criteria.

	Amount	Description
Performance shares		Concerning the granting of performance shares in 2023, the Board of Directors will be called upon to decide on the implementation of a new Plan within the scope of the authorisation approved by the Annual General Meeting on 21 April 2022. The grant that would be decided for Mr Nicolas Hieronimus would comply with the recommendations of the AFEP-MEDEF Code. The value of the grant (estimated according to the IFRS standards), represents approximately 50% of the executive corporate officer's total remuneration without exceeding 60%. Mr Nicolas Hieronimus is also required to hold 50% of the free shares that are fully vested to him at the end of the vesting period in registered form until the termination of his term of corporate office. Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a 4-year vesting period as from the grant date. The number of vested shares would depend: ● on growth in comparable cosmetics sales versus those of a panel of competitors, which consists of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty (40%); ● on growth in the Group's consolidated operating profit (40%); ● on the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (% of sites that are "carbon neutral"(1); % of formula ingredients that are biobased, traceable and come from sustainable sources; % of plastic packaging that comes from either recycled or biobased sources; number of people benefitting from the Group's brands' social commitment programmes) (15%); ● on gender balance within strategic positions including the Executive Committee (5%). The calculation will be based on the arithmetical average for the three full financial years of the vesting period. The first full year taken into account for assessment of the performance conditions relating to this grant would be 2024. Details of the conditional vesting thresholds are given on page 97.
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 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: defined contribution pension, employee benefit and healthcare schemes** Mr Nicolas Hieronimus will continue to be treated in the same way as a senior manager during the term of his corporate office, which will allow him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme.

2.4.1.2.2. Remuneration policy applicable to the Chairman of the Board who does not assume the office of Chief Executive Officer

Fixed annual remuneration only

The Board of Directors, in accordance with the recommendation of the AFEP-MEDEF Code (Article 25-2), is proposing to the Annual General Meeting of 21 April 2023 that the exercise of the office of Chairman of the Board of Directors without assuming the office of Chief Executive Officer, would be remunerated only by fixed remuneration, excluding any variable remuneration, grant of performance shares and any indemnity related to departure or any consideration for a non-compete agreement.

The Board of Directors also decided that the tenure as Director held by the Chairman of the Board would not be remunerated.

The Chairman of the Board will benefit from the necessary material resources for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, are not benefits in kind.

The Chairman of the Board will benefit from the same employee benefit scheme as the senior managers of the Company.

Principles for determining the fixed annual remuneration

The remuneration of the Chairman of the Board of Directors is determined based on the following components:

- goals of L'Oréal's Board of Directors for the performance of the Chairman's legal duties without assuming the office of Chief Executive Officer;
- experience, expertise and reputation of the Chairman in Corporate Governance and Sustainable Governance;
- specific duties assigned to the Chairman by the Board of Directors;
- competitiveness and level of the remuneration compared to that of a relevant reference panel: 17 international companies, including 6 companies already selected in the remuneration panel for the Chairman and Chief Executive Officer, prepared by the Mercer firm; and
- appeal of the remuneration compared with the prior remuneration of the corporate officer and the pension amount they are likely to receive.

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Application to Mr Jean-Paul Agon

The Board of Directors is fully aware of the challenges of sustainable Governance, notably in light of European legislative initiatives and the growing expectations of authorities and stakeholders.

It is essential for the Board to count on a committed, experienced and competent Chairman, like Mr Jean-Paul Agon, who is recognised for his involvement in governance issues and in relations with stakeholders.

Mr Jean-Paul Agon, who organises the work of the Board of Directors, which he has chaired since 2011, has already brought the Governance of L'Oréal to an exemplary level, while successfully assuming the General Management of the Company. His full-time commitment to the benefit of the Company's Governance is an importance source of added value for the Board, which wants to highlight the expertise of Mr Jean-Paul Agon whose in-depth knowledge of the company, its environment and its strategic challenges is a major asset.

The Chairman's remuneration matches the Board's goal of ensuring the continuity of its work and to allow development in light of the increasingly important and expected duties of a Board of Directors.

The Board has also taken into consideration the extensive duties it has decided to entrust to Mr Jean-Paul Agon in his position as Chairman of the Board of Directors, as described in section 2.1.2.3.

Finally, the Board took into 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 €1,658,900 and a median remuneration of €746,200 with large standard deviations.

As a result of this analysis and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors at its meeting of 9 February 2023 propose to the Annual General Meeting of 21 April 2023 to set the fixed annual remuneration of Mr Jean-Paul Agon, Chairman of the Board, at €1,600,000.

Mr Jean-Paul Agon notified the Company of the termination of his employment contract on 30 April 2021, in order to be able to benefit from his mandatory retirement rights as from 1 May 2021. Under his employment contract, he is able to benefit from a gross annual pension benefit of €1.59 million under L'Oréal's supplementary defined benefit pension scheme "*Garantie de Retraite des Membres du Comité de Conjoncture*" (Pension Cover of Members of the Comité de Conjoncture) which has been closed since 31 December 2000[1]. The Board of Directors agreed to Mr Jean-Paul Agon's wish to waive his entitlement to this supplementary pension benefit once again for 2023, so as not to combine it with a fair remuneration for the duties of Chairman as set out by the Board in this policy.

Illustration of the compensation policy in 2023: breakdown of the components of remuneration attributable to Mr Jean-Paul Agon, Chairman of the Board of Directors

	Amount	Description
Fixed remuneration	€1,600,000	At its meeting of 9 February 2023, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors is proposing to the Annual General Meeting of 21 April 2023 that Mr Jean-Paul Agon's fixed remuneration be maintained at the gross annual amount of €1,600,000.
Benefits in addition to remuneration		• **Benefits in kind** Mr Jean-Paul Agon will benefit from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. • **Additional social protection schemes** The Chairman of the Board will benefit from the same employee benefit scheme as the senior managers of the Company.

2.4.1.2.3. Decision-making, review and implementation process for the remuneration of corporate officers

Remuneration is established in such a way as to guarantee the due and proper application of the policy and rules set by the Board of Directors. The Board relies on the work and recommendations of the Human Resources and Remuneration Committee, composed of six Directors, 60% of whom are independent Directors, including its Chairwoman, and one member of whom is a Director representing the employees[2]. 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 2022 and its work is detailed in section 2.3.3. "Activities of the Board Committees".

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.

(1) *The benefit of this pension was approved, in the context of the related-party agreements procedure, by the Annual General Meeting of 27 April 2010 and by the Annual General Meeting of 17 April 2018 at the time of the renewal of the current term of office.*

(2) *When Ms Ana Sofia Amaral's term of office ended, it was decided that Mr Thierry Hamel would join this committee in April 2023, one year after joining the Board of Directors, in line with the Board's usual practice.*

The Human Resources and Remuneration Committee uses the studies conducted by an independent consulting firm

These studies are based on an international panel of world leaders, which serves as a reference for the comparative remuneration studies.

Executive corporate officer

This panel is made up of French and international companies that hold the position of global leader. These companies operate on similar markets and are, in the cosmetics sector, direct competitors of L'Oréal, or operate on the wider everyday consumer goods market, as regards all or part of their business activities.

The panel applicable for 2022 comprised Directors of the following 14 companies:

PANEL SELECTED FOR ANALYSIS OF THE POSITIONING OF THE REMUNERATION FOR THE CHIEF EXECUTIVE OFFICER			
Beiersdorf	Colgate Palmolive	Coty	Danone
Estée Lauder	GSK	Henkel	Johnson & Johnson
Kimberly Clark	Kering	LVMH	Procter & Gamble
Reckitt Benckiser	Unilever		

It is used to assess the competitiveness of the executive corporate officer's total remuneration. This panel reports an average remuneration of €9,539,600 and a median remuneration of €8,357,500. In terms of market capitalisation, L'Oréal is above the third quartile of companies on this panel.

It should be noted that the Company's remuneration policy, specifically that in place for senior management executives, aims to position their remuneration between the median and the third quartile. The studies conducted with the independent consulting firm also enable the Committee to measure:

- the competitiveness of the overall remuneration in comparison to this benchmark panel;
- the relevance over time of the overall remuneration structure and the objectives assigned to him/her;
- the comparative results of L'Oréal in light of the criteria adopted by the Group to assess the executive corporate officer's performance; and
- the link between the executive corporate officer's remuneration and his or her performance.

Non-executive corporate officer

To determine the positioning of the Chairman's remuneration, a panel was defined with the help of an independent consultancy firm. It is composed of 17 international companies, selected on the basis of governance, industry, size and nationality.

They are the following dual governance companies:

PANEL SELECTED FOR ANALYSIS OF THE POSITIONING OF THE REMUNERATION FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS					
AstraZeneca	AB In Bev	BASF	Bayer	Coty	Diageo
Estée Lauder	GSK	Henkel	Kraft Heinz	Linde	Nestlé
Novartis	Reckitt Benckiser	Roche	Starbucks	Unilever	

The analysis of remunerations of Chairs of Boards of Directors of companies in the reference panel used, which includes six companies with a dissociated governance structure already used in the reference panel for the remuneration of the executive corporate officer, reports an average remuneration of €1,658,900 and a median remuneration of €746,200 with large standard deviations.

The Human Resources and Remuneration Committee has all the useful internal information in its possession

This information enables it to assess the performance of the Company and that of its executive corporate officer both from a financial standpoint and in non-financial areas.

The Group's annual economic and financial results are presented every year completely and exhaustively to the members of the Human Resources and Remuneration Committee at its Committee meeting in February, and are used as a basis for the assessment of the financial performance criteria for the executive corporate officer's variable remuneration.

The principles of the Human Resources policy are regularly presented to the Committee members or at a Board of Directors meeting by the Chief Human Relations Officer. The Directors are therefore able to verify the consistency between the remuneration of the executive corporate officer and the remuneration and employment conditions of the Company's employees.

Similarly, the Chief Ethics, Risk and Compliance Officer also regularly explains the policy and the actions taken in this field.

2 members of the Human Resources and Remuneration Committee are members of the Strategy and Sustainability Committee at which the actions taken with regard to the programmes concerning the Group's social and environmental responsibility are discussed.

This information contributes to the assessment of the non-financial and qualitative portion of the annual variable remuneration.

The Committee can also carry out a more in-depth evaluation of the Company's performance by contacting the Company's main senior managers, after having informed the General Management.

This information enriches their vision of the strategy and performances of the Company and its executive corporate officer.

Recommendations are made on these bases to the Board of Directors, which then makes its decisions on the executive corporate officer's remuneration collectively, in accordance with the remuneration policy approved by the Annual General Meeting.

The organisation of the work of the Committee on the remuneration of the executive corporate officer is shown in the chart below.

The Committee examines the expectations of investors and proxy advisors, and the rules and recommendations of the regulatory authorities

The Human Resources and Remuneration Committee carefully analyses the law and reports concerning executive remuneration, notably the French financial markets authority's (AMF) report on corporate governance and the remuneration of executives of listed companies, and the report of the High Committee on Corporate Governance.

It is mindful of the observations and requests of investors and strives to accommodate them while preserving consistency in the remuneration policy adopted by the Board and subject to constraints relating to the confidentiality of certain information.

Adjustment of the remuneration policy in the event of exceptional circumstances

In accordance with article L.22-10-8 of the French Commercial Code, the Board of Directors can, in the event of exceptional circumstances, make an exception from the application of the remuneration policy, provided that the exemption applied is temporary and compliant with the company's interest and necessary to ensure the company's continuity or viability. In such case, the Board of Directors would be able to grant an element of remuneration not provided for in the remuneration policy previously approved by the Annual General Meeting, but necessary in view of these exceptional circumstances.

The Board of Directors may also, within the framework of its discretionary power, adapt the remuneration policy if unforeseeable or exceptional circumstances so justify. Thus, for example, the recruitment of a new corporate officer under unforeseen conditions might require the temporary adaptation of some existing remuneration elements or the proposal of new remuneration elements. In this case, the Board of Directors would take into account the experience, expertise and remuneration of the executive concerned in order to propose exceptional remuneration that could not exceed the amount of the benefits he or she would have had to relinquish by leaving his or her previous role.

It might also be necessary to amend, subject to compliance with the caps determined in the remuneration policy, the performance conditions governing the acquisition of all or some of the existing remuneration elements in the event of exceptional circumstances resulting from a significant change in the Group's scope following a merger or sale, the acquisition or creation of a significant new business activity or the elimination of a significant business activity, a change in accounting policy or a major event affecting the markets and/or L'Oréal's major competitors.

The Board of Directors will make its decisions on the recommendation of the Human Resources and Remuneration Committee and, when necessary, after obtaining the opinion of an independent consulting firm.

2022 work schedule of the Human Resources and Remuneration Committee concerning the remuneration of the corporate officer

February 2022	● Recommendations on the remuneration of corporate officers for 2021: • evaluation of the 2021 annual variable remuneration after review of the non-financial results, for Mr Agon (Chairman and Chief Executive Officer from 1 January to 30 April 2021) and Mr Hieronimus (Chief Executive Officer from 1 May to 31 December 2021); • draft Say on Pay ex post resolutions. ● Long-term incentive plan: • recognition of the performance levels achieved for the expiring 2018 Plan for the Conditional Grants of Shares (ACAs). ● Presentation of the 2022 study on the remuneration of corporate officers: • panel, balance and structure of remuneration, link between performance and remuneration. ● Recommendations concerning the 2022 remuneration policies: • applicable to corporate officers (Chief Executive Officer and Chairman of the Board); • review of draft resolutions.
April 2022	● Report on investor meetings on the remuneration policies for corporate officers
October 2022	● Presentation of L'Oréal's remuneration policy: • coherence between the schemes in place in the company. ● 2022 ACAs Plan: • proposed award for the Chief Executive Officer, application of non-financial performance conditions for the first time (20% weighting).
December 2022	● 2023 remuneration policy: • review of issues raised following initial discussions with investors and proxy advisors; • ratios on pay differentials: widening of the scope.

2.4.2. Remuneration of directors and corporate officers for 2022

The information in this section relating to the remuneration of L'Oréal's directors and corporate officers (the Directors, the Chairman of the Board of Directors and the Chief Executive Officer), as required by Articles L. 22-10-9 I and L. 22-10-34 I and II of the French Commercial Code, is subject to the approval of the Annual General Meeting of 21 April 2022 and voting on resolution nos. 13, 14 and 15.

2.4.2.1. Remuneration paid during the 2022 financial year or allocated for that year to Directors

A total amount of €1,297,925, within the limits of the €1,600,000 budget approved by the Annual General Meeting of 17 April 2018, will be paid to the Directors for financial year 2022.

The Board of Directors met seven times in 2022 (including one non-remunerated meeting) and 19 meetings of its committees were organised.

The average attendance rates at meetings in 2022 were 97.5% for the Board of Directors, 100% for the Strategy and Sustainable Committee, 93.5% for the Audit Committee, 100% for the Nominations and Governance Committee and 91.5% for the Human Resources and Remuneration Committee.

It should be noted that neither Mr Jean-Paul Agon nor Mr Nicolas Hieronimus receive any remuneration as Directors, neither Mr Jean-Paul Agon nor Mr Nicolas Hieronimus receive any remuneration as Directors of the Group's companies.

Directors	Remuneration awarded for 2022 paid in 2023 *(in euros)* 7 Board meetings (of which 6 paid), 19 Committee meetings	Remuneration awarded for 2021 paid in 2022 *(in euros)* 8 Board meetings (of which 7 paid), 17 Committee meetings
Mr Jean-Paul Agon	0	0
Mr Nicolas Hieronimus	0	0
Ms Ana Sofia Amaral (2)	14,375	87,000
Ms Sophie Bellon	120,000	142,750
Ms Françoise Bettencourt Meyers	107,000	107,000
Mr Paul Bulcke	107,000	107,000
Mr Patrice Caine	95,500	102,000
Ms Fabienne Dulac	96,000	108,250
Ms Belén Garijo	70,550	78,775
Ms Béatrice Guillaume-Grabisch	94,000	94,000
Mr Thierry Hamel (2)	57,500	-
Ms Ilham Kadri (1)	86,000	75,500
Mr Georges Liarokapis (2)	16,500	100,500
Mr Jean-Victor Meyers	84,000	90,250
Mr Nicolas Meyers	94,000	87,750
Ms Virginie Morgon	119,000	125,500
Mr Alexandre Ricard (1)	79,000	64,714
Mr Benny de Vlieger (2)	57,500	-
TOTAL	**1,297,925**	**1,370,989**

(1) Director who joined a Board Committee in 2022.
(2) Directors whose term of office began or ended during the 2022 financial year.

2.4.2.2. Remuneration paid during financial year 2022 or allocated for that year to Mr Nicolas Hieronimus, Chief Executive Officer

2.4.2.2.1. Fixed remuneration

At its meeting of 9 February 2022, and on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors decided to maintain Mr Nicolas Hieronimus's fixed annual remuneration at the gross amount of €2,000,000.

2.4.2.2.2. Annual variable remuneration

With regard to Mr Nicolas Hieronimus' annual variable remuneration for 2022, the target was set at €2,000,000 gross on an annual basis, or 100% of his fixed remuneration, with a maximum of 120% of fixed remuneration in the event of outperformance, or €2,400,000 gross. This sum represents the maximum amount of variable remuneration that may be paid to him.

At its meeting on 9 February 2022, the Board of Directors had set the variable remuneration criteria applicable for 2022 and the respective weighting of such criteria. Financial criteria represent 60% of the variable remuneration while non-financial criteria represent 40%. The financial criteria are directly correlated with the Company's economic performance indicators: growth in sales and market share as compared to its main competitors, in operating profit, earnings per share (EPS) and cash-flow.

On 9 February 2023, the Board of Directors, on the basis of the recommendations of the Human Resources and Remuneration Committee, assessed the performance of Mr Nicolas Hieronimus. The rate of achievement was 113% of objectives, i.e. a rate of achievement of 113.7% for financial criteria and 111.9% for non-financial and qualitative criteria.

It was thus decided that, in respect of annual variable remuneration for 2022, Mr Nicolas Hieronimus would be awarded an amount of €2,260,000.

Financial targets 2022 (60% of total annual variable remuneration)

Financial criteria	Weighting	2022 Results	Payment rate Target 100% of the fixed amount Maximum 120%	Board appraisal
Like-for-like sales compared to budget[1]	15%	€38,260.6 m	**120%**	Maximum objective reached
Sales growth differential compared to main competitors[2]	15%	+7,3 points	**120%**	Maximum objective reached
Operating profit compared to budget[1]	10%	€7,456.9 m	**107.5%**	Performance above budget
Earnings per share[3] **compared to budget**[1]	10%	€11.26	**120%**	Maximum objective reached
Cash flow[4] **compared to budget**[1]	10%	€4,935.1 m	**95%**	Performance below budget
RATE OF ACHIEVEMENT OF 2022 FINANCIAL TARGETS			113.7%	

(1) Budget not provided for reasons of confidentiality.
(2) Panel of competitors: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.
(3) Diluted share attributable to owners of the company per share excluding non-recurring items.
(4) Cumulative operating cash flow = Cash flow generated by operating activities – purchases of tangible and intangible assets.

2022 non-financial and qualitative targets (40% of the total annual variable remuneration)

Non-financial and qualitative criteria	Weighting	2022 performance indicators	Payment rate Target 100% of the fixed amount Maximum 120%	Board appraisal
CSR criteria: L'Oréal for the Future programme	10%	See indicators below	**95%**	Performance in line with the programme's trajectory.
Human Resources criteria	7.5%	See indicators page 105	**110%**	Outperformance.
Digital development criteria	7.5%	See indicators page 105	**120%**	Outperformance. Maximum reached.
Qualitative criteria: Management	7.5%	See evaluation page 106	**120%**	Outperformance. Maximum reached.
Qualitative criteria: Image, Company reputation, Relations with stakeholders	7.5%	See evaluation page 106	**120%**	Outperformance. Maximum reached.
RATE OF ACHIEVEMENT OF 2022 NON-FINANCIAL AND QUALITATIVE TARGETS			111.9%	

Table of non-financial and qualitative achievements in 2022

The Board of Directors, at its meeting of 9 February 2023, used the following indicators and achievements examined by the Human Resources and Remuneration Committee to determine the level of achievement of the non-financial and qualitative targets for 2022.

CSR criteria: The L'Oréal for the Future programme	Weighting: 10%	
The L'Oréal for the Future programme sets out L'Oréal's commitments to sustainable development for 2030, for which the 2022 achievements are set out in detail in chapter 4 of this document and summarized in the table in section 1.3.2.		
	2022 Results	*2021 Results*
TRANSFORMING OUR BUSINESS		
Climate		
● By 2025, all our sites will have achieved "carbon neutral"[1] status by improving energy efficiency and using 100% renewable energy.	**65%** (= 110 sites)	*58% (= 100 sites)*
● By 2030, on average we will have halved the greenhouse gas emissions per finished product **linked to the transport** of our products compared to 2016.	**+ 6.7%**	*+ 12%*
Water		
● By 2030, 100% of the **water used in our industrial processes** will be recycled and reused in a loop.	**13%** **5 Waterloop Factories**	15% 6 Waterloop Factories
Biodiversity		
● By 2030, 100% of ingredients in our formulas and biobased packaging materials will be **traceable and come from sustainable sources.**	**92%** [2]	*94%* [2]
Resources		
● By 2030, 95% of our **ingredients in formulas** will be biobased, derived from abundant minerals or from circular processes.	**61%**	60%
● By 2030, 100% of the plastic used in our packaging will be either from **recycled or bio-based sources** (achieving 50% by 2025).	**26%**	21%

(1) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.
(2) Scope: bio-based ingredients in formulas, excluding packaging.

CSR criteria: The L'Oréal for the Future programme	Weighting: 10%	
EMPOWERING OUR ECOSYSTEM IN OUR TRANSFORMATION		
• By 2030, all **Group products** will be **eco-designed**.	**97%**	*96%*
• By 2030, we will have helped **100,000 people** from disadvantaged communities **gain access to employment.**	17,827	13,946

Human Resources criteria	Weighting: 7.5%	
Gender Balance	**2022 Results**	*2021 Results*
• Improving gender balance, in particular at the level of senior management positions.	• 32% of Executive Committee members are women.	32%
	• 48% of strategic positions are held by women (strategic positions include Executive Committee positions, i.e. approximately 300 positions).	47%
	• 2022 Equileap ranking:	
	France: No. 1	*No. 1 in France*
	International: No. 14	No. 4 in the world
	• For the sixth consecutive year, L'Oréal is ranked in the 2022 Bloomberg Gender-Equality Index which comprises 418 companies having their headquarters in 45 countires and regions around the world.	Top 100
Talent Development		
• Results of the policy regarding the recruitment of both experienced and more junior talented employees, and talent development all over the world, in order to favour the emergence of local talent.	• Fifth place in the Universum global ranking (business schools) L'Oréal is the first multinational company in the European Union to make the Top 5.	*5th place*
• Attractive, targeted, digital employer communication.	• Strong presence on social networks: 4.36 million followers on LinkedIn.	*3.9 million*
Access to training		
• 100% of employees will receive training once a year.	• 100% of employees received training in 2022.	*100%*
	More than 261,000 hours of digital training (there was a rebalancing of online and face-to-face training in 2022).	530,000 hours

Digital development criteria	Weighting 7.5%
Increase in sales achieved in e-commerce	• €10.9 bn in net sales, i.e. 28% of Group sales, up +8.9% in 2022.

Partnerships and innovation	• **Roll-out of Web 2.0**: focusing L'Oréal's digital advantage on consumer engagement (emerging platforms, influencer/advocacy marketing and data-based marketing).
	• **Metaverse & Web3**:
	  • First multi-brand avatar partnership with Ready Player Me;
	  • First beauty partnership with Opensea (the world's largest NFT marketplace);
	  • Partnership with Meta at Station F to foster creativity and inclusivity in the Metaverse and Web3;
	  • Nyx PMU announced the world's 1st beauty DAO (decentralized autonomous organization) GORJS.
	• **Bold Female Founders Fund**: investing in Digital Village IO Inc. (developer of virtual worlds and experiences)

New consumer interaction models	• L'Oréal is no. 1 in influencer market share (+1.4 points compared to 2021), driven by strong leadership and increased TikTok presence, and by the Skincare and Haircare categories. • **Netflix**: L'Oréal is one of the leading advertisers on Netflix in more than six markets, providing access to a premium audience. • **Retailer Media**: an emerging channel, up by +14%. • **Websites**: developing immersive pages to offer a new consumer experience (augmented products with QR codes).
Digital services	• 10 patents filed in 2022. • L'Oréal Digital Services now cover all beauty categories with 10-star services. • Continued roll-out of services with 1,400 direct services in 110 countries. • 72 partnerships with retailers and pure players.
Continuation of the Company's digital transformation	• More than **5,900 digital experts** in all functions. • **Recruitment and training in 2022**: 67,500 people have had Digital and E-Commerce training. 80% of the Digital and E-Commerce community has been trained and, in the Group as a whole, 17,000 people have been trained in e-Commerce and 4,300 people in the Metaverse and Gaming.
Gartner L2 Digital ranking / Industry recognition	• L'Oréal ranked no. 1 in terms of media market share and world no. 1 in terms of influencer market share. • L'Oréal ranked no. 1 in Gartner's 2022 Digital IQ Index: Personal Care U.S., with Maybelline as brand no. 1 and CeraVe as no. 2. • 7 of the Group's 20 brands feature in the Digital IQ Index. • L'Oréal Paris received the "Fastest Digital Transformation" award from Kantar's Brand Footprint.
L'Oréal for the Future and digital sustainability	• Positioning L'Oréal as a leader in reducing the environmental impact of media and content. • Partnership with the French start-up Impact+ to measure and reduce the CO_2 impact of the Group's advertising campaigns.

Qualitative criteria: Management	Weighting: 7.5%

2022 Results

- Continuation of the **renewal of the Executive Committee**. High retention rate for the Top 300.
- Management of the **health** (Covid-19) and **geopolitical** (Ukraine) situation.
- **Transformation of the Group**/Beauty tech/cultural transformation.
- **Pulse survey** (internal employee opinion survey): 91% participation, 34 out of 39 questions up or stable compared with 2021.
- Launch of the L'Oréal Group's **second communication campaign** centred around its **sense of purpose**: Grand Prix de la Raison d'être awarded to L'Oréal by the Institut du Capitalisme Responsable.

Qualitative criteria: Image, Company reputation, Dialogue with stakeholders	Weighting: 7.5%

- **The Group's influence and that of its teams**
  - Nicolas Hieronimus spoke at the Davos Forum on Responsible Consumption, the Challenges magazine's Economic Summit in December 2022, the Chinese Business Club in December 2022 and the Vivatech fair in June 2022.
  - Barbara Lavernos, one of the 40 ForbesWomen in 2022.
  - Alexandra Palt spoke at the Clinton Foundation and at Climate Week NYC.
- **Sustainable development**
  - L'Oréal is the only company in the world, among nearly 6,000, to have received 3 "A" ratings from the Carbon Disclosure Project for the seventh consecutive year, which is the highest score in three areas: climate, sustainable water management and the fight against deforestation.
  - L'Oréal was ranked No. 1 across all categories in the Vigeo Eiris ranking.
  - L'Oréal successfully priced its inaugural €3 billion bond including a sustainability-link goals tranche.
  - L'Oréal announced the launch of a *new circular innovation fund* to scale breakthrough circular innovative solutions from around the world.
- **Commitment to young people**
  - Celebrated the 30th anniversary of the international Brandstorm competition, in partnership with Salesforce.
  - Following on from the L'Oréal for Youth programme, the L'Oréal Boost programme was launched.
  - Nicolas Hieronimus and Alexandra Palt attended the final of the Urban Shakers award for socially engaged urban cultures.
  - A delegation of secondary school teachers and pupils visited the Ormes plant during Industry Week.
- **Diversity and inclusion**
  - L'Oréal was one of the top 100 companies in the Refinitiv Diversity & Inclusion ranking.
  - L'Oréal was one of the top most advanced companies in the world in terms of gender equality, according to the Equileap Global Gender Equality Ranking 2022, which assesses nearly 4,000 companies in 23 countries.
  - A "Beauty and well-being" space in Paris was opened in collaboration with Emmaüs.
- **Ethics**
  - L'Oréal was recognised for the 13th time as one of the "World's Most Ethical Companies" by the Ethisphere Institute.
  - For the eighth consecutive year, L'Oréal was recognised as a Global Compact LEAD company by the United Nations.
  - Ethics Day on 20 October 2022: two live webchats with Nicolas Hieronimus were open to all employees worldwide.
- **Value sharing**
  - L'Oréal announced the launch of its third employee share ownership plan.
  - L'Oréal created Bold Female Founders to invest in start-ups founded by women.

2.4.2.2.3. Granting of performance shares

Pursuant in particular to Articles L. 225-197-1 and L. 22-10-8 of the French Commercial Code and the authorisation of the Ordinary and Extraordinary General Meeting of 21 April 2022, the Board of Directors meeting on 13 October 2022, taking into account the performance of Mr Nicolas Hieronimus and the share price valuation, decided to grant him 20,000 performance shares (ACAs – "Attributions Conditionnelles d'Actions", existing conditional grants of shares), in accordance with the remuneration policy.

The estimated fair value, according to the IFRS standards applied in preparing the Consolidated Financial Statements, of one performance share (ACAs) for the 13 October 2022 plan, of which Mr Nicolas Hieronimus is part, is €303.33.

The estimated fair value, according to the IFRS standards, of the 20,000 performance shares (ACAs) granted in 2022 to Mr Nicolas Hieronimus is therefore €6,066,600.

These shares will only vest, in whole or in part, once the performance conditions described below are met.

Performance conditions

Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a four-year vesting period as from the grant date.

The number of fully vested shares will depend on growth in comparable cosmetics sales compared to the growth of a panel of competitors, which consists in 2022 of Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao, and Coty (40%); on the growth in the Group's consolidated operating profit (40%); on the achievement of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (15%) and on a gender balance target in strategic positions including the Executive Committee (5%).

The calculation will be based on the arithmetical average for the 3 full financial years of the vesting period. The first full year taken into account for assessment of the performance conditions relating to this grant is 2023.

As regards all the free shares granted pursuant to the criterion relating to sales, in order for these to finally vest at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If the L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to finally vest at the end of the vesting period, a level of growth defined by the Board but not made public for confidentiality reasons, must be achieved or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

With regard to the criterion of fulfilling commitments made under the L'Oréal for the Future programme, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, an average of 65% of the L'Oréal for the Future Commitments must be achieved during the vesting period. Below this level, the grant decreases. No shares will vest if the average level of achievement for the L'Oréal for the Future Commitments falls below 50%.

With regard to the criterion of gender balance in strategic positions, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, the average proportion of employees of each gender in strategic positions must be at least 40%. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.

The figures recorded year on year to determine the levels of performance achieved are published in Chapter 7.

Main features of the grant

This Plan enabled 700,000 performance shares (ACAs), i.e. 0,1% of the share capital, to be granted to 2,647 beneficiaries.

The conditional grant of performance shares benefiting Mr Nicolas Hieronimus in 2022 represents 2.86% of the total number of performance shares granted and 0.004% of the share capital as at 26 July 2022.

In addition, as a corporate officer, Mr Nicolas Hieronimus will retain 50% of the shares that will finally vest at the end of the vesting period in registered form until the end of his term of corporate office.

Furthermore, Mr Nicolas Hieronimus has undertaken not to use risk hedging instruments.

To recap, Mr Nicolas Hieronimus was not awarded any other long-term incentives in 2022.

2.4.2.2.4. Remuneration as Director

Mr Nicolas Hieronimus does not receive any remuneration as Director.

He does not receive any remuneration as a Director of the Group companies.

2.4.2.2.5. Additional social protection schemes

Mr Nicolas Hieronimus continues to benefit, because of his classification as a senior manager during his term of office, from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees.

The amount of the employer's contributions to the employee benefit and healthcare schemes for 2022 amounted to €4,217.94, and the amount of the employer's contribution to the Defined Contribution Pension scheme amounted to €6,376.08.

Under the Defined Contribution Pension Scheme ("L'Oréal RCD", as described in chapter 4), the rights of which are strictly proportional to the contributions paid, and which benefits all employees of L'Oréal in France, the estimated amount of Mr Nicolas Hieronimus's annual retirement pension at 31 December 2022 would be a gross amount of €5,151.

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.

As a reminder, the lifetime risk related to the plans resulting from Article 83, 2° of the French General Tax Code is borne by the insurer.

2.4.2.3. Remuneration paid or allocated to Mr Jean-Paul Agon, Chairman of the Board of Directors

2.4.2.3.1. Fixed remuneration

At its meeting of 9 February 2022, 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 €1,600,000.

2.4.2.3.2. Additional social protection schemes

The Chairman of the Board benefits from the same employee benefit scheme as the senior managers of the Company.

The amount of employer contributions to employee benefit plans was €3,433.

2.4.2.4. Remuneration ratios and annual changes in L'Oréal's remuneration, ratios and performance over five years

	2018	2019	2020	2021	2022
Remuneration of the CEO, Nicolas Hieronimus (€)				7,768,780[1]	10,395,600[2]
Change/N-1				*Not disclosed*	
L'Oréal company average ratio				77	99
Change/N-1				*Not disclosed*	+ 22 points
L'Oréal Group in France average ratio		*Not applicable*			109
Change/N-1					
L'Oréal company median ratio				110	137
Change/N-1				*Not disclosed*	+ 17 points
L'Oréal Group in France median ratio					148
Change/N-1					
Remuneration of the Chairman, Mr Jean-Paul Agon (€)				1,600,000[3]	1,600,000
Change/N-1				*Not disclosed*	
L'Oréal company average ratio				16	15
Change/N-1				*Not disclosed*	- 1 point
L'Oréal Group in France average ratio		*Not applicable*			17
Change/N-1					
L'Oréal company median ratio				23	21
Change/N-1				*Not disclosed*	- 2 points
L'Oréal Group in France median ratio					23
Change/N-1					
L'Oréal company average remuneration (€)	95,207	100,959	104,896	100,694	104,848
Change/N-1	*+ 2.70%*	*+ 6.00%*	*+ 3.90%*	*- 4.01%*	*+ 4.13%*
Average remuneration for the L'Oréal Group in France (€)	Not disclosed	Not disclosed	Not disclosed	89,222	95,140
Change/N-1					*+ 6.63%*
L'Oréal company median remuneration (€)	66,167	68,709	72,216	70,729	75,878
Change/N-1	*+ 3.10%*	*+ 3.80%*	*+ 5.10%*	*- 2.06%*	*+ 7.28%*
Median remuneration for the L'Oréal Group in France (€)	Not disclosed	Not disclosed	Not disclosed	65,847	70,036
Change/N-1					*+ 6.36%*
Group sales (€m)	26,937	29,873.60	27,992.10	32,287.6	38,260.6
Change/N-1 (like-for-like)	*+ 7.10%*	*+ 8.00%*	*- 4.10%*	*+ 16.1%*	*+ 10.9%*
Group operating profit (€m)	4,922	5,547.50	5,209.00	6,160.3	7,456.9
Change/N-1	*+ 5.30%*	*+ 12.70%*	*- 6.10%*	*+ 18.3%*	*+ 21.0%*

(1) The remuneration of Mr Nicolas Hieronimus, Chief Executive Officer from 1 May 2021, comprises a fixed remuneration component expressed on an annual basis an a performance share award. For the record, no annual variable remuneration was paid to Mr Nicolas Hieronimus in 2021, as his position of Corporate Officer took effect on 1 May 2021.
(2) The remuneration of Nicolas Hieronimus for 2022 consists of fixed remuneration, variable remuneration paid in April 2022 for financial year 2021, expressed on an annual basis and a performance share award.
(3) The remuneration of Mr Jean-Paul Agon, Chairman of the Board from 1 May 2021, comprises a fixed remuneration component expressed on an annual basis.

Methodology used for calculating ratios

Pursuant to Article L. 22-10-9 of the French Commercial Code, for the calculation of average and median remuneration, the scope used is that of L'Oréal S.A., which comprises 9,703 employees as at 31 December 2022 (i.e. 64% of the workforce at L'Oréal France) of whom 7,178 are managers and sales representatives, 2,065 are technicians and supervisors and 460 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.

This information is also provided for the France scope, grouping together L'Oréal S.A. with all its subsidiaries in France, i.e. 15,123 employees, of whom 9,682 are managers and sales representatives, 3,541 are technicians and supervisors and 1,900 are employees and manual workers.

For reasons of comparability, and in accordance with the recommendations of the AFEP, the number of employees selected for the calculation of average and median remuneration corresponds to a full-time equivalent workforce continuously present over 24 months, excluding corporate officers. Remuneration is calculated on the basis of all amounts paid and performance shares granted during the financial year in question.

The elements composing the executives' remuneration used in the calculation are:

- the annual fixed remuneration paid in 2022 (on an annual basis);
- the annual variable remuneration paid in 2022 (on an annual basis); and
- the performance shares valued on the grant date in 2022 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 2022;

- annual variable remuneration paid in 2022;
- other elements of annual remuneration paid in 2022 (excluding exceptional factors);
- the €1,000 enhanced purchasing power premium paid in November 2022;
- the performance shares granted in 2022 valued in accordance with the IFRS applied for the preparation of the consolidated financial statements;
- the gross Profit-sharing and Incentives paid in 2022.

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 21 April 2023 under resolution no. 12 "Approval of the remuneration policy for the Chief Executive Officer".

Shareholders approved the agreement suspending the executive corporate officer's employment contract at the Annual General Meeting of 20 April 2021.

2.4.3.1. Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The AFEP-MEDEF Code to which L'Oréal refers, recommends, but does not require, that companies should put an end to combining an employment contract with a corporate office.

L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing executive corporate officers *ad nutum*. The Board of Directors has formally provided for the methods of application of the objectives of the recommendation, as adapted to the context in the L'Oréal Group.

The Board's intention is to use the treatment set out below for any new corporate officer appointed who has over 15 years' length of service in the Group at the time of his or her appointment.

As L'Oréal's ongoing policy is to appoint employees who have completely succeeded in the various stages of their careers in the Group as executive corporate officers, the Board does not want these executives to be deprived of the benefits to which they would have continued to be entitled had they remained employees, after spending many years of their career at L'Oréal.

The Board of Directors has considered that the objective pursued by the AFEP-MEDEF recommendation could be fully achieved by maintaining the suspension of the employment contract and clearly separating the benefits related to the corporate office from those relating to the employment contract.

Remuneration in respect of the corporate office will in no event be taken into consideration in the calculation of all benefits that may be due under the employment contract.

The reference remuneration to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the pension under the defined benefit scheme is based on the amount of remuneration at the date of suspension of the employment contract. This reference remuneration is revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse Nationale d'Assurance Vieillesse*). The seniority applied will cover the entire career within the Group, including the years spent as an executive corporate officer.

2.4.3.2. Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

In the event of termination of the suspended employment contract during the term of corporate office, and depending on the reasons for such termination, the executive corporate officer would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the Company's request pursuant to the suspended employment contract excluding any indemnity due in respect of the corporate office.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (Convention Collective Nationale des Industries Chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements.

In the event of termination of the employment contract, financial consideration for the non-compete clause would be paid under the terms of said contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, unless the executive corporate officer were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

2.4.3.3. Defined benefit pension scheme

The executive corporate officer, subject to ending his or her career in the Company, will benefit from one of the defined benefit schemes currently applicable to the Group's senior managers. This is the scheme to which he or she was subject as an employee.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the completion of the beneficiary's career in the Company. These schemes were established by L'Oréal primarily with the goal of attracting and retaining the Company's senior managers by guaranteeing them a certain level of resources in retirement.

These schemes falling under Article L. 137-11 of the French Social Security Code, are now closed to any new beneficiaries and no longer create rights as from 31 December 2019 pursuant to French Order no. 2019-697 of 3 July 2019 on professional supplementary pension schemes that transposes the European Directive of 16 April 2014.

The main features of these schemes are explained in detail in section 4.3.2.5.

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.

For Mr Nicolas Hieronimus, an agreement suspending his employment contract was approved by the Annual General Meeting of 20 April 2021 (resolution no. 15). This mechanism is restated every year in the present chapter and in the Statutory Auditors' special report on related-party agreements.

2.4.3.5. Situation of Mr Nicolas Hieronimus

The Board of Directors at its meeting of 20 April 2021 appointed Mr Nicolas Hieronimus, the then Deputy Chief Executive Officer in charge of Divisions, and an employee of L'Oréal, as Chief Executive Officer following a brilliant career spanning 34 years within L'Oréal. The Board of Directors did not wish for Mr Nicolas Hieronimus, by accepting the role of Chief Executive Officer, to be deprived (at the age of 57 and after 34 years with L'Oréal) of the benefits to which he would have continued to be entitled had he remained an employee. Therefore, the Board adopted the following measures, which were approved by the Annual General Meeting of 20 April 2021 as part of the procedure for related-party agreements:

1) Maintenance of the employment contract and separation of the benefits attached to the corporate office and the employment contract

The reference remuneration of Mr Nicolas Hieronimus to be taken into account for all rights attached to the employment contract and, in particular, for the calculation of the pension under the defined-benefit scheme described below, is based on his remuneration at the date of suspension of his employment contract. This reference remuneration is €1,750,000 of fixed remuneration and €1,850,000 of variable remuneration. This remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (Caisse Nationale d'Assurance Vieillesse). As at 1 January 2023, it was €1,853,250 for fixed remuneration and €1,959,150 for variable remuneration.

The seniority applied covers his entire career within the Group, including the years spent as an executive corporate officer.

2) Dismissal, termination or retirement indemnities, financial consideration for the non-competition clause

In the event of termination of his suspended employment contract during the term of corporate office, and depending on the reasons for such termination, Mr Nicolas Hieronimus would only be paid termination indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or at the Company's request pursuant to the suspended employment contract.

These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries (Convention Collective Nationale des Industries Chimiques) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labour law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned Company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Pursuant to the schedule of indemnities under the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the event of gross misconduct or gross negligence, the indemnity would be capped, in light of Mr Nicolas Hieronimus' length of service, at 20 months' remuneration under the suspended employment contract.

In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries and in the event of termination of the employment contract, the indemnity due in consideration of the non-compete clause would be payable monthly for two years on the basis of two-thirds of the monthly fixed remuneration attached to the suspended employment contract unless Mr Hieronimus were to be released from application of the clause. This clause does not apply in the event of voluntary retirement or compulsory retirement on the Company's initiative: no consideration for non-competition would be paid in such a situation.

3) Defined benefit pension scheme

Mr Nicolas Hieronimus will continue to benefit, under his suspended employment contract, from the "*Garantie de Ressources des Retraites Anciens Cadres Dirigeants*" (Retirement Income Guarantee for Former Senior Managers) scheme closed to new members effective from 31 December 2015. The income guarantee is calculated on the basis of the number of years of professional service in the Company up to 31 December 2019, up to a limit of 25 years. Generally, after 31 December 2019, no new rights will be granted under this scheme pursuant to French Order no. 2019-697 of 3 July 2019 concerning supplementary professional retirement schemes, which stipulated the closure of all defined benefit schemes governed by Article L. 137-11 of the French Social Security Code.

The main features of this scheme are as follows:

- around 340 senior managers (active or retired) are concerned;
- the minimum length of service requirement was 10 years at the time of closure of the scheme on 31 December 2015;
- the income guarantee is calculated on the basis of the number of years of professional service in the Company until 31 December 2019, capped at 25 years, each year leading to a progressive and regular increase of 1.8% in the level of the guarantee. The income guarantee may not exceed 50% of the calculation base or exceed the average of the fixed portion of salaries; and
- the guarantee is financed by contributions paid to an insurance institution. These contributions are deductible from corporate income tax and are subject to the employer's contribution as provided by Article L. 137-11, 2a) of the French Social Security Code at a rate of 24%.

The pension rights of Mr Nicolas Hieronimus are no longer likely to change insofar as he has more than 25 years of service, the ceiling above which no additional annuity is granted under this scheme.

For information purposes, the gross estimated amount of the pension that would be paid to Mr Nicolas Hieronimus, under L'Oréal's "Garantie de Ressources des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme, had he been able liquidate on 31 December 2022 his full-rate pension rights under French Social Security, after 34 years of service within L'Oréal, would represent €1.6 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 2022, which may be subject to change.

The amount of the pension paid to Mr Nicolas Hieronimus under L'Oréal's "Garantie de Ressources Dirigeants" (income guarantee for senior managers) will only be calculated on the date when he applies for all his pensions.

As a reminder, the rights to the defined benefit pension are uncertain and conditional on the completion of the beneficiary's career in the Company. The funding of this scheme by L'Oréal cannot be broken down individually by employee.

4) AMF summary table

The table set out below, presented in the form recommended by the French Financial Markets Authority (AMF), clearly shows that there are no concurrent benefits under the suspended employment contract and the corporate office. It is also stated that the AMF considers that a company complies with the AFEP-MEDEF Code when it explains the maintenance of the employment contract of a senior manager as an employee in the Company and his personal situation and provides detailed substantiation in this respect[1].

	Employment contract		Supplementary pension scheme [2]		Indemnities or benefits due or which may become due as a result of termination or change of duties[3]		Indemnities relating to a non-compete clause [4]	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Jean-Paul Agon								
Chairman of the Board		X		X		X		X
Mr Nicolas Hieronimus [1]								
Chief Executive Officer	X		X			X	X	

(1) Mr Nicolas Hieronimus has been a Director since 20 April 2021, and has served as Chief Executive Officer since 1 May 2021. Mr Nicolas Hieronimus' employment contract is suspended for the entire length of his executive corporate office. This suspension was approved by the Annual General Meeting on 20 April 2021.

(2) Mr Nicolas Hieronimus belongs to the "Garantie de Ressources des Retraités Anciens Cadres Dirigeants" (Retirement Income Guarantee for Former Senior Managers) scheme, details of which are given in chapter 4. This defined benefit pension scheme makes the granting of entitlement to benefits conditional on the beneficiary' finishing their career in the company; L'Oréal does not finance them on an individual basis per employee.

(3) No indemnity is due for termination of the corporate office. Under the employment contract, pursuant to the schedule of indemnities of the French 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 payable under the employment contract (see section 2.4.3.4. on the cumulative amount of the contractual indemnity and the indemnity due in consideration of the non-compete clause).

(4) 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 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 5 January 2022.

2.4.4. Summary table of the remuneration of Mr Jean-Paul Agon, Chairman of the Board of Directors

	2022		2021 (1 May to 31 December)	
In €	Amounts allocated	Amounts paid	Amounts allocated	Amounts paid
Fixed remuneration(1)	1,600,000	1,600,000	1,066,666	1,066,666
Annual variable remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Remuneration for term of office as Director	-	-	-	-
Benefits in kind	-	-	-	-
TOTAL	**1,600,000**	**1,600,000**	**1,066,666**	**1,066,666**

(1) *The fixed remuneration was paid on a pro rata basis in 2021 as the appointment of Mr Agon as Chairman of the Board took effect on 1 May 2021. The amount on an annual basis is €1,600,000.*

Summary table of remuneration and performance shares awarded to M. Jean-Paul Agon, Chairman of the Board of Directors

In €	2022	2021 (1 May to 31 December)
Remuneration due in respect of the financial year(1)	1 600 000	1 066 666
Value of performance shares granted during the financial year	N/A	N/A
TOTAL	**1 600 000**	**1 066 666**

(1) *Annual fixed and variable remuneration was paid on a pro rata basis in 2021, starting from the appointment of Mr Jean-Paul Agon as Chairman of the Board from 1 May 2021. The amounts indicated for 2021 cover eight months.*

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 2022

N/A.

Table of share subscription or purchase options exercised by Mr Jean-Paul during financial year 2022

N/A.

History of conditional grants of shares (ACAs) to Mr Jean-Paul Agon since his appointment as a corporate officer

Grant date	Number of ACAs granted	Performance conditions(3)	Grant value (IFRS fair value)	Date of final vesting of all or part of the ACAs	Number of finally vested shares	First possible date of sale of a portion of these (4)
17 April 2012(1)	50,000	Yes	3,853,500	18 April 2016	50,000	18 April 2018
26 April 2013(1)	40,000	Yes	4,494,800	27 April 2017	40,000	27 April 2019
17 April 2014(1)	40,000	Yes	4,183,200	18 April 2018	40,000	18 April 2020
22 April 2015(1)	32,000	Yes	5,167,680	23 April 2019	26,432	23 April 2021
20 April 2016(2)	32,000	Yes	4,938,240	21 April 2020	32,000	21 April 2020
20 April 2017(2)	32,000	Yes	5,340,800	21 April 2021	26,544	21 April 2021
17 April 2018(2)	30,000	Yes	5,285,100	18 April 2022	30,000	18 April 2022
18 April 2019(2)	24,000	Yes	5,430,000	19 April 2023	24,000	19 April 2023

(1) *At the end of the vesting period, Mr Jean-Paul Agon, as a French resident on the date of granting the shares, is required to hold the fully vested shares for an additional two-year period during which the shares may not be transferred.*
(2) *The 20 April 2016, 20 April 2017, 17 April 2018 and 18 April 2019 Plans set a four-year vesting period, without any holding period.*
(3) *See the performance conditions described in chapter 7 of this document.*
(4) *Mr Jean-Paul Agon, as corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his duties. Mr Jean-Paul Agon has undertaken not to enter into any risk hedging transactions.*

Table of performance shares that became available during the 2022 financial year for Mr Jean-Paul Agon

N/A.

2.4.5. Summary table of the remuneration of Mr Nicolas Hieronimus, Chief Executive Officer

	2022		2021 (1 May to 31 December)	
In €	Amounts allocated	Amounts paid	Amounts allocated	Amounts paid
Fixed remuneration	2,000,000	2,000,000	1,333,333(3)	1,333,333(3)
Annual variable remuneration	2,260,000(1)	1,552,667(2)	1,552,667(2)	0
Exceptional remuneration	-	-	-	-
Remuneration for term of office as Director	-	-	-	-
Benefits in kind	-	-	-	-
TOTAL	**4,260,000**	**3,552,667**	**2,886,000**	**1,333,333**

(1) The variable remuneration due for year N is paid in N+1. The variable remuneration for 2022 will be paid subject to the approval of Resolution 9 by the Annual General Meeting on 21 April 2023.
(2) Variable remuneration for 2021 was paid in 2022 on a pro rata basis as the appointment of Mr Hieronimus to the position of Chief Executive Officer took effect on 1 May 2021. For information, the amount on an annual basis is €2,329,000.
(3) Fixed remuneration was paid in 2021 on a pro rata basis, with the appointment of Mr Hieronimus to the position of Chief Executive Officer taking effect on 1 May 2021. For the record, the amount is €2,000,000 on an annual basis.

Summary table of remuneration and performance shares awarded to M Nicolas Hieronimus, Chief Executive Officer

In €	2022	2021 (1 May to 31 December)
Remuneration due in respect of the financial year(1)	4,260,000	2,886,000
Value of performance shares granted during the financial year	6,066,600	5,768,780
TOTAL	**10,326,600**	**8,654,780**

(1) Annual fixed and variable remuneration was paid on a pro rata basis in 2021, starting from the appointment of Mr Hieronimus on 1 May 2021. The amounts indicated for 2021 cover eight months.

History of the stock options granted to Mr Nicolas Hieronimus since his appointment as a corporate officer that can still be exercised at 31 December 2022

N/A.

Table of share subscription or purchase options exercised by Mr Nicolas Hieronimus during financial year 2022

N/A.

History of conditional grants of shares (ACAs) to Mr Nicolas Hieronimus since his appointment as a corporate officer

Grant date	Number of ACAs granted	Performance conditions(1)	Grant value (IFRS fair value)	Date of final vesting of all or part of the ACAs	Number of finally vested shares	First possible date of sale of a portion of these(2)
07 October 2021	17,000	Yes	5,768,780	08 October 2025	N/A	08 October 2025
13 October 2022	20,000	Yes	6,066,600	14 October 2026	N/A	14 October 2026

(1) See the performance conditions described in chapter 5 of this document.
(2) Mr Nicolas Hieronimus, as corporate officer, shall retain 50% of the fully vested shares in registered form until the end of his term of corporate office. Mr Nicolas Hieronimus has undertaken not to enter into any risk hedging transactions.

Table of performance shares that became available during the 2022 financial year for Mr Nicolas Hieronimus

N/A.

2.5. Summary table of the recommendations of the AFEP-MEDEF Code which have not been applied

AFEP-MEDEF Code recommendations	L'Oréal's practices and justifications
Composition of the Committees: proportion of independent members of the Committees (points 17.1 and 18.1 of the AFEP-MEDEF Code)	
The proportion of independent Directors on the Audit Committee must be at least two-thirds.	The Audit Committee consists of 60% of independent Directors (i.e., three out of five, excluding Directors representing the employees). The Committee is chaired by Ms Virginie Morgon, an independent Director. The Board of Directors considers this composition satisfactory in light of the necessary presence of two Directors from L'Oréal's majority shareholders and its choice of maintaining a limited number of members in order to ensure the efficiency of the work of this Committee which requires a certain level of expertise in finance or accounting.
The Selection or Appointments Committee and the Remuneration Committee must be composed of a majority of independent Directors.	The Nominations and Governance Committee currently consists of 50% independent Directors. The Committee is chaired by Ms Sophie Bellon, an independent Director. Furthermore, in 2021, the Haut Comité de Gouvernement d'Entreprise (High Committee on Corporate Governance) restated that "*an Audit Committee in which three of the five members are independent, or a Remuneration Committee in which two of the four members are independent, complies with the spirit of the code as long as it is chaired by an independent Director*" and acknowledged that a committee in which 50% (rather than a majority) of the members are independent Directors complies with the recommendation of the Code as long as the chairman of the committee is independent (November 2021 report).
Director representing the employees on the Remuneration Committee (point 19.1 of the AFEP-MEDEF Code)	
It is recommended that a Director representing the employees is a member of the Committee.	Two new Directors representing the employees joined the Board of Directors on 21 April 2022. It is common for new Directors to serve on Committees following a period of familiarisation that helps them to understand how the Board operates and the major challenges facing the Company. At the end of this period, the Nominations and Governance Committee made proposals to the Board of Directors regarding the new Directors joining the Committees. At its meeting on 7 December 2022, on the recommendation of the Nominations and Governance Committee, it was decided that Mr Thierry Hamel and Mr Benny de Vlieger would join the Human Resources and Remuneration Committee and the Audit Committee respectively at the end of the Annual General Meeting of 21 April 2023.
Employment contract of the corporate officer (points 23 and 25 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. **When agreement is reached, it is likely to include a clause authorising the Board to waive the application of this non-compete agreement at the time of the manager's departure. No non-compete compensation may be paid beyond the age of 65.**	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 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 reflected in Nicolas Hieronimus's appointment as Chief Executive Officer from 1 May 2021, after a highly successful career in the Group over the previous 34 years. The Board of Directors noted that if, in accordance with the AFEP-MEDEF recommendation, his employment contract with L'Oréal were to be terminated, Mr Nicolas Hieronimus would lose the status he acquired as a result of the 34 years he spent working for the Group as an employee. The AMF, in its Recommendation 2012-02 last updated on 5 January 2022, considers that a senior manager's length of service as a company employee and their personal situation may justify maintaining their employment contract if the company provides explanations adapted to the individual situation of each executive (length of service and description of the benefits granted under the employment contract). As such, in respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries and 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 is not applicable in the event of voluntary retirement or retirement at the Company's request, meaning that no non-compete compensation would be paid in this situation.

2.6. Summary statement of trading by directors and corporate officers in L'Oréal shares in 2022

(Article 223-26 of the General Regulation of the French Financial Markets Authority (AMF))

Person concerned	Description of the financial instrument	Nature of transaction	Number of transactions	Total amount
Mr Jean-Paul Agon Chairman of the Board of Directors	Shares	Final vesting of free shares granted subject to performance conditions (ACAs)*	1	€0.00
	Shares	Sale	6	€13,967,249.80
Mr Nicolas Hieronimus Chief Executive Officer Director	Shares	Final vesting of free shares granted subject to performance conditions (ACAs)*	1	€0.00
	Shares	Contribution **	2	€3,490,000.00
	Shares of companies holding L'Oréal shares	Donation of bare ownership ***	2	€0.00
Company (Prince Invest) related to Mr Nicolas Hieronimus (Chief Executive Officer and Director)	Shares	Beneficiary of a contribution in kind **	1	€1,745,000
Company (Galaxian Invest) related to Mr Nicolas Hieronimus (Chief Executive Officer and Director)	Shares	Beneficiary of a contribution in kind **	1	€1,745,000
Person related (direct heir) to Mr Nicolas Hieronimus (Chief Executive Officer and Director)	Shares of a company holding L'Oréal shares	Bare ownership received by donation ****	1	€0.00
Mr Paul Bulcke Director	Shares	Acquisition	1	€606,180.00
Ms Béatrice Guillaume-Grabisch Director	Shares	Acquisition	1	€133,149.50

* *Delivery in April 2022 of the ACAs Plan of 17 April 2018 (see sections 2.4.4. and 2.4.5.).*
** *Contributions of L'Oréal shares by Nicolas Hieronimus to Galaxian Invest SAS and Prince Invest SAS, family companies, based on the opening price of the L'Oréal share on 30 November 2022, as donations to two direct heirs of the bare ownership of the securities received as remuneration for contributions.*
*** *Donation to two direct heirs of the bare ownership of 175,497 shares Galaxian Invest SAS (representing 99% of the share capital) and 175,497 shares Prince Invest SAS (representing 99% of the share capital) respectively. These companies were the beneficiaries of a contribution by Nicolas Hieronimus of 5,000 L'Oréal shares each - see **.*
**** *Receipt by a direct heir of the donation by Nicolas Hieronimus of the bare ownership of 175,497 shares Prince Invest SAS (representing 99% of the share capital). This company was the beneficiary of a contribution by the director of 5,000 L'Oréal shares.*

2.7. Statutory Auditors' Special Report on regulated agreements

Annual General Meeting held to approve the financial statements for the year ended December 31, 2022

This is a translation into English of the statutory auditors' report on regulated agreements issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided for by the French Commercial Code and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

L'Oréal

14, rue Royale

75008 Paris

To the Annual General Meeting of L'Oréal,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements, if any. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Annual General Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements submitted to the approval of the annual general meeting

Agreements authorized and entered into during the year

We hereby inform you that we have not been advised of any agreement authorized and entered into during the year to be submitted to the approval of the Annual General Meeting pursuant to Article L.225-38 of the French Commercial Code.

Agreements previously approved by the annual general meeting

Previously approved agreements that remained in force during the year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreement, previously approved by Annual General Meetings of prior years, has remained in force during the year.

Agreement concerning the position of Nicolas Hieronimus, Chief Executive Officer of your company

Nature and purpose

On February 11, 2021, your Board of Directors authorized an agreement to suspend the employment contract between your company and Nicolas Hieronimus, former Deputy Chief Executive Officer and employee of your company, who became the Company's Chief Executive Officer as of May 1, 2021, following the decision of the Board of Directors' meeting held at the close of the Annual General Meeting of April 20, 2021.

This agreement was entered into following the Board of Directors' meeting and became effective as of May 1,2021.

Terms and conditions

- Suspension of Nicolas Hieronimus' employment contract during the term of his corporate office

In the event of termination of his suspended employment contract during the term of office, and depending on the reasons for such termination, Nicolas Hieronimus will only receive the severance pay (save for gross misconduct or gross negligence) or retirement indemnities in the event of voluntary retirement or retirement at the Company's request, payable under the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the French collective bargaining agreement for the chemicals industry (*Convention collective nationale des industries chimiques*) and the company-level agreements applicable to all L'Oréal managers, are automatically due pursuant to the public policy rules of French labor law. They are not subject to any condition other than those provided for by the collective bargaining agreement or the above-mentioned company-level agreements. The same applies to the non-compete clause and the related financial consideration.

Nicolas Hieronimus will continue to benefit, under his employment contract suspended for the term of his corporate office, from the "*Garantie de Ressources des Retraités Anciens Cadres Dirigeants*" (Retirement Income Guarantee for former senior managers) scheme, closed to new entrants as from December 31, 2015. Indemnities are calculated according to the number of years of professional activity within the company as of December 31, 2019, up to a maximum of 25 years. In general, subsequent to December 31, 2019, no new entitlement is granted under this scheme pursuant to Order 2019-697 of July 3, 2019 on supplementary pension schemes, which provides for the closure of all defined-benefit schemes governed by Article L.137-11 of the French Social Security Code (*Code la sécurité sociale*). The main features of this scheme are described in Note 4.3.2.5 to the 2021 L'Oréal Universal Registration Document. In this specific case, Nicolas Hieronimus reached the limit of 25 years' professional activity in the Group provided under the scheme in 2012 and therefore has not benefited from any new entitlement to supplementary annuities since such date.

Under his employment contract and in accordance with the French collective bargaining agreement for the chemicals industry, in the event of termination of the employment contract, the compensation under the non-compete clause would be payable monthly over two years based on two-thirds of the monthly fixed remuneration provided for in the suspended employment contract, unless Nicolas Hieronimus was released from the application of this clause. This clause is not applicable in the event of voluntary retirement or retirement at the Company's request and no non-compete compensation would be paid in this situation.

Under no circumstances shall the remuneration received for the corporate office be taken into consideration in calculating benefits likely to be payable under the above-mentioned employment contract.

- Terms and conditions relating to the suspension of Nicolas Hieronimus' employment contract
  - The reference remuneration to be taken into account for all entitlements attached to the employment contract and particularly the calculation of the aforementioned retirement benefits, will be based on the amount of remuneration at the date of suspension of the employment contract in 2021, namely, fixed remuneration of €1,750,000 and variable remuneration of €1,850,000. This reference remuneration will be revised annually by applying the revaluation coefficient in respect of salaries and pension contributions published by the French state pension fund (*Caisse nationale d'assurance vieillesse*). As of January 1, 2023 it comprised a fixed portion of €1,853,250 and a variable portion of €1,959,150.
  - The length of service applied will cover his entire career within the Group, including his years as executive officer.
- The continued treatment of Nicolas Hieronimus in the same way as a senior manager throughout the term of his corporate office would allow 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 April 21, 2023.

Paris-La Défense, February 17, 2023

The Statutory Auditors

Deloitte & Associés	ERNST & YOUNG Audit
David DUPONT-NOEI	Céline EYDIEU-BOUTTE

CHAPTER 3

Risk factors and risk management *

3

* *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 is based on the work carried out by the Group's Internal Control and Risk Management departments. It presents the internal control environment of L'Oréal, including the system relating to the preparation and processing of accounting and financial information. It describes the risk factors pursuant to Regulation (EU) 2017/1129 of 14 June 2017 ("Prospectus Directive III"), as well as the associated risk management policy. These risks are presented in four categories: (i) business risks, (ii) industrial and environmental risks, (iii) legal and regulatory risks, (iv) financial and market risks. The main non-financial risks within the meaning of the Non-Financial Performance Statement[1] are described in chapter 4. The Vigilance Plan[2] is also included in this chapter.

3.1. Definition and objectives of Internal Control

3.1.1. Reference work

For the purposes of preparing this Document and defining Internal Control, L'Oréal has used the Reference Framework and its application guide published by the French Financial Markets Authority (AMF) in January 2007, and updated on 22 July 2010.

3.1.2. Internal Control - preventing and controlling risk

At L'Oréal, Internal Control is a system that applies to the Company and its consolidated subsidiaries (the "Group"), which 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 risks, the Internal Control system promotes the steady and sustainable manufacturing and economic development of the Group within a control environment that is appropriate for the Group's businesses. However, any system or process has its limitations. These result from a number of factors, in particular the uncertainties of the outside world or malfunctions due to technical or human failures.

The handling of risk should be based in particular on a reasonable informed choice between the challenges to be controlled, the opportunities to be seized, the cost of the risk management measures, and the effects of these measures on the occurrence and impact of the risk.

3.1.3. A process for the continual improvement of the Internal Control system

In 2022, the Group continued its efforts to improve the system of Internal Control by, in particular:

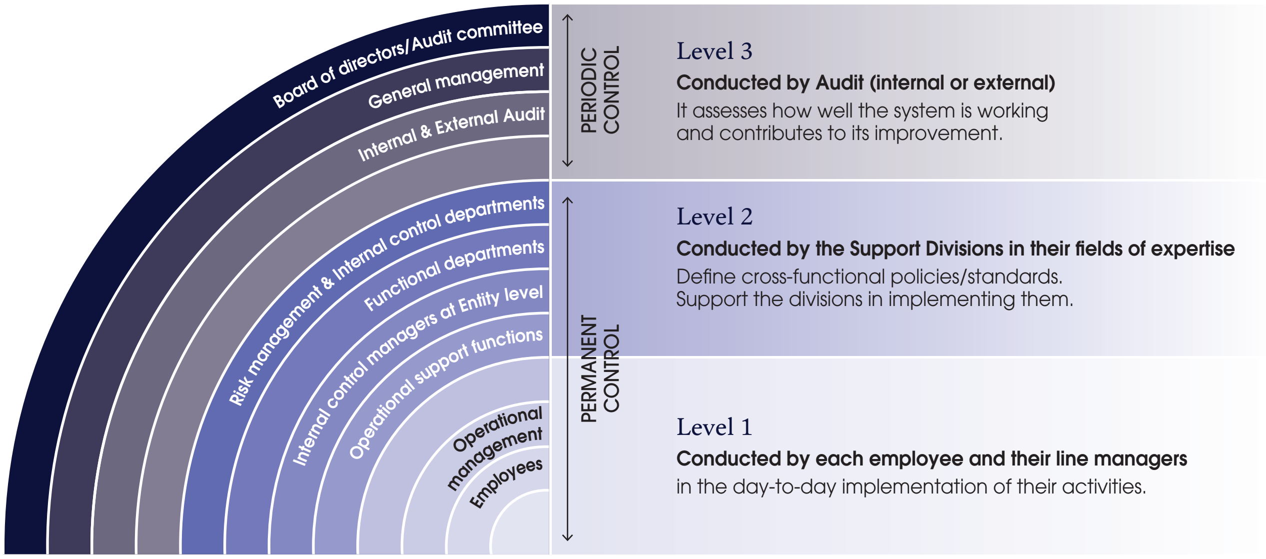
- constantly adjusting the Group matrix for the segregation of duties and the associated control environment;
- providing new operational guides to remind employees of the Group's principles and enable the sharing of best practices (e.g. the e-commerce control playbook);
- updates to the "Fundamentals of Internal Control" digital library (for example, on business continuity plans and sourcing);
- regularly adapting the reference frameworks to address new challenges;
- updating the Group's digital referential[3]; 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 promotes the sharing of best practices.

(1) As defined by Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code.
(2) Drawn up pursuant to Article L. 225-102-4 of the French Commercial Code.
(3) See section 3.2.1.



3.2. Components of the Internal Control and Risk Management system

3.2.1. Organisation and environment

The control environment is critical to the Internal Control system. It means risks can be managed well and procedures implemented. It is based on behaviours, the organisational structure and employees. At L'Oréal, it forms part of a culture of rigour and commitment communicated by senior management. This is in line with the Group's strategic choices.

The Group's Ethical Principles

L'Oréal's development and reputation are built on strong Ethical Principles: Integrity, Respect, Courage and Transparency. The Group's policies on sustainable development, social and societal responsibility, compliance and philanthropy are based on the Ethical Principles.

L'Oréal's Code of Ethics is available in 45 languages and in Braille in English and French. It is distributed to all employees around the world. It uses simple rules and concrete examples to explain how they can apply these Ethical Principles in their behaviours and actions.

The Code of Ethics applies to all employees, directors and corporate officers and members of the Executive and Management Committees. Since 2010, 18 supplements to the Code of Ethics have covered certain aspects of it in more detail.

The Chief Ethics, Risk and Compliance Officer

The Chief Ethics, Risk and Compliance Officer reports directly to the Chief Executive Officer and keeps him informed on a regular basis. The Chief Ethics, Risk and Compliance Officer regularly informs the Board of Directors and the Executive Committee. His mission on Ethics is to:

- promote and integrate best practices within the Group, by facilitating ethical decision-making;
- oversee employee training;
- oversee the management of alerts and directly manage those related to senior management positions; and
- measure and assess the Company's ethical performance.

They have a dedicated budget and team, and unrestricted access to all information about the Group's business activities. They can call upon any of the Group's teams and resources in the performance of their work.

The Ethics and Human Rights approach of L'Oréal and its stakeholders

Country Managers (or for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring compliance with the Code of Ethics. The Chief Ethics, Risk and Compliance Officer systematically meets each new Country Manager and the Group's senior managers to provide guidance about their role. Senior managers also benefit from a tool to help develop their ethics leadership as well as specific training.

The 78 Ethics Correspondents throughout the world assist members of the Executive Committee and Country Managers to implement the Ethics programme. Led by the Group Ethics team, they provide all employees with a local point of contact. They promote the normal routes for handling concerns by Management and Human Resources.

The Chief Corporate Responsibility Officer, a member of the Executive Committee, oversees the respect of Human Rights and fundamental freedoms in the Group.

The ethical and Human Rights risks are mapped and regularly updated, which includes suppliers and subcontractors (see section 3.4.3.). Country Managers assess and analyse local ethical risks using a dedicated tool. They adopt the necessary prevention measures.

An annual reporting system is used to monitor the implementation of the Ethics and Human Rights programme. The Global Ethics, Risk & Compliance Department informs subsidiaries of their potential areas for improvement. Ethics risks are systematically reviewed during audit assignments, through individual interviews conducted separately with the Country Manager and the Administrative and Financial Director.

For prospective acquisitions, the Ethics and Human Rights questionnaire helps to determine whether the target company takes account of risks, particularly those related to business ethics.

A specific and compulsory e-learning course on ethics is available in all subsidiaries. As at 31 December 2022, 87% of the employees with access to the training had completed this course. The Ethics, Risk and Compliance Department also provides face-to-face training as part of the ongoing training of managers and certain business functions (Country Managers, Buyers, Human Resources).

The evaluation of the overall performance of employees takes into account compliance with the Code of Ethics and Ethical Principles. Regular communication with stakeholders and the setting up of internal working groups help to incorporate Ethics into new policies and strategic decisions (for example, the Reliable Artificial Intelligence Policy in 2022).

The Group's whistleblowing line (www.lorealspeakup.com), available to all Group stakeholders, as well as a procedure to collect and process reports, make it possible to manage any violations.

In 2022, 510 potential ethical violations were identified either via the secure website, or via the Ethics Correspondents or local or international management. After reported cases have been thoroughly examined, appropriate measures are taken, where applicable. The global number of reports of discrimination, harassment (including sexual harassment) and corruption received at Group level worldwide is notified to employees on a regular basis, as is the number of fully or partially substantiated cases and the corrective measures taken.

Ethics Day: an annual day on ethics

The Group has held Ethics Day since 2009. During this online event hosted by the Chief Executive Officer, Group employees can ask questions and discuss the day-to-day application of the Ethical Principles. Each member of the Executive Committee and each Country Manager organises local ethics discussions. In 2022, with nearly 35,000 people logging on and more than 7,600 questions, employees showed that they were heavily engaged with this subject. Furthermore, they receive regular information about the Group's Ethical policy and have access to a dedicated Intranet site.

L'Oréal's Corporate Social Responsibility (CSR)

For many years, L'Oréal has adopted an ambitious CSR policy, through its sustainability programmes and its commitment to the Science-Based Targets[1] initiative, in particular.

In this context, the Group has developed a strong governance structure (see section 4.1.), which includes the establishment of sustainable development Coordinators worldwide. They are tasked with helping the Country, Zone, Division and Brand Managers to implement the sustainability programme within their entities. The progress of local implementation of the Group's commitments is monitored by means of an annual reporting system.

Internal Audit regularly reviews CSR risks, as well as the extent to which any policies adopted to address such risks have progressed. The results are then reported to the Audit Committee.

Since 2019, in collaboration with the Ethics, Risk and Compliance Department, L'Oréal's CSR Department has conducted a deeper assessment of the risks related to climate change on the Group's operations. Relying in particular on the scenario analysis method, the Group intended 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 Group's measures to reduce them are described in chapter 4.

Human Resources policy

The quality and skills of female and male 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 women and men in the Company, who are the key drivers of the Group's success. Built this conviction, the Group's human and social project is based on individualised management of employees and on collective strength.

L'Oréal's HR policy is based on the identification, recruitment and development of employees throughout their career, and on the rewarding and commitment of all, as well as on an active policy on diversity and inclusion. Dedicated policies are developed within the Group in each of these areas (see section 4.3.2.).

Information systems

The Group's Global IT Department issues strategic orientations for its IT systems and information systems security (ISS) guidelines. The systems incorporate "ERP (Enterprise Resource Planning)", a management software application used by the vast majority of commercial subsidiaries. The worldwide roll-out of this integrated software package reinforces the reliability and security of producing information, including 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.

(1) These policies and commitments are summarised in section 1.3.2. and set out in detail in chapter 4.

The procedures and standards governing the activities

Each Support Department defines, in its own specific field, the principles and standards applicable to the entities it manages. These principles and standards are summarised in the "Fundamentals of Internal Control", a guide which is regularly updated under the responsibility of the Ethics, Risk and Compliance Department, so that employees can adopt them more easily. This document provides a reference framework for the Group. It covers operational activities in the form of an information sheet for each area of activity. Each information sheet refers to the detailed charters, codes and standards of the Group. The sheets are regularly updated, expanded and validated by the Support Departments.

A management segregation of duties standard is regularly updated and distributed to all entities. It defines the main rules for sales, purchasing, logistics, finance, human resources and information systems management. The application of these rules prevents the risks of fraud and reduces the probability that errors (whether intentional or not) may remain undetected.

Communication of information inside the Group

The "Fundamentals of Internal Control" are circulated to the Managing Directors, Finance Directors, and Internal Control Managers of all the consolidated subsidiaries, including manufacturing entities. The Fundamentals, codes, charters, standards, and information related to the organisation, changes and instructions from the Support Departments are made permanently available to the subsidiaries on the Group's Intranet sites. A Group digital standard provides all employees with guides, charters and expert contacts organised by function and by subject.

The Support Departments also hold seminars and training sessions for their networks of experts. News published on the Intranet gives employees news updates and meaningful messages on Internal Control.

Within the Group, two tools promote communication on the priorities of Internal Control:

1. the "Internal Control Awards", which take place every two years and reward the best global initiatives; and
2. the Internal Control Department's Intranet site, which disseminates Internal Control's initiatives, tools and events all over the world.

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 continually monitored to ensure it is relevant, meets the Group's objectives and addresses its issues. The main players in the monitoring of Internal Control and risk management are:

- the General Management and its Management Committee (Executive Committee);
- the Board of Directors and the Audit Committee in particular;
- the Ethics, Risk and Compliance Department, the Internal Control Department and the Internal Audit Department;
- the Support Departments; and
- the Operational Divisions and Geographic Zones.

The General Management and its Management Committee (Executive Committee)

The General Management defines the general principles of Internal Control and ensures their proper implementation. In order to fulfil their global Internal Control responsibilities, the members of the Executive Committee rely on operational and functional managers, according to their areas of expertise. These managers must ensure these general principles are implemented and the procedures correctly applied to achieve the level of Internal Control required by General Management.

The Board of Directors and Audit Committee

The Board of Directors has always asserted the importance of Internal Control and its main areas of application[1]. The Internal Rules of the Board of Directors define the Audit Committee's duties:

- it monitors the action taken by Internal Control and reports this to the Board of Directors;
- it oversees the preparation of financial and non-financial information; and
- each year, it reviews the Internal Audit plan, its objectives and the general conclusions of Internal Audit assignments, as well as the initiatives and major projects that relate to Internal Control. The Committee uses this information to prepare a report on its remarks for the Board of Directors.

Operational Divisions and Geographic Zones

The Group is organised into Divisions and Zones. Alongside the Management of each country, business or manufacturing entity, the Divisions and Zones are fully responsible for achieving the Internal Control objectives defined by General Management.

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, production and legal affairs provide support to operations at all levels and help to ensure the Internal Control objectives are achieved.

The Support Departments

Each member of the Executive Committee is entrusted with worldwide responsibility for the Internal Control of the activities that fall within their remit. The Support Departments define, in their own areas, the strategies, policies and procedures which they communicate to the countries and entities. They bring their expertise to the operational divisions and review the proper functioning of their respective areas of responsibility. They rely on their network of specialists or on regular audits.

(1) The activities of the Board of Directors are reported in section 2.3.2 and the duties entrusted to its Chairman in section 2.1.2.3.

The main Departments concerned are:

- the Research, Innovation and Technology Department, with particular regard to cosmeto-vigilance and the quality of the formulas used in the products (see section 4.3.1.3.2.);
- the Purchasing Departments with regard to suppliers and their working conditions;
- the Environment, Health & Safety Department, with regard to checking site safety and ensuring 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, with regard to the monitoring and supervision of obligations in respect of staff management, specifically:
  - the documents to be provided to employees;
  - the remuneration of the workforce and personnel expenses;
  - recruitment, training and evaluation procedures, the rules to be followed in respect of payroll management and the implementation of the Share & Care programme;
- the Engagement and Public Affairs Department to coordinate communications campaigns and ensure that the Group's responsible lobbying policies are applied;
- the Digital and Marketing Department, with regard to securing the Group's digital transformation (e-commerce, consumer relations, influencers, digital media etc.) by defining the policies, tools and processes and ensuring they are deployed; and
- the Security Department, with regard to the security of people, travel, property, information and data confidentiality, as well as crisis management (see section 3.5.3.1.).

Indicators and reporting procedures facilitate the regular monitoring of the local activities of these Support Departments.

The Administration and Finance Department

The department assists and monitors operational employees in their administrative, financial and legal activities, as well as in terms of information processing. It sets the operating rules for all entities, defines and deploys tools, procedures and best practices, particularly in terms of management, accounting and consolidation, M&A, investments (BOLD corporate venture fund) and holdings, financing and cash, taxation, legal issues and data governance (including personal data), financial communication, strategic planning and insurance.

An Internal Control Committee has the task of taking all measures to promote the proper understanding and the proper application of the Group's Internal Control rules and also to monitor progress on important Internal Control projects. It is composed of the Chief Financial Officer, and the Directors of Ethics, Risk and Compliance, Internal Control, Operational Finance, Internal Audit and Information Systems (Global IT).

Ethics, Risk and Compliance Department

In particular, this Department coordinates the procedures for identifying, assessing and prioritising risks with all those concerned. It keeps the Group's risk mapping up to date. Its aim is to promote optimal use of resources in order to minimise and control the impact of negative events, as well as maximise opportunities. The Chief Ethics, Risk & Compliance Officer reports directly to the Chief Executive Officer.

The Internal Control Department

This Department, which is separate from Internal Audit, is under the responsibility of the Ethics, Risk and Compliance Department. In collaboration with the experts in each business line, it defines and updates the internal control framework relating to their area of activity. This framework is summarised in the "Fundamentals of Internal Control" reference document and detailed in standards and procedures that are listed in the Group's "digital referential".

The Internal Control Department also manages and develops a network of around 170 regional and local internal control managers covering all Group entities. Their role is to apply the internal control framework and support employees in this respect. Frequent participation in seminars, training cycles or webinars with business lines, and the publication of notes of engagement help to strengthen knowledge of the internal control framework within the Group.

Within a continuous improvement process, the Internal Control Department develops, disseminates and coordinates self-evaluation campaigns focusing on the main risks and issues identified. These campaigns are 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 reinforces it with operational actions.

The Internal Control Committee is driven by the Internal Control Department, which validates directions and priorities with regard to improving the internal control framework, developing the network of internal control managers and the tools used to perform internal control tasks. This Department monitors changes related to Internal Control relating to expectations and market practices.

The Internal Audit Department

The Internal Audit Department audits major processes and checks on the application of Group principles and standards. It's work is carried out by a central team that reports directly to the Chief Executive Officer.

Internal Audit assignments are submitted to the General Management and the Audit Committee. With the approval of those committees, they result in an annual audit plan that takes account of the Group's risk mapping, the entities' contributions to the Group's key economic indicators, and the historical precedence and results of previous audits.

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 2022, the Internal Audit Department carried out 51 assignments, 26 of which involved entities (commercial entities, factories, international marketing departments, R&I) and 17 of which were on targeted processes at Group, Zone or Country level. In addition, two specific assignments were devoted to certain objectives of the L'Oréal for the Future programme, three were dedicated to the management of key projects and three were carried out on the cyber security programme.

Each audit assignment results in a report that sets out the corresponding findings and risks, and that proposes an action plan and recommendations for the audited entity. The Internal Audit Department monitors and measures these action plans, then reports the rate of progress to the Departments in question.

To conduct its work, Internal Audit relies on the Group's integrated ERP software. It has developed a number of specific transactions to improve the identification of potential weaknesses in sensitive processes. Data analysis capabilities are strengthened each year. They enhance the standard analyses developed by Internal Audit and the use of dashboards and analysis tools that the businesses are continually developing for their own management needs.

To carry out its work, the Internal Audit Department uses an integrated GRC (Governance, Risk, Compliance) tool, which enables it to consolidate in real-time the progress made on the action plans of audited entities. Shared with the Internal Control function, this tool represents an integrated collaborative platform for the implementation of action plans.

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 direct the work of the Internal Control Committee and identify the priority areas for improvement and strengthening of procedures.

The achievement of the audit plan, the results of assignments and the progress of the action plans are presented to General Management on a regular basis and to the Audit Committee and the Statutory Auditors annually.

The Global IT Department

The Group's Global IT Department determines the strategic orientations of its IT systems. In particular, it implements ERP, a management software which is used by the vast majority of the Group's commercial subsidiaries, factories and logistics services. It also supports the digital transformation of the Group by developing the use of Cloud services (SaaS, IaaS, PaaS) and connected objects.

Within the Department, the Information Systems Security Department manages the Information Systems Security Policy. Consistent with market standards (ISO 27001/27002, NIST), this policy covers the main topics of IT security, including the protection of personal data. It describes general principles to be applied for each topic. This ensures that the Group's Information Systems teams, and by extension, all employees, share clear objectives, best practices and levels of control that are appropriate for the risks (notably, the risk of cyber attacks). This policy is accompanied by an independent information systems security audit programme and two codes of practice: the Information and Communication Technologies Code of Practice, and the Code of Good Practice for the use of Social Media.

The Operations Department

This division comprises the Innovation, Product Packaging and Development, Quality, EHS (Environment, Health, Safety), Production management and operational excellence, Purchasing, Supply Chain, Information Systems (production) and industrial strategy departments. It defines the overall Operations strategy worldwide and defines the standards and methods applicable in the areas of quality, safety and the environment for deployment in all the countries in which the Group operates. It manages the Group's comprehensive strategy to enable the Operations teams in the operational Divisions and the Zones to implement innovation, quality, security, environmental manufacturing and supply chain policies that are relevant to the markets.

In line with the Group's Code of Ethics, buyers have had access to a practical and ethical guide, "The Way We Work with Suppliers", since 2011. This guide aims to help all employees in their relationships with the Group's suppliers. Buyers also complete e-learning modules based on the Group's "*The Way We Compete*" and "*The Way We Prevent Corruption*" guides.

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 facilitates and strengthens control of spending and investments.

In the area of supply chain, the main tasks are to define and apply the sales planning, demand management and customer service development and control processes. The methods used include managing physical order fulfilment, applying the general terms of sale, following-up orders, managing 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. Preparing and processing accounting and financial information

This section is based on the "Application Guide for Internal Control of accounting and financial information published by issuers", from the Reference Framework published by the French Financial Markets Authority (AMF) on 22 July 2010. It 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, i.e. the processes for producing financial information, closing the accounts process and communication campaigns.

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 used to prepare published financial statements and 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 L'Oréal 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

Under the supervision of General Management, dedicated teams of specialists are responsible for accounting and financial monitoring in the following areas: accounting, consolidation, tax matters, management, financial services and treasury.

Within the Administration and Finance Division, the Operational Finance Department is responsible for preparing the Group's consolidated financial results. As a result, it also coordinates the Business Service Centre and a global network of management controllers who are responsible for ensuring compliance with the accounting and management standards to ensure appropriate management of the Group's results. In addition, an expert team is responsible for worldwide accounting management, ensuring that IFRS standards are applied, and that the Group's accounting processes are implemented and harmonised worldwide and in the accounting Business Service Centre.

Finally, the Operational Finance Department runs the Group's Tax Department. Comprising a network of tax lawyers at corporate level, in the Zones and in the Group's most vulnerable countries, the Tax Department monitors changes in regulations, ensures compliance with local rules, and oversees the implementation of the Group's tax policy, and in particular the transfer pricing policy and customs rules.

Within the Administration and Finance Division, the Corporate Finance Department protects the Group's financial assets. The Treasury and Financing Department centralises cash flows and the hedging of currency and interest rate risks. The department leads a network of treasurers in the Zones and countries, and applies the Group's financing policy.

The Financial Structure Department undertakes external growth transactions and monitors the financial structures of L'Oréal S.A. and its subsidiaries. The Business Opportunities for L'Oréal Development (BOLD) corporate venture fund, which makes minority investments in innovative products and companies, is also managed by the Corporate Finance Department.

Group standards

The Group has put in place accounting policies and standards that are consistent with IFRS, the consolidated accounting standards. All consolidated subsidiaries must apply these standards 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.

These regulations define the principles required for harmonised accounting treatment of transactions, including the methods used to record balance sheet items and to identify and value off-balance sheet commitments. The Group's Accounting Department conducts the ongoing monitoring of any new accounting standards currently under preparation, in order to alert the General Management and anticipate their effects on the Group's financial statements.

Common to all subsidiaries, the chart of accounts, along with all the key accounting processes, provide the definitions and methodology for preparing the reporting required to draw up the financial statements.

The management standards describe the operational application of these rules. 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. This aims to respond to the findings of the Internal Audit Department and to cover the accounting and financial risks of the subsidiaries. This work has made it possible to bring our approach more closely in line with the recommendations set out in the "Application Guide for Internal Control of accounting and financial information" of the French Financial Markets Authority (AMF) Reference Framework.

Organisation and security of information systems

The Operational Finance Department and the Global IT Department make joint decisions about the software suitable for the Group's financial and accounting requirements. At the level of information systems, the teams are strengthening the procedures for the separation of tasks and improved control of access rights. They have been offered tools to ensure that access rights comply with the Group's rules.

Management tools

The system for monthly reporting on economic indicators enables continuous, uniform monitoring of the performance of each subsidiary and ensures they are in line with the objectives set.

Used by all entities, this reporting and consolidation system 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, as a single reference framework is used.

The Group's organisation is based on reporting from each subsidiary that is provided directly by the countries to the parent company, L'Oréal, without any intermediate aggregates for the vast majority of the subsidiaries. This system optimises data transfer and the completeness of information and facilitates 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, as previously described, comply 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 Audit Committees 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

Specific procedures for monitoring, and for validation, authorisation and accounting rules apply to the processes that populate the financial statements, such as sales, purchases, inventory and fixed asset management, or payroll and cash management.

Closing of accounts, consolidation and management reporting information

The closing of accounts is governed by precise instructions and a detailed time schedule. These are circulated to all subsidiaries to make sure that deadlines are met and financial statements are prepared in a consistent manner. The Group has introduced two hard closings (anticipating the work involved in the closure of financial statements) in May and November to prepare in advance 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. In particular, they verify that inter-company transactions have been correctly adjusted and eliminated (these are reported on a monthly basis), consolidation transactions have been checked, accounting standards have been correctly applied, the consolidated published accounting and financial data have been harmonised and properly determined and the 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 check with the Legal Department that communications comply with the required deadlines, laws and regulations.

They also have a role in ensuring that the publication of information provided by the Operational Finance Department is precise and accurate. All material information provided to the financial community reflects with truth and transparency the situation and business activities of the Group. Furthermore, all communications are made 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 insurance policy aims to provide the best protection for the Group's assets and people against the occurrence of major risks that could adversely affect it. The Group has implemented group insurance programmes (in particular for Property Damage & Business Interruption, Third-Party Liability, Cyber, Transport, Credit Insurance and Construction) that harmonise coverage and optimise insurance cover for all its subsidiaries throughout the world, except in countries where regulations prohibits this type of arrangement (see "Restrictions" below). Local programmes have been set up in the countries in which group programmes cannot be deployed. This policy is applied as follows:

- at corporate level, the Group negotiates the structure and warranties of the group insurance programmes to cover its main exposures, in accordance with the offering available on the insurance market;
- at a local level, local policies not re-insured by a group programme are deployed in coordination with the Group; and
- in all cases, the subsidiaries must have mandatory insurance cover in order to comply with local regulations.

The financial solvency of insurers is an important selection criterion for the Group. Furthermore, the insurance programmes subscribed by the Group mainly involve coinsurance between the various major players in the international insurance market.

Integrated group programmes

General civil liability: this group programme subscribed for all Group subsidiaries (except where local Restrictions apply) includes, in particular, civil operational liability, product liability and damage to the environment that is sudden and accidental. It covers the financial consequences of the civil liability of Group entities, if they are liable.

Property damage and Business Interruption: this programme provides cover for fire, lightning, explosion, theft and natural events within the limits of the products available on the insurance market. The Group has set up a global programme to cover all its property, chiefly fixed assets and inventories (except where Restrictions apply). This cover also includes a portion on business interruption directly resulting from covered property loss or damage. As the capacity of the insurance market is limited for certain risks, this programme includes sub-limits, particularly for natural events. 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. The offering includes site prevention inspections by specialist departments of the leading insurer.

Cyber: a cyber insurance policy provides financial cover for the consequences of IT-related risks, subject to exclusions and warranties available on the market. As it is a "multi-risk" policy, cyber risk insurance comprises several components.

Transport: the Group has set up an insurance programme to cover the transportation of all its products. Therefore, all subsidiaries benefit from appropriate and uniform cover for risks related to the Group's logistical operations (except where Restrictions apply).

Customer credit risk: Group subsidiaries must set up credit insurance, assisted by the Group and under the terms and conditions negotiated, in addition to their own credit management policy, provided that insurance cover compatible with their level of sales activity is available under financially acceptable conditions.

Buildings: the primary aim of the group Buildings insurance programme is to standardise the conditions of cover for all projects, in all countries. It also makes it possible to disseminate a general Buildings insurance policy, centralised Corporate management and, lastly, warranty optimisation.

3.4. Vigilance Plan

3.4.1. Introduction

L'Oréal is built on strong Ethical Principles that guide its development: Integrity, Respect, Courage and Transparency. These Principles 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 (the "Plan") meets the obligations of the French law of 27 March 2017 on the duty of vigilance for French parent companies and order-giver 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, 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 (the "Suppliers"), depending on the risk level as identified in the Plan. It is understood that in its own activities, L'Oréal complies with the rules and diligences contained in the Plan, even when L'Oréal is not expressly mentioned therein. The 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.). 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.). It provides a whistleblowing mechanism and reporting system (see section 3.4.6.) and presents a report on the plan's implementation (see section 3.4.7.). The actions to support, encourage and prevent serious adverse Human Rights, Fundamental Freedoms, health, safety and the environment contained in the Plan constitute reasonable efforts to be implemented by Suppliers and Subsidiaries. Given the diversity of the businesses of the Subsidiaries and Suppliers, the Plan contains common measures for them.

In addition to these common measures, L'Oréal and its Subsidiaries voluntarily conduct additional actions on these same issues. These initiatives are described in other chapters, in particular 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 a continuous improvement process, the Plan is regularly reviewed by a committee composed of the Ethics, Risk and Compliance Department, the Operations Division (EHS, Purchasing), the Human Resources Department, the Corporate Social Responsibility Department and the Legal Department. It meets three times a year. Each of these representatives leads a local network (Ethics Correspondents, Environmental, Health and Safety, Purchasing, and Human Resource teams, managers from Internal Control, and Sustainability Leaders) around the world, making it possible to take into account feedback from the field when improving the Plan.

The Vigilance Plan was presented to internal stakeholders (such as the employee representatives in the context of the European Works Council) and qualified outside stakeholders (NGOs and members of civil society). Its updated contents are presented every year to the Audit Committee and to the Board of Directors.

3.4.3. General framework of risk analysis

The risks of serious impacts on Human Rights, the environment, health and safety, have been analysed on the basis of the business of L'Oréal, its Subsidiaries and its Suppliers. The risk analysis was used, first, in the definition of the applicable Rules and, second, to the measures for effective application and monitoring of these Rules.

L'Oréal's activity consists of production of cosmetic products and distribution of these products to the Group's clients.

A/ Manufacturing of finished products

L'Oréal manufactures the vast majority of the finished products that it sells in its own factories, with a presence in the major growth markets. Its network of 38 factories is equipped with the very latest technologies and advances in automation and adapts constantly, and with agility, to incorporate acquisitions and embrace external innovations.

This network is completed by production subcontracting, to meet temporary demand peaks in the case of specific technologies (make-up pencils, soaps, etc.). L'Oréal's contracts prohibit cascade subcontracting. L'Oréal's consent must be obtained by subcontractors, who need, as result of manufacturing constraints, to subcontract a portion of their L'Oréal production. When, in certain cases, the subcontractor is authorised to subcontract a portion of its production, the same rules as those defined in this Plan are applied to the subcontractors of the subcontractors. The same types of controls and sanctions are in place in the event of non–compliance.

In order to execute their production, L'Oréal's factories purchase different raw materials, filling and packing components and equipment from third-party suppliers. These suppliers have specific expertise, develop their products and have the infrastructures necessary for their production. They act with complete independence from L'Oréal, without depending on L'Oréal's instructions or expertise.

The manufacture of filling and packing components is not part of L'Oréal's activity[1]. The filling and packing components used are purchased from companies specialising in this area. The same is true for the production equipment.

B/ Product distribution

Products are distributed by the Subsidiaries and independent third-party distributors in the countries or regions where the Subsidiaries are not present.

In order to ensure this distribution, warehouses are operated by the Subsidiaries directly, or these services are entrusted to third-party logistics service providers that render services on the same type of activity: storage and preparation of orders in warehouses that they lease or own.

3.4.4. Applicable rules resulting from the risk analysis

The Subsidiaries and Suppliers must comply with the applicable local legislation and the minimum common core of the rules listed below (the "Applicable Rules") in order to prevent the risk of serious adverse impacts on Human Rights and fundamental freedoms, health and safety of people and the environment. When local laws and/or the internal rules of Subsidiaries and Suppliers provide more stringent standards than the Applicable Rules, such standards must take precedence. If, however, the Applicable Rules provide for stricter standards, the Applicable Rules take precedence unless they result in an unlawful activity. In the event of contradictions between local laws and internationally recognised Human Rights, L'Oréal works to comply with these international standards.

(1) *With the exception of one production unit in the Turkey factory*

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

The Group expanded its mapping by identifying the potential key Human Rights risks worldwide and in 27 markets. L'Oréal relied on the reporting framework of the Guiding Principles on Business and Human Rights (UNGP Reporting Framework). This identification process takes into consideration the severity, scale and remediability, as well as the likelihood of its impacts for people throughout its value chain. This study was conducted with an NGO specialised in the area, providing independent analysis.

As a result of this analysis, the following salient risks were identified in the context of the application of the French Law on Duty of Vigilance:

- the risk of child labour among the employees of the Group's Suppliers;
- the risk of forced labour among the employees of the Group's Suppliers;
- the risk of job discrimination because of gender, age, disability, gender identity and sexual orientation of the employees of L'Oréal and the employees of the Group's Suppliers; and
- the risk of a lack of decent living wage[1] for the employees of the Group's Suppliers.

Another risk identified concerns the Human Rights of communities potentially impacted by the Group's activities (respect for the environment, right of access to water, consideration of Human Rights in the choice of raw materials and, in particular, the right of access of local populations to their land and respect for their traditional knowledge under the Nagoya Protocol).

Applicable rules on Human Rights

Subsidiaries and Suppliers must comply with the minimum core rules, which consist of the following rules that result from an analysis of the risks related to the activities of the Group and its Suppliers.

Non-discrimination: Acts of discrimination are serious violations of Human Rights that remain anchored in all regions of the world in which L'Oréal is present. Discrimination related to gender, sexual orientation and gender identity, disabilities, family situation, age, political and philosophical opinions, religious beliefs, union activities, or related to ethnic, social, cultural or national origins or pregnancy are prohibited. 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 prohibited in the Group.

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.

Forced or compulsory labour: L'Oréal refers to the definition of forced labour set out in Convention 29 of the International Labour Organization: "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily". In certain regions of the world where L'Oréal operates, certain practices that violate internationally recognised Human Rights, such as holding the identity papers of migrant workers, are common. Any form of forced labour is prohibited. As a result:

- unless there is a legal obligation, employees' identity papers, passports or any other personal documents may not be held from them. In the event of a legal obligation, these documents must be returned to employees at their first request;
- employees may not be asked to pay for recruitment costs or to make cash deposits to obtain employment;
- if workers from foreign regions are hired, the employer must pay the costs related to these hires;
- the use of prison labour is possible only when it is voluntary within the scope of a professional reinsertion programme, and paid at the market rate. Suppliers must request authorisation from L'Oréal before they use this type of labour;
- security personnel must only ensure the safety of people and property; and
- any salary withholding must be strictly authorised by law. It may not under any circumstances be used for the purpose of confiscation, for the direct or indirect benefit of the employer.

Employees must have access to drinking water and toilet facilities. They must be free to move around their place of work, with the exception of areas to which access is restricted for confidentiality or safety reasons.

Working hours: Working hours, 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 and right to collective bargaining: Violations of freedom of association and the right to collective bargaining, such as discrimination against employee representatives, may occur in all regions of the world in which L'Oréal operates.

Employees' freedom of association and right to collective bargaining must be respected:

- elections of employee representatives must take place without interference from the employer, preferably by secret ballot;
- employee representatives have access to the work premises subject to safety and/or confidentiality requirements, if any; and
- discrimination against employees conducting union activities is prohibited.

In regions where freedom of association and the right to collective bargaining are limited or discouraged, L'Oréal authorises its employees to meet independently in order to discuss their professional concerns.

(1) *Definition of decent living wage in chapter 4.3.2.5*

Additional actions for Human Rights

In addition to the action taken as a result of the risk analysis conducted on the business activities of the Group and its Suppliers, L'Oréal conducts initiatives in addition to those implemented under the French law on Duty of Vigilance. These are described in chapter 4.

For example, L'Oréal set up actions with the aim to improve the working conditions of the Indian communities whose livelihood depends on the mineral mica. Since 2017, L'Oréal has been one of the 20 founding members of the Responsible Mica Initiative (RMI). This year, the RMI has 82 members.

The RMI has three goals:

- implement standards on the responsible workplace on 100% of the supply chains of its members for mica from Bihar and Jharkhand (standards on employment, health, safety in the workplace, the environment and non-use of child labour);
- support the abilities of communities through an inclusive programme that improves the standard of living and generates additional sources of income; and
- establish a legal framework and related control systems with mica pickers, processing units, and mica operators in Bihar and Jharkhand.

L'Oréal also participates in the development of the RMI audit standard in order to facilitate member collaboration and effectively deploy the collective actions necessary in cooperation with local authorities. L'Oréal also supports the establishment of a price calculated using the living wage[1] approach in addition to diversified income contributing to a more resilient living conditions.

L'Oréal requires its Suppliers to have their own due diligence processes in place as regards their own scope of supply of Indian mica. In 2021, 99% of Indian mica used in the Group's formulas came from suppliers committed to obtaining their supply from verified sources.

The Group has set up two ambitious programmes aimed at improving working conditions for the employees and communities our suppliers use; the Living Wage programme and the Solidarity Sourcing programme.

Evaluation of the Human Rights Impact in the bergamot supply chain

In 2022, as part of L'Oréal's partnership with the Danish Institute for Human Rights, the latter conducted an evaluation of the human rights impact of the bergamot supply chain in the Calabria region of Italy. This evaluation aimed to ensure that human rights standards are observed in a region that is affected by forced labour issues, particularly in the agricultural sector. The full evaluation report has been published[2] and it states that, despite the risks identified in the region, the practices of players in our supply chain are in compliance with human rights.

The *Living Wage programme*

In line with its commitment to fair pay for all of its employees, L'Oréal aims to ensure that, by 2030, all employees of its strategic suppliers will be paid at least a living wage, in line with best practices.

L'Oréal is supported by the Fair Wage Network, a rigorous and internationally recognised NGO.

In order to roll out this approach to our strategic suppliers, we initiate dialogue, work together and establish common strategic frameworks, in collaboration with partners within our supply chains, other companies, civil society, governments, etc.

In 2022, L'Oréal launched a pilot programme that included about 20 of its strategic suppliers, who were selected to represent different purchasing categories and various geographic areas. The aim of the programme was to explore the principle of a decent living wage and to help them look at gaps and the potential obstacles to implementation. The pilot consisted of a series of regular meetings with the assistance of the Fair Wage Network.

The Solidarity Sourcing programme

Through its Solidarity Sourcing programme, established in 2010, due to its many industrial and administrative sites all over the world, L'Oréal is heavily involved in the life of local communities in the areas neighbouring its sites and suppliers.

The programme aims to use the Group's purchasing power to serve social inclusion by dedicating part of its purchases to suppliers providing access to work and a sustainable income for people who are generally excluded from the labour market, economically vulnerable communities, including small businesses and those that have trouble accessing major contractors.

The programme concerns all the Group's suppliers and values their commitment to Diversity, Equity and Inclusion. The *Solidarity Sourcing* programme concerns, for example: fair trade producers, companies which employ people with disabilities, social insertion enterprises, or companies owned by minorities (when this is permitted by national legislation).

As part of L'Oréal for the Future, the Group is renewing its goal to enable over 100,000 people from underprivileged or poor communities to find work by 2030.

3.4.4.2. Risks and Applicable Rules to prevent serious adverse impacts on Safety and Health in the workplace and the Environment

Analysis of Risks to Safety and Health in the workplace and the Environment

The risk analysis covers generic risks related to industrial activities and specific risks related to Suppliers' and Subsidiaries' own business activities.

Generic risk analysis process

As is the case for any production (manufacturing and packing), distribution, research and general administration operations, the Group and its Suppliers are exposed to safety and environmental challenges.

Based on the risk prevention work on the Environment, Health and Safety at the workplace carried out by L'Oréal for many years, the major risks 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 the Plan (the "Prevention System").

(1) Definition of decent living wage in chapter 4.3.2.5
(2) https://www.humanrights.dk/publications/labour-rights-assessment-loreals-bergamot-supply-chain-italy

Specific risk analysis process for Subsidiaries

The Subsidiaries conduct their own risk analysis based on the list of risks set out below, particularly the fire risk is controlled by very strict fire prevention standards (such as those issued by the National Fire Protection Association).

In addition to the generic risks, the Subsidiaries identify the specific risks related in particular to cosmetics production. 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 assess the nature of the aspects and impacts of a site's activities on its environment and to control any that lead to potentially serious impacts for the air, soil, water, biodiversity and resources.

This environmental analysis is updated regularly by each of the Group Subsidiaries' sites and whenever a significant change takes place. If significant risks are identified or if L'Oréal's standards or regulations impose specific requirements, a more detailed evaluation is carried out for the activities concerned. Appropriate action plans – with immediate action where necessary – are implemented to reduce significant risks to an acceptable level.

With regard to water discharge, each industrial site has implemented a self-monitoring system representative of the wastewater discharged[1]. This self-monitoring is a tool for detecting risks of exceeding regulatory thresholds that helps to anticipate any non-conformities and initiate corrective actions. 31 L'Oréal factories have their own wastewater treatment plant and L'Oréal is continuing with the installation of these plants.

The process safety risks are analysed using the HAZOP (HAZard and OPerability analysis) guide. This method focuses on operating conditions, or FMECA[2], which analyses risks related to failures in the process at the different steps in production.

The results and means of controlling industrial and specific risks are summarised in the GHAP (Global Hazard Assessment Procedure) programme.

Specific risk analysis process for Suppliers

In addition to their own risk analysis, Suppliers rely, at the very least, on the risks listed in the audit grid provided by L'Oréal when the Letter of Mutual Ethical Commitment is signed (see section 4.3.1.2.1.) to implement the appropriate prevention measures at each affected site. This grid was prepared in accordance with the list of the major risks described below and is applied during referencing and follow-up audits.

If the specific nature of the Suppliers' activity requires identification of specific risks and/or additional prevention measures, the Suppliers are required to roll out these additional measures in accordance with best practices in their industry.

For example, in the subcontracting of finished products activity, specific risks may involve (i) the use of certain raw materials, (ii) wastewater treatment, (iii) the use of machines or electrical equipment in processing or storage areas, and (iv) handling techniques that may cause personal injury, in particular.

In the specific case of subcontracting suppliers of aerosol production or storage, bleaching powders, flammable products, the sites are subject to specific risks analyses concerning process safety.

Risks identified in the Environment, Health and Safety in the workplace

Risks of serious adverse impacts to Health and Safety in the workplace

(i) Risks associated with buildings and the use of equipment:

- soundness of buildings (construction and interior fittings, including the compliance of equipment with operating authorisations and building permits issued by local authorities in compliance with the applicable legislation and, in any event, adaptation to the activity for which the buildings are intended);
- use of motorised forklift trucks and Automatic Guided Vehicles (AGV): risks caused by interactions and interference between forklift trucks, AGVs and pedestrians; and
- injuries caused by interactions between humans and machines: risks related to access to the moving parts of work equipment.

(ii) Risks related to energy sources, matter and materials:

- exposure to energy sources, fluids and hazardous emissions including electricity, high pressure, steam, vapour, hot water and high temperatures;
- fires resulting, notably, from flammable products and materials or electrical equipment;
- exposure to hazardous dust and chemical products: by inhalation, ingestion or skin contact; and
- exposure to high noise levels.

(iii) Risks related to human activities:

- entry in confined spaces and/or the risk of anoxia;
- isolated work: risks associated with working alone for long periods of time;
- slipping and falls;
- ergonomics of workstations related to load handling;
- construction works (risks during construction activities); and
- work at heights (risk of falls associated with the use of ladders and step stools, access to and work on platforms and roofs, use of lift tables and scaffolding, etc.).

Environmental risks

The risks of serious damage to the environment are those associated with the consumption of resources or that could cause damage to soils, water, air and biodiversity (habitats and species) in the context of normal operation or the occurrence of an incident at a site of the Subsidiaries or Suppliers:

- gradual or accidental pollution; and
- pollution during the transport of hazardous materials.

(1) *Monitoring of regulated and contractual parameters: chemical oxygen demand (COD), biochemical oxygen demand (BOD) etc.*
(2) *Failure Mode, Effects and Criticality Analysis.*

Applicable rules to prevent risks of serious adverse impacts on Safety and Health in the workplace and the Environment

EHS Guidelines

The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of the employees of its Subsidiaries and Suppliers, its customers and the communities in which L'Oréal carries out its activities. For the Subsidiaries, this policy is built on an EHS management system composed of standards with stringent requirements that set the principles of L'Oréal's EHS policy, which is all included in the EHS guidelines.

Additional Environment, Health and Safety in the workplace actions

In addition to the action taken as a result of the risk analysis conducted on the business activities of the Group and its Suppliers, L'Oréal conducts Environmental Health and Safety in the Workplace initiatives in addition to those implemented under the French law on Duty of Vigilance. These are described in chapter 4.

L'Oréal's commitment to Environment, Health and Safety in the workplace is supported at the highest level of the Company by its Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year.

For example, this includes the following additional actions and commitments:

- in 2015, L'Oréal was one of 100 leading companies to join the Science Based Targets programme;
- in 2018, L'Oréal became a partner of the Ellen MacArthur Foundation: 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 "net zero 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 TCFD.

(i) Additional actions intended for Sites of Subsidiaries

At its own sites, L'Oréal implements the LIFE (Life threatening Incident or Fatality Event) programme, which covers activities on all its sites that, if not controlled, could result in potentially serious injury and illness. The Group extends the ambition of moving towards "zero accidents" by ensuring the sustainability of actions and defining post-incident emergency preparedness requirements.

The Sharing Beauty with All programme has helped to reduce the environmental footprint of the Group's sites: between 2005 and 2020, our factories and distribution centres reduced their CO_2 emissions by -81% (in absolute value), their water withdrawal by -49%[(1)], and their waste generation by -37%[(1)].

The commitments made by the Group for 2030 as part of its *L'Oréal for the Future* programme are aimed at ensuring compatibility of the Group's activities with a planet that has limited resources[(2)]. The main environmental objectives of the programme concerning Subsidiaries are as follows:

- climate: reaching "carbon neutral"[(3)] status for all operated sites by 2025, by improving energy efficiency and using 100% renewable energy. L'Oréal is also committed to halving the transport footprint of its products by 2030;
- water: in 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop;
- biodiversity: by 2030, all of our operated buildings and all industrial sites will have a positive impact on biodiversity compared to 2019. A methodology for monitoring the Biodiversity commitment was developed in 2021 and rolled out to all of the Group's sites in 2022. Becoming "biodiversity net positive" is achieved by meeting two conditions: the first is improving the potential for hosting biodiversity on the Group's sites, the second concerns developing the biodiversity culture of employees;
- natural resources: by 2030, 100% of the waste generated in our operated sites will be recycled or reused. L'Oréal is also committed to no longer send waste to landfill.

These objectives are accompanied by monthly reporting of detailed indicators used to monitor evolutions in results in each of these areas and to identify potential anomalies and incidents.

The Group is engaged in a process of continuous improvement of its EHS performance through a programme to achieve ISO certification for its operated sites, in order to anchor the EHS policy in the long term: ISO 45001 for the management of employee health and safety and improvement in their working conditions; ISO 14001 for the management of environmental impacts and improvement in environmental performance; and ISO 50001 for energy management and energy performance improvement.

"Culture" audits are conducted by internal EHS specialists to assess the degree to which EHS culture has been rolled out to all Subsidiary employees. The results of these audits provide information on the level of knowledge of EHS management tools and the maturity of audited sites with regard to the safety and environment culture at all levels of the hierarchy.

Detailed information on these additional actions is available in chapter 4.

(1) *Per unit of finished product.*
(2) *See chapter 4 and the summary table in 1.3.2.*
(3) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

(ii) Additional actions intended for Suppliers

The Purchasing teams select the most competitive suppliersand in accordance with the responsible purchasing policy. Suppliers' EHS assessment is managed by monitoring indicators included in the corporate social responsibility criterion, which is one of the five criteria for monitoring supplier performance.

As part of the *L'Oréal for the Future* programme, launched in 2020 with targets for 2030, the Group has broadened its environmental commitments to its supply chain. The main environmental objectives of the programme concerning suppliers or those that may be related to their business activity are therefore as follows:

- Climate: by 2030, strategic suppliers will reduce their direct greenhouse gas emissions (scopes 1 and 2) by 50% in absolute terms compared to 2016.
- Water: by 2030, all strategic suppliers will use water responsibly in the areas where they operate.
- Biodiversity:
  - By 2030, 100% of the biobased ingredients for the Group's formulas and packaging materials will be traceable and will come from sustainable sources, with none linked to deforestation.
  - By 2030, the footprint on the ecosystems vital to the sourcing of its ingredients will be maintained at 2019 levels.
- Sustainable sourcing of raw materials:

For the palm oil and its by-products segment, for which specific "Zero deforestation" status was achieved at the end of 2020, 100% of the supplies were covered by action plans with the suppliers concerned. L'Oréal developed the Sustainable Palm Index (SPI), a tool to evaluate and select suppliers of palm oil and palm kernel derivatives to assess the level of commitment, progress and achievements of its direct suppliers in favour of sustainable palm oil. This tool is used annually to evaluate suppliers' progress towards the Zero Deforestation objective and their level of compliance with the Group's requirements.

The specific feature of the SPI lies in its integration in the purchasing decision process. A supplier in compliance with the SPI will benefit from an allocation of volumes, long-term contracts, and will be favoured in the context of partnerships in land projects.

In 2019, L'Oréal co-founded the collective Action for Sustainable Derivatives initiative in order to share knowledge and methods with other operators to encourage the production and responsible supply of palm oil derivatives. L'Oréal is committed to managing, preserving and rehabilitating forests, prioritising forestry ecosystems that are of primary strategic interest to the Group. The Group has drawn up a Forestry Policy for 2030, which enshrines its ambition and sets out the objectives associated with the sustainable supply of forest-based materials.

L'Oréal ensures compliance among its direct and indirect suppliers by applying due diligence procedures, including a geospatial monitoring tool, community monitoring and checks conducted by a third party. Nusantara Atlas is used to carry out risk assessments at province and district level, and the Global Forest Watch Palm Risk Tool is used to conduct them at plant level. Since 2019, L'Oréal has been working with the Zoological Society of London (ZSL) and Transitions to develop a new add-on for the SPOTT platform to assess the level to which mills and refineries comply with the NDPE (No Deforestation, No Peat, and No Exploitation)(1) principles. For its projects involving small operators in Indonesia, L'Oréal uses specific deforestation surveillance systems to ensure compliance with NDPE. Furthermore, L'Oréal continually monitors complaints made throughout its supply chain using a "palm alert procedure".

For other streams of renewable raw materials, which represent 22% of the portfolio of renewable raw materials in volume and 86% in number, L'Oréal has defined "sustainable sourcing challenges" indicators to assess the sustainability of renewable raw material streams. These indicators were defined using environmental, social and economic indicators from external databases(2).

These indicators are consolidated within the SCAN (Sustainable Characterisation) index, allowing the Group to prioritise the implementation of its sustainable sourcing action plans. The Group updates the information collected regularly. 71% of the volume of raw materials that the SCAN index has identified as representing sustainable sourcing challenges (i.e. 45% of the number of raw materials) are already the subject of plans or improvement initiatives with the relevant suppliers to ensure sustainable supply. The goal is for 100% of the Group's renewable raw materials to come from sustainable sources.

To achieve this, L'Oréal launched a support and training programme for more than 200 suppliers on the issues of sustainable sourcing of raw materials in order to guarantee the traceability of the raw materials delivered to L'Oréal and ensure the associated streams are secure. Depending on the level of environmental and/or social risk identified on these streams, suppliers are asked to deploy the field audit procedure for producers (88 indicators). This procedure was developed by L'Oréal with the support of the Rainforest Alliance NGO and reviewed in 2019 by EcoCert, The Biodiversity Consultancy and The Danish Institute for Human Rights. They are also invited to rely on sustainable sourcing certifications adapted to the challenges of their streams (Fair Trade, Sustainable Agricultural Network, Organic, etc.).

- Plastics and advertising displays:
  - By 2030, 100% of the Group's plastic packaging will be recycled or bio-sourced (target of 50% by 2025).
  - By 2025, 100% of the Group's plastic packaging will be refillable, reusable, recyclable or compostable.
  - By 2025, 100% of the Group's advertising displays at points of sale will be eco-designed, taking into account the principles of the circular economy for managing their end of life.
- Commitment of suppliers to self-assess and move forward with action plans through the CDP.

L'Oréal actively works with its suppliers to help them improve their performance in terms of sustainable development.

(1) The content of these principles is described in full at the following web address: https://palmoilalliance.eu/ndpe-commitment
(2) The UNDP's IHDI, the EPI from Yale University, and the Verisk Maplecroft Country Index.

In 2007, L'Oréal joined the CDP supply chain programme for greater transparency in the actions of its suppliers and to monitor the progress made in relation to L'Oréal's objectives. In 2014, participation in the CDP Climate programme was made compulsory by L'Oréal for all strategic suppliers. The aim is to measure and report their emissions, set targets for reducing these emissions and communicate their action plans to achieve this objective successfully. In 2022, 94% of strategic suppliers completed the climate questionnaire. 90% of selected suppliers completed the water questionnaire and 87% of those selected for the sustainable management of forestry questionnaire responded.

- Supplier commitment to self-assess and improve with corrective actions implemented by EcoVadis:

By participating in the EcoVadis assessment, L'Oréal compares its environmental and social policy with the expertise and the recommendations of external auditors qualified in the analysis of multi-sector risks. This is a useful rating for the continuous improvement of suppliers and it also contributes to the transparency of industry practices. This assessment is used to select suppliers by taking their environmental and social performance into consideration. 94% of strategic suppliers were evaluated by EcoVadis.

3.4.5. Effective application and compliance with the Plan

The 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. The Subsidiaries and Suppliers are asked to carry out self-assessments.

3.4.5.1. Effective application of the 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. The principal Suppliers sign the Letter of Ethical Commitment that covers these applicable Rules. Moreover, the Suppliers that could present the most significant risks because of their activity or geographic location may be audited on these issues in accordance with the Risk Matrix. The contents of the points that will be audited is set forth in the letter.

Governance

L'Oréal's commitment to Human Rights and Fundamental Freedoms, the health and safety of people in the workplace and the environment is supported at the highest level of the Company by its Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact each year. These commitments are also set out in the Group's Code of Ethics and the Human Rights and Employee Human Rights Policy.

(i) Human Rights and Fundamental Freedoms governance

The Chief Corporate Responsibility Officer, a member of the Executive Committee, is responsible for overseeing the respect of Human Rights and fundamental freedoms in the Group. This mission has been entrusted to her by L'Oréal's Chief Executive Officer, to whom she reports.

The Chief Corporate Responsibility Officer has a budget and a dedicated team of Human Rights experts. She relies on all the Group's teams and resources to carry out her work.

A dedicated network of Human Rights Correspondents covering all of the Group's markets allows the Group's commitments in terms of Human Rights to be rolled out.

The Human Rights Committee, chaired by the Chief Corporate Responsibility Officer and composed of representatives of the various activities, functions and geographic areas (including Purchasing, HR, CSR, Safety, Security, etc.), allows coordination and exchange on the implementation of the Group's Human Rights policy. Its primary objective is to enable the emergence of a Human Rights culture within the Group.

Country Managers (or, for Corporate or Zone staff, the members of the Group's Executive Committee to whom they report) are responsible for ensuring compliance with Human Rights and fundamental freedoms.

The Human Resources teams are responsible for ensuring that the activities of the Subsidiaries respect employees' Human Rights and fundamental freedoms.

Employees may contact their manager, their Human Resources Director, their Legal Director, their Purchasing Director, their Human Rights Correspondent, their Ethics Correspondent and, ultimately, the Chief Ethics, Risk and Compliance Officer if they have any questions about compliance with the Applicable Rules.

The Purchasing teams ensure that Supplier activities respect Human Rights and fundamental freedoms. Suppliers included in the Risk Matrix are not listed in L'Oréal's Supplier database until they have contractually committed to comply with the Applicable Rules. Purchasing teams discuss, during Management Committee meetings that include representatives from all Zones and purchasing areas, the results of audits, their consequences for commercial relations, and the related actions plans to achieve continuous improvement of results at the Group's Suppliers.

(ii) Environment, Health and Safety in the workplace governance

The Chief Operations Officer, reporting to the Chief Executive Officer and a member of the Executive Committee, is responsible for the general policy to prevent serious adverse impacts on the environment, and health and safety. The implementation of this policy is the responsibility of the Group's Subsidiaries and Group Sites.

The Chief Operations Officer is supported by and delegates the deployment and monitoring of the policy to:

- factory and distribution centre Directors who 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 who are trained and dedicated to compliance with the EHS policy. They are responsible for deploying the rules, procedures and associated performance objectives of the Group in all of its entities; and
- country Operations Directors who are responsible for compliance with the EHS policy by the distribution centres, the administrative Sites and stores in their country.

The Purchasing teams are responsible for collecting confirmation of acceptance of Applicable Rules from the Suppliers via the Letter of Ethical Commitment.

They use audits carried out by third-party companies to ensure that Suppliers included in the Risk Matrix implement the prevention measures for EHS risks. 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 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.

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.

Any employee in contact with Suppliers must receive the "The Way We Work with our Suppliers" guide when they are hired. It explains ethical standards that 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 livestream with L'Oréal's Chief Executive Officer and the other members of the Executive Committee. Discussions on ethics are also organised in the Subsidiaries to let employees exchange conversations with their Subsidiary's General Manager.

In 2022, nearly 35,000 people logged on to Ethics Day sessions and more than 7,600 questions were asked worldwide.

With respect to Suppliers, in addition to the communication of Applicable Rules via the letters of ethical commitment, they are given access to the following documents[1]:

- the Code of Ethics; and
- L'Oréal's policy on Suppliers/subcontractors and child labour.

(ii) Training on Human Rights and fundamental freedoms

A specific, compulsory e-learning course on ethics covers Human Rights and fundamental freedoms issues.

New buyers receive compulsory training on Responsible Purchasing to learn about how to ensure respect of the Group's Ethical Principles.

An e-learning course on Supplier audits, detailing the applicable audit procedure, is also available for all buyers. A Suppliers version is available on the same website as the above information. There is also an e-learning course available called "Ethics e-learning for business partners".

(iii) Communication on the Environment, Health and Safety (EHS) in the workplace

EHS managers are informed of the Applicable Rules by their functional hierarchy.

Group Sites are encouraged to hold a day dedicated to EHS to raise the awareness among all employees about the risks to which they are exposed and suitable prevention, in addition to specific local actions.

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.

(1) *These documents are available to the public from the L'Oréal website: https://www.loreal.com/en/articles/commitments/loreals-mutual-ethical-commitment-letter/ https://www.loreal.com/en/articles/commitments/code-of-ethics/*

(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 *métier* 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 training by *métier* refers to training specific to a given métier area or activity (for example, all of the filling and packing staff of a factory).

Specific EHS training refers to EHS training for a particular workstation and the activities carried out by the employee.

In terms of ergonomics, a "Manual handling" e-learning course is provided to all employees.

A high level of expertise for global EHS Teams and the development of an EHS culture for "Top managers", managers and supervisors is assured via the deployment of training specific to each person.

To support the Environmental aspect of the *L'Oréal for the Future programme,* a training programme on the challenges related to climate, water, biodiversity and resources *(Green steps for all*) has been launched with the intention of training 100% of the Group's employees.

3.4.5.2. Monitoring compliance with the Plan

Risk hierarchy of non-compliance with the Applicable Rules

The risk hierarchy is used to enhance controls on compliance with the Applicable Rules by defining procedures for monitoring compliance with the Rules that are consistent with the risks, including via a policy of third-party audits, monitoring and evaluation of Suppliers conducted by third-party companies such as EcoVadis. The Group's vigilance is strengthened in circumstances where conflict is involved, in line with applicable international standards.

As far as Subsidiaries are concerned, the risk hierarchy of non-compliance with the Applicable Rules was created taking into account the type of activity and, thereafter, the type of Site[(1)].

With respect to the Suppliers, the risk mapping of non-compliance with the Applicable Rules was created for Human Rights, Fundamental Freedoms, the environment, and health and safety in the workplace using a methodology that takes the following parameters into account:

- The country in which the Supplier's sites are located: a country is considered vulnerable in terms of Human Rights and Fundamental Freedoms, and environment, health and safety, if it meets at least one of the following criteria:

  1. The country is classified as "High risk" or "Extreme risk" according to the criteria of the consultancy firm Verisk Maplecroft: 12 evaluation indices are used in this methodology and aggregated in a single grade compared with the threshold values set by Verisk Maplecroft; and

  2. The results of social audits conducted by L'Oréal in the country include cases of Zero Tolerance or Need Immediate Action ("NIA" rating that corresponds to the most severe non-conformities).
- The business sector: each Supplier is associated with a sector area according to a governance ranking of Purchases ("Global Purchasing Categories").
- The nature of operations: the activities most heavily exposed to labour risk are the activities with high manual added value, implying work on a production line.

(1) *Type of activity: administrative, processing, warehousing etc. Type of Site: administrative offices, factories, distribution centres, research centres etc.*

Subsidiary audit Matrix

Type of country	Sites audited
All countries	Factories, dispatch centres, R&D sites and administrative sites

Matrix that triggers Supplier audits according to risk mapping

Business sector	Description of business sector	Type of country	Suppliers audited
Raw materials	Suppliers of ingredients used to produce cosmetics in L'Oréal factories	Countries classified as "high risk"	100% of Suppliers
Packaging	Suppliers of packaging used for production in L'Oréal factories	Countries classified as "high risk"	100% of Suppliers
Subcontractors	Suppliers producing cosmetics for L'Oréal (Full-buy, Full-service, etc.)	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of subcontractors
Dermo-cosmetic devices	Suppliers of equipment & electronics	Countries classified as "high risk"	100% of Supplier Production Sites
Manufacturing equipment	Suppliers of manufacturing equipment (processing tanks, filling machines, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
Promotional items	Suppliers of promotional items (bags, etc.)	Countries classified as "high risk"	100% of Supplier Production Sites
Items intended for points of sale	Suppliers of items intended for the presentation of products at points-of-sale	Countries classified as "high risk"	100% of Supplier Production Sites
Services intended for points-of-sale	Architects, general contractors, maintenance	Not applicable	Not applicable
Co-packing	Co-packing Suppliers (sometimes called subcontractors or Co-Packers)	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "Satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of Supplier Production Sites
Logistics service providers (excluding transport)	External distribution centres	Countries not classified as "high risk"	100% of new Suppliers (initial audit) When the "Satisfactory" or "NCI" (Needs Continuous Improvement) rating is achieved, additional audits are no longer necessary
		Countries classified as "high risk"	100% of Suppliers' logistics sites

Audit and self-assessment system

(i) Audits

Audits of Applicable Rules: Audits of Applicable Rules are used to check that the 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 set out above. A written audit report is prepared. With respect to the Subsidiaries, the reports are stored in a secure database available to Group Human Resources Directors and to the Country Operations Directors, in some cases. The reports on Suppliers are intended for Group buyers.

EHS audits specific to Subsidiaries: In order to ensure compliance with the Group's EHS policy, a system of worldwide audits has been in place since 1996, and was reinforced in 2001 with the presence of external auditors. These are experts in the local environment 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 guidelines, 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. Any emergency measure intended to prevent an imminent risk for the health of persons at the Site is implemented by the Site EHS teams without waiting for the completion of an audit even if it is not part of the improvement plan that may exist. There are various audit grids called "risk", "culture", or "combined risk and culture", used depending on the maturity and type of activity at the Sites. They assess in particular:

- compliance of practices and facilities with the Group's rules and procedures;
- progress in terms of EHS performance;
- any risks that the sites may present from an EHS standpoint; and
- the level of management and deployment of EHS culture on the Sites.

Each risk finding is classified in one of three categories A, B and C according to a matrix of level of impact/probability of occurrence. "A" findings are monitored monthly and consolidated annually by risk type.

The monthly reporting of safety and environmental data also enables consolidation and analysis of any anomalies and incidents leading to regulatory non-conformity, complaints and/or fines.

Three types of audit specific to Suppliers:

- initial audits: first audits conducted, which are a prerequisite to the start of the relationship with a new Supplier;
- follow-up audits: audits done 12 to 24 months maximum after the immediate improvement request (Needs Immediate Action or NIA), depending on the severity of the non-conformities found; and
- confirmation audits, three years after the initial audit.

The possible outcomes of the audits are as follows:

- **Satisfactory**: all criteria conform to the Applicable Rules and the best practices are highlighted;
- **Needs Continuous Improvement (NCI)**: minor non-conformities were found, but they do not have an impact on employee safety or health;
- Needs Immediate Action (NIA): non-conformities are reported either because they are serious, because they are recurring or have a potential impact on the health and safety of employees;
- **Zero Tolerance (ZT)**: reported, for example, in the event of a critical non-conformity because of child labour, forced labour, physical abuse, restricted freedom of movement, an immediate risk of accident for employees or attempted bribery of the auditors[1]; and
- **Access Denied**: reported when the audit is refused (for example in the event of refusal to provide partial or full site access to the auditors).

In the event of a non-conformity (Needs Continuous Improvement, Needs Immediate Action, Zero Tolerance), corrective action plans must be implemented which are then audited at the level of the Subsidiary or Supplier. Failure to implement a corrective action plan can, in the case of a Subsidiary, result in an alert being sent to the Country Manager. Subsidiaries can decide to link part or all of the remuneration of their managers and/or of their performance evaluation to the implementation of the Applicable Rules.

In the case of Suppliers, serious non-conformities (Needs Immediate Action, Zero Tolerance and Access Denied) or the failure to implement corrective action can result in the non-listing of a new Supplier or the suspension or termination of commercial relations with a listed Supplier.

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can be initiated. Visit reports are issued as part of the process of routine visits made to Suppliers. They can result, if necessary, in additional audits.

Specific EHS audits of subcontractors' sites

Additional specific EHS audits are conducted by independent third parties for subcontractor sites for aerosol production or storage, bleaching powders, flammable products under the criteria defined by L'Oréal, which are similar to those used for the Group's sites. These audits are triggered at the time of referencing/qualification and are followed up via 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, five 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.

(1) *It should be noted that the concept of attempted bribery mentioned in the audit report refers to an attempt to bribe the auditor and not to the fact that the supplier may have been involved in a bribery case.*

In the event that the existence of a serious non-conformity with the Applicable Rules is reported, a specific audit can be initiated. 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 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 expertise and the recommendations of external auditors qualified in the analysis of multi-sector risks. This is a useful rating for the continuous improvement of L'Oréal's programme, it also contributes to the transparency of industry practices. This assessment is used to select suppliers by taking their environmental and social performance into consideration. L'Oréal is co-founder of the Responsible Beauty Initiative (RBI), a sector initiative created in 2017 with EcoVadis. It brings together eight 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 tools for the self-assessment of their practices based on the audit standards provided to them. This enables them to produce an improvement plan, if required. These self-assessments are input data in the EHS risk audits.

To direct its performance:

- every year, each Subsidiary site defines and revises its safety and environmental roadmaps to achieve the targets set by the Group. It tracks EHS indicators monthly.
- at Group level, the indicators are consolidated monthly by region and globally for the Group's results.
- a Greenhouse Gas Assessment is prepared annually (in accordance with the GHG Protocol).

3.4.6. Whistleblowing mechanism and reporting system

"L'Oréal Speak Up", L'Oréal's internal whistleblowing mechanism, has been in place since 2008. This system gives employees and stakeholders access to a secure website they can use to raise any concerns they may have, including serious infringements of Human Rights and Fundamental Freedoms, health and safety at work and respect for the environment, with the Chief Ethics, Risk and Compliance Officer, in a secure, effective manner that provides all the guarantees of confidentiality necessary for the reporting of potential breaches. Any allegations expressed in good faith are examined in detail and adequate corrective measures are taken, if applicable. Employees have several other methods of raising their concerns (line management, dedicated local hotlines etc.). The whistle-blowing line was opened to employees in 2008, and then to stakeholders in 2018.

3.4.7. Update on the effective implementation of the Plan

This section provides the 2022 results of the application of the Plan for Subsidiaries and Suppliers.

3.4.7.1. General results of whistleblowing mechanisms and reporting

In 2022, there were 510 reports on potential non-compliance with the Applicable Rules, including:

- 22 on sexual harassment, 6 of which were proven, in whole or in part, and which resulted in 5 departures from the Group;
- 73 on bullying, 12 of which were proven, in whole or in part, and which resulted in 1 departure from the Group;
- 28 on discrimination, 3 of which were proven, in whole or in part, and which resulted in 3 departures from the Group;
- 20 on health and safety, 1 of which was proven, in whole or in part, which resulted in no departures from the Group; and
- none on environmental issues.

3.4.7.2. Results of the application of the Plan to Subsidiaries

Adoption of the Applicable Rules by the Subsidiaries

The Applicable Rules are incorporated into the Group's Subsidiaries' internal rules.

95% of employees individually acknowledged the receipt of the Code of Ethics and 87% of employees have been trained using an e-learning training tool on ethics.

Each EHS manager and each person working in a factory or distribution centre is trained in the Applicable Rules on Health, Safety and the Environment (EHS). All new employees are trained in the Rules on Health and Safety in the workplace and the Environment, regardless of their work location.

Monitoring and control system in respect of Human Rights

The monitoring of compliance with the Applicable Rules by all Subsidiaries is bolstered by the Speak Up whistleblowing mechanism. An extensive communication campaign explains how Group employees can access the mechanism; the results for 2022 are shown in the preceding paragraph. The annual Ethics Day dialogue sessions held with the Chief Executive Officer and the Directors of Subsidiaries give employees the opportunity to have their say on these topics. Action plans may be initiated, including corrective measures when necessary.

In addition, the Group's entities self-assess compliance with the Applicable Rules and submit these self-assessments as part of the annual ethics reporting on Human Rights, in accordance with the Group's Employee Human Rights Policy.

The entities ensure that their employees are familiar with this policy. They have organised training and communication sessions on the topics covered by this policy (health/safety at work, diversity and equity and inclusion, anti-harassment policy etc.).

The completed self-assessments are consolidated at Group level; some of the key information from these self-assessments is given below.

(i) **Child labour**: it was reported that in 2022:

- 17 employees were 16-18 years of age[(1)]; and
- 0 employees under 16 years of age worked in the Subsidiaries.

(ii) **Forced labour**: no use of prison labour was identified.

(iii) **Freedom of association and right to collective bargaining**: the Subsidiaries uphold freedom of association and employees' right to collective bargaining, in particular the right to form/join a union, except in countries that limit or restrict this right. In this case, they ensure there are other methods of dialogue with employees in place that allow them to raise any concerns they may have.

(iv) **Working hours**: all Subsidiaries complied with the Applicable Rules on rest time.

Monitoring and control system in respect of Health, Safety and the Environment

In 2022, 85 "Top managers" (managers of factories or distribution centres, Management Committee members, etc.) attended the Leadership & Safety Culture seminar, held at the CEDEP, The European Centre for Executive Development, at the INSEAD campus in France. Since the start of this programme, 754 senior managers have been trained. The seminar aims to raise awareness with top managers about safety issues, increase their leadership ability and see these behaviours adopted and maintained over the long term.

34 factories are certified ISO 45001, representing 89% of the Group's factories. 35 factories are certified ISO 14001, representing 92% of the Group's factories.

In 2022, the following EHS audits were conducted:

- 20 risk audits;
- 8 combined risk and EHS culture audits; and
- 7 combined Quality, Environment, Health, Safety and Performance audits and 3 combined Quality, Environment, Health and Safety audits.

The most frequently identified risks during EHS risk audits are related to fire protection, procedure safety, hazardous energies, containment of fire water runoff and wastewater management. The cases of non-conformity and formal notice were systematically subject to corrective actions.

One factory was the subject of a neighbourhood complaint in 2022, for two reasons: the first involving the noise caused by the use of a chiller and the second involving an odour problem originating from the site's filtration garden (an installation that uses plants to treat wastewater).

Two cases of non-compliance with environmental regulations were notified by an administrative authority in 2022. They involve 2 factories, the first of which relates to wastewater quality, and the second to the management of lightning risk.

No fines were imposed in 2022.

3.4.7.3. Results of the application of the Plan to Suppliers

Adoption of the Applicable Rules by Suppliers

100% of strategic Suppliers in the direct purchases category and 95% of strategic Suppliers in the indirect purchases category have made a contractual commitment to comply with the Applicable Rules.

All purchasers know the Applicable Rules and know which people to contact in the event of doubts.

In 2022, 103 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.

1,145 on-site audits were conducted in 2022, as part of regular audits, but also ad hoc audits following a risk analysis (29 *ad hoc* audits in 2022)[(2)]. Thus, 99% 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 Plan are described below.

In 2022, 859 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 2022.

In terms of Human Rights

Results of audits by topic

(i) **Child labour**: 1.3% of non-conformities.

The employment of a child under the age of 16 was identified in 3 audits. One of the three suppliers was granted exemption by L'Oréal upon presentation of a comprehensive file certifying that the young workers only carry out light duties that have no effect on their health and safety or their regular attendance at school, that their employment complies with local legislation and that the supplier has appointed an in-house "guardian" for these young people. The necessary measures have been taken to discontinue any commercial relationship with the other two suppliers. Other cases of non-conformity involved in particular, the absence of procedures to verify age at the time of hiring by the Supplier, the absence of copies of identity documents, and the

(1) *The scope of consolidation of human rights data arising from ethics reporting is identical to that of social data.*
(2) *Audits for which the Supplier is not part of the scope, but in respect of which the purchaser decided to conduct a social audit as a precaution. They represent 3% of the total number of audits.*

employment of young people in dangerous conditions. The Suppliers concerned have been asked to correct these situations, and a follow-up audit is planned.

(ii) **Forced labour**: 6% non-compliance☑.

During one audit, it was noted that employees were unable to mix freely or use the toilet facilities at their own convenience. The necessary measures have been taken to rectify this situation with the company concerned. Other cases of non-conformity concern the demand for a monetary deposit at the time of hiring, withholding of identity documents without a legal requirement, the freedom for employees to end their contracts without being penalised (financially or other) except for those stipulated by social legislation, the absence or inadequacy of employment contracts, and the absence or inadequacy of work permits for foreign workers. 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 and right to collective bargaining**[(1)]: 3% non-compliance☑.

Most of the cases of non-conformity concern the failure to freely elect employee representatives without management interference. Elections must be carried out, or in countries where such elections are not legal, employee meetings must be organised or alternative arrangements made for employees to raise any concerns or complaints they may have.

(iv) **Non-discrimination**: 1.1% non-compliance☑.

These cases of non-conformity mainly concern the absence of a clear and uniform policy to ensure the absence of discrimination at recruitment or discrimination in the payment of wages and other costs. It was also noted that some suppliers required pregnancy tests as part of the recruitment process.

Suppliers were requested to take corrective action, which will be checked in future audits.

(v) **Working hours**: 25% non-compliance☑.

Cases of non-conformity involved failure to comply with the Applicable Rules for work time and regular days off, but also the lack of sufficient documents to ensure correct monitoring of the Applicable Rules. In all of these cases, corrective action plans are implemented and a follow-up audit is planned.

(vi) **Wages and charges**: 18.3% non-compliance☑.

The audits did not find undue salary withholding or charges.

Most of the cases of non-conformity concerned insurance and social security contributions, as well as a failure to monitor the payment of wages, or non-payment of the minimum wage. 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.

(vii) **Sexual harassment and bullying**: 3.1% non-compliance.

Most of these cases of non-conformity concerned the absence of a written policy prohibiting sexual harassment and bullying or the absence of an internal system allowing the situation to be reported without negative consequences for the employee concerned.

Suppliers were requested to draft these policies, which will be checked in future audits.

The other cases of non-conformity did not concern serious breaches of the Applicable Rules.

(viii) **Disciplinary practices**: 2.3% non-compliance.

Most of these cases of non-conformity concerned the absence of clear written rules regarding disciplinary practices, or a lack of communication of these rules to the company's employees.

Suppliers were requested to draft these rules, which will be checked in future audits.

(ix) **Subcontracting**: 1% non-compliance.

All cases of non-conformity related to a lack of practice on the part of the supplier to ensure that L'Oréal's standards of ethics are upheld in their own supply chain.

Corrective action has been requested and will be checked in future audits.

Health, Safety and the Environment

39.1% of the cases of non-compliance concerned the applicable rules on Health, Safety and the Environment.

Most of these cases involved the absence of fire safety certificates, a lack of training in emergency evacuations, handling of fire extinguishers or the use of protective equipment, the absence of an evacuation plan, or shortcomings with regard to emergency routes or exits.

In all of these cases, corrective action plans are implemented and a follow-up audit is planned.

Sustainable sourcing of raw materials

In 2022, 100% of the renewable raw materials used by the Group were reassessed on the basis of criteria such as respect for biodiversity and forced labour. Out of the 329 plant species that are the source of the renewable raw materials used by the Group, around 6%[(2)] present significant biodiversity challenges (endangered species, impact of production on natural environments) depending on their geographic origin and the method of extraction or production used. They are the subject of specific action plans initiated with suppliers and, if necessary, benefit from the systematic support of independent external third parties, in order to manage the real impacts on the territories of origin of the ingredients.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *Figures exclude audits where verification could not be performed because of the specific nature of local regulations.*

(2) *Calculated on the basis of projected purchases between January and November 2022.*

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 of the Audit Committee which "must ensure that General Management has the means to enable it to identify and manage the economic, financial, non-financial, and legal risks facing the Group inside and outside France in carrying out its normal or exceptional operations".

On the basis of the work by the Internal Audit Department, the analysis of major risks, in conjunction with the processes used by subsidiaries, makes it possible to identify Internal Control improvements and update the Group's standards.

3.5.2. Risk mapping

The Group's risk mapping process is led by the Ethics, Risks and Compliance Department with the support of all Support Divisions and Business lines. This mapping is reviewed by the Group's Executive Committee, which validates it.

The risk mapping for all of L'Oréal's activities is updated annually. This process to identify, analyse and assess significant risks strengthens Group actions and allows them to be prioritised. The results of this work are presented to the Audit Committee. The main risks to which the Group is exposed are described below.

3.5.3. Risk factors

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

For taking an informed investment decision, as required by the regulations in force, this section presents the major risks in a limited number of categories (given the probability of their occurrence and the expected magnitude of their negative impact) taking risk management policies into account. In each category, the most material risks are mentioned first. This section specifies the way in which each risk factor could affect L'Oréal as well as the management policy implemented.

Risk management work classifies the residual risks by category of importance (low, moderate or significant).

However, a wholly risk-free environment cannot be guaranteed. Moreover, the Group could be adversely impacted by other risks of which it is not currently aware or which it does not consider material at the date of this document.

Major risks to which the Group believes it is exposed

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

* *Most material risks in each category.*

Residual importance: Low — *Moderate* — *Significant*

3.5.3.1. Business risks

Business risks/Sanitary crisis (Significant)

Risk identification	Risk management
Because of its global presence, L'Oréal is exposed to epidemics or other public sanitary crises in the 80 countries in which it operates. The main risks identified cover different segments of the Group's operations: ● impairment of the health, safety and security of employees in the context of their duties and their business travel, and confinement of the population that prevents employees from entering their work site, particularly at the manufacturing and distribution sites; ● difficulties for the company to operate normally because of the restrictive measures established by the authorities, which restrict employee access to the Group's sites, or as a result of the unavailability of individual protective equipment necessary to protect them; ● supply difficulties, unavailability or increased prices of raw materials and components, and limited capacities to produce and distribute products related to the restrictive health measures established by the authorities of the countries 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 2022 was marked by the impacts of the Covid-19 health crisis in a number of geographic zones in which the Group operates, particularly China. Depending on its duration, geographic expansion and the resulting economic and social consequences, a sanitary crisis may have a material impact on the Group's activities, its performance and its reputation.	L'Oréal has set up a crisis management process led by a unit at Group level that can prevent and limit the impacts of undesirable events on all its entities. Facing a sanitary crisis, the Group's priority is to protect the health, safety and security of its employees. The Group responds through compliance with the directives of the authorities in the countries in which it operates, the application and adaptation of its worldwide, high management standards for health and safety at its operational sites and in business travel situations. The Group's information systems allow large-scale development of flexible and remote work methods and are the subject of adequate safety protection processes (see section 4.3.2.4.). The policies to manage supply chain and inventories, and the business continuity plans of the industrial and logistics sites, allow the Group to anticipate the actions necessary to manage disturbances. The long-term relations with the Group's strategic suppliers, the policies to diversify sources, and operational continuity plans, limit the impacts of these crises. The Group's presence in all distribution channels, particularly online sales capacities developed with diversified partners (owned sites, e-retailers, pure players), as well as its expertise in digitised consumer relations, help to maximise development opportunities in disturbed contexts. Finally, the Group's worldwide and balanced presence in terms of geographic areas, product categories and distribution channels, the very high responsiveness and capacity for adaptation of its teams through its strategically centralised and operationally decentralised organisational model with a strong entrepreneurial spirit, as well as its robust financial position, contribute to its ability to face the economic consequences of these crises.

Business risks/Information Systems and cybersecurity	
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 shutdown of these systems, the leakage or destruction of data for exogenous or endogenous reasons (including cyberattacks, malicious acts, hacks, etc.) internally or at a third-party of the Group could have a material impact on the Group's business activities.	The IT Department has implemented strict security rules for infrastructures, devices and applications. Furthermore, to adapt to the development of new ways of communication and collaboration, L'Oréal has introduced an Information and Communication Technologies Code of Practice. To deal with the growing cyber-threats, L'Oréal continuously strenghten the resources dedicated to information system security. A multi-year plan aimed at reducing the level of risk from cyberthreats and strengthening the maturity of risk management was therefore set out. This plan relies in particular on anti-intrusion solutions, regular read teaming and penetration tests, an information system security audit programme, the protection of sensitive assets and global supervision to detect malicious activities. L'Oréal's security focus is constantly adjusted to deal with new threats of cyberattacks. For example, the Group is increasingly investing in incidents detection and reactions systems and proceeds to regular reviews of the effectiveness of these solutions. Online training in cybersecurity best practices is available for all eligible employees (more than 42,000 employees, i.e. 73% of eligible employees, have received training via a new e-learning module published at the end of 2021). Specific trainings are also available for other employees. In addition to regular communication throughout the year, the Group conducts an annual global awareness campaign called Cyberweek. 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 76 countries. More specifically, the global development of the cosmetics market has led L'Oréal to develop its Travel Retail business and its business in countries of North Asia, which represented 29,6% of sales in 2022, SAPMENA-SSA (South Asia Pacific, Middle East, North Africa, Sub-Saharan Africa) 7,7% of sales, and Latin America (6,2% of sales). Because of this globalisation, political or economic disruption (strong economic slowdown due, for example, to geopolitical tensions, sustained high inflation, international trade tensions or sovereign debt crises) in countries in which the Group generates a significant portion of its sales could have an impact on its business activities. As regards Russia's invasion of Ukraine at the beginning of 2022, depending on its duration and extent, the conflict could impact economic growth worldwide and, consequently, affect the markets in which the Group operates. The impact and management of inflation and currency risks, and those associated with economic sanctions policies, are described in the risk factors entitled "Inflation and currency risk" and "Risk of non-conformity" respectively. The impact and management of the risk related to Covid-19 are described in the "Sanitary crisis" risk factor.	L'Oréal's global presence and its portfolio of 36 major international brands helps to maintain a balance in sales and offsetting between the geographic zones, product categories and distribution channels (details on sales from the zones are presented in section 1.3.). With regard to the crisis in Ukraine and Russia, L'Oréal is closely monitoring the situation and its potential for adversely impacting the global economy and, in particular, its business activity (see section 1.3.1.).

Business risks/Crisis management	
Risk identification	**Risk management**
Prejudicial events or information mainly related to the use or misuse of a product, or an inappropriate individual behaviour, whether proven or not, could affect the reputation of L'Oréal, its 36 major international brands and its products and, as a result, affect sales and, more generally, its financial position. The impact of the risk could be amplified, notably, by: ● the explosion of digital and social media all around the world; and ● societal movements and enquiries by the civil society, consumers, etc. to the Group or the brands. The impact and management of risk associated with social selling, particularly via influencers, are described in the risk factor entitled "Evolution of sales channels".	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; ● ongoing online monitoring. 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 set up a crisis management procedure which is tasked with preventing, managing and mitigating the consequences of undesirable events on the company across the globe. The Group crisis management officer reports directly to General Management. The deployment of the Code of Ethics throughout the Group aims at reinforcing the dissemination of the rules of conduct which form the basis of L'Oréal's integrity and ethics. These rules of conduct seek to guide actions and behaviour, inspire choices and make sure that the Group's values are reflected in the everyday acts of each employee. L'Oréal has implemented a "Code of Good Practice for the Use of Social Media" for its employees.

Business risks/Data

Risk identification	Risk management
The data collected and processed by L'Oréal or its partners, the volume of which is increasing with the growth in digital activities, particularly personalised services for consumers, could be altered, lost, illegitimately copied or transferred or even fraudulently used. Furthermore, personal data protection regulations are being reinforced throughout the world. In particular, the European General Data Protection Regulation (EU) 2016/679 of 27 April 2016, which entered into force on 25 May 2018, (GDPR) provides for major sanctions in Europe, as does the CCPA in California, the LGPD in Brazil or the PIPL in China and the POPI Act in South Africa. The increasing adoption of various laws aimed at limiting and controlling the transfer of data is also a growing risk factor to which L'Oréal is exposed. 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 about data security (back-up, protection of, and restrictions on access to confidential data). The Group's principles governing the processing of personal data have been rolled-out all over the world to raise the awareness of all employees about respect for ethical principles, and legal and regulatory requirements in the matter. An organisation has been set up based on a Global Data Privacy Office at Group level, comprising a legal unit and a programme unit. A Group Data Protection Officer was appointed in 2018 and a network of 44 Country DPOs has been created, for all countries in the European Zone and gradually in other regions of the world. The governance set up is based on a Global Strategic Committee, a Steering Committee by region, as well as a network of Heads of Data Privacy within the Métiers and Zones, responsible for the protection of personal data. They provide support to all operational stakeholders involved. This governance notably aims to monitor the Group's compliance with different laws, by ensuring the mobilisation of all stakeholders and by adapting customer, supplier and business line processes to the Group's rules and to applicable laws.

Business risks/Market and innovation

Risk identification	Risk management
L'Oréal is subject to constant pressure from many competitors in all countries due to: ● its size and the positioning of its brands in various markets in which major international groups operate; ● local brands and new players coming from the digital economy; ● rapid technological changes in emerging fields of research by new operators. If the Group fails to anticipate or respond to changes in consumer expectations, especially in the areas of natural beauty, health, personalised services, connected things and environmental commitments, with innovative and adapted product offerings, its sales and growth could be affected.	The Group continually adapts its innovation model and is constantly increasing its investments in research and digital services. L'Oréal's Research teams innovate to respond to the infinite diversity of beauty aspirations all over the world. The Consumer & Market Insights Department, within the Innovation Department, is constantly monitoring changes in consumer expectations by product category and major regions of the world. All of these research programmes, which are part of a long-term vision, allow L'Oréal to meet the challenges of innovation (see section 1.2.8.). The Digital and Marketing Department is responsible for accelerating the Group's digital transformation by helping the brands create enriched spaces for expression and helping teams to establish more interactive, close-knit and bespoke relationships with consumers. Consumer expectations with regard to sustainability are also at the heart of the L'Oréal for the Future programme (see chapter 4). These are taken into account in developing the Group's brand and product portfolio. 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 87,000 employees, which operates in 80 countries at more than 400 sites (excluding stores and point-of-sales outlets of distributor customers), it cannot exclude potential violations of its ethical commitments (Code of Ethics based on the four Ethical Principles – Integrity, Respect, Courage and Transparency –, its Human Rights policy, support of the United Nations Global Compact and the United Nations Sustainable Development Goals, etc.), whether directly by its employees, or indirectly because of the activities of its partners, particularly its suppliers and subcontractors. In addition, civil society is expressing higher expectations with regard companies' integrity and transparency and the way in which they manage scientific and technological innovations. Such non-compliance with its commitments or the lack of a response to new ethical questions could have an adverse impact on the Group's reputation and expose it to criminal or administrative sanctions.	The Group's policies on sustainable development, social and societal responsibility, compliance and philanthropy are based on the Ethical Principles. The role and the resources granted to the Chief Ethics Officer allow him to succeed in his mission by relying on all the teams and resources of the Group (see section 3.2.1.). 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.). 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 78 Ethics Correspondents around the world and regular meetings of the Chief Ethics Officer with the Countries, ensure 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"), 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, allow to manage potential violations.

Business risks/Evolution of sales channels

Risk identification	Risk management
To market its products, L'Oréal relies not only on traditional independent distribution channels and the development of direct-to-consumer distribution for certain brands (directly owned stores and e-commerce), but also on the use of social media. For example: ● by developing networks of Group brand ambassadors and communities to be part of the conversation around brands and products (partnerships with relevant influencers, advocacy marketing etc.); and ● by promoting social seling to better target the needs and expectations of consumers who are increasingly turning to these channels. The impact of the risk could be amplified, in particular by the emergence of social beauty, which is connected and shared, and by the role of influencers as opinion leaders with a significant following and/or subscribers. Also, undisclosed advertisement or posts that materially mislead consumers or cause serious or widespread offence by an influencer on one of the brands in the Group's portfolio, or neglecting the importance of new sales and marketing strategies on social networks, could impact results. See also the "Crisis management" risk.	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, platforms, and market places). The Group has set a solid internal control system, including the deployment of certain guidelines: ● a Code of Good Practice for the Use of Social Media for its employees; ● an Influencer Values Charter and a Social Selling Values Charter that each influencer or social seller with whom L'Oréal collaborates undertakes to respect; ● the Group's principles and the operational processes to be applied in relation to partnerships with influencers and social sellers have been circulated worldwide to all employees involved in advocacy marketing. The Group seeks to work with influencers & social sellers who share its values and Ethical Principles. Depending on the nature of the relationship, the Group reserves the right to pursue due diligence by way of reviewing information already in the public domain. These documents effectively complement the rules of conduct set out in the Group's Code of Ethics; ● a permanent online monitoring system. 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.

Business risks/Risk related to Human Resources

Risk identification	Risk management
One of the keys to L'Oréal's success lies in the talent of its employees to ensure its growth. This is all the more true as L'Oréal is changing within a complex, highly competitive and rapidly changing environment (globalisation, diversity and inclusion challenges, sustainable development issues, acceleration of the digital transformation etc.) that requires specific expertise. The Covid-19 health crisis has left a significant mark on the job market, with new employee expectations regarding working methods, particularly with the introduction of a sustainable hybrid mode, alternating between on-site and remote working. If L'Oréal fails to identify, attract, recruit, retain, promote and develop competent and engaged employees who behave responsibly within diverse teams, the development of its activities and its results could be affected. Moreover, given L'Oréal's activities, particularly its industrial operations, the risk of occupational injuries or illnesses could become a reality. In addition, psychosocial risks, exacerbated by the effects of the Covid-19 health crisis, may affect the well-being of Group employees. This could also have an adverse impact on their commitment and, consequently, on the Group's performance.	The Group is developing a motivating, professional environment with respect for its ethical values, particularly diversity. The recruitment and development of employees occurs within a long-term perspective, also to ensure the continuity of key functions within the Group, in which training plays a core role throughout an employee's career. The remuneration policy combines external competitiveness and internal fairness. It recognises both individual and collective performance. The global Share & Care programme meets the essential needs of each of the Group's employees in terms of benefits, healthcare, parenthood, flexibility and quality of life at work. Actions for stress prevention and workstation ergonomics are organised. In order to meet employees' expectations in this new hybrid working environment, L'Oréal has developed a balanced Group policy to ensure that opportunities for cooperation, discussion and creativity are always prioritised. The Group has set ambitious goals for the health and safety of its employees, defining high standards that often exceed legal obligations and involve personnel at all levels. Prevention is based on the GHAP (Global Hazard Assessment Procedure) and SHAP (Safety Hazard Assessment Procedure) programmes, which identify the hazards, generally and for each workstation, assess the risks and allow the implementation of the necessary means of control (see section 4.3.2.1).

Business risks/Product quality and safety	
Risk identification	**Risk management**
Placing a product on the market that does not meet the safety requirements, or consumer or stakeholder questions about the quality and safety of L'Oréal products, whether based on proven facts or not, whether or not they are related to the use or misuse of a product, could affect consumer confidence, the Group's sales and, more generally, its financial position, particularly if claims are made or products recalled.	Consumer safety is an absolute priority for L'Oréal: assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market. The principles governing the Group's quality and safety policy are: ● satisfaction of customer needs; ● compliance with safety requirements and laws; ● 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, so that the Group's products can be guaranteed to be completely safe for consumer use. The same safety standards are applied worldwide to ensure identical quality across the globe. Through its international cosmeto-vigilance network, 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, in order to take the appropriate corrective measures, if necessary (see "Product quality and safety: a priority" in section 4.3.1.3.2.). In terms of questions that civil society may ask regarding certain substances and their effects on health and the environment, L'Oréal's position can be summarised in three points: ● vigilant monitoring of any relevant new scientific data; ● cooperation with the relevant authorities; and ● precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk. L'Oréal relies on its scientific teams to answer consumers' questions about the safety of its products, primarily through its *Inside our Products* platform that has been online since 2019. Lastly, quality standards are defined by our Conception Quality Systems for Formulas, Packagings, Manufacturing Processes and by our Conformity Quality Systems for Production and Supply Chain. Almost all factories are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard. In the case of production subcontracting, the rules governing the choice of the subcontractor and its production follow the same principles. The subcontracting quality charter picks up these requirements, compliance with which is assessed during audits and the plan regularly strengthened to ensure appropriate control of our partners.

Business risks/Safety of people and property	
Risk identification	**Risk management**
As a global group operating in 80 countries and across more than 400 sites (excluding stores and point-of-sales outlets of distributor customers), the Group is exposed to a variety of risks inherent to the environment in which it performs its activities (war, geopolitical, climate, health/pandemic, economic and social risks, malicious acts, climate and natural disasters). The direct and indirect consequences of these risks may adversely affect people and the assets of the Group (tangible and intangible).	In order to permanently protect these persons and resources (or Group assets) against malicious acts, the Safety Department helps in the preventive implementation of technical, HR and operational procedures to limit the residual risk of malicious damage and support the Group's international development in all countries concerned. For this purpose, the Safety Department: ● coordinates, with related key players, the security crisis management procedure which is tasked with preventing, managing and limiting the consequences of undesirable events on the Group; ● coordinates assistance for Group employees who travel for international assignments; ● has implemented a watch and evaluation of the state of security in the countries in which the Group is active; ● conducts evaluation updates in the countries in which it is present; ● establishes processes for alerting and reporting, mobilisation, decision-making using the CALM method, demobilisation and feedback; ● defines the security standards and minimum protection to be implemented to protect the Group's activities; ● organises training sessions and runs crisis management exercises for all entities affected; and ● develops tools to be put into action at the very start of the crisis: the POB (People On Board) and the Security Check are primarily used to assess impacts on people. The security measures are regularly adjusted and reassessed based on the local situation and the level of exposure of employees and sites.

3.5.3.2. Industrial and environmental risks

Industrial and environmental risks/Product availability	
Risk identification	**Risk management**
In the context of a globalised supply chain and the increased geographic concentration of certain supply sources, the failure of an external supplier to deliver raw materials, filling and packing components or finished products, whether resulting from operational difficulties or significant non-compliance with ethical commitments, along with a major interruption of operations in a L'Oréal industrial unit or shipping hub, could impact the Group's sales because of the unavailability of products that could result from this. In 2022, Group purchases related to production totalled €6.4 billion. The impact and management of risk associated with the availability of products caused by climate change are described in the risk factor entitled "Climate Change".	L'Oréal regularly revises its inventory policies, reserves capacities with its suppliers, anticipates growth scenarios and negotiates long-term contracts. There are business continuity plans for each operational site. The Group is currently deploying a single methodology of business continuity plans at all its factories and distribution centres. These plans aim to anticipate supply chain disruption and ensure a timely business continuity. L'Oréal also looks for alternative sourcing of its raw materials, duplicates packaging moulds for its strategic products, implements operational continuity plans with its suppliers and reviews, if required, the design of its formulas and finished products. The main suppliers and subcontractors are asked to comply with the Letter of Mutual Ethical Commitment, which covers, in particular, Human Rights, working conditions, environmental protection and integrity.

Industrial and environmental risks/Climate change	
Risk identification	**Risk management**
As for any company, the Group's activities are exposed to the physical and transition risks related to climate change. The increase in risks of natural origin, both extreme and chronic, the loss of biodiversity, and the increased pressure on water resources could impact the availability of finished products by disturbing the Group's operations and supply chain. The scarcity of resources and the implementation of the transition towards a low-carbon economy could also increase production costs. In addition, insufficient consideration during product design related to the impact of their usage by consumers could represent a risk for sales in certain areas of the world affected by water stress or the lack of adapted infrastructures to collect and treat waste and wastewater. Lastly, consumer choices could be increasingly influenced by the impact associated with the use of a product (its carbon footprint, its water footprint, its impact on biodiversity) and by the Group's overall environmental performance, particularly in terms of reducing its CO_2 emissions in all Scopes. As a result, if the Group did not sufficiently anticipate all these impacts and did not initiate a voluntary process to adapt to climate change, its financial performance and reputation could be impacted.	Taking into account environmental challenges, and in particular climate change, is an integral part of L'Oréal's business model. Building on its previous achievements, the Group announced in June 2020 a second generation of particularly ambitious and specific objectives for 2030 as part of its L'Oréal for the Future programme. These objectives cover the CO_2 emissions in Scopes 1, 2 and 3 that are generated by the Group's activities, and commit to a Science-Based Targets (SBT) approach, so as to track the 1.5°C trajectory by 2050. These commitments were validated in 2017 by the SBT initiative : ● by 2025, all the Group's industrial, administrative and research sites will be "carbon neutral"[1] for Scopes 1 and 2, using 100% renewable energy, locally sourced ; ● 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 UN pledge "Business Ambition for 1.5°C", L'Oréal has made a commitment to reach net zero emissions by 2050. L'Oréal commits that by 2030 all water used in the Group's industrial processes would be recycled and reused in a loop on its sites, prioritizing the deployment of the required equipment according to the water situation of the watersheds in which L'Oréal operates. Management of potential consequences of extreme events is described in the section on "Product availability" risk. In addition, the Group also launched a programme entitled Green Sciences to evolve its raw material portfolio the development of ingredients with a favourable environmental profile, in minimising the environmental impacts associated with growing plants sources of these ingredients (deforestation, soil depletion, consequences on biodiversity, for example), and by relying on ecofriendly processes that prevent upstream pollution. To inform its consumers and enable them to make more sustainable consumer choices, the Group is developing an environmental and social display system for its products, with a rating ranging from A to E, which takes into account 14 factors of impact for the planet, including greenhouse gas emissions. This system is gradually being rolled out on the Group's haircare (for example, in 20 European countries, Mexico and the United States for the Garnier brand) and skincare brands. L'Oréal's priorities and the main commitments of L'Oréal for the Future programme are described in chapter 4, which specifically comprises the information disclosed in the Non-Financial Performance Statement, including the recommendations of the TCFD.

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Industrial and environmental risks/Environment and safety	
Risk identification	**Risk management**
The Group, with its 89 industrial sites (owned factories and distribution centres), including 4 classified as "Seveso high threshold", is exposed to various industrial risks related to the environment and safety (fires, explosions, failure of installations or safety systems, or even human failure in the operation of the existing facilities or management of the work, etc.), which can result in injuries, accidental pollution within or outside the Group sites, particularly when they are located in a populated area, and/or the temporary unavailability of an industrial site. The occurrence of such events could have a financial, operational and/or eputational impact.	The Group's Environment, Health and Safety (EHS) policy aims to minimise the impact on the environment and guarantee the health and safety of employees, customers and the communities in which L'Oréal carries out its activities. As a result of this policy, the risks inherent in our business activities are systematically identified and brought under control. The Operations Department issues internal rules that set out the principles of L'Oréal's EHS policy. Each site is covered by an EHS officer. EHS risk management programmes, methods and tools are implemented and the corresponding training is being rolled out systematically. EHS performance indicators are collected monthly from all factories, distribution centres, and administrative and research sites with over 50 people. Specific audits are conducted by internal EHS teams, and external independent experts. The fire risk is controlled by very strict fire prevention standards (National Fire Protection Association standards or equivalent). Industrial sites classified as "Seveso" are subject to specific procedures adapted to the nature of the risks related to storage of chemicals or flammable materials and are in compliance with the regulations. Since 2020, the Group has extended compliance with the main requirements of the European Seveso Directive beyond the European Union to all sites it operates worldwide. Across all its sites, the Group strives to reduce its greenhouse gas emissions, its water consumption and its waste generation and to limit the impact of its activity on biodiversity. It also pledges to reduce the footprint from transportation of its products and to no longer send waste to landfill. Details of how the risk relating to the temporary unavailability of an industrial site is managed are given in the section relating to "Product availability".

3.5.3.3. Legal and regulatory risks

Legal and regulatory risks/Risk of non-conformity	
Risk identification	**Risk management**
Many general and specific laws and regulations apply to the Group, such as the European REACH and CLP (Classification, Labelling, Packaging) regulations intended to strengthen the human and environmental safety of chemical products, the European Cosmetics Directive governing animal testing of ingredients, legislation on competition law, corruption and the control of international flows, including economic sanctions policies. The diversity and constant reinforcement of the regulatory environment expose the Group to a risk of non-conformity or increased compliance costs. L'Oréal remains exposed to the risk of default or fraud, which could have an impact on its reputation, its business activities and its results. 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.	In accordance with its Code of Ethics, L'Oréal attaches particular importance to compliance with the laws and regulations that apply to it. This obligation to comply with local legislation is reaffirmed in the Group's Legal Charter, which sets out the rules applicable within the Group in terms of contracts, corporate law, intellectual property and competition law, embargoes and economic sanctions, and protection of personal data in particular. To ensure compliance with these rules, the Group has implemented a robust governance structure involving all of the Group's operational entities and support departments. This governance enables the Group to monitor legislation on an ongoing basis and to take any measures necessary to comply with it in a timely manner. To ensure any embargoes are observed, the Group has put in place rules on the terms of delivery and transport of its goods, with the aim of ensuring the control and compliance of formalities in terms of customs imports and exports. Training on customs fundamentals is also delivered to all appropriate employees in the Operations Department. The Group's Legal Department has set up dedicated training courses in competition law for all appropriate employees. L'Oréal is also involved in an ongoing dialogue with national or regional authorities in charge of specifically regulating products in its sector through the professional associations to which it belongs. With regard to the REACH and CLP regulations, L'Oréal communicates proactively with its European suppliers in order to ensure a continuing supply of compliant raw materials. An action plan has been drawn up at L'Oréal in order to improve the design and methods used to assess the safety of raw materials. It led to the end of testing finished products on animals in 1989 (14 years before it became a legal obligation in Europe) and the development of predictive evaluation strategies to meet European regulations. In the areas of fraud and corruption, the deployment to all Group subsidiaries of programmes to prevent corruption (see section 4.3.4.) and raise awareness of fraud risk contribute to the management of these risks. In terms of taxation, the Group relies on a tax policy and the systems described in section 4.3.5.

Legal and regulatory risks/Risk of non-conformity	
	L'Oréal 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. "Contingent liabilities and significant ongoing disputes" of the notes 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 36 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 (561 in 2022) 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; or ● infringe on L'Oréal's intellectual property rights, reproduce or imitate the Group's packaging and products in order to benefit illegitimately from the name or associated technologies and thus illegally draw a profit from the efforts and investments made by the Group. Given the competitive context in which a growing number of patents and trademarks are filed, and in which some intellectual property rights result from acquisitions or are developed by third parties ("open development"), the free use of a technology or full availability of a brand before any launch cannot, therefore, be completely secured by L'Oréal.	Special care is given to the protection of trademarks, designs, models and domain names belonging to the Group. This responsibility is entrusted to a special unit of the Legal Department. The department ensures the worldwide protection, management and defence of intellectual property rights via searches for prior rights, monitoring of registration and renewal procedures, the implementation of monitoring services and the initiation of appropriate legal action against counterfeiters. In order to protect the Group against the risk of appropriation of a molecule, a formula, packaging, an application system or an application by another company, L'Oréal has set up the International Industrial Property Department, a specific structure which is part of the Research and Innovation Department. This Department 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 Group is also an active member of organisations which have set themselves the goal of combating counterfeiting and promoting best commercial practices. This is the case of the UNIFAB (Union des Fabricants), the APRAM (Association des Praticiens du Droit des Marques et des Modèles) and 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. Such actions could affect sales or, more generally, the Group's financial position, particularly if claims are made or products recalled.	The Worldwide Regulatory & Claims Department controls the conformity of product communications before they are introduced on the market. The Group's Code of Ethics sets out the fundamental principles of responsible communication and L'Oréal has made a commitment to implement the International Chamber of Commerce Consolidated Code of Advertising and Marketing Communication Practice and the Cosmetics Europe Charter and Guiding Principles on responsible advertising and marketing communication to which the key global cosmetics industry players in Europe adhere. The Group's principles for "responsible product advertising" are described in a summary brochure disseminated worldwide in order to raise employee awareness about compliance with ethical principles, specific legal and regulatory requirements, and operational processes for the prior control of product communications.

3.5.3.4. Financial and market risks

Financial and market risks/Inflation and 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. Furthermore, as a result of the inflation situation, the Group is exposed to increased volatility in global currencies and to an increase in the cost of its supplies, in particular. 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 Treasury and Finance Charter specifies, 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 applies a predetermined strategy 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 and the hedging is adjusted. In order to obtain better visibility over the flows generated, the management of currency risk is centralised through the Treasury and Finance Department at head office (part of the 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. It is adjusted according to the economic and financial situation. In addition, the management tools developed can be used to mitigate the impact of inflationary tensions through product valuation strategies and sourcing adaptation strategies.

Financial and market risks/Financial equity risk	
Risk identification	**Risk management**
The main equity risk for L'Oréal is the 9.38% stake it held in Sanofi at 31 December 2022 (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 2022, the market value of the Sanofi share was significantly higher than the value recorded on the L'Oréal balance sheet (see note 9.3. "Non-current financial assets" to the Consolidated Financial Statements).

Financial and market risks/Risk relating to the impairment of intangible assets	
Risk identification	**Risk management**
L'Oréal's intangible assets, which are primarily its 36 major international brands, and the goodwill recognised at the time of external growth transactions, are susceptible to impairment.	As detailed in note 7. "Intangible assets" of the Consolidated Financial Statements, brands with an indefinite useful life and goodwill are not amortised but are tested for periodic impairment at least once a year. Where the recoverable amount of a brand is lower than its net book value, an impairment loss is recognised. Similarly, any difference between the recoverable amount of each cash-generating unit and the net book value of the assets including goodwill would lead to an impairment loss in respect of the asset, recorded in the income statement. This is reported to the Audit Committee. 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.

CHAPTER 4

Social, environmental and societal responsibility * NFPS

4

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

This chapter reports on the social, environmental and societal policies and progress achieved by the Group, and presents the 2022 year-end assessment of the *L'Oréal for the Future* sustainability programme. This chapter forms the Group's Non-Financial Performance Statement.

4.1. Introduction

L'Oréal's strategy is based on **Glocalisation**, that is to say the globalisation of its brands, with a detailed understanding and respect for local differences to meet the beauty expectations and needs of women and men around the world, while at the same time being an environmental and societal leader.

Sustainable development for sustained success

For many years now, L'Oréal has been evolving its model to address the world's major changes, and sustainable development has been a key pillar of this transformation. L'Oréal has made this a strategic priority. Consequently, management as a whole and all its teams implement an ambitious CSR policy.

In June 2020, L'Oréal launched the second generation of its sustainable development commitments[1], under the umbrella of the **L'Oréal for the Future** programme. It includes new ambitious and concrete objectives for 2030 in order to cover all of the Group's impacts. These include both the impacts associated with its value chain, from production to distribution, as well as those related to its sourcing or the use of products by consumers.

In 2015, the Group also undertook to define Science-Based Targets (SBT). The objective is to reduce its greenhouse gas emissions across its value chain and over the long term in accordance with the Paris Agreement on climate change. In December 2017, the SBT initiative validated the commitment proposed by the Group: to reduce its Scope 1, 2, and 3 greenhouse gas emissions by 25% in absolute value by 2030, compared to the 2016 baseline.

The L'Oréal for the Future programme, which is subject to public reporting every year, is based on three pillars:

- **transforming L'Oréal's activities within the context of "planetary boundaries"** (what the planet can support according to environmental science);
- involving L'Oréal's business ecosystem in the Group's transformation and helping the Group's **transition to a more sustainable model**; and
- **contributing to solving the challenges of the world** by supporting the most urgent social and environmental needs.

CSR governance

To support this process, the Group has developed a strong governance structure.

Every year, the **Board of Directors** determines L'Oréal's strategic orientations. These orientations integrate the challenges of climate change and, more generally, sustainable development matters as well as the Group's sense of purpose to "Create the beauty that moves the world". In order to monitor the determination and successful implementation of these strategic directions, the Board of Directors can rely on its four **Board Committees**, which are responsible for investigating the matters within their area of expertise in the determination and monitoring of the non-financial strategy (see section 2.3.4.). Every year, the Chief Corporate Responsibility Officer reports on the Group's activities to the Board of Directors and takes part to the meetings of the Strategy and Sustainability Committee. Before each meeting, the members of the Board of Directors receive **a status update** on the L'Oréal for the Future programme that details its specific advances. In 2022, the Directors took a CSR training course (see section 2.3.2.).

The comprehensive transformation plan affects all Divisions, Zones and support functions. To implement it, the Chief Executive Officer can rely on the commitment of every **member of the Executive Committee** in their field of responsibility. He works together with the Executive Committee to implement the strategic directions on non-financial matters. Status updates on sustainable development matters are provided regularly in order to define and implement the necessary action plans. A **network of sustainable development Coordinators**, made up of members of the Management Committees, is responsible for the deployment of L'Oréal for the Future in each Division, Zone and entity.

Within the Executive Committee, the **Chief Corporate Responsibility Officer** ensures strategic consistency between the measures the Group takes to integrate sustainable development across its entire value chain and its charitable contributions. She is responsible for the formulation and implementation of the sustainable development strategy, and assesses and manages risks and opportunities related to environmental and societal challenges at Group level through the action plans implemented.

Under her direction, different **internal Committees related to sustainable development** define the roadmaps for each of the entities represented (Operations, Research, Divisions, Zones). The experts responsible for the rollout of the programme participate in these Committees. Each Committee defines annual objectives and manages their rollout throughout the value chain.

Twice a year, the Chief Corporate Responsibility Officer brings together some members of the Executive Committee in the **L'Oréal for the Future Executive Committee** to make strategic decisions about the programme.

(1) *Following the Sharing Beauty with All programme, which launched in 2013 and ran until 2020.*

Created in 2020, the mission of the **Sustainable Finance Department** is to integrate the environmental challenges from a financial standpoint. It reports to the Chief Financial Officer and to the Chief Corporate Responsibility Officer. It aims to develop and then manage Sustainable Finance actions by coordinating actions within the finance teams and further incorporating sustainable development into investment and acquisition decisions.

A strategic transformation driven by all

Sustainable development must be driven by all teams. All **L'Oréal employees** are encouraged to receive training on the challenges of sustainable development. They have access to a comprehensive range of online training courses available in 15 languages as part of the L'Oréal for the Future programme.

Remuneration structures have been revised at the highest level. The **variable portion of the Chief Executive Officer's annual remuneration** incorporates quantitative and qualitative non-financial objectives, including objectives associated with the L'Oréal for the Future programme (and previously the Sharing Beauty with All programme). In order to ensure strong correlation with L'Oréal's strategy for which economic and social performance go hand-in-hand, the **long-term remuneration** of the Chief Executive Officer includes criteria for non-financial performance in addition to financial performance (see section 2.4.). Moreover, non-financial objectives in line with the Group's goals for sustainability have since 2016 been included in the **variable remuneration** of the top management, including international brand managers and country managers.

Within the framework of ongoing dialogue and as part of a process which aims at making continual progress, L'Oréal takes into account **its stakeholders' expectations**. With a representative panel of outside experts around the world, the Group has defined and developed a method of ad-hoc interaction that it considers to be the most efficient and appropriate. It has also set up bodies for important issues, for example in the form of a Women's Advisory Board. These bodies aim to ensure that civil society's expectations are sufficiently met with regard to these issues. The main stakeholder interactions are set out in section 4.1.2.

The Group is convinced that acting ethically is the only way to achieve sustainable success. In order to ensure that strong Ethical Principles – Integrity, Respect, Courage and Transparency – continue to guide the development of L'Oréal and contribute to establishing its reputation, the Chief Executive Officer can also rely on the **Chief Ethics, Risk and Compliance Officer**, who reports directly to him.

In 2022, true to its commitment to the Ten Principles of the UN Global Compact, L'Oréal participated in the Early Adopter programme. This involvement highlights its contribution to the UN Sustainable Development Goals, which are at the centre of its growth strategy.

CSR governance

L'Oréal's contribution to the United Nations Sustainable Development Goals

L'Oréal contributes to the Sustainable Development Goals defined by the United Nations in 2015. The Group is able to do this thanks to its sustainability programme, its strong ethical commitment, its policy to promote diversity, and its charitable actions with the support of the L'Oréal Foundation and by its brands, among other resources.

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
L'ORÉAL FOR THE FUTURE																		
TRANSFORMING OUR ACTIVITIES	Fighting climate change							•	•	•		•	•	•				•
	Managing water sustainably						•			•			•		•	•		•
	Respecting biodiversity									•		•	•		•	•		
	Preserving natural resources									•		•	•		•	•		
EMPOWERING OUR BUSINESS ECOSYSTEM IN OUR TRANSFORMATION	Building a more inclusive society	•	•	•	•	•	•		•		•	•			•	•	•	•
	Involving our consumers in our sustainable transformation						•	•					•	•	•	•		
CONTRIBUTING TO SOLVING THE CHALLENGES OF THE WORLD	Supporting women in extremely vulnerable situations	•			•	•			•		•						•	•
	Contributing to the regeneration of nature													•	•	•		•
	Accelerating the development of the circular economy									•		•	•		•			•
PHILANTHROPY																		
FOR WOMEN IN SCIENCES					•	•					•						•	•
BEAUTY FOR A BETTER LIFE		•		•	•	•			•		•						•	•
WOMEN AND CLIMATE					•	•				•	•	•	•	•		•		•
PROMOTING DIVERSITY, EQUITY AND INCLUSION																		
PROMOTING GENDER EQUITY & LBTQIA+	• Group-wide HR policy on domestic violence • EDGE or GEEIS certifications for gender equality • Group-wide analysis of the differences i n remuneration between women and men (using the EDGE Pay Gap Tool) • Signatory to the Women's Empowerment Principles and member of the Open for Business Coalition • Signatory to the UN Free & Equal Global LGBTI Business Standards • Member of the One in Three Women network			•		•					•						•	•
INCLUSION OF PEOPLE WITH DISABILITIES	• Member of the ILO Global Business and Disability Network • Member of The Valuable 500 initiative • Member of the Disability Hub Europe initiative • Digital accessibility for all platforms (Internal/External)			•							•						•	•
SOCIO-ECONOMIC AND MULTICULTURAL ORIGINS	• Member of *Equal@work* via the European Network against Racism (ENAR) • Member of the Tent Partnership for Refugees network • Member of the Refugees Are Talents coalition • Use of artificial intelligence solutions in the recruitment process					•			•		•							•
AGE AND INTERGENERATIONAL INCLUSION	• Promoting dialogue and cooperation between employees from different generations (e.g. reverse mentoring, transition to retirement, career development, representation etc.).			•		•			•		•						•	
OUR ETHICAL PRINCIPLES																		
TO OUR SUPPLIERS	Buy and Care, Mutual Ethical Commitment Letter			•							•						•	
TO OUR EMPLOYEES	*Share & Care*			•		•					•						•	
TO SOCIETY	Citizen Day, Human Rights Policy, Corruption Prevention Policy	•		•	•	•					•						•	
TO OUR CONSUMERS	Product safety, responsible advertising			•													•	

Double materiality matrix

In 2022, L'Oréal conducted a double materiality analysis in order to anticipate future European regulatory requirements currently in preparation and to continue its dialogue with stakeholders. This analysis was carried out by an external third party[(1)] and is based on the double materiality principle established by the Non-Financial Reporting Directive and fully enshrined in the Corporate Sustainability Reporting Directive (CSRD)[(2)]. It was developed on the basis of the draft sustainability reporting standards submitted for consultation in April 2022 (ESRS)[(3)]. These standards define materiality in relation to two different dimensions: financial materiality (the impact of sustainability issues on the development, position or financial performance of a company); and impact materiality (the impact of a company on people or the environment).

Identification, evaluation and ranking of issues: First, an analysis of the key environmental, social and governance (ESG) topics was conducted, regardless of whether these topics are covered by the ESRS or are specific to L'Oréal or the beauty sector. 24 material issues were identified. These were then subjected to a double materiality assessment (financial materiality and impact materiality) through:

1. a **documentary review** to incorporate materiality and financial impact data as well as the perspectives of a large number of L'Oréal's stakeholders, in particular by taking into account the opinions of: employees, via the annual Pulse survey on L'Oréal employee engagement; consumers, through consumer surveys conducted by L'Oréal and the external third party; investors, via the review of international standards (SASB[(4)] in particular) and non-financial rating agencies, including MSCI, S&P Global, Moody's ESG Solutions, Sustainalytics; sustainability experts, through surveys relating to the business world, public policy and civil society;
2. **interviews with internal and external ESG** experts (clients, investors, representatives of civil society, NGOs, professional associations).

Following this analysis, the issues were classified in accordance with the extent of their financial and impact materiality.

Results and action plans: All the issues reported in the matrix are the subject of internal action plans, implemented in particular within the framework of programmes such as L'Oréal for the Future or L'Oréal Share & Care. The results of this analysis were shared with the Audit Committee and the Executive Committee in 2022. The double materiality matrix is intended to be updated regularly, particularly with regard to the final version of the ESRS, which is set to be adopted by the European Commission in June 2023.

Main ESG issues	Examples of policies and action plans	Document section
Environmental issues: circular economy, preservation of natural resources (packaging, formulas), climate, water and biodiversity.	**"Transforming our business" pillar of the L'Oréal for the Future programme:** ● **Climate**: Reduction of greenhouse gas emissions from sites, strategic suppliers, products transportation and consumers; ● **Water:** formulas with zero impact on the diversity of aquatic ecosystems, water recycled or reused in a loop; ● **Biodiversity:** 100% of ingredients in traceable and sustainably sourced bio-based formulas and packaging materials; ● **Resource management:** bio-based formulas, recycled or bio-based plastic packaging, refillable, reusable, recyclable or compostable plastic packaging, recovered waste etc.	1.3.2. Corporate Social Responsibility (CSR): shared and lasting growth / L'Oréal for the Future: 2022 Results
Safety of ingredients **and product compliance**, including transparency and action on the safety of new ingredients**.**	● **Safety assessment process:** production quality standards that govern the quality of products from design and production to distribution (100% of products subject to rigorous Worldwide Safety Evaluation, safety testing). ● "Inside our Products" website	4.3.1.3.2 Involving consumers in the Group's transformation 4.3.1.3.2.A Product quality and safety: a priority
Responsible beauty marketing and advertising. **Responsible consumption** and consumer adoption of sustainable lifestyles	● Displaying the **environmental and social impact** of the products ● Environmental and societal commitments of L'Oréal **brands** ● Responsible communication commitment: member of the Unstereotype Alliance ● L'Oréal's Influencer Value Charter	4.3.1.3.2.B/ Raising awareness among consumers about sustainable lifestyle choices 4.3.2.6. Promoting Diversity, Equity and Inclusion 4.1.2 Dialogue with stakeholders 4.3.3.1. A commitment of the entire organisation
Fair transition, including **living wage** in the supply chain	● Code of Ethics & **Mutual Ethical Commitment Letter** ● Commitment to the **living wage**[(5)] for employees and strategic suppliers ● 12 years of inclusive purchasing, with the Solidarity Sourcing programme ● Signature of IDH's call to action Better Business Through Better Wages ● Fondation L'Oréal: *Beauty for a Better Life*	4.3.1.3.2 Involving strategic suppliers in the Group's ambitions 4.3.1.2.1. Due diligence: selection and assessment of strategic suppliers 4.3.3 Human rights policy 4.3.3.6 Measures taken in favour of communities

(1) GlobeScan: independent research and consultancy firm.
(2) CSRD: Corporate Sustainability Reporting Directive Directive adopted by the European Council on 28 November 2022 and the cornerstone of an ambitious European legislative and regulatory framework aimed at the full integration of Environmental, Social and Governance dimensions into the overall and long-term performance of companies.
(3) ESRS: European Sustainability Reporting Standards. Standards developed by the European Financial Reporting Advisory Group (EFRAG), appointed by the European Commission, in the context of the Corporate Sustainable Reporting Directive. As of April 2022, these drafts were provisional pending public consultation and further review. These standards are set to be adopted as delegated acts by the European Commission in 2023.
(4) SASB: Sustainability Accounting Standards Board.
(5) Definition of decent living wage in chapter 4.3.2.5

4.1.1. A Group with a longstanding commitment

1968
- 1st profit sharing agreement

1979
- 1st production of reconstructed skin

1988
- 1st incentive agreement

1989
- End of animal testing for finished products

1995
- 1st environmental research laboratory

1996
- Creation of the Instance Européenne de Dialogue Social (European Works Council)

1998
- 1st L'Oréal - UNESCO International prize *for Women in Science*

2000
- 1st Ethics Charter

2001
- Creation of the Worldwide Profit-Sharing Program-WPS

2002
- 1st social audits of suppliers

2003
- ISO 14001 certification
- 1st participation in the CDP
- L'Oréal joins the United Nations Global Compact

2004
- 1st Diversity Leadership Awards
- 1st Diversity Charter
- 1st sustainable development report

2005
- Commitment to use plant-based raw materials in accordance with the Convention on Biological Diversity

2007
- Creation of the Fondation L'Oréal
- 1st recognition by the Ethisphere Institute as "one of the most ethical companies in the world"

2008
- 1st Ethics Day

2009
- Commitment to a 50% reduction in CO_2 emissions, waste generation and water consumption at industrial sites by 2015
- 1st participation in the CDP supply chain
- Launch of the Beauty for a Better Life programme by the Fondation L'Oréal

2010
- Creation of the *Solidarity Sourcing programme*
- 1st European label, the Gender Equality European International Standard (GEEIS), awarded to 8 entities

2013
- Launch of *Sharing Beauty With All*: 1st sustainable development programme for 2020
- Launch of L'Oréal Share & Care
- "The Way We Prevent Corruption" guide

2014
- Signing of the UN's *Women's Empowerment Principles*

2015
- *Carbon Balanced Programme*

2017
- 2nd stage of the Share & Care Programme
- Science-Based Targets on Climate
- Human Rights policy published

2018
- Speak Up policy
- 1st employee shareholding plan

2019
- UN Global Compact: *Business Ambition for 1.5°C*, signature of the *pledge* (Net Zero Emissions 2050)
- 1st United Nations GEEIS Trophy awarded to the *Solidarity Sourcing Programme*
- L'Oréal joins the *One Planet Business for Biodiversity* coalition

2020
- Launch of the *L'Oréal for the Future programme*: 2nd sustainable development programme for 2030
- Signing of the TCFD
- Signing of the UN Business Leaders' Declaration for Renewed Global Cooperation
- Sense of purpose (raison d'être): Create the beauty that moves the world

2021
- Signing of the *Better Business Through Better Wages call to action launched by IDH - The Sustainable Trade Initiative* to promote the living wage
- Creation of the Fondation L'Oréal's Women4Climate Programme
- 2nd United Nations GEEIS Trophy awarded to the *Solidarity Sourcing Programme*

2022
- The only company in the world to be awarded "AAA" by the CDP for the 7th consecutive year
- Platinum award from EcoVadis: top 1% of companies evaluated
- Participation in the Early Adopters Programme launched in 2022 by the UNGC to measure the contribution companies make to the 10 principles of the Global Compact

2025
- Reporting on our commitments to the Ellen MacArthur Foundation: New Plastics Economy

2030
- Completion date of the L'Oréal for the Future programme

2050
- Reporting on our Business Ambition for 1.5°C – Net-zero commitments

4.1.2. Constant dialogue with 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. The Group has defined and developed a method of ad-hoc interaction, that it considers the most efficient and appropriate, for all the stakeholders involved. The dialogue conducted by L'Oréal with its stakeholders has grown in importance over time.

Consulted throughout the Group's first sustainability programme, Sharing Beauty with All, they were then involved in both the definition of commitments and during their follow-up. From April 2019, seven internal expert groups came together to prepare the L'Oréal for the Future programme for 2030. They coordinated **independent studies** and collaborated **with external partners and civil society**. Their mission was to define the Group's next steps. These consultations resulted in ambitious and quantified objectives to reduce the Group's impact and make a positive contribution to its ecosystem. For a large number of environmental and societal issues around the world, ongoing exchanges with NGOs, associations and experts allow the Group to compare and ensure the appropriateness of its policies, and action plans.

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2022
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 35,000 people logged on to Ethics Day sessions and more than 7,600 questions were asked worldwide. In 2022, 91% of the employees invited took part in the "Pulse" engagement survey. The results show significant progress on all components of the *Simplicity* management programme.
Suppliers	L'Oréal fosters a dialogue with its suppliers and shares its ambitions and best sustainable development practices with them.	During annual Business Reviews (1), L'Oréal discusses five primary issues with its suppliers: quality, CSR, innovation, delivery/supply chain and competitiveness. L'Oréal shares information and best practices with its suppliers around the world. Since 2018, more than 700 suppliers of the "Retail & Promo" purchasing area have been trained on the eco-design of point-of-sale advertising materials.
Consumers	L'Oréal is heedful of both current and future needs and concerns of its consumers, in particular with regard to sustainable development.	L'Oréal continued with its policy of active listening, particularly in the US and China, where quantitative studies measured consumer acceptance of transparency regarding the environmental and social performance of their products.
Shareholders	L'Oréal is committed to developing and fostering a regular relationship of trust with all its shareholders. The Financial Communication Department offers a range of multimedia and digital tools (e.g. the website L'Oréal-Finance.com, newsletters), organises regular meetings with shareholders and their associations, and takes part in the discussions of professional associations.	• Publication of an interactive digital Annual Report and the previous year's Universal Registration Document in digital format for better accessibility and readability; • Distribution of "Letters to Shareholders" and newsletters; • Live broadcasting of the Annual General Meeting; • Participation in trade fairs: BoursoLive and Investir Day, in remote and physical formats at the Carrousel du Louvre; • Contribution to the first Nextwise(2) stock market challenge; • Multi-annual meetings of the Individual Shareholders' Consultative Committee attended in person. The Committee visited the VivaTech trade show; For more information, see section 7.6.
Customers (distributors)	L'Oréal builds close relationships with its distributors so that it can co-create and develop new ways of doing business. The Group involves them in the preparation of sustainable development projects aimed at engaging consumers in sustainability.	In various Asian markets, the Group is working with A.S. Watson to collect empty packaging in stores. In the United Kingdom, our marchandising teams and suppliers have worked with Boots and Superdrug to reuse or recycle the materials used in makeup display stands. In Mexico, L'Oréal worked with Walmart on a campaign entitled "Committed beauty". This involved presenting sustainable products in stores and making a financial contribution to local initiatives.
Employee commitment	Once a year, all L'Oréal employees are invited to spend a day volunteering(3) while continuing to receive their salary.	In 2022, more than 23,900 employees across 74 countries participated in Citizen Day to help over 760 non-profit organisations via 1,040 solidarity missions.

(1) *Annual review of the supplier's business activity, its performance over the past year and its objectives for the following year. In 2022, 627 Business Reviews took place.*
(2) *A stock market learning and training programme. Organised by the Paris Dauphine University – PSL, it has been open to students from other higher education institutions since September 2022.*
(3) *With associations, on public utility projects and supporting the surrounding communities.*

	CURRENT RELATIONSHIPS	SOME INITIATIVES IN 2022
International organisations, coalitions, NGOs and associations	The Human Rights Department is engaged in a dialogue and partnerships with outside stakeholders, including NGOs, institutions and Human Rights associations. Accordingly, L'Oréal is a partner of: ● Fair Wage Network, an NGO which provides the Group with a database on living wages in 200 countries and assists it with implementing its strategy in Operations and with strategic suppliers; ● the SciencesPo Law School clinic; and ● the United Nations Global Compact. Furthermore, L'Oréal joined: the Shift Business and Human Rights Learning programme at Harvard; the Human Rights Coalition of the Consumer Goods Forum; Open for Business, a coalition of companies committed to LGBTQIA+ inclusion; and Unstereotype Alliance, under the authority of UN Women.	In 2022, L'Oréal: ● joined the UNGC Living Wage Think Lab, an initiative led by companies selected by the UN Global Compact with the aim of promoting the living wage; ● signed the "Call on the EU to make living wages and income a human right" concerning companies' duty of vigilance in terms of sustainability; ● published the Human Rights Impact Assessment (HRIA) conducted by the Danish Institute for Human Rights on the bergamot sector in Italy. In particular, this HRIA enabled robust engagement with the stakeholders in this value chain.
Non-financial rating agencies and investors	Every year, L'Oréal improves the information shared with its stakeholders and regularly discusses CSR topics with non-financial rating agencies and investors.	L'Oréal is in regular contact with numerous non-financial rating agencies, including Moody's ESG Solutions, ISS-OEKOM, MSCI, FTSE and Sustainalytics. These interactions enable discussions on the Group's non-financial performance and the identification of potential areas for improvement.
The scientific community including researchers and academics	Research & Innovation teams maintain close links with a large number of public or private research centres all over the world[1]. These links take 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. They optimise 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. L'Oréal collaborates in particular with the French Bureau of Geological and Mining Research (Bureau de recherches géologiques et minières – BRGM) to acquire knowledge about the minerals it uses (accessibility, extraction procedures, availability, etc.).	L'Oréal's teams continue their collaboration with the Stockholm Resilience Centre[2] to define its sustainable development goals by integrating the concept of planetary boundaries which, if crossed, will compromise the survival of humans on Earth. The environmental Research teams continue to work with the University of Nantes to develop innovative methods for being able to easily assess the biodegradability of mixtures of chemical substances. Moreover, these teams are collaborating with the Fraunhofer Institute in the development of one method to evaluate the bioaccumulation of substances in aquatic environments. The Group's researchers participate in various programmes to identify and test substances likely to be subject to endocrine disruption, both in France (FEATS ANR) and across Europe (ERGO – EndocRine Guideline Optimisation) and in the United States (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 by direct engagement. ● Accordingly, the Group facilitates discussions with institutional representatives on the role that companies should play with regard to major CSR issues.	● A member of many associations all over the world, including: the FEBEA (French federation for beauty companies), Cosmetics Europe, AIM (Association des Industries de Marque), WFA (World Federation of Advertisers), PCPC (US cosmetics industry association), CAFFCI (China Association of Fragrance Flavour and Cosmetic Industries), ISTMA (Indian Soap and Toiletries Mfrs Association), CTPA (Cosmetic, Toiletry & Perfumery Association), etc. ● Meetings with French government ministers during visits to our sites or at institutional events. ● Participation in major international institutional events, such as Climate Week NYC and the World Economic Forum Davos Summit. ● Member of the UN Global Compact
Local communities	L'Oréal has a long-standing commitment to combatting food waste.	Contributing to the national objective to reduce food waste in mass catering by 50% by 2025, the Group's company restaurants donated their surplus food to associations such as Restos du cœur or Le Chaînon Manquant, bringing the number of meals donated in 2022 to 6,973.
Students and young graduates	L'Oréal is recognised as one of the most attractive companies for students. The Group has unique know-how in working on university campuses, playing a central role in meeting the expectations and needs of students around the world.	● Brandstorm, an international student competition, which brought together more than 80,000 students from 65 countries. ● In 2021, the Group also launched the L'Oréal for Youth programme. This global, long-term programme supports the employment of young people and improves their employment prospects. As part of this programme, L'Oréal also grants support scholarships to students from disadvantaged areas. ● The Group financially supports several academic chairs, including: the Multi-Capital Global Performance chair and the "Chief Value Officer" Executive MBA with Audencia, the Consumer-driven Innovation and Entrepreneurship chair with HEC, the Leadership and Diversity and the Circular Economy chairs with ESSEC, the Creativity in Marketing professorship with ESCP, the Marketing, Innovation & Creativity Chair with INSEAD and the Marketing chair with Oxford University's Saïd Business School. ● L'Oréal is also a long-standing partner of CEMS, a global alliance of more than 30 business schools, including Bocconi University, LSE, Stockholm School of Economics, ESADE, Tsinghua University School of Economics, etc.

(1) *The National Institute for Materials Science (NIMS) in Japan and the Singapore Centre for Environmental Life Sciences Engineering (SCELSE), among others.*
(2) *The result of cooperation between Stockholm University and the Beijer Institute of Ecological Economics at the Royal Swedish Academy of Sciences.*

L'Oréal recognised for its non-financial performance

CDP: AAA for the seventh consecutive year

Global leader in sustainable development for our actions on combating climate change, protecting forestry and sustainable water management.

The CDP is a not-for-profit organisation that encourages companies to publish their environmental data and assesses their sustainable development performance and their transparency.

S&P Global Ratings: 85/100

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

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

EcoVadis: 83/100 – Platinum Award

The Group was awarded the Platinum award by EcoVadis. Figuring in the top 1%of companies assessed by the agency, L'Oréal was recognised for its non-financial performance in four major areas: Ethics, the Environment, Social & Human Rights, and Responsible Purchasing.

EcoVadis is one of the world's foremost non-financial rating agencies. This assessment, which is based on international standards, focuses on the extent to which CSR principles have been integrated into a company's actions and practices.

Sustainalytics: score of 18.9 – Low risk

L'Oréal has been assessed as a "Low-Risk" company, ranked #5 in the Household Products sector in November 2022.

Sustainalytics is a company that assesses the sustainability of listed companies based on their environmental, social and governance performance.

Score of 76/100, 1st in its luxury & personal goods sector and 4th overall

The Group's evaluation by this international non-financial rating agency places L'Oréal amongst the forerunners of the companies evaluated. This recognition means L'Oréal can be included in the CAC40 ESG index.

Since 2021, Vigeo has been part of Moody's ESG Solutions, which responds to the growing global demand for knowledge on ESG and climate factors. Moody's ESG Solutions assesses the environmental, social and governance performance of companies.

MSCI

In 2022, L'Oréal was rated AAA (on a scale of AAA-CCC) by MSCI.

MSCI, a non-financial rating agency, provides in-depth research, ratings and analysis on environmental, social and governance issues on thousands of companies.

ISS

For the 11th consecutive year, ISS ESG Corporate Rating has awarded L'Oréal "Prime" status, which recognises companies that are global leaders in sustainability in their industry.

ISS is a leading non-financial rating agency for sustainable investment, enabling investors to develop policies, integrate practices and engage with responsible investment issues.

FTSE

FTSE Russell has confirmed that the group has been independently assessed against the FTSE4Good criteria and has met the requirements for inclusion in the FTSE4Good Index Series.

Created by global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies that demonstrate strong environmental, social and governance practices. The FTSE4Good indices are used by a wide range of market participants to create and evaluate responsible investment funds and other products.

Ethisphere: 13th year

In 2022, L'Oréal was recognised for the 13th time as one of the world's most ethical companies. The Group is therefore one of the companies with the most advanced business ethics practices.

The Ethisphere Institute, a world leader in the definition and promotion of ethical standards, recognises companies that have demonstrated their commitment to ethical business practices through programmes that have a positive impact on employees, communities and, more broadly, on stakeholders, and that contribute to sustainable and profitable long-term commercial performance.

Bloomberg Gender-Equality Index

L'Oréal was recognized for the fifth consecutive time by the Bloomberg Gender-Equality Index, which acknowledges the most advanced companies in the area of gender equality among 418 companies evaluated in 45 countries.

The Bloomberg Gender-Equality Index recognises the most advanced companies in the area of gender equality.

Refinitiv

In September 2022, L'Oréal was once again included in Refinitiv's Diversity & Inclusion Index, and therefore ranked within the world's top 10 companies out of the 11,000 global companies assessed.

The Refinitiv Diversity & Inclusion Index scores and ranks companies on 24 indicators across four categories: diversity, inclusion, employee development and controversy.

Universum: 5th place

In 2022, L'Oréal was ranked #5 in the world (business schools), making it the first EU multinational company in the Top 5.

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

4.2. Main non-financial risks

L'Oréal presents its Corporate Social Responsibility strategy[1] in order to meet the requirements of the Non-Financial Information Statement[2] in particular. This Statement sets out the Group's main non-financial risks and describes the policies implemented to address them.

Performance indicators follow and measure these policies and their results. This presentation refers to the Group's business model, set out in section 1.2. As L'Oréal has had a long-standing commitment to CSR, section 4.3. also incorporates the policies and actions voluntarily implemented beyond a response to the main risks.

4.2.1. Risk identification process

The main environmental and social risks, the main risks related to Human Rights and the main corruption risks[3] are detailed[4] to the extent necessary to gain an understanding of the Company's position, business development, economic and financial results, and impacts of its activity.

Chapter 3 presents the Group's significant risks, i.e. risks that cover all areas of the Group's activities and that could have a material impact on its business, financial position or outlook. They have been established in conjunction with the Group risk mapping (see section 3.5.2.).

Some of these risks are specific to non-financial issues. Others are broader and may stem from environmental or societal causes: these are the CSR risks. The principal ones have been selected within the meaning of the NFIS following a detailed analysis. This analysis was carried out based on the work of Group experts, in conjunction with the Ethics, Risk and Compliance Department and in compliance with the Group's business model. This work also draws on the double materiality analysis, the climate study on environmental risks, the Group's Human Rights and corruption mapping, and corruption mapping conducted for each country. It takes into account the risk analysis carried out in connection with the Vigilance Plan (see section 3.4.).

The risks associated with climate change are subject to a long-term approach – more than 10 years – given their specific nature. The main risks have been validated at the highest level of responsibility of the organisation by the relevant General Managements.

4.2.2. Main risks for corporate social responsibility, Human Rights and corruption

The main risks in respect of CSR, Human Rights and corruption identified by the Group are detailed below. Other risks, of which the Group is not currently aware or which it does not consider material at present, could have a negative impact. The approach is based on double materiality: 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[5].

Main environmental risks

Industrial risks

As with any production, distribution, research and general administration activity, L'Oréal is exposed to a variety of industrial risks that may impact the environment and safety: fires, explosions, technical failure of facilities, safety system installations, or even human failure in the operation of existing facilities (such as those dedicated to the treatment of wastewater and/or their discharge), or when managing exceptional works. These events can generate accidental pollution (surface and underground water, air, soils, etc.) and have consequences inside or outside the sites, which are sometimes located near an inhabited area.

Physical and transition risks associated with climate change

The Group is exposed to risks of natural origin in many countries. Risks of natural origin are those related to the occurrence of extreme weather events such as cyclones or floods, or those resulting from long-term climate change such as the rise in average temperatures, noticeable change in precipitation levels and the reduction of available water. The increase in these risks could impact the availability of finished products by disturbing the Group's operations and/or supply chain. To be sold, the products manufactured by the Group must be available on the market on the dates scheduled to respect consumer demands and launch plans, in a cosmetics market where the need for responsiveness is growing constantly. A major stoppage of activity at a factory or distribution centre could therefore have an adverse effect on the achievement of commercial objectives.

These risks may impact the Group directly on its sites, or indirectly via the sites of suppliers and subcontractors, thereby reducing the availability of raw materials or filling and 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 this water 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 products could represent a risk in certain areas of the world affected by water stress or the lack of adapted infrastructures for the collection and treatment of wastewater. Similarly, the use of predominantly plastic containers may represent an environmental risk with regard to the disposal of plastic waste, depending largely on the collection and treatment channels available.

(1) The acronym "CSR" refers to Corporate Social Responsibility.
(2) NFIS – Prepared pursuant in particular to Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code, resulting from French Order no. 2017-1180 which transposed Directive 2014/95/EU of the European Parliament and the Council of 22 October 2014 on the disclosure of non-financial information.
(3) In accordance with the regulations, information on the fight against tax avoidance is given in section 4.3.5. "Tax policy".
(4) In application of the European Directive of 22 October 2014 on the disclosure of non-financial information, as transposed into French law.
(5) Pursuant to French Financial Markets Authority (AMF) recommendation no. 2018-12 of 29 October 2018, the 2019 AMF report on the "Corporate social responsibility of listed companies", and the Guidelines of the European Commission on Climate of 20 June 2019.

Main environmental risks

Risk related to changing stakeholder and consumer expectations in terms of environmental performance

The choices made by certain categories of consumers may be increasingly influenced by the impact associated with the use of a product (its carbon footprint, its water footprint, its impact on biodiversity) and by the Group's overall environmental performance, particularly in terms of reducing its CO_2 emissions in all Scopes. If the Group is unable to anticipate changes in such behaviours, meet stakeholders' expectations, overcome major environmental and social challenges and respond in particular with appropriate product innovation, a significant contribution in the transition towards a low carbon economy and the preservation of water, natural resources and biodiversity within its value chain, the Group's performance and reputation could be affected.

Risk of regulatory non-conformity

L'Oréal operates through subsidiaries located in many countries. Like any international business, L'Oréal is subject to a wide range of constantly changing local laws and regulations in the areas of safety and the environment. This mainly concerns the fight against climate change, and the preservation of water resources, biodiversity and natural resources. This exposes it to the risk of regulatory non-compliance or higher compliance costs for its activities in a global context of increasingly diverse norms.

Main social risks

Employee health and safety risk

Given L'Oréal's activities, particularly its industrial operations, the risk of occupational injuries or illnesses could become a reality. Psychosocial risks, exacerbated by the effects of the Covid-19 health crisis, may affect employees' mental health. This could also have an adverse impact on their commitment and, consequently, on the Group's performance.

Human resources management risk

One of the keys to L'Oréal's success lies in the talent of its employees to ensure its growth. This is all the more true as L'Oréal is changing within a complex, highly competitive and rapidly changing environment (globalisation, diversity and inclusion challenges, sustainable development issues, acceleration of the digital transformation etc.) that requires specific expertise. The Covid-19 health crisis has left a significant mark on the job market, with new employee expectations regarding working methods, particularly with the introduction of a sustainable hybrid mode, alternating between on-site and remote working. If L'Oréal fails to identify, attract, recruit, retain and develop competent and involved employees who behave responsibly within diverse teams, the development of its activities and its results could be affected.

Main Human Rights risks

The Group expanded its mapping by identifying the potential key Human Rights risks worldwide and in all markets. L'Oréal relied on the reporting framework of the Guiding Principles on Business and Human Rights (UNGP Reporting Framework). This identification process takes into consideration the severity, scale and remediability, as well as the likelihood of its impacts for people throughout its value chain. This study was conducted with an NGO specialised in the area, providing independent analysis. The main risks are as follows:

- the Human Rights of L'Oréal's employees (discrimination because of gender, age, disability, gender identity, and sexual orientation);
- the Human Rights of L'Oréal's suppliers' employees (child labour, forced labour, discrimination because of gender, age, disability, gender identity and sexual orientation, and lack of a living wage);
- the Human Rights of consumers (failure in the quality and safety of products, and lack of protection of personal data); and
- the Human Rights of communities (stereotypes in advertising).

Another risk identified concerns the Human Rights of communities potentially impacted by the Group's activities (respect for the environment, right of access to water, consideration of Human Rights in the choice of raw materials, and in particular, the right of access of local populations to their land and respect for their traditional knowledge under the Nagoya Protocol).

Main corruption risks

L'Oréal operates in many countries where the risk of corruption can be significant and could lead L'Oréal's employees, as well as third parties acting in its name or on its behalf, directly or indirectly, voluntarily or involuntarily, to adopt practices contrary to the Group's ethical principles and the prevailing regulations. Corruption takes a variety of forms that are not necessarily easy for employees to identify. For instance, the exchange of gifts or invitations of excessive value could be perceived as corruption.

The assessment of corruption risk is materialised by specific mapping, carried out at the Group level and by each country in its local context. The Group's activities involve in particular relations with:

- public authorities and their representatives, either directly or via intermediaries or professional bodies, to obtain the authorisations necessary for the Group's activities, for instance. The countries in which the Group operates must be given support in the fight against public corruption;
- the Group's customers and suppliers; and
- journalists, doctors, etc., to whom products can be given so that they can recommend them. Relationships are also maintained with third parties that, beyond the Group's products themselves, issue various or general opinions on L'Oréal. Any action potentially deemed as being intended to cause the persons in question to breach their obligation of loyalty must be avoided.

Any breach of the Group's corruption prevention principles may be detrimental to L'Oréal and its partners. Equally, any failure of a partner may be detrimental to L'Oréal.

4.3. Policies, performance indicators and results

The Group's policies address **the need to prevent and mitigate the occurrence of the main CSR risks** and aim to **contribute to its sustainable growth** in a control environment aligned with its businesses. There are however limits inherent in any system and process. These limits result from several factors, such as the uncertainties of the outside world, or issues resulting from technical or human failures. These policies also reflect a proactive approach by the Group to consider stakeholder expectations (see section 4.1.2.).

4.3.1. An ambitious environmental policy

The Group has a long-standing commitment to reducing its environmental footprint and **aims to be one of the best-rated companies in this area**. L'Oréal wishes to prove that it is possible to decorrelate growth and environmental impact and to contribute positively to its ecosystem throughout the world.

- In 2013, L'Oréal launches the *Sharing Beauty With All* programme, based on four pillars: "Innovating sustainably", "Producing sustainably", "Living sustainably" and "Developing sustainably".
- In 2016, the Working Sustainably programme is rolled out within Sharing Beauty with All to integrate administrative sites and research centres within the improvement of environmental and social impacts.
- In 2017, L'Oréal joins the Science-Based Targets programme, an initiative of the CDP, the United Nations Global Compact, the World Resources Institute, and the NGO WWF. The Group thereby plans to reduce its overall greenhouse gas emissions by 25% compared with 2016 by the end of 2030.
- In 2018, to progress further with regard to the individual *Act4nature* commitments, L'Oréal sets a goal of ensuring that 100% of its raw materials are renewable and come from sustainable sources by 2030.
- In 2018, L'Oréal becomes a partner of the Ellen MacArthur Foundation, with the aim of adopting refillable, reusable, recyclable, or compostable plastic for 100% of packaging by 2025.
- In 2019, L'Oréal becomes one of the first companies to sign the "Business Ambition for 1.5°C" Pledge of the UN Global Compact. The Group thereby commits to reaching zero net emissions by 2050 over its entire value chain, in accordance with the 1.5°C pathways of the IPCC[1].
- In June 2020, the Group announces the follow-up sustainable development programme to the Sharing Beauty With All programme: L'Oréal for the Future. It sets a second generation of particularly ambitious and specific objectives for 2030 with regard to efforts to combat climate change and preserve natural resources. These cover all impacts associated with the Group's value chain and its sites: from the search for renewable ingredients and the sustainable sourcing of raw materials to the transportation of products, their consumption, and their end of life.

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; ● training in EHS policy and practices: 6,865 people trained worldwide; ● a worldwide audit programme: 38 EHS audits; ● a continuous improvement process: 35 ISO 14001 certifications, 27 ISO 50001 certifications, 34 ISO 45001 certifications (factory scope); ● a process of systematic integration of new sites.
Managing risks and controlling the impact of sites on their environment	● an environmental analysis conducted on a regular basis and whenever a significant change occurs; ● consideration of biodiversity and land use in the design or operation of sites; ● monitoring of surface water: no accidental spill; ● monitoring of the wastewater leaving factories: wastewater quality index (0.34 g COD/FP)☑; ● monitoring of air emissions, excluding greenhouse gases: 0.1 t of SO_2; 156 t of VOC (in 2021); ● monitoring of noise pollution.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*
(1) *Intergovernmental Panel on Climate Change.*

POLICY	INDICATORS AND PRINCIPAL RESULTS
Fighting climate change, reducing waste, and preserving resources and biodiversity on operated sites	● reducing greenhouse gas emissions (Scopes 1 and 2, according to the GHG Protocol): -57% for industrial sites (compared with 2019), -87% for administrative sites and research centres (compared with 2019) ● Scope 1 and 2 CO_2 emitted by sites; 110 "carbon neutral"(1) sites at the end of 2022; ● reducing energy consumption of sites: 781,465 MWh☑ for industrial sites, 162,914 MWh for administrative sites and research centres; ● increasing renewable energy use: part of renewable energy consumed by sites: 89% for industrial sites☑, 92% for administrative sites and research centres; ● preserving water resources: total water withdrawal of sites: -6% for industrial sites (in litres per finished product compared with 2019), +14% for administrative sites and research centres (in litres per 100 hours worked compared with 2019), 5 Waterloop factories at the end of 2022☑; ● preserving biodiversity: 94 biodiversity inventories carried out, 90% of sites do not or no longer use phytosanitary products to maintain green spaces ☑ ● reducing waste and preserving natural resources: total generation of transportable waste from sites: -3% for industrial sites (in grams per finished product compared with 2019), +23% for administrative sites and research centres (in kg per 100 hours worked compared with 2019); recovery index: 96% for industrial sites☑, 94% for administrative sites and research centres; material recovery index: 61% for industrial sites☑, 52% for administrative sites and research centres.
Involving suppliers in the Group's transformation	● 49% of direct and indirect strategic suppliers were evaluated on the basis of their environmental and social performance; ● encouraging strategic suppliers to reduce their greenhouse gas emissions: 652 suppliers participated in the CDP supply chain, representing 89% of the expenditures made for direct suppliers; ● engaging strategic suppliers: 1,145 social audits were conducted in 2022 ☑; ● 859 suppliers have had their social, environmental and ethical policies evaluated by EcoVadis; ● 85,544 people gained access to work through the Solidarity Sourcing programme: ● reducing Group emissions from product transport (Scope 3 as per the GHG Protocol): CO_2 emitted by transport: 6.7% (tCO_2 eq./unit sold compared with 2016).
Sustainability: from product design to end consumer	● 97% of the Group's products have an improved environmental profile ● 61% of our ingredients in formulas are from biobased sources, derived from abundant minerals or from circular processes; ● "Zero Deforestation" commitment: 100% of purchases of palm oil and of palm oil and palm kernel derivatives have been certified as sustainable according to the RSPO criteria (2); ● 38% of the Group's plastic packaging is refillable, reusable, recyclable or compostable; ● 97% of the advertising displays at points of sale are eco-designed; ● number of people who have benefitted from the commitment of our brands: 2,398,916.
Meeting the most demanding climate standards	● GHG assessment, an annual exercise: Scopes 1, 2 and 3: *11,270 thousand tonnes of CO_2* equivalent; ● climate commitments relating to Scope 3 (Science-Based Targets, Pledge of the UN Global Compact: *"Business Ambition for 1.5°C"*; ● adapting the model to the climate emergency: alignment with the TCFD principles; ● alignment with the European Taxonomy, the priority target of which is the sectors with the largest environmental footprint, in which L'Oréal is not included.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

(2) *Roundtable on Sustainable Palm Oil.*

4.3.1.1. A strategy and ambitions centred on sustainable development

4.3.1.1.1. An ambitious EHS policy shared by all

A pioneering, socially responsible company, L'Oréal applies an ambitious Environment, Health and Safety (EHS) policy to minimise its environmental impact and guarantee the health and safety of employees[1], customers, and the communities in which it carries out its business activities.

This has been reflected, for many years, in the desire to systematically control the risks related to the safety of people and the environment that are inherent in the Group's business activities. A risk assessment and action plans aim to reduce the potential impacts of:

- any establishment or renovation of a site;
- any introduction of new equipment or manufacturing processes; and
- any modification of industrial processes.

This commitment has led to the deployment of the Group's EHS policy over the entire spectrum of its business activities, but also beyond it. Indeed, the Group strives to ensure the regulatory compliance of its activities and compliance with its standards on its sites (industrial or administrative sites, research centres, stores). The Group also ensures that its subcontractors and suppliers respect the safety of people and the environment through a specifically dedicated audit programme.

A system built up over many years

1991
- Organisation and consolidation of EHS procedures and reporting for the Operations Department.

1996
- First EHS audits.

2000
- Organisation of worldwide EHS governance.
- Launch of SHAP* and Root Cause analysis tools.

2004
- 1st environmental objective for the Group (reduction in energy consumption).

2008
- Evaluation of the Group's Greenhouse Gas Balance.

2009
- The Group's 1st environmental commitments for 2015 (reduction of CO_2 emissions, water withdrawal and waste generation).
- Launch of THE SIO* and MESUR* tools.

2013
- Launch of the SBWA programme.
- Launch of Waterscan*.

2017
- Validation of the Science Based Targets*.
- The Group's first Waterloop Factory.
- Launch of Energyscan*.
- Safe@Work Safe@Home programme.
- Launch of the LIFE* programme.

2018
- First RoSPA* awards.
- Launch of GHAP*.

2019
- UN Global Compact: "Business Ambition for 1.5°C", signing of the *pledge*.

2020
- Signing of the TCFD.
- Launch of the *L'Oréal for the Future* programme.
- 17 RoSPA awards.

2021
- Launch of *Green Steps*.
- 53 RoSPA awards.

2022
- Three "A"s achieved under the CDP for the 7th year.
- 69 RoSPA awards.
- Sponsorship of the RoSPA "Inspiring Women in Health & Safety" award.

CDP: Carbon Disclosure Project.
Energyscan: A tool that makes it possible to quantify a factory's potential energy savings.
GHAP: Global Hazard Assessment Procedure.
LIFE: Life-threatening Incidents or Fatality Events.
MESUR: MESUR (Managing Effective Safety Using Recognition and Refocusing).
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 makes it possible to quantify a factory's potential water savings.

(1) *The Health and Safety policy addressing the health and safety risk of employees (see section 4.2.2.) is presented and described in the Human Resources policy (see section 4.3.2.).*

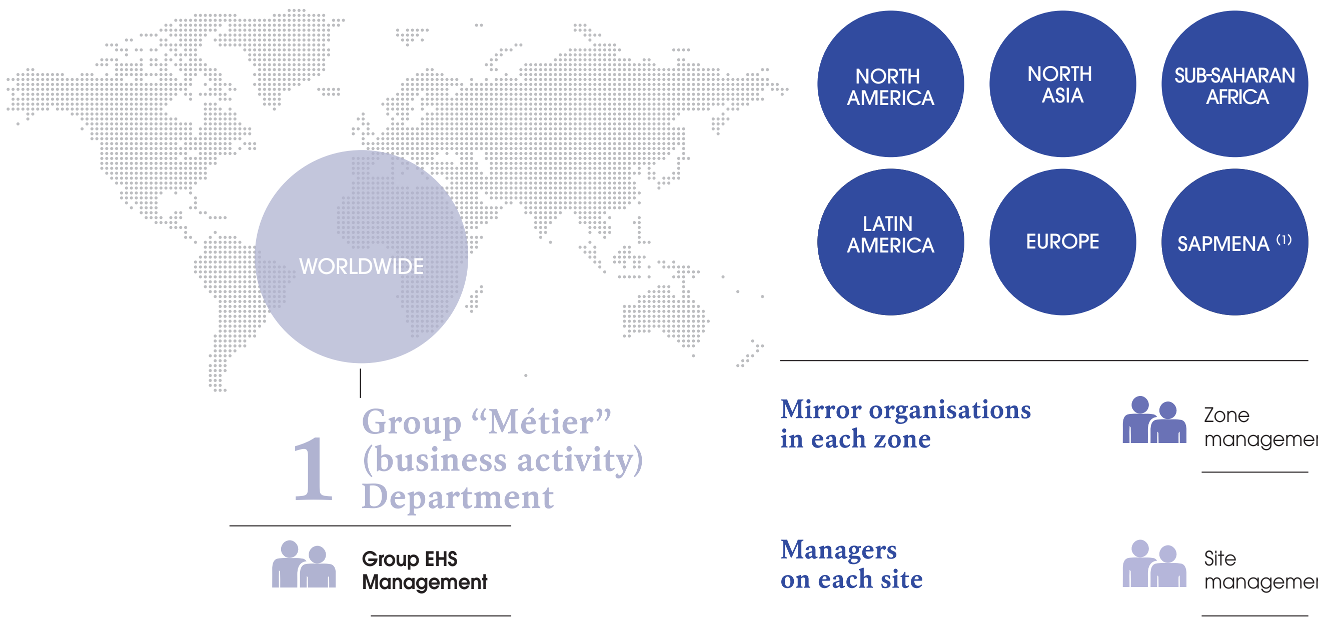
A unique reference manual

The Group's EHS policy is based on stringent standards. Every site operated by the Group can refer to it using the EHS manual. While knowledge of and compliance with these procedures are fundamental, the lasting improvement of the safety results and environmental performance requires in particular the dissemination of a sustainable EHS culture to every employee. The Group implements large programmes of actions to improve the safety and environmental impact of its activities. A dedicated training programme ensures that this EHS culture is spread to every level of the organisation.

Lastly, a context-appropriate audit system combining both a "risk" and a "culture" evaluation assesses the compliance of activities with the key regulatory requirements, the proper application of the Group's standards, and the spread of the EHS culture.

A worldwide organisation

Under the responsibility of Operations, EHS is organised 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.



(1) South Asia, Pacific, Middle East, North Africa.

General Management	The Chief Operations Officer, a member of the Executive Committee who reports to the Chief Executive Officer, is responsible for the Environment, Health and Safety for the Group.
Site managers (factories, distribution centres, administrative sites, research centres)	Site managers are responsible for the deployment and effective implementation of the policies defined. Their remuneration is partially tied to their EHS performance.
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 entities.

The EHS manual 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]. In particular, it covers:

- the safety of people and property;
- fire protection;
- maintenance and work;
- pollution risks;
- efficiency of the use of resources, water and energy consumption;
- preservation of biodiversity;
- greenhouse gas emissions, wastewater discharges, waste generation and treatment.

This EHS policy is accompanied by monthly reporting based on detailed indicators. These indicators enable changes in the results for each area above to be monitored, and anomalies and incidents to be reported.

The EHS manual is rolled out at all industrial sites, research centres, administrative sites, free-standing stores and points of sale.

(1) In collaboration with the Security and Real Estate Departments for property.

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 help to establish risk identification and control systems, and to embed the EHS culture at the Group's sites, 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 establishing appropriate preventive and corrective measures; and
- enabling managers to identify, in their activities, the actions that help to improve the EHS performance of their site.

TRAINING	OBJECTIVE	PROFILES CONCERNED	2022 RESULTS
EHS Excellence	Guaranteeing a high level of expertise for EHS managers in the Group	EHS teams	52 people trained worldwide
Leadership & Safety culture *Mastering DOP role*	Training managers in the EHS culture of their unit	Top managers Operations Directors (DOP)	85 people trained worldwide 11 people trained worldwide
EHS Operations & Labs		Managers and operational supervisors	189 people trained worldwide
Ergonomic Attitude programme	Training in health and safety issues specific to Operations sites	Experts, managers and employees	33 experts and 1350 employees trained (managers, technicians, etc.) 5 EHS people trained as trainers

The 2020 Covid-19 health crisis inspired the Group to adapt its EHS training programme. A substantial overhaul was conducted to enable it to be monitored remotely. Webinars were rolled out through which EHS programmes could be presented. The "Green steps for all" training programme in particular has brought awareness of the challenges related to climate, water, biodiversity, and resources to 17,559 Operations employees since 2021.

In addition to these specialised training sessions, every new L'Oréal employee receives general and specific training at their workstation on the Group's EHS rules before taking up their position.

A worldwide audit programme

To ensure compliance with the Group's EHS policy, a system of worldwide audits has been in place since 1996. Since 2001, this has been reinforced by the presence of external auditors, who are experts in local contexts and regulations. These audits take place regularly at 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 if necessary.

There are two types of audits: "risk" and "culture" audits. They are performed depending on the maturity, and type of activity at the sites.

Risk audits are carried out by external and independent experts. They assess in particular:

- compliance of practices and facilities with the significant requirements of local regulations, and Group procedures and rules;
- control of risks to health, safety and the environment generated by technical equipment, processes and operating modes available for use by employees; and
- progress in environmental, health, and safety performances.

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.

Culture audits are carried out by internal EHS specialists through interviews with at least 20% to 30% of the site's workforce. The leadership of site management, all operational managers and the deployment level of the EHS culture with all employees are evaluated.

The results of these audits provide information on the knowledge of EHS management tools and the maturity of sites with regard to the safety and environment culture at all structural levels.

Depending on the case, EHS audits are exclusively risk or culture audits, audits that combine risks and culture, or even audits that combine risks, culture, quality and performance.

Furthermore, L'Oréal shares with its subcontractors the objective of improving EHS performance. Audits are carried out by independent third-party specialists in addition to social audits. They are conducted 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 2022, the following EHS audits were conducted:

- 20 risk audits;
- 8 combined risk and EHS culture audits;
- 7 combined Quality, Environment, Health, Safety and Performance audits and 3 combined Quality, Environment, Health and Safety audits;
- 66 additional EHS audits of subcontracting sites in factories, and 19 in external distribution centres.

In addition, annual prevention inspections are conducted by experts from the Group's insurance companies as part of external Fire and Environment insurance policies. In 2022, 11 sites (8 factories, 2 distribution centres, and 1 research centre) were inspected for environmental risks in 8 countries. In 2022, fire prevention inspections were carried out at 3 plants in France, and 11 sites worldwide.

All preventive audits and inspections mentioned above involved a risk component which is always carried out by external independent auditors specialised in the area being audited.

A continuous improvement process

The implementation of the standards, the spread of the L'Oréal EHS culture and the governance system in place contributes to the continuous improvement of the Group's EHS performance. Major developments occurring within the framework of the Group's Operations are also included with this same goal. The construction of a new factory, the purchase of new equipment or the definition of new processes are also opportunities 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. They are therefore the subject of detailed improvement plans, the effectiveness of which is evaluated during the audits.

LIFE (*Life-threatening Incidents or Fatality Events*) programme

For all L'Oréal sites, it covers activities posing risks that, if not controlled, could result in serious injury or illness. The Group is prolonging the ambition of **moving towards "zero accidents"** by ensuring the sustainability of actions and defining the requirements in terms of preparing for emergencies following an incident. It is backed up by a three-year communication campaign relayed by managers to cover the 10 identified families of *LIFE* risks.

The L'Oréal for the Future programme

With the L'Oréal for the Future programme, L'Oréal is committed to **improving the environmental footprint of its operated sites** (production and distribution sites, administrative sites and research centres).

The main environmental objectives of the programme for operated sites are as follows:

- **climate**: reaching "carbon neutral"[1] status for all sites by 2025, by improving energy efficiency and using 100% renewable energy;
- **water**: in 2030, 100% of the water used in our industrial processes will be recycled and reused in a loop;
- **biodiversity**: by 2030, all of our operated buildings and industrial sites will have a positive impact on biodiversity compared to 2019; and
- **natural resources**: by 2030, 100% of the waste generated in our operated sites will be reused or recycled. L'Oréal is also committed to no longer send waste to landfills.

The Group is committed to an ISO certification process in order to permanently anchor EHS performance on its production sites:

- since 2003, L'Oréal has committed to **ISO 14001** "Environmental Management" certification in all of its factories;
- in 2015, the Group launched an **ISO 50001** "Energy Management" certification programme with the goal of certifying all its factories in accordance with a clearly defined roadmap. Other sites (distribution centres, administrative sites and research centres) have also launched this process; and
- since 2007, L'Oréal has committed to **OHSAS 18001 certification, and then ISO 45001** "Occupational Health and Safety Management" certification in all of its factories.

2022 Certifications	ISO 14001		ISO 50001		ISO 45001	
	Number of sites	%	Number of sites	%	Number of sites	%
Factories	35	92	27	71	34	89

An internal communication system exists to inform each site when accidents, near misses or significant incidents occur. Specific communication is circulated worldwide to raise awareness of the facts and lessons to be learnt, the existing rules and the new requirements to be applied. Finally, each site is provided with an historical record which covers 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 ensures that **these sites[2] are provided 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) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

(2) *Excluding stores.*

4.3.1.1.2. Managing risks and controlling the impact of sites on their environment

The Group systematically analyses the industrial risks of its activities, specifically their environmental impact on the soils, water or air of the places where they are performed.

Analysing in order to manage and limit risks

Each site has a general **environmental analysis** to be updated on a regular basis and whenever a significant change occurs.

All employee activities (permanent or temporary) are covered by an environmental analysis(1). To **avoid all forms of pollution** (soil, surface water, groundwater, air etc.), sites must comply with the **preventive measures described in the internal procedures**. There are also **contingency plans in the event of accidents** for which the relevant persons are trained. **Prevention inspections by insurers and periodic EHS audits** verify that these measures are properly implemented.

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, and sometimes immediate, action plans are implemented to reduce significant risks to an acceptable level.

A risk assessment and action plans aim to reduce the potential impacts of:

- any establishment or renovation of a site;
- any introduction of new equipment or manufacturing processes; and
- any changes in industrial processes.

When purchasing land or buildings, L'Oréal conducts due diligence, which includes, in particular, a review of the environmental aspects.

Biodiversity and land use

L'Oréal's biodiversity and land use commitments are based on the following principles:

- **establishing ecological inventories for sites** that aim, through the resulting action plan, to preserve, restore and develop the biodiversity of sites in their ecosystems. A local expert conducts this inventory, which may be based on the SITES v2 standards (Reference Guide for Sustainable Land Design and Development), aligned with the LEED environmental certification (Leadership in Energy and Environmental Design);
- **reducing the impact of any construction on the environment:** This could involve, for example, choosing a zone that is already industrially developed, an existing industrial site or a brownfield site. For administrative sites, this could be an urban area with a high population density close to a residential neighbourhood, ideally located in the city centre or in a neighbourhood well served by public transport. A sustainable building site charter includes these recommendations and requires selective sorting of building site waste and minimised impact on residents during the project phase;
- **if possible, place the site on land located more than 30 metres from any wetland** (sea, ponds, lakes, rivers etc.), outside natural areas, public green spaces, land with endangered or threatened species, or any other unbuilt areas (farmland etc.);
- **prevent soil erosion** resulting from wind and/or rainwater runoff during construction, including by protecting the stored arable soil layer to enable it to be reused;
- **maintain or restore native natural habitats** and biodiversity on the built site;
- maximise green or natural spaces on the site (even beyond local legal requirements), and minimise impermeable surfaces;
- focus on cleaning up polluted sites (e.g. brownfield sites) where development is more difficult due to environmental contamination (real contamination or contamination perceived as such). This allows construction on natural or non-artificial land to be avoided; and
- for future administrative sites, lease buildings that are certified LEED Gold or Platinum (or equivalent) in mature real estate markets.

Surface water

The Group has adopted **rainwater standards in order to monitor its quality and avoid its pollution**. For instance, sites are equipped with oil separators for parking areas. Similarly, adequate retention capacities must be implemented for any retention and operating area where accidental spills are liable to occur. This retention capacity must allow for fire extinguishing water to be kept at each site.

Industrial wastewater

At the end of 2022, 31 L'Oréal factories had their own wastewater **treatment plant**. These plants use a range of technologies, including physical, chemical and biological processes, depending on the characteristics of the wastewater and local discharge conditions. In 2022, L'Oréal continued to install wastewater treatment plants for its wastewater, particularly in France.

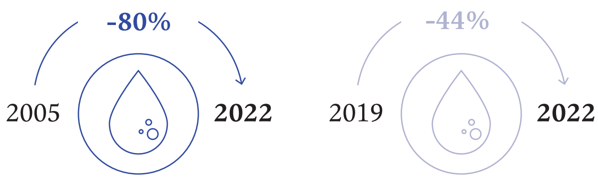
The sites are responsible for equipment operation and wastewater management, which are subject to specific procedures and instructions. At least once a year, an internal audit or self-assessment of the corresponding facility is organised and documented.

A **self-monitoring system** representative of wastewater discharges is in place in each factory. It serves to monitor regulated and contractual parameters such as chemical oxygen demand (COD), biochemical oxygen demand (BOD), pH, the temperature of wastewater and substances that could disturb the operation of an internal or external wastewater management facility. This self-monitoring is a tool for detecting the risk of overshooting, which helps anticipate any non-conformities and initiate corrective actions.

In 2022, the total COD of wastewater leaving the Group's factories was 0.34 g☑ per finished product, a decrease of 41% in absolute terms and of 44% per finished product compared to 2019, and of 71% and 80%, respectively, compared to 2005. These reductions are related to the operational start-ups of new wastewater treatment plants and the optimisation of existing treatment plants at several Group factories.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*
(1) *Including routine and maintenance activities.*

Wastewater quality index



(grams of COD per finished product)

As part of L'Oréal for the Future, the Group has established an internal standard for the quality of industrial wastewater at the exit of the sites: by 2030, 100% of the wastewater at the exit of factories must not exceed a COD of 1,000 mg COD/l. If local regulations impose a lower threshold, the site must comply with the lower value. At year-end 2022, 24 factories were in compliance with this internal standard☑, representing 63% of the Group's factories.

Scope: production sites	2021	2022
Accidental spills *(number of instances)*	0	0
Wastewater at the exit of the site *(m³)*	911,208	1,020,362 ☑
COD at the exit of the site (*in tonnes*)	2,022	2,218 ☑

The Group's air emissions, excluding greenhouse gases

In addition to greenhouse gases, L'Oréal works continually to control its atmospheric emissions. Every month, the Group's sites collect data in order to calculate the quantity of SO_2 emitted into the atmosphere. In addition, each factory updates the mapping and inventory of volatile organic compounds (VOCs) emitted during its operations annually. The operation and maintenance of atmospheric emission collection and treatment facilities are subject to specific procedures and instructions.

The quantity of VOCs emitted by the Group's factories in 2021 totalled 156 tonnes.

The quantity of SO_2 emitted by all the sites operated by the Group totalled 0.3 tonnes in 2021 and 0.1 tonnes in 2022, representing a reduction of 53%.

Noise pollution

L'Oréal's industrial activities are not particularly noisy. The sites comply with the noise standards to which they are subject. Internal environmental reporting is one way in which to ensure monthly readings of any non-conformity on this issue.

Provisions for environmental risks

The amount of the provisions for environmental risks is not material (see note 13.1 of the Consolidated Financial Statements).

4.3.1.1.3. Fighting climate change on operated sites

L'Oréal has set itself a major objective of fighting climate change in the overall exercise of its activity. Every effort is being made to achieve this objective, especially at the sites where its activities are performed.

A/ Reducing greenhouse gas emissions

Compared to other industries, the cosmetics industry has lower energy consumptions and lower CO_2 emissions. There are no carbon pricing mechanisms (taxes and emissions trading systems) provided for by supranational, national or regional regulations that apply to L'Oréal at the end of 2022. This includes all industrial and administrative sites, as well as research centres. However, L'Oréal has been committed to the efforts to fight climate change for many years and applies a proactive policy for the reduction of its CO_2 emissions.

Aligning greenhouse gas emissions with the GHG Protocol

The Group calculates and monitors the **greenhouse gas (GHG)** emissions linked to all its activities in accordance with the GHG Protocol. These emissions are defined as follows:

- Scope 1 emissions: direct GHG emissions linked to the consumption of gas and fuel oil at all sites operated by the Group: factories, distribution centres, administrative sites and research centres. This includes GHG emissions associated with potential cooling gas leaks;
- Scope 2 emissions: indirect GHG emissions linked to electricity, heating, cooling and steam purchased at all sites operated by the Group: factories, distribution centres, administrative sites and research centres; and
- Scope 3 emissions: other indirect GHG emissions linked in particular to the product supply chain (upstream emissions) and the use of products and services during their life cycle[1] (downstream emissions).

Under the L'Oréal for the Future programme, the Group aims to reduce the **CO_2** emissions of its operated sites (Scopes 1 and 2) by 100% by the year 2025.

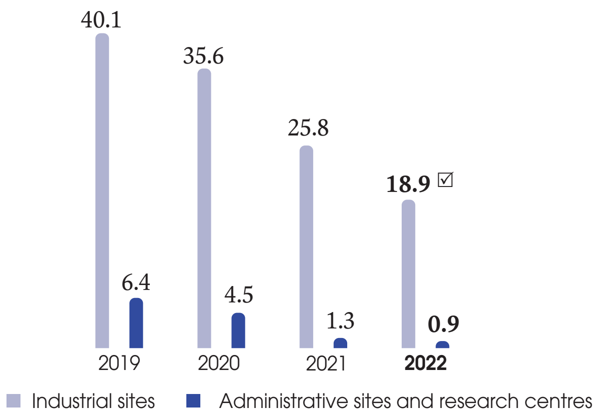
With a view to limiting its impact on climate change and achieving this target, L'Oréal has implemented a strategy based on three pillars:

- Reducing its energy needs by implementing energy sobriety approaches and by improving the energy efficiency of its facilities (buildings, equipment, industrial processes, etc.);
- Increasing the use of local renewable energy wherever possible;
- Achieving the targets defined for the sites without recourse to carbon offsetting.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*
(1) *See section 4.3.1.4.1. GHG assessment: an annual exercise, Scope 3 – emissions estimated annually.*

CO_2 emissions – Scope 1 of sites operated by the Group

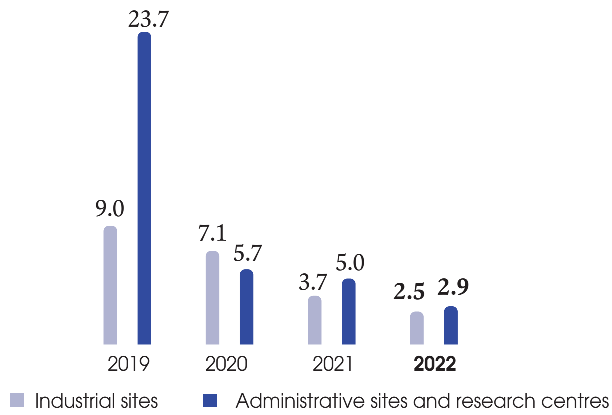
(thousands of tonnes of CO_2 equivalent)



☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

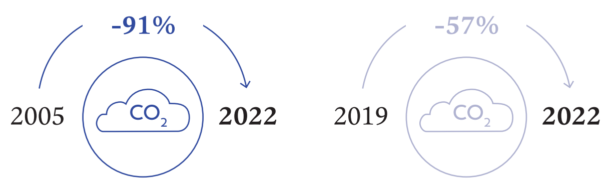
CO_2 emissions – Scope 2 of sites operated by the Group

(thousands of tonnes of CO_2 equivalent)



CO_2 emissions – Scopes 1 and 2 of industrial sites

In 2022, CO_2 emissions decreased by 57% compared with 2019 (-91% compared with 2005), while production increased by 5% compared with 2019 (+45% compared with 2005).

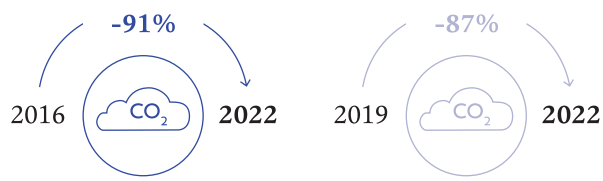


(in absolute terms: tonnes of CO_2 equivalent at constant scope, as per the *GHG Protocol*)

CO_2 emissions – Scopes 1 and 2 of administrative sites and research centres

In 2022, CO_2 emissions decreased by 87% compared with 2019 (-91% compared with 2016), while hours worked on site decreased by 36% compared with 2019 (-30% compared with 2016).

This reduction was achieved thanks to the decrease in energy consumption from 2019 and the increased use of renewable energy for a large number of administrative sites and research centres. Indeed, energy consumption was down 14% from 2019, and the share of renewable energy rose to 92% (compared with 51% in 2019). In addition to the existing improvement projects, which continued in 2022, the ongoing Covid-19 health crisis in certain countries (e.g. China) and the widespread use of remote working also had a favourable impact on this result, thanks to the reduced presence of teams on site.



(in absolute terms: tonnes of CO_2 equivalent at constant scope, as per the *GHG Protocol*)

B/ Reducing energy consumption and making increased use of renewable energy

Reducing energy consumption

For over 20 years, the Group has been endeavouring to reduce its energy consumption. These efforts focus primarily on two areas: the continuous improvement of **industrial processes** and the performance of associated equipment; and the optimisation of **energy consumption** in buildings. In this respect, any new Group building has to comply with the strictest environmental standards.

Furthermore, following the French government's announcement of the "**Energy Sobriety Plan**" in June 2022, the Group has committed to reducing energy consumption in France and Europe by 10% compared with 2021 over the next two years.

This commitment is in part based on :

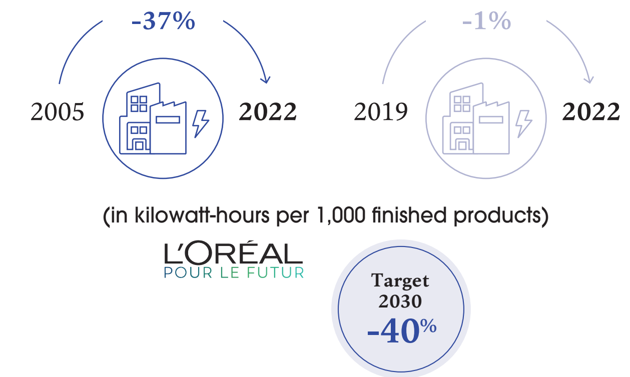
- continuing to reduce the energy consumption at sites operated by the Group, all energy uses combined (heating, air conditioning, compressed air, ventilation, lighting, etc.);
- reducing the heating temperature of working spaces to 19°C during winter time;
- turning off lights, window display lighting, store screens and signage at closing time;
- launching a global campaign at all sites operated by the Group to reduce the energy footprint of digital technologies; and
- signing RTE's EcoWatt charter in France.

At industrial sites

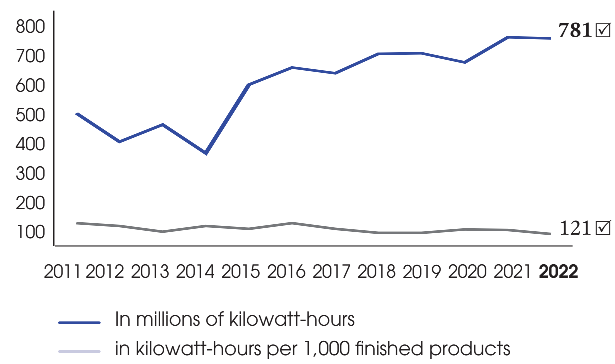
The L'Oréal for the Future programme aims to reduce energy consumption in factories and distribution centres by 40% per thousand units of finished product by 2030 compared with 2019.

In 2022, the total energy consumption of the industrial sites was 781,465 megawatt-hours ☑. This was a 4% increase in absolute value compared with 2019.

In 2022, consumption in kilowatt-hours per finished product decreased by 1% compared with 2019 and by 37% compared with 2005.



Total energy consumption of industrial sites in kilowatt-hours



☑ *The Statutory Auditors have expressed reasonable assurance with regard to this indicator.*

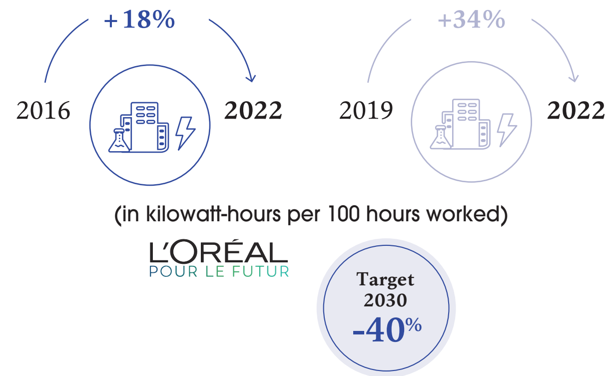
☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

At administrative sites and research centres

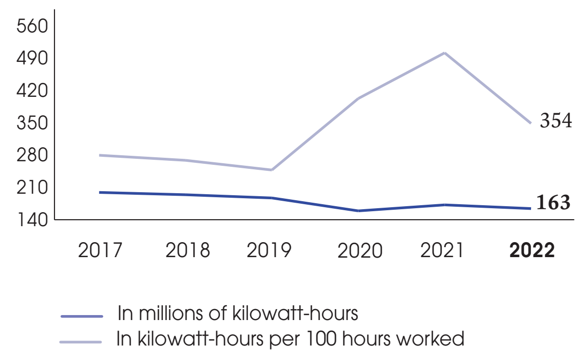
The L'Oréal for the Future programme aims for a 40% reduction in energy consumption by 2030 at administrative sites and research centres per 100 hours worked compared with 2019.

In 2022, total energy consumption at the administrative sites and research centres was 162,914 megawatt-hours, a decrease of 14% in absolute value compared with 2019. The total energy consumption at the administrative sites and research centres was 354 kilowatt-hours per 100 hours worked, a 34% increase compared with 2019 (-34% compared with 2021).

Changes in energy consumption intensity (in relation to the number of hours worked on site) have been significantly affected by changes in work organisation. Indeed, since the lockdown periods (still in place in China for several months of 2022), the on-site attendance rate has fallen sharply due to the extensive use of remote working. Moreover, industrial pilot, laboratory and pre-launch testing[1] activities, which are more related to research and development projects and new product launches, consume a lot of energy regardless of the number of employees present. A minimum energy requirement is also essential for the operation of buildings and technical facilities.



Total energy consumption of administrative sites and research centres in kilowatt-hours



Data on consumption with an impact on climate change

	Administrative sites and research centres		Industrial sites		Total operated sites	
	2021	2022	2021	2022	2021	2022
Renewable electricity (MWh)	109,105	111,751	391,794	402,706 ☑	500,899	514,457
Biogas (MWh)	22,720	20,209	166,611	203,312 ☑	189,331	223,521
Other renewable energies (MWh)(1)	10,971	17,916	68,307	86,402	79,278	104,318
Total renewable energy consumption (MWh)	**142,796**	**149,876**	**626,712**	**692,420 ☑**	**769,508**	**842,296**
Non-renewable electricity (MWh)	8,651	5,485	12,450	10,977 ☑	21,101	16,462
Gas (MWh)	2,126	1,110	122,797	69,609 ☑	124,923	70,719
Fuel (MWh)	151	184	5,888	6,696 ☑	6,039	6,880
Non-renewable heat, cooling and steam networks (MWh)	17,856	6,259	14,086	1,763	31,942	8,022
Total non-renewable energy (MWh)	**28,784**	**13,038**	**155,221**	**89,045 ☑**	**184,005**	**102,083**
TOTAL ENERGY CONSUMPTION (MWH)	**171,580**	**162,914**	**781,933**	**781,465 ☑**	**953,513**	**944,379**

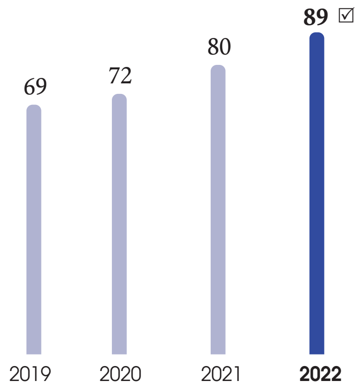
☑ The Statutory Auditors have expressed reasonable assurance with regard to this indicator.

(1) Biomass including wood and wood waste; renewable heat, cooling, and steam networks; solar thermal energy; biofuels.

(1) An entity reporting to R&I, tasked with producing limited quantities of bulk products or finished products (which cannot be marketed) to make them available to laboratories or business, and to help validate product design quality.

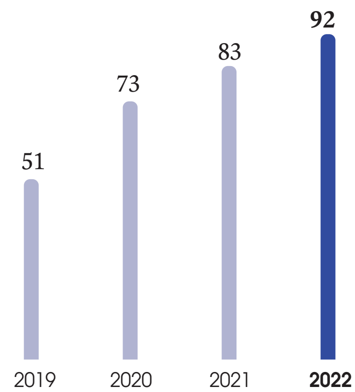
Making increased use of renewable energy

Share of renewable energy consumed by industrial sites
(as a percentage)



☑ *Les Commissaires aux Comptes ont exprimé une assurance raisonnable sur cet indicateur.*

Share of renewable energy consumed by the administrative sites and research centres
(as a percentage)



During the last years, L'Oréal has drafted an ambitious policy involving the use of renewable energy, based on the possibilities offered by each local context. This policy focuses first on on-site energy production and consumption (self-consumption), then the implementation of long-term power purchase agreements (PPA) and finally the purchase of locally produced renewable energy.

In 2022, 89% of the energy consumed by the factories and distribution centres was renewable ☑. For the administrative sites and research centres, this percentage amounted to 92% of the energy consumed.

A site can claim "carbon neutral" status(1) if it meets the following requirements:

- Direct CO_2 (Scope 1) = 0, with the exception of the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
- Indirect, CO_2 Market Based (Scope 2) = 0.

The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network.

The "carbon neutral" status(1), as defined above, is achieved without carbon offsetting.

At the end of 2022, 110 Group sites were "carbon neutral"(1):

"CARBON NEUTRAL"(1) SITES							
Type of site	**Industrial sites**	Factories	Distribution centres	**Administrative sites and research centres**	Administrative sites	Research centres	Group total
Number of "carbon neutral"(1) sites	60 ☑	22	38	50	43	7	110
Total number of sites	**83**	38	45	**85**	77	8	**168**
% of total number of sites	**72%**	58%	84%	**59%**	56%	88%	**65%**

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

At the end of 2022, **65%** of theGroup's sites were "carbon neutral".

L'ORÉAL POUR LE FUTUR

Target 2025 **100%**

4.3.1.1.4. Preserving water resources on operated sites

L'Oréal Group aspires to preserve water resources throughout its value chain, especially on each site operated. The action plans implemented around the world are based notably on the following key principles:

- **mapping the volumes of water used**, particularly by the Group's factories, using a L'Oréal internal tool that carries out a comprehensive analysis of the various uses of water on a site: the Waterscan tool. Each type of use is quantified and compared with a benchmark value in order to identify potential reductions;
- **the installation of reduction equipment and processes.** This particularly concerns the cleaning phase of production equipment and factory filling and packing lines, following the OPTICIP (OPTImisation Cleaning In Place) approach developed by L'Oréal; and
- **the reuse of untreated industrial water** for a new purpose and recycling of the water used, after a specific additional treatment step.

At the end of 2022, 16 Group factories had these recycling facilities and were able to reuse water in industrial processes.

The L'Oréal for the Future programme has set the following objective for 2030: 100% of the water used in industrial processes will be recycled and reused in a loop, *i.e.* 100% of factories will be Waterloop factories.

At the end of 2022, 5 factories were awarded the status of Waterloop Factory, *i.e.* **13 %** ☑ of the Group's factories.

L'ORÉAL POUR LE FUTUR

☑ *The Statutory Auditors have expressed reasonable assurance with regard to this indicator.*

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 a raw material for product processing. This means that the water required by the utilities (cleaning equipment, steam production, etc.) is derived from **water that is reused or recycled in a loop on the site**.

It involves the implementation of a two-step system:

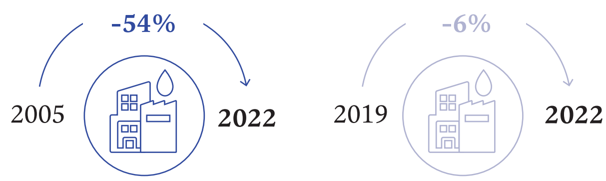
- the optimisation of industrial processes in order to minimise water used which leads to a reduction of water withdrawals; and
- the installation of a water recycling system: industrial wastewater undergoes pre-treatment in the on-site treatment plant. It is then reprocessed using various technologies (ultrafiltration, reverse osmosis, nanofiltration, etc.) in order to extract very high-quality water. This water is then used in a loop to clean production tools, and for utilities as a replacement for municipal water. As such, water requirements for utilities are fully covered.

The Waterloop Factory concept was adopted for the first time in 2017 by the Burgos factory in Spain. In 2022, this concept was also extended to the factories in Settimo in Italy, Vorsino in Russia, Libramont in Belgium and Yichang in China. It will gradually be deployed to all Group factories according to a priorization based on the local water stress situation.

Water withdrawal at industrial sites

As part of the L'Oréal for the Future programme, the Group has set itself the target for 2030 of reducing the water withdrawal at factories and distribution centres per unit of finished product by 30% compared with 2019.

Total water withdrawal at the industrial sites came to 2,152 thousand m^3 ☑ in 2022, down 1% compared with 2019, while the production of finished products increased by 5% over the same period. Water withdrawal was 0.33 litres per finished product in 2022 ☑, representing a decrease of 6% from 2019 (and a decrease of 1% from 2021).



(in litres per finished product)

L'ORÉAL POUR LE FUTUR

Target 2030 **-30%**

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

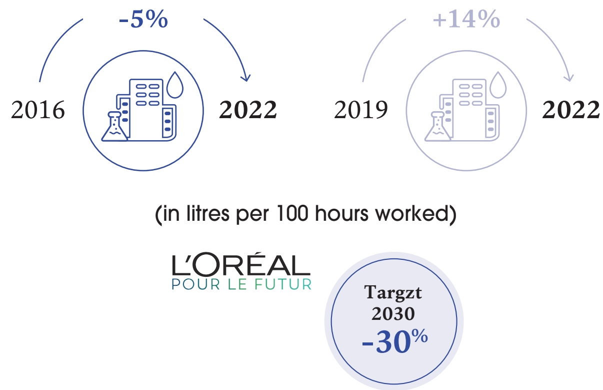
Water withdrawal at administrative sites and research centres

As part of the L'Oréal for the Future programme, the Group has set itself the target for 2030 of reducing the water withdrawal at administrative sites and research centres per 100 hours worked by 30% compared with 2019.

Total water withdrawal at the administrative sites and research centres came to 300 thousand m³ in 2022, down 27% compared with 2019. Water withdrawal was 653 litres per 100 hours worked in 2022, representing an increase of 14% compared with 2019 (-18% compared with 2021).

Changes in water withdrawal intensity (in relation to the number of hours worked on site) have been significantly affected by changes in work organisation. Indeed, since the lockdown periods (still in place in China for several months of 2022), the on-site attendance rate has fallen sharply due to the extensive use of remote working.

However, while domestic consumption is proportional to the presence of employees on site, this is not the case for all water uses. For example, industrial pilot, laboratory and pre-launch testing activities, which are more related to research and development projects and new product launches, consume a lot of water regardless of the number of employees present. A minimum amount of water withdrawal is also required for the maintenance and cleaning of technical facilities.



Water consumption and quantitative water footprint of production sites

In 2021, in order to take into account the local aspect of water-related issues, the Group created a new indicator: the quantitative water footprint. It is calculated based on the water consumption of a site (the difference between the water withdrawal and the wastewater at the exit) and the level of water stress in the watershed in which it is located.

The quantitative water footprint is only calculated for the factories, as these are the sites that account for the majority of the Group's water withdrawal (84% of the water withdrawal for all the sites operated by the Group in 2022).

At the end of 2022, 13 of the Group's 38 factories (34%) were located in watersheds subject to water stress.

Water consumption and quantitative water footprint of the Group's factories	2021	2022
Municipal water withdrawn (or other supplier) (m³)	1,718,987	1,811,979
Rainwater (m³)	92	0
Water withdrawn from groundwater (m³)	256,003	256,370
Total withdrawal (m³)	1,975,082	2,068,608☑
Wastewater at the exit of the site (m³)	911,208	1,020,362 ☑
Water consumption (m³)	1,063,874	1,048,245
Quantitative water footprint (m³ eq.)	8,474,577	8,583,556☑

The Water Disclosure Project: for transparency in information about 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 usage. The programme was launched by the CDP, a not-for-profit and independent organisation. It promotes transparency and environmental information reporting on several issues: climate change, water, deforestation, etc.

In 2022, L'Oréal was recognised for the seventh consecutive year as one of the **world leaders for its strategy and actions in sustainable water management**. It received an "A" rating, which is the highest possible level of performance in the CDP ranking. These initiatives cover its entire value chain, from the production of raw materials to the use of products by consumers and the end of life of products.

L'Oréal is also working with its supply chain on sustainable water management (see section 4.3.1.2.2.).

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

4.3.1.1.5. Protecting biodiversity on operated sites

The Group wishes to limit the impact of its activity on biodiversity throughout its value chain and at each site it operates. Biodiversity protection initiatives and awareness-raising activities for employees and local stakeholders have been running for several years at many sites.

L'Oréal has rules governing land use when constructing new buildings (see section 4.3.1.1.2.). In addition to these, since 2018, each site with green or non-artificial spaces has been asked to implement an appropriate structure to roll out a specific biodiversity roadmap. Partnerships with local external organisations (associations, specialist firms etc.) are established to carry out on-site biodiversity inventories and propose appropriate action plans.

These inventories take into account local, regional and national challenges, and consider the proportion and connection of green spaces, the diversity of habitats and vegetation layers, the number of species (flora and fauna), including protected, endangered, and invasive species. The inventories help to establish 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**.

At the end of 2022, **94** sites had carried out a biodiversity inventory, **71%** of them are industrial sites.

To advance this theme further, the L'Oréal for the Future programme aims to ensure that all **buildings and industrial sites** operated by the Group have **a positive impact on biodiversity by 2030** compared with 2019.

A methodology for monitoring this commitment was developed in 2021 and rolled out to all of the Group's sites in 2022. The status "biodiversity net positive" is granted based on:

- **the achievement of a target for the improvement of habitat and biodiversity quality**. At site level, this improvement is measured using an indicator called the Site Biodiversity Score (SBS). The information required to calculate it is taken from biodiversity inventories. This indicator assesses and monitors the quality of biodiversity on a given site. Sites without green or non-artificial spaces must engage in offsite projects, whose evolution in terms of biodiversity quality is integrated into the calculation of the SBS of the site; and
- **the achievement of a biodiversity culture threshold**. The development of a biodiversity culture involves raising awareness among and training all teams at a site, incorporating biodiversity considerations into the rollout of new projects (extending a building etc.) and into the everyday life of the site (responsible purchasing, awareness of food waste etc.).

In addition, phytosanitary products (insecticides, fungicides and herbicides) used in the maintenance of green spaces can have adverse effects on the environment and human health. L'Oréal therefore wishes to end their use, and the sites operated by the Group must report on whether or not these products are being used.

The Group commits to ensuring that phytosanitary products are not used in the maintenance of outdoor green spaces on any of the sites it operates by 2030. At the end of 2022, 152 sites, i.e. 90% of L'Oréal sites, maintained their outdoor green spaces without the use of phytosanitary products.

4.3.1.1.6. Preserving resources and reducing waste on operated sites

For several years, there has been an ambitious approach to waste reduction and recovery in the Group within the framework of the Sharing Beauty With All programme. The L'Oréal for the Future programme is continuing this work. This is an ambitious challenge, in light of L'Oréal's exacting definition of waste. Indeed, any substance, product or material leaving a site that is not a finished product intended for consumption is considered as waste, regardless of how it is treated.

The L'Oréal for the Future programme sets a target for 2030 of preserving natural resources: 100% of the waste generated on the operated sites will be reused or recycled.

Furthermore, building on the Sharing Beauty With All programme, the Group has set targets for **reducing the waste generated** by its sites by 2030:

- reducing the waste generation of factories and distribution centres by 30% per finished product, compared to 2019; and
- reducing the waste generation of administrative sites and research centres by 30% per 100 hours worked, compared to 2019.

L'Oréal has also set itself the goal of achieving "zero waste to landfill" (outside of regulatory constraints).

Reducing waste generation at source

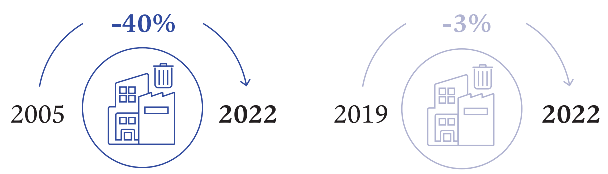
The reduction of waste generation is something that **involves the Group's entire value chain**, and is enabled in particular by:

- **eco-designing products**, packaging components and transport packaging in a way that aims to reduce waste and improve their recyclability (weight reductions, optimisation, reuse etc.);
- **mapping the waste generated** using, in particular for the Group's industrial sites, an internal L'Oréal tool that carries out a comprehensive analysis of the different types of waste on site: the WasteScan tool. Each type of waste is quantified and compared with a benchmark value in order to identify potential reductions and to prioritise the actions to be taken.

- **optimising transport packaging of raw materials and packaging component** received in the Group's factories. The development of the wall-to-wall [(1)] approach is a particularly effective means of reducing waste related to the supply of components at source;
- **a continuous improvement of manufacturing, filling and packaging procedures** in order to reduce losses during production;
- **Management of obsolete stock** in order to reduce waste generation In each zone, programmes combine industrial agility and improved sales forecasts. They aim to reduce product obsolescence and improve flows via the establishment of outlets, sales to employees' friends and family, sales to staff and donations to not-for-profit organisations.

The Group has adopted the best practices in its restaurants under direct management. It raises employees' awareness of waste, ensures 100% of food waste is recovered and adapts the quantities served accordingly. It promotes responsible, fair trade and sustainable food by favouring local organically farmed produce, fair trade coffee, and seasonal fruit and vegetables. Campuses in the Paris region have committed to reducing plastic and recovering frying oils by turning them into biofuel. Two campuses have earned the "Mon restau responsable" label for a quality food service that respects the environment.

Generation of transportable waste from industrial sites



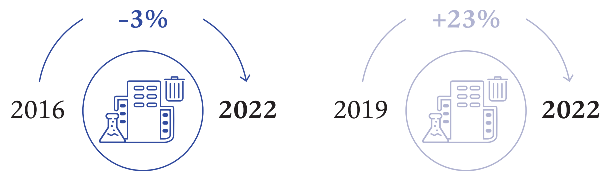
(in grams per finished product, excluding sludge and returnable packaging in rotation, including returnable packaging at source)

L'ORÉAL POUR LE FUTUR

Target 2030 -30%

In 2022, 83,199 tonnes of waste were generated at industrial sites (excluding sludge)☑, an increase of 2% compared to 2019. Over the same period, the production of finished products increased by 5%. This represents 12.9 grams per finished products representing a 3 % decrease compared with 2019 (-2% compared with 2021).

Generation of transportable waste from administrative sites and research centres



(kilograms per 100 hours worked, excluding sludge and returnable packaging in rotation, including returnable packaging at source)

L'ORÉAL POUR LE FUTUR

Target 2030 -30%

Waste generation for the administrative sites and research centres was 5,073 tonnes in 2022 (excluding sludge), representing a 21% decrease compared with 2019. This represents 11.0 kilograms per 100 hours worked, an increase of 23% compared with 2019 (-25% compared with 2021).

Changes in waste generation intensity (in relation to the number of hours worked on site) have been significantly affected by changes in work organisation. Indeed, since the lockdown periods (still in place in China for several months of 2022), the on-site attendance rate has fallen sharply due to the extensive use of remote working.

Moreover, industrial pilot, laboratory and pre-launch testing activities, which are more related to research and development projects and new product launches, generate waste regardless of the number of employees present.

Tracking of transportable waste

In addition to tracking of waste by type, an approach to account for waste by cause has been used since 2019 at all the Group's factories and distribution centres. This method identifies and quantifies the sources and causes of waste generation in the flows of a site. This approach strengthens 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 hazardous waste under local regulations (flammable, toxic etc.) is implemented. This tracking takes into consideration the specific characteristics of each country in which the sites operate. As with all waste, hazardous waste benefits from a continuous improvement approach.

Hazardous waste *(tonnes)*	2020	2021	2022	Variation vs. 2021
L'Oréal Group	17,812	19,875	23,822	+20%
Industrial sites	17,359	19,260	23,308 ☑	+21%
Administrative sites and research centres	453	615	514	-16%

☑ The Statutory Auditors have expressed reasonable assurance about this indicator.
(1) Production of filling and packaging components close to the Group's production facilities.

Recovering the waste generated

	Administrative sites and research centres		Industrial sites	
	2021	2022	2021	2022
Transportable waste excluding returnable packaging in rotation with returnable packaging accounted at source (in tonnes)	**4,726**	**5,105**	**94,403**	**96,675☑**
Returnable packaging in rotation (tonnes) (1)	0.16	0	19,718	19,319
Total waste reused or recycled (tonnes)	2,204	2,613	66,295	69,823
Material recovery index (%)	**48**	**52**	**59**	**61**
Total waste sent to energy recovery (tonnes)	2,044	2,096	43,606	40,634
Total waste recovered (tonnes)	4,248	4,709	109,901	110,456
Recovery index (%)	**93**	**94**	**97**	**96**
Total waste incinerated without energy recovery (tonnes)	282	238	3,239	4,723
Total waste sent to landfill due to regulatory constraints (tonnes)	145	98	27	18
Total waste sent to landfill outside of regulatory constraints (tonnes)	51	60	0	0

☑ *The Statutory Auditors have expressed reasonable assurance with regard to this indicator.*

The Group has adopted a comprehensive approach to the preservation of resources. Into this are incorporated both reduction at source and research into the best solutions for recovering the waste it produces.

Since 2020, collaborations between L'Oréal and waste treatment companies have resulted in the development of recycling solutions for unmarketable finished products that are unsuitable for donation. In 2020, a study began with the L'Oréal Research Laboratories to find material recovery alternatives for the sludge coming from the Group's wastewater treatment plants. Thanks to this work, in 2022 the Group was able to implement a specific procedure dedicated to resolving the issue.

In 2022, 96% of the waste generated by industrial sites was recovered through reuse, recycling or energy recovery☑. In 2022, 20 factories and 24 distribution centres had a recovery rate of 100%.

94% of the waste generated by administrative sites and research centres was recovered in 2022. In 2022, 41 administrative sites and 5 research centres had a recovery rate of 100%.

There was a **61%** material recovery of the waste generated on industrial sites in 2022.☑

L'ORÉAL POUR LE FUTUR

Target 2030 100%

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

61% of waste from industrial sites was recovered through reuse or recycling to preserve the material☑, 3 points more than in 2019.

There was a **52%** material recovery of the waste generated at administrative sites and research centres in 2022.

L'ORÉAL POUR LE FUTUR

Target 2030 100%

52% of waste from administrative sites and research centres was recovered through reuse or recycling to preserve the material, 3 points more than in 2019 (1 point more than in 2016).

"Zero waste to landfill" objective

L'Oréal aims to achieve a target of "**zero waste to landfill**" by the end of 2030 for all sites (outside of regulatory constraints). The Group works with specialist companies and local authorities to implement appropriate treatment solutions. The Group's factories and distribution centres rallied together to ensure this objective was achieved for the fifth consecutive year.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *Returnable packaging is a packaging element that is reused in a closed loop between a L'Oréal site and a supplier. Thus, its reuse is scheduled in advance in a short cycle and implies predetermined parties once and for all.*

0 tonne ☑

In 2022, all the Group's factories and distribution centres reached the goal of achieving "zero waste to landfill" (without regulatory constraints).

L'ORÉAL POUR LE FUTUR

Target 2030
0 tonne

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

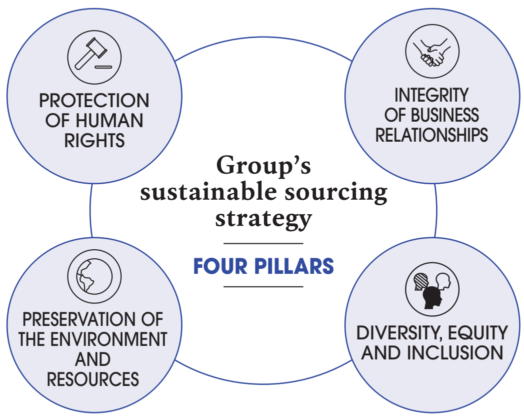
Research centres also achieved the objective of "zero waste to landfill" in 2022. For administrative sites, the approach is more recent, but has accelerated.

The achievement of this target is part of the more overarching 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 synergies with other local stakeholders.

4.3.1.2. Involving suppliers in the Group's transformation

Above and beyond its strict requirements for its own sites, L'Oréal has for a number of years applied an **environmental policy to its entire value chain**. L'Oréal works in partnership with its suppliers to improve the environmental and social profile of its products via the eco-design and sustainable sourcing of packaging, ingredients, formulas and their method of transportation. This worldwide ecosystem covers all the Group's needs for packaging, raw materials, subcontracting, production equipment, promotional and advertising articles etc. The commitment and performance of this ecosystem are crucial to the Group's fulfilment of its objectives.

L'Oréal runs numerous global webinars (Spread the green vibes). These enable the Group to share its commitment to decarbonisation, outline L'Oréal for the Future to a wider audience and announce different actions. In 2022, more than 1,833 suppliers participated in these interactive exchanges.



4.3.1.2.1. Due diligence: selection and assessment of strategic suppliers

A/ Assessing suppliers according to their environmental and social performance

The Group has decided to use the environmental and social performance of its partners and suppliers as a primary selection criterion. The commitments under the L'Oréal for the Future programme fit in with and follow on from those in the Group's responsible purchasing policy initiated in 2002 with the L'Oréal Buy & Care programme.

In 2022, L'Oréal published a new sustainable sourcing strategy focused on four pillars:

- the protection of Human Rights;
- the preservation of the environment and resources;
- the integrity of business relationships; and
- diversity, equity and inclusion.

This strategy includes commitments, objectives and monitoring tools for each pillar. The values and standards are shared with suppliers. Meanwhile the objectives are based on collaboration with external experts using recognised benchmarks. This common framework integrates these issues into the heart of the business model in order to achieve sustainable performance.

The L'Oréal purchasing teams have defined five performance pillars for assessing and selecting suppliers: quality, social and environmental responsibility, innovation, supply chain and service, and competitiveness.

These pillars form the basis for **daily performance and long-term strategies**. A global scorecard is used for all purchasing fields. It 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. They are therefore discussed at strategic meetings. The evaluation of suppliers on the CSR pillar is based, in particular, on the compliance of their social audits, the implementation of Solidarity Sourcing projects, and their results in the "CDP Supply Chain" programmes for the reduction of CO_2 emissions and the EcoVadis assessment. In 2022, 620 strategy meetings were held.

The suppliers evaluated represent more than 84% of total direct purchases and 17% of indirect purchases.

Since 2016, suppliers have been able to undertake training via the Group on an online site. This training aims to optimise their sustainable development policies by means of e-learning modules, videos and presentations on various topics such as ethics, climate change, social audits etc. This site, which is now accessible to all the Group's strategic suppliers, is gradually being expanded to all suppliers.

B/ Social audits: a rigorous and continuous improvement process

Since 2002, the Group's suppliers have had to sign the Mutual Ethical Commitment Letter. This letter, reviewed in 2021, sets out the requirements and commitments that L'Oréal imposes on its suppliers in accordance with the Group's programmes and policies concerning ethics, corporate responsibility, human rights, working conditions and compliance. Now entitled the "Mutual Ethical Commitment Letter", it has been rolled out gradually to all suppliers worldwide (see section 3.4).

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). These audits, performed by independent service providers, aim in particular to:

- ensure compliance with applicable laws, Human Rights and labour law; and
- address employee safety, working conditions and the impact of activities on the environment.

The Group finances the initial audits as well as the re-audits that take place three years later. The follow-up audits to verify the effectiveness of the corrective actions 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 work environment; due payment of remuneration and benefits; working time; and relations with subcontractors.

L'Oréal's social audit is mainly based on the internationally recognised SA 8000 standard. However, the Group has also imposed more stringent criteria, particularly in terms of the minimum age for child labour. This is set at 16 years of age for all employees of suppliers, a higher age limit than that required by the International Labour Organisation (ILO).

A tool to manage social audits is used to plan the audits with the external service provider's system and manages the results and action plans for all suppliers concerned. An online training programme that supplements the Sourcing Discovery training module is available to all purchasers. This explains to every new purchaser the importance of the social audit programme and how purchasers must make it part of their daily process. The Group's purchasers accordingly promote the continuous improvement of their suppliers in line with the Group's standards.

Key figures

Since 2019, over 3,359 supplier sites have been audited in accordance with the L'Oréal standard (see section 3.4.7.3.) :

- 1,145 audits [1] were carried out in 2022 ☑, meaning more than 5,211 since 2019;
- Follow-up audits represent 36% of the total number of audits conducted in 2022 and allowed 63% of the suppliers audited to improve their results; and
- 99% of supplier production sites requiring audits have been audited at least once.

C/ Encouraging strategic suppliers to conduct a self-assessment of their sustainable development policy

In 2014, L'Oréal launched a programme for assessing strategic suppliers[2] and their sustainable development policy. The EcoVadis assessment is helping to refine the analysis of suppliers' performance and identify areas for improvement in terms of human rights protection, business ethics, environmental preservation and diversity, equity and inclusion.

2022 Results

In 2022, 859 suppliers were subjected to an EcoVadis assessment of their social, environmental and ethical policies, as well as the implementation of those policies by their own suppliers. 306 of them, representing 94% of the Group's strategic suppliers, obtained an average score of 61/100.

4.3.1.2.2. Involving strategic suppliers in the Group's ambitions

A/ Encouraging suppliers to reduce their greenhouse gas emissions

Since 2007, L'Oréal has involved its suppliers in the process of measuring and reducing its greenhouse gas emissions by encouraging them to participate in the CDP Supply Chain programme. In 2022, 652 suppliers participated in the CDP Supply Chain, representing 80% of the 814 suppliers invited. Both large industrial groups and small and medium businesses were selected from all purchasing areas, everywhere in the world. The average supplier result in 2022 was "B-".

In the direct purchases category, the suppliers participating in the CDP Supply Chain account for 89% of expenditure in 2022. The average mark for the direct suppliers was "B-".

In December 2015 at the time of COP21, L'Oréal strengthened its objectives and accelerated the implementation of its efforts to combat climate change. Since then, suppliers have been encouraged, via the CDP Supply Chain, to report their carbon emissions, set targets for reducing greenhouse gas emissions and communicate their action plans to achieve this.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

(1) *Audits where the auditor was unable to access the site or sufficient data are included in this number. They represent 2% of the total number of audits. However, these cases are excluded from the analysis of non-conformity by area, as described in the Vigilance Plan.*

(2) *Strategic suppliers are those whose added value is significant for the Group and who, through their weight, their innovations, their strategic alignment and their geographical deployment, provide long-term support for L'Oréal's strategy.*

At the end of 2022, the suppliers meeting this commitment represented 83% of the Group's strategic suppliers. The average score of these suppliers is "B", the highest 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 engagement can be attributed to the strong commitment of L'Oréal's Purchasing and Environmental teams. They send participating suppliers their results with comments and opportunities for improvement.

In 2022, the teams worked with the CDP to support the suppliers and undertook the following actions:

- organised meetings and training sessions on climate change;
- led online conferences for suppliers entering the programme
- offered strategic suppliers individual support to help them understand the challenges of climate change and to improve their reports in terms of environmental issues; and
- continued to develop online toolboxes to improve supplier understanding of these issues.

The CDP Supply Chain assessment is at the heart of the discussions during annual strategic meetings, but also throughout the year, in the context of our interactions with suppliers.

As part of the L'Oréal for the Future programme, the Group is committed to supporting its strategic suppliers in reducing their greenhouse gas emissions by 50% between 2016 and 2030 (Scopes 1 and 2). The Group has defined a methodology, applied from 2022, to engage suppliers based on their emissions contributions and to manage their emissions performance with them[(1)]. For each supplier, an emissions reduction plan is established according to commitments made (for example, alignment with the +1.5°C trajectory as part of the Science-Based Targets initiative). In co-operation with the suppliers in question, an action plan will be drawn up and monitored, utilising the decarbonisation drivers that are suited to their business, their circumstances and their maturity.

Involving suppliers in the CDP Forest Disclosure Project

L'Oréal is working towards **Zero Deforestation** (palm and derivatives, soy, paper and cardboard). In this regard, L'Oréal has participated in CDP Forest since 2012.

Since 2018, L'Oréal has encouraged its 148 main suppliers of paper, palm oil and soy to participate in the CDP supply chain via its CDP *Forest* programme dedicated to the supply chain. At the end of 2022, 117 of the selected suppliers had participated in the programme's third year. Suppliers that created reports and implemented a Zero Deforestation policy and related initiatives represented 53% of expenditure in respect of all selected suppliers. Their average score was B.

B/ Encouraging suppliers to use water responsibly

As part of the L'Oréal for the Future programme, the Group is committed to supporting its strategic suppliers in managing their water sustainably. This support is based on a twofold approach: it must be ensured that each supplier has a sustainable water management plan. It must also be ensured that the supplier takes into account, in terms of its industrial water consumption and wastewater treatment, the condition of the drainage basin in which it operates.

Associating the Group's suppliers in the CDP Water Disclosure Project

As part of its sustainability programme, L'Oréal joined the Water Disclosure Project as soon as it was launched in 2013.

2022 marked the ninth edition of the Water Disclosure Project Supply Chain. As such, L'Oréal selected 240 suppliers based on three criteria:

- technology or activity consuming particularly large amounts of water;
- location of at least one production site in a high water stress area; and
- the size of L'Oréal's purchase volumes.

198 of them agreed to take part in the programme and received an individual summary report with comments from the Group's environmental experts. This will enable them to identify their key points for progress. L'Oréal encourages its suppliers to measure, report and set water consumption reduction targets for each production site by deploying a water-related risk assessment and management system.

At the end of 2022, suppliers fulfilling this commitment represented 67% of the expenses incurred on all selected suppliers. Their average score was B.

C/ Using the Group's purchasing power to serve social inclusion

The objectives of L'Oréal for the Future express the conviction that reducing the environmental footprint of products has to be accompanied by an improvement in their social and societal benefit.

Thanks to its many industrial and administrative sites all over the world, L'Oréal is strongly involved in the life of the local communities. As a company committed to demonstrating strong corporate citizenship, L'Oréal builds good relations with the local communities and strives to share its growth with them.

(1) *This emissions management is based on the volume of emissions reported in the CDP questionnaires for those taking part in the programme or on available and verified data.*

The Group joins forces with its suppliers to develop its solidarity programmes and promote a more inclusive society. By 2030, Solidarity Sourcing will have helped to achieve L'Oréal's goal of enabling 100,000 additional people who are socially or economically vulnerable to access employment.

L'ORÉAL SOLIDARITY SOURCING

In 2022, **85,544** people accessed work through the Solidarity Sourcing programme, **4,406** more people than in 2020.

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Created in 2010, Solidarity Sourcing is L'Oréal's global inclusive sourcing programme. It uses the Group's purchasing power to serve social inclusion. L'Oréal allocates part of its total purchasing volume to suppliers that provide employment and a sustainable income to people who are generally excluded from the labour market. In all regions of the world in which L'Oréal is present, the programme supports:

- companies that employ people from economically vulnerable communities. These communities are identified with reference to our DE&I policy: for example, people with disabilities, senior citizens, people in exile etc. Local authority guidelines are also considered where relevant (definition of vulnerable geographic areas: e.g. rural areas, priority urban neighbourhoods (QPV) in France) as well as international standards such as Women-Owned Businesses as defined by the WeConnect guidelines; and
- companies that struggle to access major international calls for tenders.

By applying fair trade principles in their sourcing strategy, the Group's raw materials purchasing teams enable a positive social impact while integrating the challenges of responsible agricultural practices, environmental protection and biodiversity.

One example of this is the solidarity sourcing of shea in Burkina Faso. Since 2014, 100% of our shea 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 25,510 women working together within groupings of women producers. More information is available at Shea Sourcing in Burkina Faso (loreal.com).

In the ongoing progress approach, significant advances were made in the **shea butter project** in 2020:

- the shea nuts purchased by the Group obtained the *Fair for Life* fair trade certification standard, and
- an inclusive pilot insurance project was created with partners, including the Group's shea butter suppliers and an insurance specialist. This is a unique, innovative health and crop loss micro-insurance project. It is designed to improve the economic resilience of producers by offering them financial cover in the event of hospitalisations or accidents related to the shea harvest.

The following solidarity sourcing initiatives should also be mentioned:

- The Group and its suppliers share **joint commitments to support the emancipation of women**.
  - In 39 countries, L'Oréal supports Solidarity Sourcing projects related to the emancipation of women, which represent 42,542 jobs.
  - In Latin America, 704 single mothers who are solely responsible for their household income are employed full-time across 10 Group suppliers (Mexico, Peru and Colombia).
  - In China, L'Oréal supports 33 companies owned and run by women, which employ 1,529 people between them.
- As part of its global Supplier Diversity programme:
  - L'Oréal supports 4,906 jobs at certified suppliers that are majority-owned and -led by women, minorities, people from the LGBTQIA+ community, veterans or people with a disability.
  - L'Oréal USA has partnered with Creator Deck, an agency certified by the Women's Business Enterprise National Council (WBENC). This partnership illustrates the unique value that diversity-focused companies bring to the Group and how they are fostering innovation. Its diversified database of influencers and its social media content enable brands such as Maybelline and NYX to promote a daring and inclusive vision of beauty.
- In 29 countries, **L'Oréal supports access to employment for 1,390 people over 50 years of age** through its purchases of packaging production, POS items, promotional items and services.

The Group is convinced of the need to act collectively to transform the corporate business model and increase the impact. It therefore joined the Business for Inclusive Growth (B4IG) coalition from the beginning. Housed within the OECD, this initiative covers 31 international companies that decided to join forces around the central issue of fighting inequalities. In this context, L'Oréal is involved in the working group on inclusive purchasing and living wages, the publication of the Inclusive Sourcing methodology and several projects with a positive social impact within the B4IG incubator.

L'Oréal is committed to the living wage (1)

In line with its commitment to fair pay for all employees, L'Oréal is committed to ensuring that by 2030 all employees of its strategic suppliers receive a living wage from their employer (calculated in line with best practices). To build its living wage strategy and implementation plan, L'Oréal has partnered with the Fair Wage Network, a meticulous, internationally recognised NGO. To extend this approach to its strategic suppliers, the Group strives to establish dialogue, collaboration and common strategic frameworks with supply chain partners, but also with other companies, civil society stakeholders, governments etc.

(1) *Definition of decent living wage in chapter 4.3.2.5.*

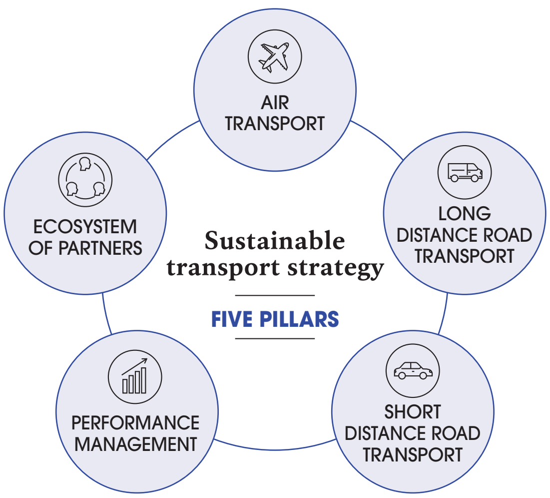
4.3.1.2.3. Reducing the environmental impact associated with transporting L'Oréal products

L'Oréal has a long-standing commitment to reducing the greenhouse gas (GHG) emissions generated by the transportation of its products. The Sharing Beauty With All programme initiated the reduction of GHG emissions by 24% per unit sold per kilometre between 2011 and 2020.

As part of its new commitments, L'Oréal is going further and has set itself a target of reducing GHG emissions by 50% per finished product by 2030. The scope of consolidation covers the transportation flows of finished products from the production sites to the first customer delivery point. The commitments have been shared with the entire internal and external ecosystem. As such, sustainable transportation was ranked as a priority and one of the major strategic components of the Group's sustainability transformation.

L'Oréal's sustainable transport strategy is based on five pillars. It focuses in particular on the two greatest contributors to GHG emissions associated with product transportation: air and road transport.

The five pillars of the sustainable transport strategy:



1. **Limit air travel and provide for specific monitoring**

The reduction of air transport is one of the pillars of the distribution strategy. As such, it is included in the Divisions' budget targets and is integrated into our purchasing strategies; for example, by favouring local production.

In 2022, the Group transported 0.2% of its products by weight by air, representing 42.7% of its transportation-related carbon footprint. As a result, the total carbon footprint of air transport in 2022 was reduced by 13% compared to 2021.

These results reflect a continuous decrease for three consecutive years.

This has been made possible by the exemplary work of our subsidiary Travel Retail APAC, for example. Through increased collaboration with its customers, it has been able to implement alternative solutions to air transport, such as multimodal transport (road-sea). These have reduced its CO_2 emissions related to air transport by 52%.

2. **The Greener Lanes programme dedicated to long-distance road transport**

This programme implements solutions that will reduce CO_2 emissions on long-distance road flows with the highest emissions. In 2022, transportation of finished products by road represented 47.6% of the Group's GHG emissions.

To cut these emissions, new solutions are being rolled out gradually for all flows between the Group's factories, distribution centres and customers:

- the use of multimodal transport, for example river or rail freight, rather than road; and
- the utilisation of energy with a lower environmental impact, such as biogas or biofuel vehicles, to replace diesel.

The Group has therefore identified priority transport lines that require a change to an alternative method of transport, one of the main ways to reduce GHG emissions.

These priority lines have been identified according to several factors, including: the distance travelled, the weight of the finished products transported, and their contribution to the CO_2 emissions related to road transport.

By way of example, this year, Europe launched a major call for tenders for its inbound flows, i.e. between its factories and its local distribution centres in eurozone countries. Its objective was to select partners offering solutions that reduce the carbon footprint of these flows. Following this call for tenders, 54% of the transport lines in the scope under consideration will transition to an alternative solution to diesel (rail, sea, biogas and biofuel). Operational start-up is expected between the fourth quarter of 2022 and the first quarter of 2023.

3. **The GLAM (Green Last Mile) programme designed to implement solutions that will reduce CO_2 emissions from urban transport**

The Group is also specifically addressing the environmental impact of urban transport. It aims to deploy lower-impact solutions, such as electric vehicles, cargo bikes or natural gas vehicles.

For example, the Latin America Zone has established initiatives with electric vehicles in Uruguay and Brazil. The GLAM programme, supported by the Group's main small parcel carriers, has also increased the number of green deliveries in France (18%), the UK (11%) and Spain (12%). The Nordic countries have also implemented a biogas solution for 9% of the volumes sent to their customers, resulting in a 7.9% reduction in CO_2.

4. **Performance management, an important aspect of the Group's strategy**

For several years, the Group has committed to a sustainable decarbonisation policy and applied robust action plans that are specific to each country.

Digitalisation, a strategic driver, facilitates access to data. Indeed, by analysing the precise data associated with the upstream and downstream transport from the distribution centres of the Group's subsidiaries, the sourcing and transport teams are able to prioritise their actions according to their impact.

This regular monitoring of action plans and performance for the different modes of transport used is crucial. It provides the Group's stakeholders with the visibility they need to implement the Group's carbon footprint reduction strategy.

The Transport Management Systems (TMS), which are operational in a number of countries, provide access to transport operational data for consolidating and analysing performance in a pertinent manner.

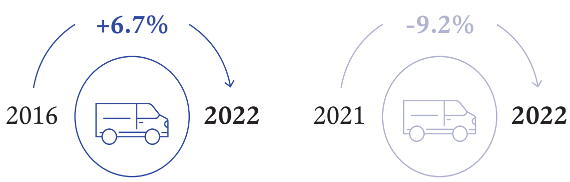
5. **Working in partnership with the stakeholders in its ecosystem: a key driver of the Group's carbon footprint reduction roadmap**

The Group selects and assesses its suppliers and transportation partners based on their environmental and social policy. It also considers the actions they take to support the Group in its efforts to reduce its carbon footprint.

The ability of these partners to create innovative sustainable solutions, such as green energies (biogas, biofuel or hydrogen) or alternative modes of transport (cargo bikes, train), is an essential selection criterion. The Group also conducts regular monitoring to identify new opportunities.

This involves, for example, solutions proposed by our partners to address a tense environment in the maritime transport sector. Our partners suggested the development of multimodal transport (rail-road-sea) between Europe and North Asia (China, Korea and Hong Kong).

During Strategic Meetings with its partners, decarbonisation of transport and monitoring of the implementation of the previously defined action plans are routinely discussed. Specific in-depth discussions are organised if necessary.



(tonnes of CO_2 equivalent per unit sold)

The transport of products led to 443,534 tonnes of CO_2 quivalent being emitted in 2022, which represents 65,2 g/CO_2 per unit sold.

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Target 2030 -50%

The Group's carbon footprint linked to the transport of finished products rose by 6,7 % between 2016 and 2022. This change is largely due to the increased use of air transport over the same period because of the growth of the Asian markets and the increase in the Luxury Division flows to this Zone.

Between 2021[(1)] and 2022, global consolidation of the CO_2 emissions related to the transport of finished products shows a reduction in CO_2 emissions (-5.6 %). This is a 9.2 % decrease in intensity of the Group's carbon footprint (gCO_2/unit sold) over the same period. In 2022, CO_2 emissions linked to air transport fell by 13 % compared to 2021 [(2)], with a beneficial carry-over to maritime transport modes, the use and carbon footprint of which increased by 9 %.

Thanks to the actions of the Supply Chain teams across the five pillars of the Group's transport decarbonisation strategy, CO_2 emissions per tonne of goods transported and per kilometre travelled decreased by 9,4 % from 2022 [(3)].

4.3.1.3. Sustainable development: from use to consumption

As part of L'Oréal for the Future, the new sustainability programme announced in June 2020, the Group is continuing its long-standing commitments to keep its activities within the planet's limits. The new targets have been designed to ensure the sustainability of its activities and to reconcile the Group's needs with the preservation of a planet with limited resources.

For the Group, preserving resources is a long-standing commitment. It applies to the entire life cycle of our products, from their creation to their use by consumers. Whenever a product is designed, created or updated, its environmental and/or social profile is improved.

L'Oréal activates a range of drivers to promote sustainable innovation: reduction of the environmental footprint of its formulas and packaging; respect of biodiversity by means of a sustainable and responsible raw materials sourcing policy; and a commitment to "Zero Deforestation".

Together with the Management Committees of the international brands, the packaging and development teams, the CSR team and the laboratories analyse their portfolios of formulas and their packaging. Sustainable innovation plans are defined with their drivers for each product category.

Furthermore, the Group has decided to adopt an approach based on recent developments in life and environmental sciences. L'Oréal has therefore **launched a Green Sciences programme to drive sustainable innovation** through the development of raw materials based on crops and practices that are good for the soil, water and biodiversity as well as on biotechnology and fermentation, "green" extraction and physical processes, and, lastly, green chemistry.

L'Oréal's Research & Innovation strategy in the field of Green Sciences aims to establish numerous strategic partnerships with innovative start-ups in the biotechnology sector, both in France and throughout the world. As such, L'Oréal and the French biotech specialist Microphyt are developing a strategic partnership. Against this background, L'Oréal's venture capital fund BOLD has acquired a minority stake in Microphyt. L'Oréal and Microphyt are aiming to build a technology platform and combine their material and human resources to create new raw materials from microalgae biomass. This cooperation follows numerous strategic scientific partnerships that L'Oréal has formed in recent months to strengthen its pioneering Green Sciences for Beauty ecosystem. These partners include: the life sciences research specialist VERILY, the National Institute for Materials Science (NIMS) in Japan, the Singapore Centre for Environmental Life Sciences Engineering (SCELSE) and the Laboratory of Organic Polymer Chemistry (Laboratoire de Chimie des Polymères Organiques – LCPO) in Bordeaux.

This proactive policy is central to achieving L'Oréal's targets for 2030 as part of its sustainability programme, in particular, the target of ensuring that 95% of its ingredients are from bio-based sources, derived from abundant minerals or from circular processes.

Finally, through its brands and thanks to a scheme that displays the environmental and social impact of its products (*Product Impact Labelling*), the Group aims to engage its consumers and allow them to make informed choices about sustainable consumption. In 2022, 50 companies from the cosmetics sector (including L'Oréal), as well as professional associations, joined forces to launch the EcoBeautyScore Consortium.

(1) 2021 is adjusted for a like-for-like comparison between 2022 and 2021.
(2) 2021 is adjusted for a like-for-like comparison between 2022 and 2021.
(3) 2021 is adjusted for a like-for-like comparison between 2022 and 2021.

4.3.1.3.1. Products with an improved environmental profile

A/ Reducing the environmental footprint of products

97 % of new or updated products have an improved environmental and social profile in 2022.

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Target 2030 **100%**

(1) Basis of calculation representing 72% of all projects, excluding items considered to be irrelevant, such as ad hoc animation and promotion products and regulatory compliance leading to changes that are not visible to consumers.

In 1995, L'Oréal opened its first **environmental research laboratory** 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. Right from the design stage, raw materials used in the formulation of products are evaluated as part of a strict ingredient selection process. Since 2005, L'Oréal has abstained from registering new raw materials with an adverse environmental profile (see section 4.3.1.3.1 B and C).

Packaging represents a significant part of the environmental impact of cosmetic products. Reducing the environmental footprint of packaging is therefore naturally part of the commitments under the L'Oréal for the Future programme [(1)]. In 2007, L'Oréal launched **a Packaging and Environment Policy that incorporates respect for consumers, the environment and biodiversity.**

The new programme highlights three major challenges to improving the environmental profile of packaging: resource optimisation, the choice of materials and circularity after product use (see section 4.3.1.3.1. C).

Measuring the environmental impact of products

For several years, L'Oréal has carried out **Lice Cycle Analysis of the life cycles of its products** in order to identify, evaluate and improve their environmental impact.

Since 2017, SPOT [(2)], based on a rigorous scientific methodology for assessing environmental impacts, has been rolled out to all Group brands (except recent acquisitions). This tool calculates the environmental and social footprints of a product in accordance with the European Commission recommendation [(3)]. SPOT is an important part of L'Oreal's product launch processes, putting sustainable innovation at the very heart of product development.

1. SPOT precisely measures environmental impacts by integrating 14 impact factors used by the European product environmental footprint framework.
2. These different impacts are standardised on the basis of the average impacts of a worlwide consumer.
3. To obtain a single value for the product environmental footprint (formula and packaging), these impacts are aggregated using a method based on the planetary boundaries [(4)].
4. Lastly, 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.

SPOT also includes a methodology for measuring the social impact of products. It was jointly developed with internal expertise (formula, packaging, factory, stakeholders) and eleven international experts in environmental and social life cycle analyses [(5)].

B/ Reducing the environmental footprint of formulas

All products manufactured by the Group are analysed, from shampoos and haircare products to hair dyes and perfumes. This analysis enables products with the same consumer benefit to be classified according to their environmental footprint.

150 product categories that provide a consumer benefit were defined and over 40,000 formulas were screened. Then, the performance of each category was established to allow for the eco-design of products using SPOT. The aim is to ensure that new formulas are developed with the goal of obtaining an improved environmental profile while maintaining the same benefits for the consumer.

In 2022, **49%** of created or renovated products had an improved environmental profile due to a new formula with a smaller environmental footprint.

Improving biodegradability through eco-design

The Group is working to measure and increase the biodegradability of its formulas and reduce their water footprint at the end of their life cycle. These two parameters have been integrated in the SPOT product eco-design tool.

All product formulator teams use this tool to assess biodegradability and water footprint whenever new formulas are created.

In 2022, 100% of formulas put into production for the first time were evaluated and 80% of these have an improved environmental profile.

Among the new products launched in 2022, those listed below have formulas with biodegradability levels of over 98% (all L'Oréal geographic Zones):

(1) Following on from the former Sharing Beauty With All programme, which came to an end in 2020.
(2) Sustainable Product Optimisation Tool.
(3) Recommendation on the use of common methods to measure and communicate the environmental performance of products and organisations (Product Environmental Footprint).
(4) Boundaries developed by an international team led by Professor Johan Rockström of the Stockholm Resilience Centre.
(5) See section 4.3.1.2.2.

Product	Product type	Brand	Design Zone
BIOLAGE GREEN RECOVERY CONDITIONER	Hair mask	Matrix	USA
DL AU NATURALE MICELLAR SHAMPOO	Shampoo	Softsheen-Carson	South Africa
BODY SUPERFOOD COCOA	Body care	Garnier	France
HP AQUA OIL-FREE CLAY TONER	Face care	L'Oréal Paris	China

In 2022, in addition to bringing new products with very high biodegradability levels to the market, L'Oréal updated its formulas that were already on the market. For example, L'Oréal Paris updated the formula for its Masque Elsève Extraordinary Oil Jojoba, increasing its biodegradability level from 76% to over 99%. For its part, Garnier updated the formula for its Ultra Soft Coconut Water Conditioner and increased its biodegradability level from 81% to over 99%.

The biodegradability of the raw materials portfolio was 82% in 2022.

Using eco-design to reduce the impact of the product use phase

Innovation reduces the impact of the consumer use phase. In the rinse-off cosmetics sector, the main impacts are the carbon and water footprints during product use.

The aim is to preserve the quantity and quality of water resources.

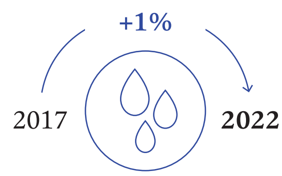
As part of its new L'Oréal for the Future sustainability commitments, the Group wants to develop innovative solutions that enable consumers to reduce their greenhouse gas emissions and water consumption associated with using its products.

The three pillars of the Group's strategy to meet the challenge of water consumption

- A reduction in the quantity of water used for rinse-off products: this means developing formulations that offer better rinsability. For example, in 2022, the Garnier brand doubled its sales of solid shampoos that offer a 20% saving in the rinse volume used.
- Innovation in routines: the Group continually adapts its innovation model to meet all beauty aspirations around the world. L'Oréal wants to enable its consumers to reduce the impact of their use phase by offering innovations in the areas of product use and routines. The goal is to reduce the impact of the use phase by, for example, eliminating the rinse phase. In 2022, the Garnier brand extensively rolled out its Ultra Soft range of leave-in conditioners contained in a cardboard tube across Europe. This eco-designed technology (91% biodegradable and 94% renewable ingredients) eliminates the usual need to rinse off with water as required by traditional conditioners.
- The deployment of technologies: the Group is developing equipment to reduce water consumption in salons. It is collaborating with its ecosystem to develop new solutions. The Group has also partnered with the Swiss start-up Gjosa to optimise the rinse-off technology for shampoos, haircare products and hair dyes. Called L'Oréal Water Saver, this sustainable haircare technology for use in salons was presented at the Consumer Electric Show in January 2022. It reduces water flow by 69% and is currently being rolled out in Europe and Dubai. In 2023, a total of 23,000 units will be installed in these countries.

Since 2016, greenhouse gas emissions have been favourably decorrelated from the water consumption associated with the use of the products.

Water consumption linked to the use of the products (1)



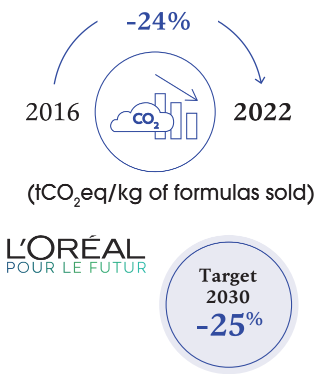
(water consumption per litres/kg of formulas sold)

L'ORÉAL POUR LE FUTUR

Target 2030 -25%

(1) Calculation made on the basis of the energy consumption required to heat the water for rinsing the products concerned. In 2022, a new calculation methodology was used for body products (shower gels). It only takes into account the water volumes related to the shower required, i.e. the water needed to rinse the cosmetic products. This methodology impacts the Group's overall water volumes and consequently the overall Scope 3 GHG emission volumes (impact on all GHG emissions of between 7 and 8%). The baseline for 2016 was recalculated using this methodology. It will be published in early 2023.

Greenhouse gas emissions linked to use of the products[1]



C/ Respect for biodiversity

Giving preference to sustainably sourced renewable raw materials

When sourcing its raw materials, the Group is committed to guaranteeing, over and above quality considerations, **the sustainability of resources**.

In 2010, the signatory countries to the Convention on Biological Diversity adopted the **Nagoya Protocol**. This protocol aims to regulate access to the genetic resources of a given region and to ensure the fair and equitable 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 adopted, since 2005, an approach aimed at securing its sourcing channels for the future. This approach must address the issues surrounding sustainable use of biodiversity. To do so, the Group gives preference to, inter alia, renewable raw materials [2] while ensuring that they are responsibly sourced.

For more than 10 years, green chemistry has been a catalyst for L'Oréal's sustainable innovation policy. L'Oréal has adopted its principles to promote the use of renewable raw materials, to design raw materials serving to reduce waste and to preserve the water cycle. In a broad 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 supply risks due to 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 for biodiversity, etc.). It is therefore necessary to take measures to ensure the long-term sustainability of supply.

In 2022, among the raw materials newly referenced by the Group **82%** in number were renewable and **24%** in number respected green chemistry.

Products marketed in 2022 with a proportion of renewable raw materials above 98%

Product	Product type	Brand
KIEHL'S CALENDULA CLEANSING FACIAL BAR	Face cleanser	Kiehl's
ATELIER COLOGNE BOHEME FLEUR DE TANGER CREME MAINS ET ONGLES	Body care	Atelier Cologne
HAIR DRINK LAMELLAR PINEAPPLE	Haircare	Garnier
EVERPURE SIMPLY CLEAN SHEER OIL	Oil	L'Oréal Paris

In 2022, in addition to marketing new products with a very high proportion of renewable raw materials, L'Oréal updated its formulas that were already on the market. For example, Lancôme updated the formula for its GENIFIQUE CREME BARRIERE NUIT face care product, increasing the percentage of renewable materials from 31% to 92%. Kiehl's updated the formula for its KIEHL'S CREAMY EYE TREATMENT WITH AVOCADO eye care product, increasing the percentage of renewable materials from 35% to 93%. La Provençale launched a complete certified organic or natural makeup routine. It includes certified organic makeup containing up to 100% naturally sourced ingredients, without compromising the result or the sensory experience.

The Group also set up the Green Sciences transition programme to drive change in its portfolio of raw materials, with the aim of ensuring that ingredients have a favourable environmental profile. To do so, the programme is based on production and transformation processes that respect human health and environmental ecosystems.

Thanks to the Green Sciences pillars, the Group can optimise the production and transformation of raw materials in the existing portfolio, as well as those under development. The Sustainable Cultivation pillar will ensure biomass production while respecting best practices for agriculture and biodiversity, soil quality, use of phytosanitary products, greenhouse gas emissions and sound water management.

The biomass transformation pillars correspond to biotechnology and fermentation, green chemistry and extraction processes. The Group promotes green chemistry principles aimed at developing ingredients with a favourable environmental and human safety profile. These ingredients are made from plant raw materials from renewable resources, minimising the number of synthesis stages, the consumption of non-ecotoxic solvents and energy, and the production of by-products.

(1) *Calculation made on the basis of the energy consumption required to heat the water for rinsing the products concerned. In 2022, a new calculation methodology was used for body products (shower gels). It only takes into account the water volumes related to the shower required, i.e. the water needed to rinse the cosmetic products. This methodology impacts the Group's overall water volumes and consequently the overall Scope 3 GHG emission volumes (impact on all GHG emissions of between 7 and 8%). The baseline for 2016 was recalculated using this methodology. It will be published in early 2023.*

(2) *This means that the carbon content is primarily of plant origin.*

In 2022, the volume of the raw materials used by L'Oréal coming from green chemistry [1] was 28%. This represents 665 [2] raw materials. During the same year, 82% of the newly registered raw materials were renewable. Furthermore, 13 new raw materials based on green chemistry principles were registered, representing 24% of the total.

The Group considers biodiversity to be a key source of innovation. Plans to increase the use of raw materials from renewable sources must ensure that the ecosystems and the availability of these resources for other purposes are not adversely affected. The Group is committed to a sustainable and responsible supply chain (see section 4.3.1.2.2.).

In 2022, **61%** of our ingredients in formulas were from biobased sources, derived from abundant minerals or from circular processes.

L'ORÉAL POUR LE FUTUR

Target 2030 **95%**

As part of its target for 2030, the Group is working with specialised external partners such as BRGM to define a robust scientific methodology aimed at classifying the minerals used and ensuring that they are from abundant sources.

Respect for biodiversity and societal contribution

In 2018, as part of the Act4nature initiative, L'Oréal set a goal of having 100% of its bio-based raw materials coming from sustainable sources by 2030. To be included in this category, raw materials must meet various requirements in terms of traceability, respect for Human Rights and compliance with the Nagoya Protocol.

Traceability of raw materials from sustainable sources

Traceability means that the raw materials have an identified botanic and geographic origin.

Furthermore, the traceability campaigns with the Group's suppliers have made it possible to trace 100% of plant-based ingredients to their country of production, or even as far as the biomass production site. In 2022, the portfolio of bio-based raw materials comprised 1,704 [3] raw materials from 328 botanical species cultivated in more than 100 countries.

Respect for Human Rights throughout the entire production chain

Respect for Human Rights in accordance with ILO principles is now expected throughout the entire production chain of these raw materials. In 2022, 100% of bio-based raw materials used by the Group were reassessed, in particular based on criteria such as respect for biodiversity and forced labour (see SCAN Index below).

Compliance with the principles of the Nagoya Protocol

Plants are sourced in a way that promotes the economic development of the producers and respect for traditional knowledge associated with biodiversity in accordance with the principles of the Nagoya Protocol.

Out of the 328 botanical species that are the source of the biosourced raw materials used by the Group, around 6%[4] present significant biodiversity challenges (endangered species, and impact of production on natural environments) depending on their geographic origin and the method of extraction or production used. They are the subject of specific action plans initiated with suppliers and, if necessary, benefit from the systematic support of independent external third parties, in order to manage the real impacts on the territories of origin of the ingredients.

The palm oil and its by-products segment is the subject of a specific **"Zero Deforestation" approach** (see below). At the end of 2022, 100% of supplies were covered by action plans with the suppliers concerned.

Other segments represent 22% of the portfolio of bio-based raw materials in volume and 86% in number. For these segments, L'Oréal has defined sustainable sourcing challenges indicators[5] in order to assess their sustainability.

These indicators are consolidated within the SCAN index[6], which enables priorities to be set in the sustainable sourcing action plans. The Group regularly updates the information collected. There are already improvement action plans in place with suppliers for 71% of the volumes (45% in number) of raw materials that have sustainable sourcing challenges according to the SCAN index. These action plans aim to ensure sustainable sourcing in order to achieve the goal of 100% of the Group's bio-based raw materials coming from sustainable sources.

L'Oréal has also launched a support and training programme for more than 200 suppliers. They are now trained in sustainable sourcing of raw materials in order to guarantee the traceability of the raw materials delivered to L'Oréal and to ensure that the associated supply 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. This procedure is based on 88 indicators defined by L'Oréal with the support of the Rainforest Alliance NGO and was reviewed in 2019 by EcoCert, The Biodiversity Consultancy and The Danish Institute for Human Rights.

(1) *This means derived from renewable resources, transformed by an eco-friendly process and offering a favourable environmental profile.*
(2) *Determined according to production.*
(3) *Calculated on the basis of projected purchases between January and November 2022.*
(4) *Calculated on the basis of projected purchases between January and November 2022.*
(5) *Based on environmental, social and economic indicators from external databases (the UNDP's IHDI, EPI from Yale University, and Verisk Maplecroft Country Index).*
(6) *Sustainable CAracterizatioN index.*

Suppliers are also asked to make use of sustainable sourcing certifications adapted to their stream (Fair Trade, Sustainable Agricultural Network, Organic etc.).

By adopting a sustainable sourcing approach for bio-based raw materials, L'Oréal contributes to the social and economic inclusion of vulnerable population groups while respecting the environment. In 2022, the proportion of sustainably sourced bio-based ingredients was 92%, showing a slight decrease due to the ongoing improvement in the traceability of the bio-based portfolio and the updating of countries at risk via the Scan Index in line with the development of each geopolitical context.

In 2022, **92%** ☑ of the biobased ingredients in our formulas were traced and sourced from sustainable sources(1).

L'ORÉAL POUR LE FUTUR

Target 2030 **100%**

(1) For the definition of the scope see the Methodological Notes.

☑ The Statutory Auditors have expressed reasonable assurance about this indicator.

Rice bran oil: improving resilience to climate change in Thailand

L'Oréal uses rice bran oil from Thailand for its anti-dandruff and antioxidant properties (haircare and skincare products). In Thailand, rice production accounts for a total of 4 million hectares, representing around 20% of the country's agricultural land. As the world's fifth largest producer of rice, Thailand is also one of its leading exporters. Rice production is therefore one of the main pillars of the local economy, although the monoculture of rice has a negative impact on the environment.

In 2016, L'Oréal launched a project for the responsible sourcing of rice bran from small producers in the Isan region in north-eastern Thailand. L'Oréal works with the PUR Projet NGO and its suppliers to support four producer cooperatives in implementing climate-smart practices in order to reduce the amount of methane produced by the region's rice farming and to improve its resilience to climate change. In this context, four plots were established to provide full-scale demonstrations of agricultural techniques. The practices presented in the demonstration plots include:

- the cessation of ploughing to preserve the different soil horizons and maintain their capacity to sustainably retain water;
- agroforestry on the edge of rice fields to encourage the diversification of farmers' incomes and improve the surrounding biodiversity;
- the adoption of the System of Rice Intensification (SRI) to reduce the use of water and limit methane emissions; and
- the smart use of water to improve adaptation to droughts.

Thanks to the determination of volunteer farmers, the project has successfully demonstrated the benefits of regenerative agriculture to the agricultural community, in particular how carbon sequestration and the protection of biodiversity can significantly increase yields and improve their livelihoods.

L'Oréal strongly encourages as many farmers as possible to adopt SRI practices. In 2022, 1,186 local producers benefited from the project, 59% of which were women.

Respecting biodiversity and measuring our impact

The loss of biodiversity undermines food security, health, quality of life and many services provided to our economies (pollination, the purity of air and water, soil fertility). It also effects the Group's resilience to climate change. The conversion of natural ecosystems for agricultural and urban development purposes is recognised by science as the primary factor for the loss of biodiversity, followed by pollution, climate change and the introduction of invasive species.

The Group has a long-standing commitment to the preservation and sustainable use of biodiversity. The L'Oréal for the Future programme reaffirms this commitment by placing biodiversity right at the heart of its goals.

The Group has worked with The Biodiversity Consultancy to develop an innovative way of measuring the impact that its industrial activities and sourcing have on natural ecosystems.

This new indicator is based on three parameters: the ground surface required, the loss of biodiversity related to Group practices and the significance of biodiversity in the ecosystem concerned. It estimates that sourcing plant-based ingredients accounted for more than 80% of our biodiversity footprint.

L'Oréal is therefore committed to ensuring that, between now and 2030, its footprint on the ecosystems required to produce its plant-based ingredients remains unchanged from 2019 levels. The following drivers have been identified as key to achieving this goal:

- the adoption of regenerative agricultural practices by suppliers, in order to improve yields, preserve biodiversity and help farmers transition towards more sustainable agriculture;
- the implementation of an ambitious plan to develop alternatives to the raw materials with the highest impact, particularly through biotechnology and circular processes, as part of the *Green Sciences* programme; and
- support for rehabilitation projects for ecosystems adjacent to our strategic supply chains.

At the same time, L'Oréal is still working on different methodologies for assessing the impact of its activities on developing biodiversity in France and worldwide. As such, the Group takes part in the work of the Science-Based Targets for Nature network's Corporate Engagement Programme, CDC Biodiversité's B4B+ club [(1)] and the One Planet Business for Biodiversity (OP2B) collective.

In 2022, L'Oréal refined the footprint calculation methodology and the databases used, and also improved its traceability data through constant exchange with its suppliers.

Thanks to the quality of its traceability data, L'Oréal was able to analyse the importance of biodiversity relative to its supply areas, using the STAR metric based on IUCN data (see details in the methodological notes). This analysis shows that:

- approximately 70% of the land use related to the sourcing of the Group's bio-based ingredients occurs in countries where the risk of significant impact on biodiversity is very low or low; and
- 30% of bio-based ingredients come from regions where the risk of significant impact on biodiversity is medium, such as Indonesia and Malaysia for palm oil or the Philippines for coconut.

These results will enable us to refine the supply strategy for each plant and each country, but also to work on innovative alternatives.

"Zero Deforestation" commitment

In its "Zero Deforestation" policy published in 2014, the Group pledged that by 2020 it would no longer include any product linked to deforestation in its ingredients or raw materials. Since 2007, L'Oréal's action plans have promoted a **sustainable supply of agricultural raw materials** that could be a cause of deforestation (palm oil, soybean extract, fibrewood-based products, etc.).

In 2021, aware of the increasingly critical global threat to forests and the social and environmental consequences of deforestation, the Group renewed its goals following a consultation with its stakeholders. These new goals can be found in its **2030 Forest Policy**.

Capitalising on past achievements in the areas of palm, soy and wood fibre, the 2030 Forest Policy covers more raw materials, prioritised according to their strategic importance and the social and environmental risks identified. It is based on sustainable and responsible management throughout the supply chains and on the preservation and rehabilitation of natural ecosystems adjacent to production areas. It is therefore incorporated into the Group's sustainable sourcing strategy for its ingredients and sets new goals that are specific to these raw materials.

In addition to the environmental dimension, the 2030 Forest policy focuses on Human Rights and improving the living conditions of the communities affected.

Results for raw materials

Palm: In 2022, L'Oréal consumed 284 tonnes of palm oil and 88,156 tonnes of palm oil and palm kernel derivatives. These derivatives come from the pulp or the kernel of palm fruit respectively. These 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 [(2)] criteria since 2012; and
- 96% of the main derivatives come from sources that are identified (as far as mills).

Palm – certification: 100% of the palm oil used by L'Oréal meets the standards and procedures of the Roundtable on Sustainable Palm Oil (RSPO) according to the SG (Segregated) model, the most demanding traceability model of the RSPO. 100% of the derivatives are also certified.

L'Oréal had increased the proportion of its physically certified purchases to 99% RSPO Mass Balance by the end of 2022, up from 98% in 2021 and 95% in 2020. The remainder is 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 physically connected to field projects that support small, independent planters. In 2022, 25.4% of these volumes were physically connected to sustainable sourcing projects in Indonesia and Malaysia.

Palm – traceability: In 2014, within the framework of its **"Zero Deforestation" commitment**, 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 complex task as the process for transforming derivatives involves a large number of players and many branches of the supply chains.

With the support of a firm of independent experts, an initial phase involving a survey of L'Oréal's strategic suppliers was conducted in 2014. These suppliers represented more than half of the volumes of palm and palm kernel derivatives supplied to L'Oréal. Since 2015, L'Oréal has 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. It was also established that, for 2021, 98% of these volumes of palm and palm kernel derivatives could be traced back to the refineries, 96% to the mills and 48% as far as the plantations.

In 2022, on the basis of this work and with the goal of transparency, for the fifth consecutive year, L'Oréal published on loreal.com the list of the 944 mills (928 in 2021) indirectly connected to its supply chain (over 90% of its palm derivative volumes) and the list of its direct suppliers of derivatives.

Palm – measurement tools: In 2016, L'Oréal sought to round out its evaluation and selection tools for suppliers in this stream by developing a specific tool, the Sustainable Palm Index. Every year, it is used to assess the commitment, progress and achievements of direct suppliers in favour of sustainable palm oil. It also evaluates the progress made towards the "Zero Deforestation" objective and suppliers' compliance with the Group's requirements. First made public in 2016, this tool is available to all players in the supply chain.

(1) Business for Positive Biodiversity.
(2) www.rspo.org

In 2018, to take its commitment further, L'Oréal initiated a collaboration with ZSL (Zoological Society of London) and Transitions. The goal was to develop a tool to evaluate refineries and crushers (which extract the oil from the kernels) on the basis of their reporting, policies and procedures. The indicators used in this evaluation were aligned with the requirements of the Group's standards in respect of deforestation. This tool has been available and public since 2019. At mill level, the L'Oréal Group has used Global Forest Watch's risk assessment tool since 2016 to ensure that no derivative traced to mills is linked to deforestation. In 2018, the procedure for dealing with cases of non-compliance with the "Zero Deforestation" commitment by direct or indirect suppliers was also published. 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. The Group actively contributes to ASD, in particular by sharing all its methodologies and tools developed since 2014.

Palm Project with the Livelihoods Fund for Family Farming (L3F): integrating regenerative agriculture into palm production in Indonesia

Indonesia is the main country from which L'Oréal obtains supplies of palm oil derivatives, accounting for 72.8% of the Group's purchase volumes. Sumatra, and more specifically North Sumatra, is an area that is particularly vulnerable to climate change. For decades, millions of independent smallholder farmers in emerging countries have relied on palm oil to make a living. Today, they are still mainly excluded from the necessary industry transition to sustainability but are facing numerous challenges: competition with large plantations, declining productivity and a lack of financial means to replace their ageing trees.

In keeping with its "learning-by-doing" approach as part of a coalition of international and local stakeholders, the L3F has launched an unprecedented project to help 2,500 smallholder farmers in Sumatra to successfully make this transition. The project aims to build a transparent, deforestation-free supply chain. To achieve this, the project adopts an approach that uses agroforestry models adapted to local conditions and regenerative agriculture practices, with a focus on preserving biodiversity in the plots.

Since 2021, L'Oréal has supported this project[1], which will help to regenerate 8,000 hectares of degraded farmland and to restore an additional 3,500 hectares of local biodiversity in addition to the plots in surrounding productive and protected forests. Project partners Mars and Danone source their palm oil from the pulp of the fruit, while L'Oréal is committed to sourcing palm kernel oil extracted from the kernel of the fruit, a by-product supplied by the smallholders from the project area.

Palm oil monoculture is currently the dominant agroecosystem in almost all villages (95%). The main objective is to train smallholders in better practices that enable the sustainable management of palm plantations and in regenerative agriculture for the purpose of ecological intensification. These farmers are also supported and trained in income diversification through intercropping as well as in agroforestry, organic fertiliser production, and integrated pest and disease management in order to reduce the use of synthetic phytosanitary products and to encourage soil rehabilitation and the gradual replanting of trees.

The demonstration plots established by Livelihoods and local partners for teaching regenerative agriculture and agroforestry practices aim to extend to a total area of 46 hectares, covering 13 villages.

Soy: In 2022, L'Oréal consumed 309 tonnes of soybean extract and 2,098 tonnes of soybean extract derivatives. In 2022, 100% of the soybean extract originating from Latin America used by L'Oréal was from certified sources (IP – Identity Preserved Proterra) or, for the most part, from a land project certified RTRS, Bio and Fair For Life. This project aims to support 36 small soybean producers in Brazil and Paraguay. Derivatives mainly come from areas classed without risk of deforestation.

Paper/cardboard: Regarding materials used by L'Oréal for its packaging, the paper used for product leaflets and the cardboard used for boxes are certified as coming from sustainably managed forests (FSC or PEFC certified) (see the section entitled "Materials vigilance and preservation of resources").

Improving the environmental profile of packaging, new displays and Free-Standing stores in accordance with the Group's sustainable development principles

The environmental policy for packaging is based on three drivers (the 3Rs): **Reduce, Replace, Recycle**.

Reduce	designing filling levels, packing components and finished goods that are smaller and lighter in relation to the contents, thereby consuming fewer resources;
Replace	substituting high-impact materials with alternative materials with lower environmental footprints, such as recycled materials and materials from natural and renewable sources; and
Recycle	making sure that the packaging can contribute to circularity by being recycled.

(1) *In partnership with Mars Incorporated and Danone (long-standing partners and investors in L3F) as well as the common supplier Musim Mas and the non-profit organisation SNV Netherlands Development Organisation, which is in charge of working with the farmers to implement the project.*

These principles are applied before each launch, right from the marketing brief. The Group harnesses these via a global, systematic eco-design process for packaging, notably with the help of the SPOT measurement tool. The Group's packaging strategy fully incorporates its sustainable development commitments. L'Oréal also rolls out new tools (databases, guides and procedures) to support the product development teams.

Since 2018, the Group has used a specific POS programme that is based on the principles of eco-design and the circular economy. For our Free-Standing Stores, we have drawn up an eco-design and construction guide in line with the Group's sustainable development principles. The Group shares the guidelines and best practices for both these initiatives with its suppliers and partner distributors.

In 2022, **73%** of created or renovated products had an improved environmental profile due to improved packaging.

Materials vigilance and preservation of resources

L'Oréal requires a **food-grade level** for all materials used in its packaging that is in contact with its products. The Group also takes a proactive approach with its suppliers in order to ensure that packaging does not contain any sensitive substances. Regular audits ensure the compliance of the filling and packing components delivered, thus ensuring an uncompromised level of quality and safety for consumers.

L'Oréal has pledged that it will stop the production of finished products containing **PVC**. This commitment has been kept since 1 January 2018.

Controlling the source of materials used in packaging is a major challenge that requires responsible sourcing. For its paper, cardboard or wooden packaging, L'Oréal has set itself the target of using materials from sustainably managed forests, exploited with respect for populations and forest ecosystems. The Group therefore uses packaging from forests that are preferably FSC or PEFC certified (or that have obtained any other certification recognised by PEFC International).

Since 2010, L'Oréal has been a member of the Forest Stewardship Council (FSC) in France. Since 2022, L'Oréal has been a member of Forest Stewardship Council (FSC) International. The FSC label is the only one claimed on paper or cardboard packaging for the Group's products.

In 2022, 98% of the paper used for product leaflets and 99% of the cardboard used for boxes (secondary packaging) were certified as coming from sustainably managed forests. As part of its new **2030 Forest Policy**, L'Oréal is stepping up its goals to go beyond certification requirements while extending its scope of application to cover its primary, secondary and tertiary packaging. As such, in 2022, 90% of the Group's primary, secondary and tertiary packaging were certified as coming from sustainably managed forests.

In an approach to achieve continuous improvement in **traceability**, L'Oréal has made a commitment that, by 2030, 100% of its packaging biomaterials will be traceable and come from sustainable sources, with no connection to deforestation. To do so, the Group will rely on the Chain of Custody certification of its packaging suppliers and on knowledge about their supplies' countries of origin (production sites of the material, origin of fibres). As such, in 2022, 89% of direct suppliers of primary, secondary and tertiary packaging were Chain of Custody certified, while 98% of direct purchases of primary, secondary and tertiary packaging made in 2021 have been traced to their country of origin (forests).

Reducing weight and volume to optimise the resources used

In 2022, the Group reduced by **3%** in intensity the quantity of packaging used for its products, compared to 2019.

L'ORÉAL POUR LE FUTUR

Target 2030
-20%

Reducing the weight and volume of product packaging is an integral part of the design stage. It is also 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 2022 can be mentioned:

- Lancôme updated its La Vie Est Belle perfume by reducing the bottle weights by 10% to 15%; and
- the L'Oréal Professionnel Inoa hair dye was updated, resulting in the product leaflet being replaced with information printed on the inside of the box. These changes have reduced the weight of the packaging (primary and secondary) by 25%.

In addition, in order to reduce the use of resources intended for packaging, L'Oréal is marketing an increasing number of **reusable products**, i.e. those that are reloadable or refillable. For example, Giorgio Armani launched its refillable fragrance Armani Code, while the Garnier brand introduced new Ultra Doux shampoo pouches for refilling the original bottle. In the latter case, new and improved caps now make it easier to refill the bottles.

To limit packaging volumes for its finished products, L'Oréal has established a roadmap for reducing packaging at source, as well as its own procedures that respect local regulations and, in most countries, even go beyond these.

Replace: new sources of materials

In 2022, **26%** of the plastic packaging materials were from recycled or biobased sources.☑

L'ORÉAL POUR LE FUTUR

Target 2025
50%

Target 2030
100%

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

Aware that using non-renewable resources goes against sustainability principles, the Group seeks to replace them with recycled or biomass materials, or materials generated by technology that is not reliant on fossil-based resources. In 2022, L'Oréal used 172,158 tonnes of plastic in its primary, secondary and tertiary packaging. **The Group is committed to using non-fossil sources for 50% of its plastics by 2025**.

In the context of L'Oréal for the Future, the Group is aiming to reach **100% non-fossil plastic by 2030**.

Many brands use **recycled plastic** in their bottles (some as much as 100%) as well as other recycled materials in the packaging (recycled glass, paper or aluminium). In 2022, 94,230 tonnes of recycled materials [(1)], including 58,142 tonnes in primary and secondary packaging, saved the equivalent amount of virgin materials. 78.1% of the volume of PET [(2)] used by the Group worldwide is recycled PET, i.e. 33,912 tonnes.

94,230 tonnes
of recycled materials used in the Group's packaging.

For example, Garnier Micellar Waters now contain 100% PCR PET [(3)]. The same efforts have been made with PE [(4)] containers, in particular the CeraVe bottles, launched in China, which are now made from 100% PCR PE. Other product ranges also use other types of recycled materials. For example, the tubes for Dia Light and Inoa hair dye products are now made from 95% PCR aluminium. Recycled materials are not just used for haircare and skincare product packaging but also makeup, for example. In 2022, the bottle for the Maybelline Green Edition Mega Mousse Mascara was made from 96% recycled PP. The bottle for its Tinted Oil is made from 20% recycled glass. For glass packaging, initiatives to integrate recycled glass are continuing to be rolled out in the following product categories: skincare, makeup, perfumes and haircare.

In order to implement new circular solutions for plastic packaging, L'Oréal is working with an **ecosystem of partners**:

- the L'Oréal consortium with Carbios is developing a bio-recycling process. This involves using very specific enzymes in order to recycle PET plastics and polyester fibres more broadly. This innovative process will produced a recycled PET equivalent to virgin PET. In April 2019, Suntory, Nestlé Waters and Pepsi-Co joined this consortium;
- the partnership signed in 2018 with LOOP Industries® to depolymerise post-consumer PET into virgin-quality PET; and
- the partnership signed in July 2019 with PURECYCLE to produce recycled PP.

Recycle: integration into circular streams

In 2022, **38%** of the Group's plastic packaging was refillable, reusable, recyclable or compostable.

L'ORÉAL POUR LE FUTUR

Target 2025 **100%**

In 2017, L'Oréal joined the New Plastics Economy (NPEC) initiative of the Ellen MacArthur Foundation. This initiative aims 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. One specific goal of this partnerhsip is to engage actions to have plastic packaging 100% refillable, reusable, recyclable or compostable by 2025. This goal is one of the commitments L'Oréal made as part of the Ellen MacArthur Global Commitment. These commitments are monitored by the annual Progress Report.

In 2022, the percentage of refillable, reusable, recyclable or compostable plastic packaging was 38%.

Removing certain components that interfere with the recycling process improves the recyclability of packaging. For example, Garnier has discontinued the use of metallised labels across its Micellar Waters range in Europe. These measures have helped to **eliminate disruptors** that interfere with the plastic detection process in automatic sorting centres.

The Group's brands have developed detailed sorting instructions for consumers to improve the recycling of their products.

In addition, in partnership with the eco-organisation CITEO, several L'Oréal brands in France [(5)] are pursuing a sorting awareness campaign (media, advertising etc.). Lastly, the "**www.beaute.fr**" platform supports consumers in their process to sort their beauty products at the end of use.

Environmental impact and tools

To evaluate the impact of its finished products, the Group makes the following tools available to its design centres:

- SPOT *(Sustainable Product Optimisation Tool)*, a tool for assessing the impact of packaging. Since 2017, this innovation has made it possible to meet the Group's sustainability commitments (see section 4.3.1.3.1.);
- a tool to help in reducing the environmental impacts of transportation packaging for packaging components from suppliers to plants and transportation packaging of finished products from plants to the Group's distribution centres, particularly through optimisation of palletisation.

(1) *Post-Consumer Recycled (PCR).*
(2) Polyethylene terephthalate.
(3) *Post-consumer recycled (PCR).*
(4) *Polyethylene.*
(5) *Cadum, Garnier, L'Oréal Paris, Narta, Ushuaïa, Vichy etc.*

To **share its research and results with the cosmetics industry**, in 2018 the L'Oréal Group created the SPICE (*Sustainable Packaging Initiative for Cosmetics*) initiative 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. L'Oréal shares its own SPOT Packaging methodology through the SPICE initiative. Tracking of work and achievements, as well as the plan for the coming months, are accessible on the open platform www.Open-Spice.com. The SPICE initiative now has more than 34 members worldwide. The dedicated SPICE tool was launched in July 2020.

To increase transparency towards consumers, L'Oréal has initiated the roll-out of the PIL (Product Impact Labelling) tool. This involves allocating a score on a **scale from A to E for the environmental impact of products**, which is made available on the websites of certain Group brands for eight formula categories (see section 4.3.1.3.2. B).

Since 2018, L'Oréal has been working with its teams and suppliers to implement a global programme to eco-design POS materials and furnishings, which is based on:

- 14 robust and pragmatic golden rules;
- training support for teams and suppliers;
- monitoring indicators;
- sharing best practices; and
- inter-team events on sustainability, including suppliers.

The principles relate in particular to materials: recycled materials and those from biobased sources, their weight, recyclability or separability and the optimisation of electricity consumption (for permanent POS). L'Oréal is testing and developing circular economy processes with its suppliers and local operators, notably in the context of uninstalling, recycling or donations. L'Oréal continues to share its best practice, for example with the French Federation for Beauty Companies (Fédération des Entreprises de la Beauté – FEBEA).

In 2022, L'Oréal continued the roll-out of its Sustainable Retail Box programme. This action plan, aligned with the highest standards, sets out concrete actions for the design and responsible construction of free-standing stores[1]. In 2022, all of the Group's 52 new or renovated stores made a commitment to an eco-responsible process aligned with L'Oréal's highest standards. 26[2] of them recorded an eco-design rate of over 100% or are certified LEED Gold.

For our permanent POS materials, but also our Free-Standing stores, the Group uses design firms that are experts in lighting to optimise energy consumption without compromising the quality of in-store lighting. The pilot projects are promising, in particular for the reduction of environmental impacts. In 2022, the teams continued to roll out the operational guidelines launched in 2021 for new developments.

In 2022, **97 %** of advertising displays at points of sale were eco-designed and **50%** of free-standing stores, whether new or refurbished, were designed and built in line with the Group's principles of sustainable development.

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Target 2025 **100%**

(1) Consolidated data based on a questionnaire filled out directly by the sales outlets/POS.

4.3.1.3.2. Involving consumers in the Group's transformation

A/ Product quality and safety: a priority

L'Oréal develops and devises cosmetics that meet the needs of both consumers and professionals in terms of quality. As consumer safety is an absolute priority for L'Oréal, assessing the safety of these formulas and their ingredients is central to any new product development process. It is also a prerequisite for any new product being brought to the market. As a result, **consumers across the globe have access to cosmetics of identical quality, with proven safety records**.

L'Oréal factories worldwide manufacture cosmetics that comply with ISO international standards. Almost all factories are ISO 9001 certified and implement the requirements of ISO 22716 on Good Manufacturing Practices for cosmetics. This standard sets out the requirements for the production, filling and packing, control, storage and shipment in order for a cosmetic product to comply with the defined quality.

100% of the Group's products undergo a rigorous safety assessment. A safety report is then prepared.

The Worldwide Human and Environmental Safety Evaluation Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients used and the formulas before they are launched on the market. It draws on data from a wide range of sources: literature, in silico experiments, in vitro tests on cellular models and clinical trials evaluating tolerance in humans. These same safety standards are applied everywhere to protect the health of consumers from across the globe. Once the finished product is launched on the market, potential adverse effects are monitored to ensure the safety of the product over its lifetime.

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. The Group carries out this task with its international cosmeto-vigilance network, which collects, validates and analyses, using recognised and rigorous methods, the adverse effects related to the use of a cosmetic product. This allows for appropriate corrective measures to be taken where necessary.

(1) Materials, energy, accessibility, water management, construction waste, interior air quality, ergonomics, etc.
(2) Consolidated data based on a questionnaire filled out directly by the sales outlets.

The safety cycle is summarised in the following graphic:

In responding to questions that civil society may ask regarding certain substances and their effects on health and the environment, three points summarise L'Oréal's position:

- vigilance with regard to any relevant new scientific data;
- cooperation with the relevant authorities; and
- precaution leading to the substitution of ingredients in the event of a proven or strongly suspected risk.

The launch of the website "Au coeur de nos produits"(Inside our products) in 2019 is testimony to the Group's desire for increased transparency on this issue.

Finally, production quality standards govern the quality of products, for all stages from creation and production to distribution. Almost all factories are ISO 9001 certified for their production and follow the Best Manufacturing Practices in accordance with the ISO 22716 standard.

The product safety assessment process

L'Oréal has set up a process to ensure that all products developed by the Group, whatever the geographical location of the laboratory in charge of the project, are subject to the same level of rigorous safety evaluation. The Worldwide Safety Evaluation Department carries out these evaluations, based on a multidisciplinary scientific approach, at all stages of a product's life cycle. L'Oréal therefore meets the safety requirements of the national regulations in force in all countries in which its products are put on sale.

A safety assessment is conducted for each product launched on the market

Product safety evaluation is based on evaluating each constituent ingredient 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. Experienced scientists who are specially trained in safety issues with regard to cosmetic ingredients and products interpret the results.

L'Oréal's Ethical Principles, rooted in both scientific rigour and responsiveness to societal concerns, lead to a pre-emptive approach. This means that formulations are evolved by removing and/or replacing certain substances on the basis of new data.

L'Oréal's added value, in terms of the safety assessment of ingredients and finished products, lies in its investment for nearly 40 years in the development of predictive methods and tissue engineering, and their international regulatory recognition. For many years, the Group has been investing in science and technology to create new evaluation tools which are used every day by safety assessors.

L'Oréal also works closely with all the international stakeholders involved in relevant industries in order to develop 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. Progress made in 2014 put an end to testing on animals of some products manufactured in China. Since 2021, non-functional products imported into China no longer need to be tested on animals if they are accompanied by a safety assessment and a manufacturing best practice certificate issued by their country of origin.

Ultimately, L'Oréal's products continually evolve as and when technological innovations occur, but with the constant desire to guarantee the highest level of safety for both consumers and professionals.

B/ Raising awareness among consumers about sustainable lifestyle choices

The Group wants to empower all its consumers to make sustainable consumption choices.

The SPOT environmental and social assessment tool, rolled out to all of the Group's brands [(1)], established the environmental and social profile of all new products in a process dating back to 2017.

Displaying the environmental and social impact of the products

As part of its L'Oréal for the Future programme, the Group has created an **environmental and social impact labelling system** for its products with environmental ratings ranging from A to E to help consumers make informed consumption choices.

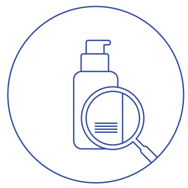
This comparison tool for products within the same category is based on the SPOT methodology to measure impacts, which was developed with 11 independent international experts in accordance with the directives of the European Product Environmental Footprint (PEF), to scientifically measure the environmental and social impact of a product. It takes into consideration 14 planetary impact factors such as greenhouse gas emissions, water stress, ocean acidification or the impact on biodiversity.

These impacts are measured at each step in the life cycle of a product and calculated by taking into account not only the cultivation and extraction of raw materials and the processing and transport of the product, but also the usage phase by the consumer and the recyclability of the packaging.

This information is accessible to consumers on the product pages of our brands' websites. The first phase of the roll-out began in France with the Garnier haircare category in July 2020. The information is now available for four product categories (shampoo, conditioner & mask, face wash, body wash), five international brands (Biotherm, Garnier, La Roche Posay, L'Oréal Paris, Vichy), and in twenty-three European countries, the United States, Canada, Mexico and Indonesia.

At the same time, L'Oréal is committed to a sectoral approach, coming together with its competitors to form the **EcoBeautyScore Consortium**, which aims at developping a common environmental labelling system for the entire cosmetics industry. This system is backed by a scientific methodology for measuring environmental impacts in line with the recommendations of the European Commission, similar to the one used by the Group for its environmental labelling initiative. Alongside the other members, L'Oréal is committed to sharing its experience in this field within the Consortium in compliance with anti-trust legislation.

In view of L'Oréal's active contribution to the development of the EcoBeautyScore, the Group slowed down in 2022 the deployment of its own system for displaying the environmental and social impact of its products. However, in 2023 it will continue to roll it out to new brands and new markets.



In 2022, an environmental impact score was calculated for **83%** of the Group's rinse-off products. Labelling showing these scores, together with their social impact data, will be gradually rolled out in our markets.

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Environmental and societal commitment of L'Oréal brands

Conscious of the influencing ability of its brands, L'Oréal encourages them to inform and mobilise their stakeholders around major environmental and societal challenges. Each brand must therefore identify a cause of its own, support a community partner involved in the field and conduct awareness-raising campaigns with the wider public.

In the context of the L'Oréal for the Future programme, the Group has made a commitment that three million people will benefit from its brands' social engagement programmes by 2030. In 2022, 22 brands have activated a cause program in partnership with NGOs, leading to a support brought to more than 2,500,000 beneficiaries [(2)].

L'Oréal Paris	L'Oréal Paris is backing the *Stand Up against street harassment* programme in partnership with the NGO Right To Be. In 2022, more than 800,000 people in more than 41 countries learned how to react safely to street harassment. The training, based on the 5D[(3)] methodology, teaches victims and witnesses of street harassment how to react without putting themselves in danger.
Maybelline	Maybelline has developed the *Brave Together* initiative to take action against anxiety and depression. The brand supports 35 associations in over 25 countries. These provide access to crisis hotlines and various tools offering personalised support.
Yves Saint Laurent Beauté	"Abuse is Not Love" programme aims to fight domestic violence in partnership with local NGOs. The brand launched a training course with a wealth of resources to support victims and those wishing to help people suffering domestic abuse. In 2022, more than 377,242 people benefited from this course.
Giorgio Armani	Giorgio Armani is committed to providing regions affected by drought with access to drinking water and sanitation through its *Acqua for Life* programme. In partnership with UNICEF, WaterAid and Water.org, the brand has invested more than €12 million to provide more than 540,000 people in 21 countries with access to drinking water.

(1) Excluding recent acquisitions.
(2) Data consolidated based on a statement submitted directly by partner NGOs.
(3) https://www.standup-international.com/fr/fr/our-training/bystander

4.3.1.4. Meeting the most demanding climate standards

4.3.1.4.1. GHG assessment: an annual exercise

L'Oréal carries out an annual Greenhouse Gas assessment (GHG assessment or balance) for all the Group's activities, in order to measure its CO_2 emissions and identify the action plans that will enable to reduce its impact. Performed since 2007, this assessment 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 4.3.1.1.3.

In 2022, the GHG assessment of the L'Oréal Group was estimated at 11,270 thousand tonnes of CO_2 equivalent.

Scopes 1 and 2 – emissions measured and reported on a monthly basis

Scopes 1 and 2 correspond to those for which the Group takes direct action:

- By implementing energy sobriety approaches and significantly improving the energy efficiency approaches of buildings, equipment and industrial processes;
- by making local contributions to the transition to renewable energies in the countries or sites where the Group operates. L'Oréal has implemented an ambitious renewable energy policy that prioritises on-site production and consumption (self-consumption); long-term Power Purchase Agreements (PPA); and finally the purchase of locally produced renewable energy.

These CO_2 emissions are measured by all the Group's sites and reported monthly.

	2025 TARGETS	2020	2021	2022
Industrial sites	- 100% (vs. 2005)	-81%	**-87%**	**-91%**
Administrative sites and research centres	- 100% (vs. 2016)	-76%	**-83%**	**-91%**

Changes in the published figures for Scopes 1 and 2 since 2016 *(in thousands of tonnes of CO_2 equivalent)*[(1)]

		2016	2017[(2)]	2018	2019	2020	2021	2022
Scope 1	Industrial sites	55.5	49.7	46.6	43.6	39.0	25.9	18.9☑
	Administrative sites and research centres	6.5	8.0	7.7	6.4	4.1	1.8	0.9
	Group	**62.0**	57.7	**54.3**	**50.0**	**43.1**	**27.7**	**19.7**
Scope 2	Industrial sites	25.7	15.9	8.9	8.2	7.0	5.7	2.5☑
	Administrative sites and research centres	26.5	25.3	25.7	22.1	5.7	4.9	2.9
	Group	**52.2**	41.2	**34.6**	**30.3**	**12.6**	**10.6**	5.4
Scopes 1 + 2	Industrial sites	81.2	65.7	55.5	51.8	46.0	31.6	21.3☑
	Administrative sites and research centres	32.9	33.2	33.4	28.5	9.8	6.7	3.8
	Group	**114.2**	**98.9**	**88.9**	**80.3**	**55.8**	**38.3**	**25.1**

(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) *In 2017 only, the published 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 the data for 2017 published in this table.*

(3) *The Scope 1 and 2 emissions published since 2016 do not include emissions related to tthe energy consumption of operated stores (branded retail stores) and vehicles operated under long-term leases (car fleet), as the majority of these emissions are estimated. These emissions amount to approximately 66 thousand tonnes of CO_2 equivalent. Work will be carried out in early 2023 to reintegrate these emissions into Scopes 1 and 2 and to publish a complete scope for the next financial year.*

Scope 3 – emissions estimated annually

Scope 3 covers all other greenhouse gas emissions not directly related to the sites operated by the Group or to the processing of products in the factories but to other stages in its life cycle (procurement, transportation, use, end of life, etc.) and other impacts related to the Group's activities (business travel, etc.). These emissions are the subject of an annual estimate according to the GHG Protocol methodology.

In 2022, work was carried out on Scope 3 of the GHG Assessment in order to improve its input data, limits and emission factors. For 2022, L'Oréal Group's Scope 3 is estimated at 11,245 thousand tonnes, an increase of around 0.7 million tonnes compared to 2021, primarily due to direct and indirect purchases.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

The GHG Protocol defines 15 items of emissions associated with Scope 3:

Upstream or downstream	Scope 3 categories	Scope	2022 emissions *(in thousand tonnes of CO_2 eq.)*
Upstream	1. Products and services purchased	CO_2 emissions related to the preparation of all materials used for the products manufactured by the Group, and their promotion at points of sale. These emissions include the extraction of materials, their transportation to suppliers followed by their processing prior to delivery; this represents 1,063,284 tonnes of CO_2 eq. for the raw materials used in our formulas and 1,718,281 tonnes of CO_2 eq. for the packaging elements of our products. The CO_2 emissions of this item also include the services purchased by L'Oréal (marketing, advertising etc.) (see section 4.3.1.2.2.).	4,556
	2. Capital goods	CO_2 emissions related to capital goods acquired or leased by L'Oréal in 2022 (property, production related to capital goods, IT etc.).	813
	3. Fuel- or energy-related activities (not included in Scope 1 and 2 emissions)	CO_2 emissions related to the extraction, production and transport of the fuel and energy purchased by L'Oréal. It also includes losses during the distribution of electricity.	151
	4. Upstream transport and distribution	CO_2 emissions generated by the transport of items purchased and shipped to production or distribution sites.	151
	5. Waste generated by sites	CO_2 emissions related to the treatment of production waste and wastewater (by a third party) from facilities operated and/or owned by L'Oréal.	8
	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 (plane, train, short-term car hire etc.).	97
	7. Employee home/work commuting	CO_2 emissions related to employees' journeys from their home to their workplace. This category also incorporates CO_2 emissions related to the energy consumption of employees who work remotely.	112
	8. Upstream leased assets	CO_2 emissions generated by the energy consumption of the stores and the consumption of fuel by vehicles used under long-term leases.	67
Downstream	9. Downstream transport and distribution	CO_2 emissions related to transporting products sold, including: transportation flows of finished products from the production sites to the first customer delivery point (443,535 tonnes of CO_2 eq.) and consumers' travel to and from the points of sale (29,217 tonnes CO_2 eq.). The CO_2 emissions of this item also include the energy consumption associated with the materials used to promote products at the point of sale (116,201 tonnes CO_2 eq.).	589
	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 hot water use by consumers for rinsing off certain L'Oréal products, such as shampoos, shower gels, hair dyes etc. These emissions are related mainly to the nature and mode of production of the energy used for heating water (which differ by country of use). (See section 4.3.1.3.)	4,102
	12. End-of-life treatment of sold products	CO_2 emissions relating to the treatment of sold products after their use: filling and packing components treated in existing streams and wastewater treated in water treatment plants. These emissions are related mainly to the nature and mode of production of the energy used for each treatment.	520
	13. Downstream leased assets	Not relevant: there is no exploitation of assets owned by L'Oréal and leased by other entities.	-
	14. Franchises	CO_2 emissions related to energy consumption in the Group's franchised shops.	-
	15. Investing activities	CO_2 emissions related to L'Oréal's investments in 2022. Investments are recognised according to the share of L'Oréal's investments in the company or companies in question.	79

L'Oréal publishes data using a "cradle-to-grave" approach in order to estimate its carbon footprint globally over the entire product lifecycle[1]. L'Oréal also analyses its emissions using a "cradle-to-shelf" approach, which includes the steps that L'Oréal has the most influence on through, for example, eco-design initiatives (ex: packaging) or support provided to suppliers (ex: energy reduction for processes).

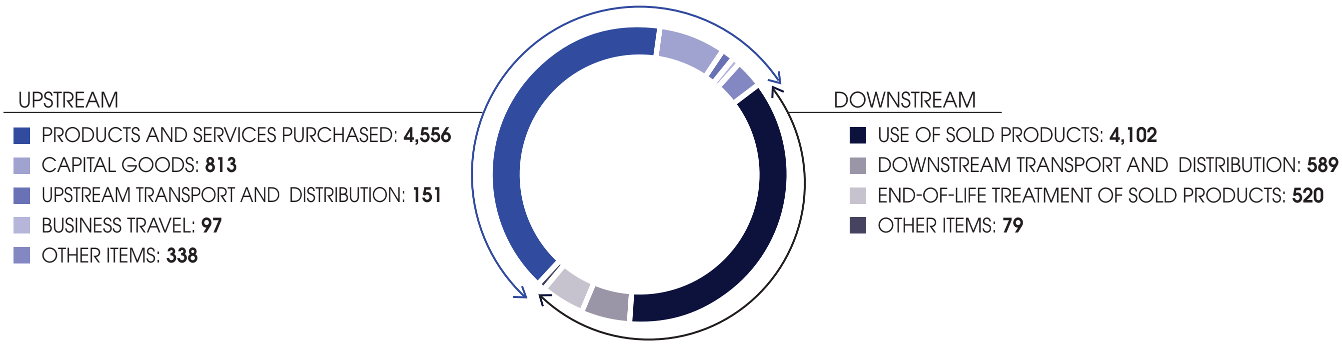
(1) *The cradle-to-grave approach includes all the categories listed above: from raw material purchase to product's transportation upstream and downstream, product use and end of life.*

Emissions associated with the cradle-to-shelf perimeter include (i) Scopes 1 and 2 emissions of sites operated by L'Oréal (plants, distribution centres, administrative sites and research centres), (ii) indirect upstream GHG emissions linked to L'Oréal purchases of raw materials and packaging materials used for the products manufactured by the Group (these emissions include the extraction of materials, their transportation to suppliers and then their transformation prior to delivery.), (iii) indirect downstream GHG emissions generated by the transport of products sold from production or distribution centres to clients. These emissions include transportation flows of finished products from the production sites to the first customer delivery point.

In 2022, the CO_2 emissions associated with the cradle-to-shelf scope represent 488g of CO_2 eq per product sold.

The main items of Scope 3 CO_2 emissions

(thousands of tonnes of CO_2 equivalent)



CO_2 emissions in 2022 (Scopes 1, 2, 3) over the entire Group

(thousands of tonnes of CO_2 equivalent)	Scope 1	Scope 2	Scope 3	Scopes 1, 2 & 3
GROUP	**19.7**	**5.4**	**11,245**	**11,270**
Industrial sites	18.9 ☑	2.5 ☑	-	-
Administrative sites and research centres	0.9	2.9	-	-

Changes in the data of the GHG balance since 2016 *(in thousands of tonnes of CO_2 equivalent)*

		COMMENTS	2016	2019	2020	2021	2022
Reported figures	**Scopes 1, 2 and 3**		**114**	**11,762**	**11,225**	**12,526**	**11,270**
	Scope 3		**unpublished (1)**	**11,682**	**11,169**	**12,488**	**11,245**
Unpublished data	Scopes 1, 2 and 3	Unpublished 2016 GHG balance results Scopes 1, 2 and 3	9,881 (2)				
	Scope 3		9,712 (2)				
Variances	Scopes 1 and 2	**TOTAL RESTATEMENTS**	-55				
		Improvement in the accuracy of the scope (3)	-55				
	Scope 3	**TOTAL OF VARIANCES**	**2,021**	**-714**	**-617**	**-1,945**	
		Improvement in the accuracy of the scope (4)	1,327	1,298	757	16	
		Improvement in the accuracy of the methodology (5)	-3	-18	7	-349	
		Improvement in the accuracy of the methodology (6)	-707	-1,134	-1,087	-708	
		Update of emission factors (7)	1404	-860	-295	-903	
Like-for-like basis	**Scopes 1, 2 and 3**		**11,847**	**11,048**	**10,608**	**10,581**	**11,270**
	Scope 3		**11,733**	**10,968**	**10,552**	**10,542**	**11,245**

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG balance continued pursuant to the SBT commitments.
(2) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).
(3) Variation in allocations to leased vehicles and stores, in Scope 3.
(4) Improvement in the accuracy of the data (emissions related primarily to services purchased, POS, IT, remote working and vehicle fleet).
(5) Variation in the methodology and external databases (transport, capital goods, waste, consumer travel, IT).
(6) Variation in the methodology and alignment of the internal data bases.
(7) Change in the source of the data on the energy mix used for residential water heating in the different countries and changes in the emission factors used for the packaging elements and use of our products.

For more information on the changes to the GHG balance data for the above years, together with the restatements published in 2021, please refer to the detailed table in section 4.6.4.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

4.3.1.4.2. Climate commitments relating to Scope 3

The Group's commitments to low-carbon operations management have led to initiatives and achievements aimed at reducing the important categories under Scope 3:

- Since 2009, L'Oréal has involved its suppliers in the process of reducing its carbon footprint by encouraging them to participate in the **CDP Supply Chain** programme (see section 4.3.1.2.2.).
- In 2013, L'Oréal committed to reduce the carbon impact of downstream transportation of its finished products by 20% per unit sold per kilometre between 2011 and 2020 (see section 4.5.2.1).
- In 2015, L'Oréal undertook to define Science-Based Targets (SBTs) 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: by 2030, L'Oréal is committed to reducing by 25% in absolute value the greenhouse gas emissions of Scopes 1, 2 and 3 compared to 2016 (with full coverage of the items of Scope 3, in accordance with the definition of the GHG Protocol). By 2025, the Group is also committed to reducing greenhouse gas emissions from all sites it operates by 100% through energy efficiency programmes and a supply made up exclusively of renewable energy. These commitments were revaluated in 2019 over Scopes 1 and 2 by the SBT initiative and considered to be in compliance with the new SBT 1.5°C criteria. Roadmaps were deployed within the different business lines (packaging, research, sourcing, supply chain etc.) so that each one contributes to the reduction of CO_2 emissions in Scopes 1, 2 and 3. Specific tracking allows each of the segments to monitor its own performance;
- In September 2019, L'Oréal joined the Business Ambition for 1.5°C initiative, a call to action for the climate launched by a broad coalition of companies, civil society and UN leaders. The Group has committed to zero net CO_2 emissions by 2050 and, in this way, is contributing to limiting the increase in global temperature to 1.5°C above pre-industrial levels.
- in June 2020, in the context of the launch of L'Oréal for the Future and in line with its SBT commitment, the Group set out its roadmap for 2030. L'Oréal is committed to a reduction, compared with 2016, of 25% per finished product in the emissions associated with the product use phase, a 50% reduction in the direct emissions of its strategic suppliers and a 50% reduction per finished product in the emissions associated with product transportation.

In 2022, L'Oréal reduced its Scopes 1, 2 and 3 greenhouse gas emissions by 5% in absolute terms compared to 2016.

4.3.1.4.3. The Group's alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) principles

Conscious of the climate emergency, L'Oréal hopes to transition to an innovative low-carbon company model and will make increasing contributions to combating climate change. The Sharing Beauty With All programme, rolled out globally in 2013, has helped establish a culture in which environmental impacts and climate change are taken into account in the decision-making process of each of the Group's business activities.

The acceleration of the environmental and social challenges requires a more radical transformation. Since 2015, L'Oréal has been one of the 100 leading companies to join the SBT initiative by aligning its path to decarbonisation with climate science. In June 2020, L'Oréal announced its new *L'Oréal for the Future* programme. It includes a new set of very ambitious objectives over the entire value chain for 2030: efforts to combat climate change, preservation of water resources, forestry and biodiversity.

In 2020, L'Oréal publicly committed to adopt the recommendations of the TCFD. The Group committed to incorporate 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 climate change, anticipate their effects and ensure its resilience. L'Oréal is adapting its business model, governance and decision-making processes, research and Operations in respect of its values and sense of purpose: "Create the beauty that moves the world."

Governance

Every year, the L'Oréal **Board of Directors** determines the Group's strategic orientations, which integrate the challenges, risks and opportunities of climate change and, more generally, the issues of sustainable development (see sections 2.3.2. and 2.3.4.).

The Chief Corporate Responsibility Officer (CSO) [1], who is a member of the Executive Committee, reports directly to the Chief Executive Officer. She reports on the Group's activities every year to the Board of Directors or to the Strategy and Sustainability Committee.

The Chief Sustainability Officer is responsible for defining and implementing the sustainable development strategy. Her tasks include:

- assessing and managing the climate-related risks and opportunities through sustainability programmes (*Sharing Beauty With All and L'Oréal for the Future*);
- leading an internal sustainability committee, which includes experts responsible for the rollout of these programmes and their associated policies. These experts come from the Operations, Research, Public Affairs, Communication, Divisions and Brands departments;
- guaranteeing the implementation of the orientations and decisions adopted by this Committee;
- defining annual climate-related objectives and ensuring their deployment throughout the L'Oréal value chain; and
- assessing the level of commitment of all of the Brands, Country Managers and subsidiaries in implementing the climate and sustainable development strategy. This implementation determines a portion of the variable remuneration of the Brand and Country Managers (see section 4.1.).

The mission of the **Sustainable Finance Department**, created in 2020, is to integrate the climate change-related environmental and social challenges from a financial standpoint. This Department, which reports to the Chief Financial Officer and the Chief Sustainability Officer, aims to develop and direct Sustainable Finance actions. This primarily involves enabling the Group to manage sustainable and financial development performance in an integrated manner and to coordinate their actions globally.

In 2022, this Department was in charge of updating the study assessing the financial impacts of climate change risks for the Group (see section 4.1.).

(1) *The acronym "CSO" refers to Chief Sustainability Officer*

Strategy

The concept behind the main environmental risks covers 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 four main risks and three opportunities relating to the physical and transition-related risks associated with climate change. There is the potential for these risks to have consequences on the value chain, business activities and the development of the Group's strategy.

The in-depth analyses cover the identification of and a dynamic approach to these risks, the evaluation of their impacts using scenarios developed on two assumptions based on the 1.5°C and 3–4°C paths, and the integration of political, economic, social, technological, environmental and legal trends (PESTEL analysis).

Scenarios

These analyses were carried out according to the RCP 1.9 and RCP8.5 [(1)] scenarios of the Intergovernmental Panel on Climate Change (IPCC) to identify and assess the physical and transitional risks associated with climate change.

- A "governed transition" scenario on the basis of global warming of +1.5°C in 2100 (scenario RCP 1.9). It is based on a structured transition and restrictive regulation, with 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 on the basis of global warming of 3–4°C in 2100 (RCP 8.5 scenario). It is based on assumptions of limited international cooperation, growing tensions on trade, economic stagnation or slowdown, significant physical impacts and, generally, a primarily reactive adaptation to climate change.

Two timeframes were considered: a medium-term 2030 timeframe and a long-term 2050 timeframe with the aim of identifying impacts associated with climate assumptions at these dates.

Business experts from the Purchasing, Packaging, Logistics, Research & Innovation, Sustainable Development, Prospective and Consumer Studies teams were called on for this risk and opportunities analysis.

Studies have been conducted on the impact of the supply of plant-based raw materials on climate change.

Assumptions have been made on: the paths of carbon pricing, the expectations of stakeholders and consumer preferences. These assumptions represent the main exposure factors of L'Oréal to climate transition risks.

This work enables the Group to adapt its policies and define its strategic objectives in regard to the risks and opportunities associated with global warming. Notably, the results of this study and the action plans were presented to the Chief Sustainability Officer, the Chief Financial Officer and the Audit Committee.

Risks

The Group's risk review includes physical risks and transition risks associated with Operations and changes in its value chain and ecosystem. Risks as diverse as those associated with extreme weather events on the Group's infrastructures, or the risks inherent in the supply chain, those inherent in the scarcity of resources, carbon pricing (taxes, emissions trading schemes) and their financial impacts or those related to the Group's reputation and consumer expectations are analysed. They lead to impact assessment procedures as part of the scenarios created and contribute to defining strategic orientations.

The following main risks and opportunities were studied.

Risk 1: regulations concerning carbon pricing mechanisms (specific taxes on fossil fuels, carbon taxes, and emissions trading schemes) are a major challenge for the Group and its suppliers. In this context, an increase in the price per tonne of direct greenhouse gas emissions for suppliers could be reflected in the sale prices of their products and services and have an impact on L'Oréal's operating costs. In order to mitigate this risk, the Group is working with its suppliers, in particular through the CDP Supply Chain, to ensure they devise and implement emissions reduction targets and associated action plans (see section 4.3.1.2).

Risk 2: changes in consumer preferences towards consumption choices increasingly influenced by the carbon footprint of products and the overall climate performance of plants could have a material financial impact, progressively and in the medium-term, for L'Oréal. If this risk was insufficiently managed, the reduction in consumer demand could potentially have a negative impact on revenue for L'Oréal. To prevent this risk, the Group's strategy is to continue to reduce the carbon footprint of its products and enable consumers to make informed purchasing decisions. They will be informed in a way that is both transparent and responds to their expectations of the challenges of sustainable development (see section 4.3.1.3.2). The study also took into account the more general assumptions associated with the company's transformation as well as changes in consumer purchasing power, according to the scenarios considered.

Risk 3*:* as a world leader in cosmetics, L'Oréal is dependent upon the availability of the materials used for its product packaging. The transition to a low-carbon economy is accompanied by developments in the design of more sustainable and innovative packaging and materials. Increased competition in **the sustainable packaging materials market**, resulting in a shortage of associated materials, could have an impact on L'Oréal. These factors may result in an increase in the average price of packaging materials and in production costs.

(1) Representative Concentration Pathways (RCP) – AR6.

Risk 4: climate change is expected to lead to an increase in the frequency and intensity of **extreme weather events**, with negative effects for agriculture, primarily in terms of changes in precipitation patterns. The analyses and estimates carried out to date indicate that the overall change in the costs of the main agricultural commodities (palm oil, coconuts, sugar cane and sugar beet, soy) would be more impacted in the medium term by changes in supply and demand than by the effects of climate change on the crop yield of these commodities. However, extreme weather events could occasionally affect the availability of certain commodities, forcing an increase in costs. The climatic phenomena el Niño and la Niña, for example, had an impact on the availability of plant commodities coming from Southeast Asia.

Opportunity 1: current and future regulations and standards, which are linked to the environmental footprint of products and their labels, will help increase consumer awareness to these subjects. In France, recent studies suggest that consumers are paying an increasing amount of attention to product labels and want to make more sustainable consumption choices.

This may offer players in the cosmetics sector who have opted for fair and transparent communication on their environmental and social impact a competitive advantage resulting in an increase in demand. The multi-criteria approach of L'Oréal to the impact of products beyond regulatory standards makes it a pioneer. The development of **SPOT**, followed by the environmental labelling system, meets the high expectations of consumers and informs them of the carbon footprint of products and a variety of other environmental criteria.

In 2021, L'Oréal committed to a sectoral approach by coming together with its competitors to form the **EcoBeautyScore Consortium**, which aims to develop a scientific methodology for measuring environmental impacts.

Opportunity 2: a market opportunity consists in innovating and developing products adapted for consumers located in areas of **water stress**. One of the consequences of climate change is the increase in the number of the world's regions facing periods of water shortage, particularly in urban areas. The increasing frequency of these shortages could lead to changes in consumer habits in terms of showering and hair-washing, for example.

In this context, L'Oréal could increase the development of new products, routines or new technologies that improve rinsing or save water in the use phase, thereby increasing consumer awareness of the challenges of water quality and availability.

Opportunity 3: globally, there is a trend towards an increase in the price of non-renewable energies in the medium term. This trend is linked to the regulations and taxes on fossil fuels, as well as the complex balance between supply and demand.

The progressive elimination by L'Oréal of the use of conventional fuels in favour of renewable energies would protect the Group from increases in the fossil fuel prices, contributing to operating costs that are lower than those paid by other manufacturers who are insufficiently committed to this energy transition. L'Oréal has committed to using **100% renewable energy at all its operated sites by 2025**, by developing projects for self-supply of renewable energies on-site, as well as a 100% local and renewable energy supply (electricity, heat, biogas etc.). L'Oréal has already started on this path with, for example, the completion of a series of projects for its own consumption of renewable energy on-site in locations such as the United States, Western Europe, Brazil, China and Australia.

Methods for managing risks and opportunities

The Ethics, Risks and Compliance Department identifies and assesses risks with all departments concerned. An additional risk analysis is conducted within the operational entities, in particular for the physical risks associated with climate change.

Contributions are collected from the main operational managers and experts in this area worldwide, across all the Group's business activities and geographic zones. Climate-related risks are the subject of a regularly updated, specific approach that identifies and assesses their financial and strategic impact when the reputation or long-term growth of the Group are concerned.

The Group's global risk map is reviewed regularly, validated by the L'Oréal Executive Committee once a year and presented to the Audit Committee. The Group's risk review process and the regular update of the climate study allow for the constant adaptation of policies and priorities. The targets and action plans implemented as part of L'Oréal for the Future are a significant contribution to moderating the climate risks that have been identified.

Measurement of results and reporting

In 2013, the Group defined a number of environmental indicators as part of the first generation of their Sharing Beauty with All commitments. Re-evaluated and completed in June 2020 as part of L'Oréal for the Future, these indicators cover the Group's entire value chain in the areas of greenhouse gas emissions, water, biodiversity, resources and waste. They support the goals for 2030. Their progress is published annually (see section 1.3.2).

In terms of climate change, the goals announced in the context of L'Oréal for the Future are aligned with the Science-Based Targets initiative that L'Oréal joined in 2015. In this context, L'Oréal is committed to reducing greenhouse gas emissions over its entire value chain (Scopes 1, 2 and 3) by 25% in absolute value (tonnes of CO_2 equivalent) and by 50% per finished product by 2030, compared with 2016. In 2022, the Group's total CO_2 emissions fell by 6.2% compared to 2016.

In 2019, L'Oréal joined the United Nations Business Ambition for 1.5°C initiative and made a commitment to reach net-zero CO_2 emissions by 2050.

A GHG balance is prepared and published annually and details emissions over all the items described by the GHG Protocol.

4.3.1.4.4. Alignment with the European Taxonomy

The European Taxonomy primarily targets sectors that have a strong potential for contributing to the adaptation to or mitigation of climate change, in which L'Oréal is not included.

Reminder of the regulatory environment and the L'Oréal sustainable development strategy

Pursuant to the European "Taxonomy" Regulation, L'Oréal is required to publish indicators for the 2022 financial year highlighting, since 2021, the eligible share, and from 2022, the aligned share of its turnover investments and operating expenses considered sustainable within the meaning of this Regulation. To date, it only covers the first two objectives of the Taxonomy Regulation: climate change mitigation and adaptation to climate change. To do this, the Finance and Legal, Operations, Real Estate, CSR, Research & Innovation Departments have jointly conducted a detailed analysis of all the Group's activities within the consolidated entities.

Eligible activities and their level of alignment with the Taxonomy Regulation have been identified in accordance with the instructions of the Delegated Acts by verifying whether they contribute substantially to climate change, whether any of the five other objectives set by the Taxonomy Regulation [(1)] have not been met and whether they comply with the minimum guarantees.

In its classification system, the European Commission prioritises business sectors with a strong potential for contributing to the adaptation or mitigation of climate change. Within the meaning of the Taxonomy Regulation, activities carried out by L'Oréal that are dedicated to beauty care are not considered to make a significant contribution to these initial climate targets. The low level of eligibility and alignment of the Group's Taxonomy indicators does not reflect the environmental pillar of the L'Oréal sustainable development strategy or its strong commitment to combating climate change, which it has demonstrated for many years.

The goals of L'Oréal for the Future and the 2022 results are described in greater detail in sections 4.3.1 and 4.4.

Presentation of the eligibility and alignment results for 2022

Sales indicator: as was the case for 2021, the Group has not identified any eligible turnover L'Oréal is dedicated solely to the beauty industry and, as such, its activities are not considered, within the meaning of the Taxonomy, as making a significant contribution to these initial climate targets or as a priority sector targeted by the Taxonomy. In particular, its industrial activities in the production of raw materials are not covered by the Taxonomy Regulation under the heading "Manufacture of organic basic chemicals".

Investment indicator: as there were no eligible turnover there were no investments corresponding to activities related to sales that could be classified as eligible. As a result, the various measures implemented to reduce the carbon footprint of the Group's products have not been taken into account in the indicators relating to investments. Likewise, all investments used to reduce the carbon footprint of the entire product production value chain are classified as ineligible by the Taxonomy Regulation.

It should be noted that these investments do not include the amount of **€100 million allocated to Impact Investing funds** intended to finance the regeneration of damaged natural ecosystems and the fight against climate change. Investments made in funds are not considered eligible expenditure under the Taxonomy Regulation.

The eligibility analysis of the investments was therefore focused on "individual measures" to reduce the Group's emissions, which explains why the eligible amounts are low compared to all Group investments, a significant portion of which is dedicated to implementing the sustainable development strategy.

The eligible investments identified mainly correspond to:

- Capitalised leases on buildings and vehicles according to IFRS 16 (89%);
- Expenditure on construction and renovation of buildings designed to improve their energy efficiency and mitigate greenhouse gas emissions; and
- Installation and repair of equipment that promotes energy efficiency.

In 2022, eligible investments totalled to €434 million (including €387 million related to long-term capitalised leases on buildings and vehicles according to IFRS 16), compared to total investments of €2,011 million as defined by the Taxonomy Regulation.

In 2021, the amount of eligible Capex [(2)] stood at €405 million. The change in the eligible balance in 2022 compared to the 2021 financial year is primarily the result of the frequency of lease renewals. As a result, it does not correlate with the Group's investment policy on actions to adapt to or mitigate climate change.

Aligned investments in 2022 totalled €180 million.

The alignment level for the 2022 financial year was classified with care and using the currently accepted marketplace practices in order to validate the three conditions required for alignment:

- **Substantial contribution and DNSH [(3)] criteria**: The Group's property policy incorporates high standards in terms of energy consumption and building labelling. The Group will continue to update and ensure the implementation of the Purchasing Charter and the Sustainable Design and Construction Guide for construction and leasing projects, in order to best address the climate issues described in the Taxonomy.
- **Compliance with the minimum safeguards:** The Group meets the requirements on minimum safeguards listed in the Platform on Sustainable Finance's (PSF) report. The four themes are specified in other sections:
  - L'Oréal has implemented a Group-wide Code of Ethics as well as the L'Oréal Vigilance Plan, which contains reasonable due diligence measures intended to prevent the risk of serious adverse impacts on Human Rights and Fundamental Freedoms, as well as health, safety and the environment within the framework of a best efforts obligation (see sections 3.4.4.1. and 3.4.5.1.);

(1) The six objectives of the Taxonomy Regulation are: climate change mitigation; adaptation to climate change; sustainable use and protection of marine and water resources; transition to a circular economy; prevention and reduction of pollution; protection and restoration of biodiversity and ecosystems.
(2) Capital investment expenditure.
(3) Do No Significant Harm.

- L'Oréal has a corruption risk prevention policy (see section 4.3.4.);
- L'Oréal considers that the contribution of taxation is an integral part of its CSR (see section 4.3.5.); and
- the Group's Legal Charter reaffirms the obligation to respect local laws and in particular sets out the internal principles for the right to competition (see section 3.5.3.3.).

The method for identifying eligible and aligned projects and their amounts is described in the methodology note (see section 4.5.). This method will be integrated into the Group's investment validation processes in a more systematic way over the coming years. The Group will continue to adapt its alignment and eligibility analysis and methodology in light of changes to the regulations, listed activities and technical review criteria relating to the Taxonomy Regulation.

Operating expenses indicator: As there were no eligible sales, there were no operating expenses corresponding to activities related to sales that could be qualified as eligible. As a result, the various measures implemented to reduce the carbon footprint of the Group's products have not been taken into account in the performance indicators relating to operating expenses.

The Opex[1] denominator required by the Taxonomy Regulation is primarily composed of R&I costs (€1,139 million in 2022). It represents a low percentage of the Group's operating expenses. In light of this low weighting, the Group applies the Taxonomy Regulation exemption that allows them not to calculate the Opex numerator and reports this amount as 0.

Furthermore, L'Oréal concluded that its Research & Innovation programmes are not eligible because they do not fall within the scope of the activities currently covered by the Taxonomy (heavy chemicals). R&I at L'Oréal is focused towards Green Sciences (as described in section 4.3.1.3.1.). The allocated annual budget for this was €1,139 million in 2022.

Sales

			Substantial contribution criteria		Do No Significant Harm (DNSH) criteria									
	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition towards a circular economy	Pollution Prevention & Control	Protection and restoration of biodiversity and and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Taxonomy-aligned proportion of turnover, year 2021	Category (enabling activity)	Category (transitional activity)
Economic activities	**€m**	**%**	**%**	**%**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**%**		**M**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1 Environmentally sustainable activities (aligned with the Taxonomy)	**0**	**0%**												
Turnover from environmentally sustainable activities (*i.e.* aligned with the Taxonomy) (A.1)	**0**	**0%**												
A.2 Taxonomy-eligible activities that are not environmentally sustainable (not aligned with the Taxonomy)	**0**	**0%**												
Turnover from Taxonomy-eligible activities that are not environmentally sustainable (not aligned with the Taxonomy) (A.2)	**0**	**0%**												
TOTAL (A.1 + A.2)	**0**	**0%**												
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY														
Sales from activities not eligible for the Taxonomy (B)	**38,260**	**100%**												
TOTAL (A+B)	**38,260**	**100%**												

(1) *Operating expenses.*

CAPEX

				Substantial contribution criteria		Do No Significant Harm (DNSH) criteria									
	Activity code	absolute CAPEX	Proportion of CAPEX	Climate change mitigation	Climate change adaptation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition towards a circular economy	Pollution Prevention & Control	Protection and restoration of biodiversity and and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CAPEX, year 2022	Taxonomy-aligned proportion of CAPEX, year 2021	Category (enabling activity)	Category (transitional activity)
Economic activities		**€m**	**%**	**%**	**%**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**Yes/ No**	**%**		**M**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES															
A.1 Environmentally sustainable activities (aligned with the Taxonomy)															
Renovation of existing buildings	7.2	2	0%	100%	0%	yes	yes	yes	yes	N/A	yes	0%		-	T
Installation, maintenance and repair of equipment of energy efficiency	7.3	10	1%	100%	0%	yes	N/A	N/A	yes	N/A	yes	1%		M	-
Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	7.5	0	0%	100%	0%	yes	N/A	N/A	N/A	N/A	yes	0%		M	-
Installation, maintenance and repair of renewable energy technologies	7.6	4	0%	100%	0%	yes	N/A	N/A	N/A	N/A	yes	0%		M	-
Acquisition and ownership of buildings	7.7	163	8%	100%	0%	yes	N/A	N/A	N/A	N/A	yes	8%		-	-
CAPEX of environmentally sustainable activities (*i.e.* aligned with the Taxonomy) (A.1)		**180**	**9%**									**-**			
A.2 Taxonomy-eligible activities that are not environmentally sustainable (not aligned with the Taxonomy)												**-**			
Cogeneration of heat/cold and electricity using bioenergy	4.2	2	0%									-			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	4	0%									-			
Renovation of existing buildings	7.2	12	1%									-			
Installation, maintenance and repair of equipment that promotes energy efficiency	7.3	7	0%									-			
Installation, maintenance and repair of renewable energy technologies	7.6	1	0%									-			
Acquisition and ownership of buildings	7.7	228	11%									-			
CAPEX of Taxonomy-eligible activities that are not environmentally sustainable (not aligned with the Taxonomy) * (A.2)		**254**	**13%**									**-**			
Total (A.1 + A.2)		**434**	**22%**									**22%**			
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY															
CAPEX of activities not eligible for the Taxonomy (B)		**1,577**	**78%**												
TOTAL (A+B) **		**2,011**	**100%**												

* *In application of analysis thresholds regarding alignment qualification individually insignificant projects were not analysed. Accordingly, they were qualified as non-aligned.*

** *This amount does not include goodwill for 2022. As a reminder, the 2021 CAPEX was €1,971 million (including a goodwill of €486 million).*

OPEX

			Substantial contribution criteria		Do No Significant Harm (DNSH) criteria										
	absolute OPEX	Proportion of OPEX	Climate change mitigation	Climate change adaptation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition towards a circular economy	Pollution Prevention & Control	Protection and restoration of biodiversity and and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OPEX, year 2022	Taxonomy-aligned proportion of OPEX, year 2021	Category (enabling activity)	Category (transitional activity)
Economic activities	€m	%	%	%	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%		M	T
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1 Environmentally sustainable activities (aligned with the Taxonomy)	0	0%												
OPEX of environmentally sustainable activities (*i.e.* aligned with the Taxonomy) (A.1)	0	0%												
A.2 Taxonomy-eligible activities that are not environmentally sustainable (not aligned with the Taxonomy)	0	0%												
OPEX of activities eligible for the Taxonomy but not environmentally sustainable (not aligned with the Taxonomy) (A.2)	0	0%												
TOTAL (A.1 + A.2)	0	0%												
B. ACTIVITIES NOT ELIGIBLE FOR THE TAXONOMY														
OPEX of activities not eligible for the Taxonomy (B)	1,224	100%												
TOTAL (A+B) *	1,224	100%												

* *Costs related to building renovation, maintenance and repair and any other direct expenditure relating to the day-to-day servicing of property, plant and equipment are not currently recorded centrally in our IT systems and have not been included in this calculation. However, we consider that the absence of this data does not call into question the application of the exemption from calculating the Opex numerator.*

4.3.1.5. Contributing to solving the environmental challenges of the world

In addition to transforming its economic model, the Group's ambition is to help to solve some of the most pressing social and environmental challenges.

4.3.1.5.1. Accelerating the development of the circular economy

Conscious of the growing pressure on natural resources and the global waste crisis, at the end of 2020 L'Oréal set up a global investment fund dedicated exclusively to the circular economy, called the Circular Innovation Fund (CIF). It aims to finance companies that are innovating in the areas of recycling, plastic waste management and materials from the bioeconomy [1].

This international fund, the objective of which is to reach €150 million, is co-managed by Cycle Capital Management and Demeter. At the end of 2022, more than €85 million raised and gathered 10 co-investors. As the primary sponsor of the Circular Innovation Fund, L'Oréal is committed to investing a total **of €50 million** in this Fund. More than 560 investment projects were analysed in 2022, and three were selected, committing more than €15 million, of which €6 million have already been invested. In 2022, for example, the CIF fund invested in LIZEE [2], a company which specialises in reverse logistics on the repair and second-hand market.

(1) *(European Commission, 2012) "A bioeconomy can be defined as the production of renewable biological resources and the conversion of these resources and waste streams into value added products, such as food, feed, bio-based products and bioenergy."*

(2) *https://www.lizee.co/*

4.3.1.5.2. Contributing to the regeneration of nature

As part of its commitment to preserving biodiversity, L'Oréal launched the **L'Oréal Fund for Nature Regeneration** [1] in 2020. This €50 million impact investment fund, managed by Mirova, is intended to combine financial performance with the creation of environmental and social value. By supporting projects to rehabilitate [2] degraded soils, regenerate mangroves, and restore marine areas and forests, the L'Oréal Fund for Nature Regeneration aims to help preserve or restore one million hectares of ecosystem, to capture 15 to 20 million tonnes of CO_2 and create hundreds of jobs by 2030. Since the fund was launched, more than one hundred projects have been considered for the purposes of building the investment portfolio. At the end of 2022, fifteen projects were selected for further study, and eleven investment projects totalling more than €22 million were validated. For example, in April 2022, the L'Oréal Fund for Nature Regeneration invested in the technology start-up RIZE, whose mission is to accelerate the transition to low-carbon agriculture. The investment will enable RIZE to become a pioneer in the regeneration of farmland in France and Europe by means of a digital solution and a unique service for farmers. RIZE's aim is to contribute to the regeneration of over 2.5 million hectares and the sequestration of 4 million tonnes of CO_2 by providing support to 75,000 farmers by 2025.

4.3.1.6. Issuance of a sustainability-linked bond

On 22 March 2022, the Group issued its first Sustainability-linked bond. This fixed-rate issue, which has a maturity of four years and three months and amounts to €1,250 million, is accompanied by a coupon of 0.875% per year. It is aligned with the Group's Sustainability-Linked Financing Framework, which covers all financial instruments with characteristics that are linked to the sustainability objectives.

The bond was established with reference to the 2020 Sustainability-Linked Bond Principles ("SLBP 2020") as defined by the International Capital Market Association.

The Group's Sustainability-Linked Financing Framework was independently assessed by Sustainalytics, an organisation that evaluates the sustainability of listed companies, which noted contributions to three of the United Nations Sustainable Development Goals [3].

The financial characteristics of Sustainability-linked bonds are linked to three performance objectives that are related to sustainable development. These objectives are presented below along with their 2022 level of achievement in relation to the objectives for 2025.

Performance objectives	2022 Results	Details	2025 targets
All L'Oréal operated sites will be "carbon neutral"[4] (Scopes 1 and 2) by 31 December 2025[(1)]	65% (Scope 1 and 2 emissions from sites operated in tCO_2e)	See p. 173	100%
Greenhouse gas emissions (Scopes 1, 2 and 3) on a "cradle-to-shelf" scope will be reduced by 14% per product sold by 2025 compared to the 2021 base year.	488 (g of CO_2 per product sold) *i.e.* +9.42% compared to 2021	See p. 199	-14%
By 2025, 50% of the Group's plastic packaging will be recycled or bio-based.	26%	See p. 192	50%

(1) By using only renewable, locally produced energy and without resorting to carbon offsetting.

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 places 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 relationships with work, the Group initiated a process of transformation to adjust its model to new aspirations. It is implementing dedicated HR policies on recruitment, development and engagement. The Chief Human Relations Officer, who is member of the Executive Committee, reports directly to the Chief Executive Officer on a regular basis.

Recruiting, developing and engaging: putting employees at the centre of the business model

L'Oréal has always placed the individual at the centre of its model, convinced that the qualities of each one contribute to the performance of all. L'Oréal finds, recruits, and supports its employees with a long-term engagement vision. Training and development play a central role all along their professional careers. In order to fully perform their function as strategic partner, Human Resources integrates the technological and digital dimensions and takes into account strong challenges such as social responsibility.

HR plays a central role in the transformation of work methods and management culture. Thus, they supported the rollout of the *Simplicity* programme, initiated in 2016, to foster a management style based on trust, leaving room to initiative, cooperation and development. The programme was supported by a major training programme, LeadEnable for Simplicity, and specific goals target the highest level of the Group.

Since 2020, members of the Executive Committee and their Management Committees have been evaluated by their peers and their teams via the *Leadership Survey*.

(1) Regeneration measures are applied to farmland and aim to increase ecological productivity in terms of contributions from nature. Source: OP2B Restoration Framework/ Science Based Targets Network (2020). Science-Based Targets for Nature: Initial Guidance for Business.

(2) The focus of rehabilitation is on halting and reversing deterioration in ecosystems and restoring biodiversity. Source: OP2B Restoration Framework/Science Based Targets Network (2020). Science-Based Targets for Nature: Initial Guidance for Business.

(3) Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all. Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Goal 12: Ensure sustainable consumption and production patterns.

(4) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

At L'Oréal, HR has become the incubator for country-related ideas and initiatives in the spirit of Simplicity. With the Disrupt HR approach, the Group is continuing to prioritise co-construction and a test-and-learn approach designed to boost agility and respond more effectively to the expectations of employees and job candidates.

For L'Oréal, economic growth cannot be separated from social progress. To support this conviction, the L'Oréal *Share & Care* programme, created in 2013 and deployed in all our subsidiaries, offers employees a set of benefits organised around four pillars: welfare schemes, healthcare, work/life balance and the working environment. In 2021, these pillars were updated to remain relevant and to meet employees' needs and expectations at every key moment of their lives.

Emphasis is placed on both physical and mental health and on new working methods. An extensive plan for the renovation of working spaces allows more than two-thirds of employees concerned to work in new or renovated offices and includes the means for hybrid working.

L'Oréal is committed to providing training to 100% of its employees every year, worldwide, with the aim of maintaining their employability over the long-term.

As part of a responsible and innovative social policy, L'Oréal has also developed L'Oréal for Youth, a global programme to promote the employment of young people, which provides them with professional opportunities for work. 25,000 young people benefited from this in 2022. Concrete actions were also taken to improve their employability.

L'Oréal offers its employees a policy of sharing its growth. Profit-sharing programmes have been in place for many years everywhere in the world. L'Oréal set up an employee share ownership plan in 2018, 2020 and 2022. Over 37,000 Group employees worldwide have been able to become shareholders in L'Oréal.

Quality social dialogue is also one of the essential components of the L'Oréal model. It illustrates the Group's desire to involve employees and their representatives to its development.

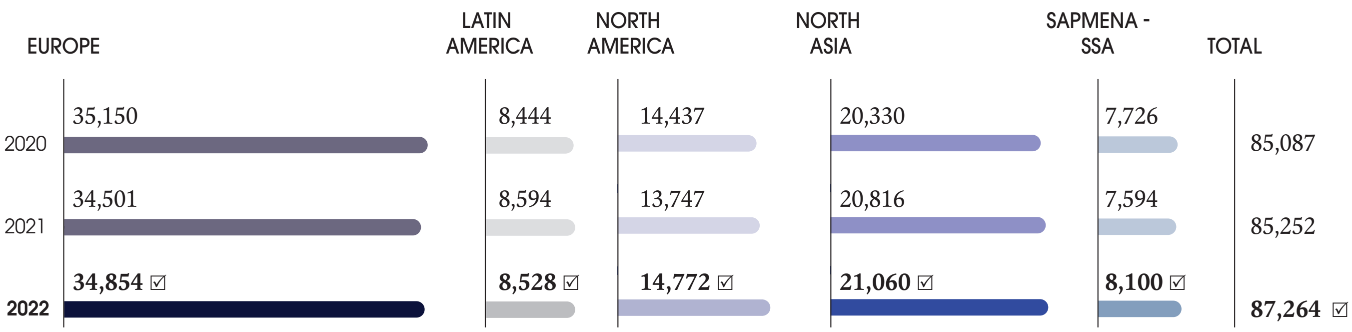
L'Oréal acts with the conviction that a policy in favour of Diversity, Equity and Inclusion (DE&I) allows everyone, regardless of their background, gender identity, religion, sexual orientation, age or disability, to give their best in the company. This is an essential driver of performance and innovation and is crucial for maintaining sustainable growth. In 2022, L'Oréal launched the L'Oréal For All Generations programme in France, which it aims to introduce internationally on gradual basis.

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: *118 (L'Oréal employees and temporary staff).* Objective: Conventional Frequency Rate (TFc) < 0.5 for all Group sites. Conventional Frequency Rate (TFc): *0.62.* Enlarged total incident rate reported (TIRe): *1.34.* Accident gravity rate: *0.03.*
Recruiting talented employees for the present and future success of the Group around the world	12,959 employees hired under permanent contracts. Over one million applications received in 2022. Over 4.3 million followers on LinkedIn.
Development of employees all along their careers **Anticipate professional changes and the needs for future skill**	100% of employees trained in 2022. 3,167,802 training hours.
Creating the conditions for a positive and attractive work environment	*Share & Care programme* launched in 2013 and updated in 2021. 96% of the Group's permanent employees benefit from financial protection in the event of unexpected life events. 97% of the Group's permanent employees benefit from healthcare coverage aligned with best local practices. In total, 86% of the Group's employees work in countries where there are employee representative bodies (at one of the sites at least). 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: €418 million distributed to employees. Plan for the conditional grant of shares to employees: nearly 4,200 employees involved. 2022 employee shareholding plan: 35% participation. Insurance and retirement programmes: complementary pension plans in place in 89% of the countries where L'Oréal operates with its employees.
Strengthen gender equality **Accelerate the inclusion of disabled workers** **Increase the diversity of socioeconomic and cultural origins in our teams.**	On 31 December 2022, women represented: ● 53% of all key positions within L'Oréal S.A.; ● 57% of all key positions within the Group; ● 32% of members of the Executive Committee; ● 50% of members of the Board of Directors. With the goal of reaching parity up to the most strategic positions. 33 countries are EDGE or GEEIS certified for their gender equality practices and policies☑. 1.9% employees with disabilities worldwide. L'Oréal's goal is that people with disabilities will account for 2% of the Group's statutory employees by 2025.

☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

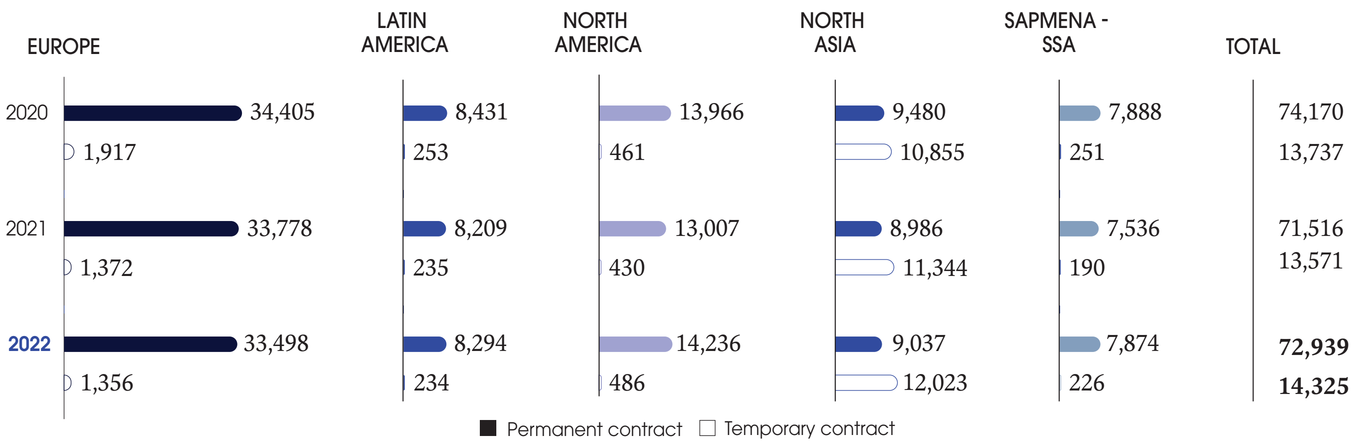
L'Oréal Group social data

Employees by geographic zone [1]

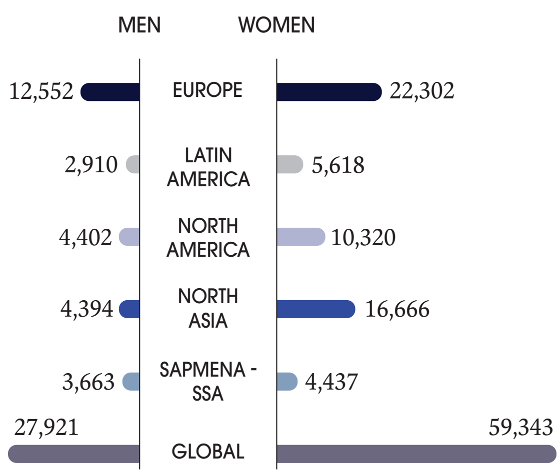


☑ *The Statutory Auditors have expressed reasonable assurance about this indicator.*

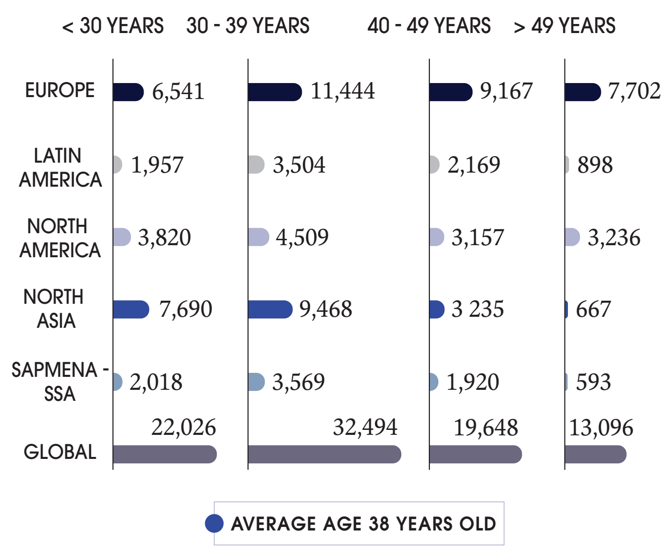
Breakdown of employees by type of contract by geographic zone



Breakdown of employees by gender



Breakdown of employees by age



(1) *Excluding recent acquisitions. See the methodology notes in section 4.5. of this document.*

Absenteeism rates

	2020	2021	2022	Details
Total absenteeism rate (%)	8.2%	5.9%	5.0%	C/(A-B)
Of which due to illness	2.2%	2.4%	2.5%	D/(A-B)

(A) Number of working days worked by all statutory employees.
(B) Number of days of annual leave taken by all statutory employees.
(C) Number of days of absence (sick leave, occupational diseases, maternity leave, paternity leave, occupational injuries and/or commuting accidents or any other paid or unpaid absence).
(D) Number of days of sick leave (excluding occupational diseases, maternity or paternity leave, occupational injuries and/or commuting accidents).

Number of recruitments

Number of recruitments (Permanent contract)	Europe	Latin America	North America	North Asia	SAPMENA-SSA	Total
2022	**4,440**	**1,740**	**3,986**	**1,057**	**1,736**	12,959
2021	3,699	2,137	3,853	1,970	1,337	12,996
2020	2,706	1,078	2,156	910	713	7,563

Number of departures

	2020	2021	2022
Number of departures (resignations, retirements, mutual agreements, dismissals) (permanent contracts)	9,408	11,977	**10,823**
Number of dismissals (permanent contract)	3,358	3,153	1,863

In 2022, the turnover rate was 12.4%. This is calculated on the basis of employees on permanent contracts and includes resignations, retirements, departures by mutual agreement and dismissals.

4.3.2.1. Preserving employee health and safety

An ambitious shared health and safety policy

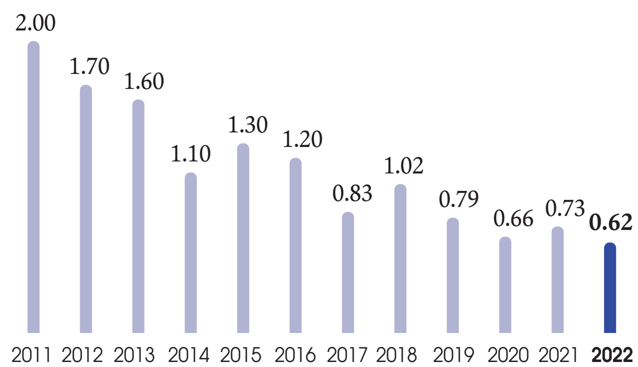
The Health (H) and Safety (S) policy is a main priority objective of the Group's general policy, and one of its main managerial pillars. All managers are evaluated on their ability to apply it, and on their results in this area. It is based on the fundamentals presented in section 4.3.1.1.1.

Moving towards "zero accidents" is the ambition that L'Oréal has set for the safety of its employees. The Group has implemented programmes aimed at reducing risks and ensuring regular improvement in results through the leadership of managers and the participation of staff at all levels.

The Group strives to ensure regulatory compliance with its own standards on its sites (industrial or administrative sites, research centres, stores), and makes sure that its subcontractors and suppliers ensure the health and safety of people through a programme of external audits.

118 injuries with lost-time (L'Oréal and temporary staff) were reported in 2022, compared with 128 injuries with lost-time in 2021.

Change in Conventional Frequency Rate (TFc)[(1)]



The conventional frequency rate (TFc) is 0.62 and the enlarged total incident rate reported (TIRe)[(2)] is 1.34. Injured with lost-time recorded in the Group in 2022 resulted in the following frequency rates by entity:

Sites	TFc 2022	Variation in TFc vs. 2021	TIRe 2022	Variation in TIRe vs. 2021
Factories and distribution centres sites	1.40 ☑	-5 %	3.30 ☑	-4.6%
Administrative sites	0.20	+43 %	0.51	+96%
R&I Sites	1.01	+181%	2.17	+18%
Sales forces & Stores	0.74	-35 %	1.13	-3%
Group: all sites	0.62	-15%	1.34	-6%

☑ *The Statutory Auditors have expressed reasonable assurance with regard to this indicator.*

(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.*

The accident gravity rate was higher than in 2021 for the Group. It stood at 0.03 for the Group and 0.05 for factories and distribution centres in 2022.

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 on potentially serious accidents (see section 4.3.1.1.1.);
4. Health and Safety organisation and practices in compliance with the Group's standards with ISO 45001 certification for all Operations sites;
5. Specific training programme for managers, EHS managers, operators/technicians and for all employees;
6. Continuous improvement of the Health and Safety management systems at all sites;
7. Active employee participation; and
8. Sharing of resources, feedback, and best practices.

89% of the Group's factories are ISO 45001 certified for their safety policy.

A global programme dedicated to improving health and safety

L'Oréal has programmes with specific and innovative tools to achieve excellence in safety, which is based on four areas:

- a strategy based on risk management, the search for excellence and the sharing of the L'Oréal culture outside the Group;
- analysis of safety and health risks with the following tools: GHAP (*Global Hazard Assessment Procedure*), SHAP (*Safety Hazard Assessment Procedure*), Ergoval, PSM (*Process Safety Management*), CHERIE (*Chemical Risk Evaluation*);
- analysis of the root causes for the occurrence of incidents/accidents with the RCA (Root Cause Analysis) tool; and
- the use of a correct prevention tool at the right time.

Programme to improve the safety culture	**EHS Steering Committees** The Management Committee of each site carries out a general review of the action plans and the effectiveness of the EHS programmes.
	SIO (Safety Improvement Opportunities) The SIO programme encourages employees to inform their direct managers of situations considered to be risky so that corrective measures are taken.
	Constructive Challenge This framework programme is designed to improve the individual safety culture so that all employees play proactive roles both in their own safety and that of others. Each site will set up this programme, depending on its maturity.
Safety control tools	**MESUR (Managing Effective Safety Using Recognition and Refocusing)** These are periodic on-site safety visits by a manager. The programme has also been deployed on certain administrative and research sites since 2015.
Flexibility & simplification / User friendly / People empowerment	**Digitalisation of prevention tools** The *Next Generation Tool* programme was launched in 2021; it was designed in order to increase the use of digital tools in the EHS activities. The strategy for the deployment of digital tools is based on a survey conducted in 2020 on all Group sites.
	LIFE The LIFE programme, set up in 2018, targets the activities which, if they are not controlled, can lead to a potentially serious accident.
A programme to improve the ergonomic culture	***Ergonomic Attitude*** This programme, which is intended to be extended to all Group sites, has been based since 2015 on a roadmap consisting of five levels. These levels enable sites to systematically improve their ergonomics culture and determine their individual action plans.
SAFE@WORK SAFE@HOME spread the culture	***Safe@Work Safe@Home*** This programme is intended to export the L'Oréal health and safety culture outside the Group. We created a partnership with RoSPA (Royal Society for the Prevention of Accidents) to benefit from their experience and share the L'Oréal experience around the world. Since 2019, L'Oréal has sponsored a *Safe@Work Safe@Home* award to recognise the best initiatives in the world.
L'ORÉAL WOMEN IN SAFETY	***Womeninsafety@LOREAL*** This programme was launched in 2021 and is intended to promote the Group's network of women working in the areas of Health and Safety, both in-house and outside the Group. A global steering committee issues a roadmap on the basis of four pillars: promote equity, diversity and inclusion; recognise leadership; be a role model; and develop EHS skills and expertise.

Price and awards

In 2022, 69 sites covering nearly 38,000 employees were recognised by the RoSPA in their prestigious Health & Safety Awards. A total of 58 awards were won.

4.3.2.2. Recruiting and supporting talents

The Group is continually enriching and diversifying its pool of talent around the world to meet its present and future needs.

The recruitment teams are tasked with attracting the best talent in all countries in which L'Oréal Group operates, so as to form diverse teams that resemble our consumers and integrate all cultures. The local implementation of the recruitment policy is carried out by a network of local recruitment experts covering all countries.

To select the best talents capable of contributing to its transformation, L'Oréal recruits on the basis of a candidate's skills and potential. The Group is putting in place innovative means to ensure its recruitment is more inclusive. The aim is to capitalise on candidates' strengths such as ambition, resilience, empathy, judgement, and learning agility.

L'Oréal has a unique know-how in working with higher education to identify and recruit new graduates. The Group relies on the following schemes, in particular:

- Brandstorm, the Group's innovation competition for students. In 2022, this competition brought together more than 80,000 students from 65 different countries, in a completely digital format, enabling them to immerse themselves in the beauty industry and find out about the Group's values of innovation and entrepreneurship;
- the Management Trainee programme, a rotational programme that prepares new graduates for major business responsibilities; and
- the French International Business Internship (*Volontariat International en Entreprise*, or VIE) scheme, which enabled more than 100 young Europeans under the age of 29 complete an internship of between 12 and 24 months in 16 Group subsidiaries in 2022.

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 is considered to be one of the best in the world. A strong presence on LinkedIn, with more than 4.3 million followers, helps with proactively recruiting the best talent.

For several years, L'Oréal has been ranked by Glassdoor as one of the best employers in France.

An International Digital team provides L'Oréal recruiters around the world with cutting edge digital tools to efficiently select the best candidates from among nearly one million applications received. These solutions, such as Seedlink and Paradox, use artificial intelligence, which provides greater efficiency, improves the candidate experience and targets a broader diversity of backgrounds.

In 2022, the recruiter community came together to consider several topics, such as training to combat unconscious bias, overhauling training programmes for new recruiters and compliance with GDPR requirements.

In 2022, the Group strengthened its global L'Oréal for Youth programme, through which it is committed to creating 25,000 job opportunities per year for those under the age of 30. New initiatives have been launched, such as L'Oréal *BOOST*, which gives young people access to the Coursera training platform. Other mentoring and coaching initiatives have also been launched to support and strengthen the employment prospects of young people all over the world.

Successful integration of new employees lays the groundwork for a lasting, quality relationship with the Company. The *FIT* integration programme provides everyone with the keys to success within the Group, both from an operational standpoint and in terms of sharing the corporate culture.

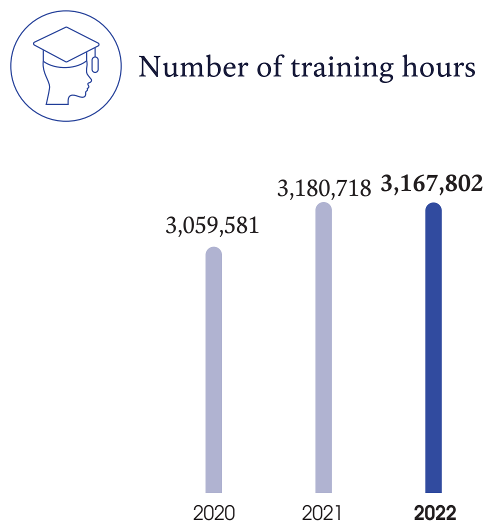
4.3.2.3. Training and developing employees throughout their working life

L'Oréal has always considered the development of its employees as one of the main drivers of its performance and its transformation. L'Oréal's ambition is to develop the potential and employability of each employee throughout their lives, and to prepare tomorrow's leaders.

The People Development & Learning teams are committed to providing the most relevant and modern training and development solutions throughout the world.

This strategy means the Group is recognised as a centre of excellence and contributes to L'Oréal's competitive advantage, as well as to the attraction, engagement and retention of employees.

This is reflected by the fact that 100% of L'Oréal employees took part in a development opportunity in 2022 [1].



(1) *Total number of unique learners in 2022 / workforce at 31 December 2022. Trained employees who left the Group in 2022 are counted and may offset untrained employees in 2022.*

Breakdown by geographic zone

	Number of hours
Europe	991,887
Latin America	325,025
North America	368,780
North Asia	1,106,704
SAPMENA + SSA	375,406

L'Oréal's strategy for developing its employees and ensuring a competitive advantage is based on four drivers:

- ensuring that employees have mastered the core skills required for their role;
- providing an unparalleled training experience that inspires the motivation to carry on learning;
- enabling the transformation of the company with large-scale upskilling programmes; and
- supporting and developing talent at each key stage of their career path.

Training to secure essential skills

L'Oréal equips all employees taking up new positions with JOB MUST (essential skills), to enable them to perform well in their role. More than 30,000 employees benefited from this in 2022.

In order to anticipate these critical skills, the Training Departments of the Divisions and Business Lines work in close collaboration with the Operational Departments. This planning work lays down roadmaps for developing skills in various areas of expertise and identifies the most appropriate learning solutions to meet these needs. The Training Departments in the various Zones play a key role in implementing these solutions. Regional campuses are used to deploy the solutions in every country, and the Training Departments ensure that at least 80% of relevant employees take part in them at the appropriate time in their professional career. In addition to developing these business-line specific skills, and in partnership with theInternal Control Department, the training teams are responsible for rolling out 6 regulatory training courses[(1)]. These solutions were delivered to more than 100,000 employees Group-wide in 2022.

The post-Covid-19 learning environment

After two years during which the majority of training was delivered virtually, classroom-based training was able to resume. The face-to-face format means that inter-personal skills can be enhanced, which are an essential aspect of certain training courses (corporate culture, managerial attitudes etc.). This new mix of online and off-line learning offers greater opportunity for an excellent learning experience, as it can be adapted to regional themes and contexts. The level of excellence is measured by an impact score that consolidates evaluations completed by those participating in each training session. This score is of 80/100.

L'Oréal University supports the Group's transformation

Training is central to the Company's major transformations: the challenges of CSR, the digital revolution, which impacts all jobs, the transformation of marketing, the acceleration of e-commerce and the changes in working conditions and managerial practices.

Organised around major areas of expertise that have an impact on L'Oréal's transformations (L'Oréal Leadership and Culture, E-Commerce, Data, Tech & Analytics, Marketing, Retail, and Innovation), L'Oréal University's offerings are open to all employees, regardless of the business line or country in which they work. Around 55,000 employees benefited from this in 2022. This intermingling of different people helps to form a common vision and shared practices within the organisation.

As an example of L'Oréal's high standards of excellence, in 2021 the L'Oréal University of Leadership and Culture obtained CLIP[(2)] accreditation from the EFMD[(3)], the European standard for business schools, which remains valid until 2026.

In order to continue to nurture the Group's ambition to be the market's number one Beauty Tech, the University of Tech, Data & Analytics launched the *Data4All* programme in the second half of 2022. The purpose of this new programme, which targets more than 20,000 employees, is to create a data-based culture within the company, while training participants in the main principles of working with data.

As a result of the Covid-19 crisis, which has significantly changed consumers' purchasing habits, the emphasis since 2021 has been placed more firmly on e-commerce and the University of e-Commerce was founded. It is intended for all employees and aims to support the Group's ambitions for this distribution channel. More than 15,000 employees have been upskilled in this area of expertise.

Since 2014, L'Oréal has deployed a comprehensive Digital upskilling programme, which has already reached more than 65,000 employees. Around 2,000 employees have also been trained in the challenges of the Metaverse and Gaming, both vectors of engagement for consumers.

A new experience in individual development, boosted by state-of-the-art technology

In 2022, L'Oréal implemented a process called CONNECT, which is based on regular "conversations", to completely overhaul its performance evaluation system. These conversations bring employees together with their managers, as well as with other internal stakeholders, to define their performance and development objectives.

To achieve these objectives, they may select the most appropriate training courses from over 20,000 available resources, developed by L'Oréal or by digital content providers such as LinkedIn Learning, TED, Coursera and Busuu. These conversations provide flexibility as they can be adjusted to suit each individual's operational reality. To support this brand new development experience, L'Oréal has implemented specific *CONNECT* training programmes, which benefited 36,000 employees in 2022.

(1) Compliance with Competition Law, Data Privacy for All, I-Secure, Join the Next Shield, L'Oréal Ethics, The Way We Prevent Corruption.
(2) The CLIP (Corporate Learning Improvement Process) programme is the leading independent accreditation system for corporate training functions.
(3) EFMD is the world authority in the accreditation of business schools and corporate learning teams.

In addition, L'Oréal has rolled out the ONE PROFILE platform, the backbone of a new human resources experience with two key modules: the Objectives module, which enables objectives to be set collaboratively and with the flexibility to adapt them to changing priorities during the course of the year; and the Learning module, which makes training courses easier to identify and access.

4.3.2.4. Creating conditions for a stimulating 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. L'Oréal's Share & Care programme follows on from a long tradition of social progress and caring of the individual. L'Oréal makes, and will continue to make, a difference by putting people at the centre of its concerns, its organisation and therefore its development.

The Group has set itself the goal of creating an attractive work environment that encourages all employees to thrive, both professionally and personally.

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 strong commitment reflects the Company's vision that sustainable growth necessarily goes hand-in-hand with a high level of social performance. L'Oréal launched and implemented L'Oréal Share & Care collaboratively in all its subsidiaries in 2013, and renewed the programme in 2017 and again in 2021. Its ambition is three-fold:

- to have a common base of social protection with minimum guarantees in all subsidiaries;
- to be one of the top performers in each market, and to adopt local best practice where that goes beyond the common base; and
- to make each subsidiary a "social innovation laboratory" by encouraging local initiatives that are in line with their employees' expectations.

The programme is constantly adapted to reflect global changes and keep up with the new demands of employees. Particular attention is currently paid to personal ecology, with mental health prevention measures, and to flexibility in the workplace, with a global hybrid working policy.

The core elements of L'Oréal Share & Care have now been implemented in all subsidiaries. Furthermore, new elements will be implemented gradually between now and the end of 2023, in accordance with the priorities set by the programme.

The four pillars of the L'Oréal Share & Care programme

This social programme revolves around four pillars that were updated in 2021 and implemented in all countries:

Pillars	Objectives	Main commitments achieved or in progress in all countries
PROTECTION (Welfare schemes)	Providing employees and their families with financial support in the event of unexpected life events, by allocating appropriate assistance.	24 months' salary, or equivalent pension, in the event of natural or accidental death. 24 months' salary, or equivalent pension, in case of total permanent disability. A welfare scheme aligned with the best practices in each country
HEALTH (Healthcare)	Providing employees and their relatives with access to a high-quality healthcare system as well as prevention measures, placing greater emphasis on mental and emotional health, in order to create a new global approach to "personal ecology".	Reimbursement of at least 75% of medical costs in the event of major risks (hospitalisation, surgery, drugs prescription for chronic and severe diseases), Prevention and information campaigns on mental and emotional health, with individual measures (medical check-ups) and collective campaigns (melanoma,diabetes, obesity, HIV, etc.) for physical health. EAP (*Employee Assistance Programme*) in all subsidiaries where this service is available. Promotion of sporting activities (equipment and classes on-site, partnerships with external organisations). Training/awareness/prevention initiatives regarding ergonomics. A local policy in each subsidiary aimed at protecting victims of domestic violence.
BALANCE (Work/life balance)	Enabling all employees to fully experience milestones in life such as maternity and paternity and demonstrating flexibility in working organisation for a better work/life balance.	At least 14 weeks' maternity leave fully paid. At least 6 weeks' paternity leave fully paid. A hybrid working policy in all subsidiaries, including working remotely for up to two days per week, on a voluntary basis, for eligible employees, in agreement with line manager and in accordance with team organisation.
WORKPLACE (Working environment)	Offering the best working environment thereby enabling employees to work in a pleasant, appropriate and effective way, and, depending on their activity, to meet, share, learn, collaborate, create or concentrate.	New premises easily accessible by public transport and by people with disabilities. Subsidised lunches, for healthy food every day. According to leading global standards, L'Oréal offers high-quality working spaces, thanks in particular to the on-site services offered to employees.

In 2022, **96%**(1) of the Group's permanent employees had access to financial protection in the event of unexpected life events (including death or permanent disability).

In 2022, **97%**(1) of the Group's permanent employees had access to healthcare coverage reflecting the best practices in their country of residence.

(1) Permanent employees of the Group 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.

Assessment tools of the L'Oréal Share & Care programme

In order to ensure transparency and reliability, the programme is regularly subject to measures and assessments to ensure it has been implemented as intended:

- self-assessment and definition of the action plan through a reporting tool (*Follow-up-Tool*), completed by each subsidiary annually;
- internal audit: a detailed verification of the programme's implementation has been included in the planning of internal audit in the subsidiaries; and
- external audit: certain key indicators are audited within the scope of the annual external audit.

The ILO is a partner in the L'Oréal Share & Care programme

The L'Oréal Share & Care programme attracted the attention of the ILO (International Labour Organisation) in the context of its study on the contribution by major companies to the expansion of social protection all over the world. A close collaboration was developed. L'Oréal is a founding member of the Global Business Network for Social Protection Floor, which was launched in 2015 by the ILO. This network allows acting collectively and mobilising to create a basic set of social protection measures for everyone.

Flexible work organisation

In each subsidiary, work is organised according to local context and to the activity performed in compliance with legal and contractual obligations. In several subsidiaries, both work organisation and working time are part of collective agreements.

L'Oréal believes that flexibility at work is a key element in attractiveness. This flexibility is strengthened further by the new global "Hybrid Working" policy. Eligible employees may work remotely for up to two days per week, on a voluntary basis, in agreement with the direct line manager and in keeping with the team's organisational structure. All Group subsidiaries have now adopted this policy, wherever this has been possible, given the local health situation. In addition, 58 subsidiaries have now set up a flexible working time policy.

Employees from all categories have chosen the option of part-time work. In 2022, there were 4,982 part-time employees, 4,468 of whom were women and 514 were men.

The L'Oréal For All Generations programme

For L'Oréal, inclusion of more experienced employees is a long-standing commitment. Furthermore, at a time when careers are getting longer and the digital transformation is accelerating, the Group has launched the L'Oréal For All Generations programme, which makes intergenerational relationships a core objective. The programme aims to create an attractive working environment, encouraging employees to flourish both professionally and personally from the moment they join the company until they retire. The programme focuses on five key areas:

- promoting intergenerational inclusion, equity and diversity;
- adapting health and wellness programmes;
- developing employability throughout the professional career;
- preparing in advance for a successful transition to retirement; and
- facilitating new life projects for the post-L'Oréal era.

Launched in France in 2022 and inspired by the Spanish *Generaciones* initiative, this programme will gradually be rolled out internationally, and subsidiaries where more than 20% of employees are over 50 years of age will be prioritised.

An active social dialogue with employees and their representatives

As a signatory of the United Nations Global Compact since 2003, and in compliance with its Employee Human Rights Policy, L'Oréal respects the freedom of association and the right to collective bargaining.

When employees wish to be represented by authorised employee representatives, these representatives are elected without company interference. They have access to workplaces, to consenting employees, as well as to local documentation useful for the performance of their duties, subject to compliance with Group's legitimate rules on confidentiality and security. In countries where freedom of association and the right to collective bargaining are restricted or non-existent, there are other modes of dialogue that enable employees to report any concerns they may have.

In the context of these general principles, the social climate at L'Oréal is the fruit of an ongoing dialogue between Management, employees and their representatives, in accordance with local trade union rights and with a neutral attitude with regard to the various trade union organisations.

Employee representation bodies are in place in most European subsidiaries, in several Asian subsidiaries(1), in Africa (2), in North and South America(3), as well as in New Zealand. In total, 86% of the Group's employees work in countries where there are employee representative bodies (at one of the sites at least). 45% of the Group's employees are covered by a collective agreement and 97% of them are covered by company collective agreements.

Two Directors representing the employees have been member of L'Oréal Board of Directors since 2014 (see section 2.2.1.3.).

In 1996, L'Oréal signed an agreement with the French and European trade unions, which led to the establishment of the *Instance Européenne de Dialogue Social*, or European Works Council. This council represents more than 30,000 employees in 25 member countries of the European Economic Area and the United Kingdom. With 30 members, this council holds regular discussions with Management about the Group's current situation and its future perspectives, on the basis of an agenda prepared with the Liaison Secretariat.

(1) China, South Korea, India, Indonesia, Japan, Vietnam.
(2) South Africa, Kenya, Morocco.
(3) Canada, the United States, Argentina, Brazil, Chile, Colombia, Mexico.

L'Oréal's social policy permits the signing of collective agreements every year. In 2022, 204 agreements were signed in France and 94 agreements were signed in the rest of the world. In total, the number of agreements in force on 31 December 2022 was 772, 432 of which were in France and 121 of which wholly or partially involve health and safety issues. These agreements primarily cover work organisation, remuneration and working conditions (working hours, quality of life at work, professional equality, remote working, health and safety, etc.). They contribute to the proper functioning and to the performance of the Group by strengthening employee participation and dialogue with their representatives.

4.3.2.5. Offering a motivating and competitive remuneration system

The principles of the remuneration policy

L'Oréal's remuneration policy is an integral part of the Group's development strategy. L'Oréal wants to attract and retain talents, propose motivating career paths and encourage performance and engagement of its employees while accompanying the evolution of its jobs and business.

The Group ensures that all employees receive at least the minimum salary set by local law or applicable collective agreements. In most of the countries, L'Oréal's lowest base salaries are much higher than the national minimum wages in force.

A remuneration monitoring process is in place to adjust, if necessary, the remuneration of the Group's permanent employees so that they can receive a living wage, which is generally higher than the minimum wage. A living wage covers basic needs and is calculated in accordance with best practice by the Fair Wage Network, an internationally recognised NGO.

A total rewards approach is used to provide each employee with a competitive rewards package including both compensation elements (fixed pay, variable pay, long-term incentives) and employee benefits.

The Group is implementing a remuneration policy that combines external competitiveness with internal equity. This rewards both individual and collective performance. In addition, employees share in the Company's results through results-based collective profit-sharing schemes rolled out globally.

The L'Oréal remuneration policy is formalised within a Rewards charter and is implemented by a network of Rewards experts present in the different countries. External surveys are conducted every year with specialist firms to ensure L'Oréal's competitive positioning in relation to each local reference market.

The 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.

The remuneration policy is supported by an annual employee performance assessment system applied in all subsidiaries. It enables the communication of remuneration decision making principles, processes and outcomes. The Group is implementing a new HR information system that will enhance and update communications on this subject.

Personnel costs (including welfare contributions)

€ millions	2020	2021	2022
Total	6,124	6,471	7,264

The comparison between the three years takes into account the impacts of foreign exchange and is not representative of the real changes in personnel costs.

Employee shareholding plans

Keen to share its growth with its employees, L'Oréal launched its first worldwide employee share ownership plan in 2018. The results were very satisfactory. L'Oréal wanted to provide employees wishing to support the growth of the company and participate in its strategic plan the opportunity to do so, by launching two new plans in 2020 and 2022. These plans are designed to gather, unite and increase the loyalty of employees worldwide by enhancing a feeling of belonging, engagement and social cohesion.

Eligible employees had the possibility of purchasing shares with preferential conditions including, where permitted by local law, a 20% discount on the share reference price, with an employer matching share contribution of up to four free shares.

The plan was rolled out in 62 countries in 2022, seven more than in 2020. It was a big success with a 35% subscription rate, similar to the first two plans. This is a high percentage compared to other companies that have set up employee shareholding plans[1].

Plans for the conditional grant of shares to employees (ACAs)

L'Oréal sets up long-term incentive plans in favour of its employees and corporate officers in an international context. These take the form of grants of performance shares. These grants serve a dual purpose: to motivate and include the major contributors in the Group's future successes, and to strengthen the commitment and feeling of belonging of its beneficiaries by fostering long-term loyalty in a context of increased competition for talent.

In accordance with the Group's strategic objectives, the choice of beneficiaries and the vesting criteria are determined by a specific policy. The Board of Directors, subject to the recommendation of the Human Resources and Remuneration Committee, approves the conditional grant of shares and lays down the applicable rules. The vesting of these shares is subject to the achievement of performance targets and the beneficiary's continued presence in the Company. Performance conditions include both financial and non-financial performance criteria (see section 7.4.).

53% of the beneficiaries of the 13 October 2022 plan are women. More than 4,200 employees, representing approximately 10.5% of the managers around the world, nearly 58% of whom are in international subsidiaries, benefit or have benefited from at least one conditional grant of shares plan since 2017 and were still employees of the Company on 31 December 2022.

(1) *2022 survey on employee share ownership by the French Federation of Employee Shareholder Associations and Former Employees – FAS. The survey includes entities in France that practice employee share ownership and performs a recurring analysis between these same entities.*

L'Oréal Retention Plan

In 2022, L'Oréal developed the L'Oréal Retention Plan, a new employee retention scheme. This new scheme targets young employees who are not yet eligible for the employee share plans. It takes the form of a deferred bonus over three years. The scheme is implemented at country level. The first edition of the scheme targets 1,000 beneficiaries in 35 countries.

Profit sharing schemes

L'Oréal wishes to include employees in the results of the Company with the aim of strengthening their feeling of belonging and their motivation. In 2022, on the basis of its 2021 results, the Group redistributed €418 million to employees under the profit-sharing schemes in place. 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 *(€ millions)*	**2020**	**2021**	**2022**
Total[1]	368	352	418

(1) Profit sharing schemes.

Employee benefit and pension schemes

L'Oréal wants to ensure that its employees benefit from competitive retirement and welfare schemes in all countries. Since 2002, an International Benefits Supervisory Committee has overviewed the management of these schemes in the subsidiaries and monitored the implementation of L'Oréal's Retirement and Employee Benefits policy.

L'Oréal's commitments with regard to welfare schemes are part of the Protection pillar of the L'Oréal *Share & Care* programme. In all subsidiaries, L'Oréal guarantees the payment of a lump sum, or equivalent pension, equal to a minimum of 24 months' salary in the event of death or total permanent disability, or a higher amount where it is the local practice.

The characteristics of retirement schemes and other end of career benefits offered by the subsidiaries vary depending on the applicable laws and regulations as well as local practices.

In 89% of the countries where L'Oréal employees work, the Group contributes to the build-up of supplemental retirement benefits for its employees in addition to the minimum benefits of the public social security system.

Retirement plans are financed by payments into specialised funds, or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main investment funds, as well as the financial stability rating of the custodians, are regularly reviewed by the International Benefits Supervisory Committee.

L'Oréal does not propose company retirement plans in countries that do not have an appropriate legal framework, or long-term investment instruments, and in countries where there is a satisfactory public social security system. The International Benefits Supervisory Committee remains attentive to changes to local situations and, when needed additional complementary schemes are put in place.

Overview of the pension and employee welfare schemes in France

Pension schemes: To supplement the pensions provided for by the compulsory French pension scheme, L'Oréal has implemented some supplementary pension schemes described below.

Defined contribution scheme: In September 2003, L'Oréal set up a "defined contribution pension scheme". After one year of employment, all categories of employees are beneficiaries of this scheme, which is financed jointly by L'Oréal and the employee. This makes it possible for everyone to build up retirement savings. This scheme entitles pensioners to a lifelong annuity (or to a lump-sum, under certain conditions), calculated after they claim their pension rights under the Social Security pension system. This annuity is calculated on the basis of the capital formed by the contributions paid and the financial income on such contributions at the end of the employee's career, as well as the annuity option selected. On 1 April 2021, the scheme was converted into a Mandatory Company Savings Plan (Plan d'Épargne Retraite Obligatoire – PERO) within the framework laid down by the French Pacte law (Loi Pacte). This made it possible to introduce many improvements to the scheme, such as new options for paying into it, more diversified financial investments and more flexible exit conditions.

Defined benefit schemes: L'Oréal has set up several defined benefit schemes with unvested entitlements, that were initially differential and then additive. The aim was to take into account important developments impacting these schemes, with the aim of building a coherent system between the different pension schemes that exist in the Company.

French Order No. 2019-697 of 3 July 2019[1] no longer allows the acquisition of unvested new rights in schemes open on 20 May 2014 for employment periods after 31 December 2019. In this context, L'Oréal froze the rights at 31 December 2019. In 2021, the Group finalised the establishment of two substitution schemes with vested rights[2]: the "Supplementary pension scheme for Former Senior Managers with vested rights" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants à droits acquis) and the "Retirement Income Guarantee for former senior managers with vested rights" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants à droits acquis). These schemes are considered as the continuations of the old schemes because of the consistency in terms of population and benefits.

The "Supplementary pension scheme for Former Senior Managers" (Retraite supplémentaire des Retraités Anciens Cadres Dirigeants) concerns retirees who have held positions as senior managers for a minimum of 10 years, hired or promoted to this position between 1 January 2016 and 4 July 2019, who end their career in the Company. This is an additive defined benefit pension scheme which grants entitlement to payment of a life annuity. The reference salary taken into account for calculation of the pension is the fraction of the salary which exceeds six times the French annual Social Security ceiling. The calculation base of the supplementary pension is the average of the revalued reference salaries for the best three full years of activity out of the seven calendar years prior to the end of their career. The supplementary pension is 1.36% of the calculation base per year of service within the Group until 31 December 2019, up to a maximum of 25 years. Any retiree who so wishes could elect an option of a surviving spouse pension.

(1) Transposing the European Directive of 16 April 2014 into French law.
(2) In compliance with French Order no. 2019-697 for employment periods from 1 January 2020, following the publication of the circular of 23 December 2020.

Access to the "Retirement Income Guarantee for former senior managers" (Garantie de Ressources des Retraités Anciens Cadres Dirigeants) was closed on 31 December 2015. This scheme, created on 1 January 2001, was open to former senior managers of L'Oréal who, in addition to fulfilling the requirement of having ended their career with the Company, met the condition of having had the status of senior manager for at least ten years at the end of their career. It provides entitlement to payment to beneficiary retirees of a life annuity, as well as, after their death, the payment, subject to conditions, to their spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base is the average of the salaries for the best three years out of the seven calendar years prior to the end of the senior manager's career at L'Oréal. The 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. The amount of the Guarantee is progressively and regularly increased by 1.8% each year. The pension cannot exceed 50% of the calculation base or exceed the average of the fixed part of wages. A gross annuity and gross lump sum equivalent are then calculated, taking into account the sum of the annual pensions accrued by beneficiaries as a result of their professional activity and assuming that their retirement age is 65. The life annuity is the result of the conversion into an annuity at the beneficiaries' actual age on the date they apply for their pension of the gross lump sum equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday, and less all salaries paid under any early retirement leave. Around 330 senior managers are eligible for these schemes if they fulfil all conditions after ending their career with the Company.

Access to the "Pension Cover for Members of the Comité de Conjoncture" (*Garantie de Retraite des Membres du Comité de Conjoncture*) was closed on 31 December 2000. This former scheme granted entitlement, to beneficiary retirees who ended their career with the Company, of a life annuity as well as, after their death, the payment under certain conditions to the spouse and/or ex-spouse(s) of a surviving spouse pension and, to the children, of an orphan pension. The calculation base for the pension is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The pension is calculated on the basis of the beneficiary's number of years' service, with a ceiling of 40 years, it being specified that at the date of closure of the scheme, on 31 December 2000, the minimum length of service required was 10 years. The pension may not exceed 40% of the calculation base, plus 0.5% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries. Around 120 senior managers (active or retired) are eligible for this scheme subject to the requirement, for those in active employment, that they fulfil all the conditions after having ended their career with the Company.

Collective Retirement Savings plan (PERCO): Since 2003, L'Oréal has proposed that employees make savings with a view to their retirement within the scope of the PERCO. If the profit sharing is placed in the PERCO, a 100% matching contribution is paid by the Company on the first €1,200 gross and 50% thereafter (capped at €4,600/year total PERCO employer contributions). For employees who pay 100% of their profit sharing into the PERCO for five consecutive years, an employer contribution of €600 gross is paid into the PERCO (Club PERCO) in the fifth year. Since 2021, an additional employer contribution of €150 gross has been paid from the sixth consecutive year in which 100% of the profit sharing has been invested into the PERCO. Each year, employees may also transfer 10 days of saved leave time (Compte Épargne Temps, or CET) in the PERCO. An additional employer contribution of 20% is paid for these days.

Pre-retirement arrangements: L'Oréal pays close attention to its employees' retirement conditions. The existing arrangements are, in particular:

- early retirement leave ("congé de fin de carrière", CFC): this early retirement arrangement consists of exempting employees from the requirement to perform their activities, while maintaining their remuneration (up to a limit of €10,887 gross/month); 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. When they retire, employees may benefit from retirement indemnities ranging from 2 months' salary for 5 years' service to 8 months' salary for 40 years of service.

In order to increase the special leave prior to retirement, employees may opt to convert all or part of their retirement indemnities into time, or may choose to receive payment of all or part of the retirement indemnities, which will be made at the time they leave the Company. These commitments are guaranteed by external financial cover aimed at gradually building up funds derived from premiums paid to external organisations;

- the Time Savings Account (CET): this optional scheme enables employees to plan the end of their career or increase their retirement income. Employees can bank up to 10 days of leave per year in the CET, five days of which attract an employer contribution of 25% and/or a cash payment, up to a maximum of 8% of gross remuneration per year. This scheme is capped at 300 days.

The CET can finance a shift to part-time working from the age of 55, early retirement, increased retirement income, providing a retirement lump-sum[(1)], by taking the opportunity to transfer a maximum of 10 days per year to the defined contribution scheme or the L'Oréal PERCO[(2)].

Employee welfare schemes in France: In addition to the compulsory guarantees provided for by the collective bargaining agreements, L'Oréal has set up, in France, under an agreement, an Employee Welfare scheme providing additional collective guarantees to its employees. All these guarantees are based on gross income and can total up to eight times the French annual social security ceiling. They are generally financed on Brackets A, B, and C of income, except for the Education Annuity which is based on Brackets A and B, and the Surviving Spouse Pension which is based on Brackets B and C. This Employee Welfare scheme provides guarantees in the event of:

- incapacity: to all employees, 90% of their gross remuneration limited to eight social security caps, at this level net of charges, after the first 90 days of work stoppage;
- disability: to all employees, a fraction that depends on the level of disability, rising to 90% of their gross remuneration limited to eight social security caps, up to this amount net of charges;

(1) CET savings are valued on the basis of the employee's final salary.
(2) CET days transferred to the PERCO attract an employer contribution of +20%.

- death:
  - for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death,
  - for the employees affiliated with the benefit scheme for managers, employees governed by Article 36 of the AGIRC convention and sales representatives, the payment of a Spouse Pension to the surviving spouse. This ensures that the spouse has an income similar to the Surviving Spouse Pension paid for supplementary retirement contributions on the portion of remuneration greater than the annual cap on social security if death had occurred at the age of 65, and
  - for all employees, the payment of an Education Annuity to each dependent child, according to an age-based schedule.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed €2.3 million per event.

Minimum guaranteed lump sum death benefits: L'Oréal has established an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefit in an amount equal to three years' average income. The total amount of the risk capital needed to fund the Surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is capped.

Healthcare expenses: the healthcare scheme is compulsory for all the employees of L'Oréal and its French subsidiaries. Employees have the option of including their family members in these schemes. Contributions are, generally, individual. The contribution by the employee is partly financed by the Company.

4.3.2.6. Promoting Diversity, Equity and Inclusion (DE&I)

Diversity, Equity and Inclusion are part one of the Group's strategic commitments, which aims to have teams that reflect the diversity of its consumers all over the world and to provide all its employees with an equitable and inclusive working environment. The Group also adopts an inclusive approach towards communities, suppliers and stakeholders. The Group's DE&I strategy is built around four key pillars:

1. **Socio-economic and multicultural background**: promote and increase the diversity of socio-economic and cultural origins in the Group's teams;

2. **Disability**: accelerate the inclusion of people with disabilities, by means of targeted actions, with a minimum target for the number of employees with disabilities in all countries;

3. **Age and Generations:** value and take into consideration people of all ages and generations; encourage dialogue and cooperation among employees of different generations; combat stereotypes based on age; and

4. **Gender and LGBTQIA+**: achieve gender parity at all levels and functions of the company; contribute to the establishment of more inclusive environments in favour of the LGBTQIA+ communities everywhere in the world; act against any type of harassment or violence, particularly sexism, sexual harassment and gender-based violence.

The Group's DE&I policy is also reflected in its approach towards its suppliers (see section 4.3.3.6.), its consumers, partners, communities and the NGOs and associations dedicated to inclusion in all Zones.

To achieve its objectives, L'Oréal relies particularly on an internal network of "DE&I Leads" in all of its entities. They are the guarantors of the Group DE&I policy, which they adapt to their local context. The Group shares its achievements and progress in a dedicated section on the loreal.com website. To measure employees' perception of DE&I, "Pulse", the annual in-house survey on employee engagement, includes questions on this issue.

In advertising and marketing its products, L'Oréal is committed to communicating responsibly by ensuring that it respects the diversity of beauty needs and desires around the world. In its Code of Ethics, the Group commits not to harm the dignity of human beings or present degrading stereotypes in its advertising. It is also sensitive to possible reactions to the Group's advertising from different religious, ethnic, cultural or social groups.

To strengthen its commitment to more inclusive marketing and advertising, L'Oréal joined the Unstereotype Alliance in 2021. As a member of the World Federation of Advertisers, in 2022 L'Oréal contributed to the publication of a Charter for Change, which aims to drive progress on DE&I issues within the advertising industry.

The Global DE&I Advisory Board, brings together a diverse group of external experts and leaders from within the Group. The Board is co-chaired by the Chief Executive Officer and the Global Chief DE&I Officer. It met three times in 2022, and local boards also met in North America and the United Kingdom & Ireland.

In 2022, L'Oréal launched the Beauty of Inclusion Awards, a competition to recognise the best DE&I initiatives led by local teams. The 18 finalist projects, which came from all Zones, reflect L'Oréal's commitment in all four pillars of the DE&I strategy.

Reinforcing multicultural and socio-economic diversity

L'Oréal's goal is to reflect, at all levels and in all functions, the diversity of the markets in which it operates. Particular attention is therefore paid to the diversification of recruitment pools, to ensure equal opportunities in terms of professional development, and to raise awareness of employees and management on this subject. Under the L'Oréal for Youth programme, the Group is committed to diversifying its sources of recruitment, with the aim of recruiting at least 20% of the talent for the Management Trainee Programme from non-partner schools and universities.

168: Number of nationalities (in the global workforce) distributed among the 68 countries[1]

(1) *HR reporting.*

Since 2015, L'Oréal has supported the ENAR's[1] Equal@Work initiative, which helps to ensure progress on this important issue.

Since 2019, L'Oréal has been an active member of the Tent Partnership for Refugees, a global network of more than 200 companies that supports refugees. This partnership enables L'Oréal to strengthen the socio-economic and multicultural diversity of its teams, offer job opportunities to the candidates in question and facilitate their inclusion in their host countries. In 2022, L'Oréal took part in a three-year mentoring programme, for 50 female refugees in France, Germany, Belgium and the Netherlands, with 12 mentors. L'Oréal has signed the Charter on the inclusion of refugees and exiled people in the workplace , drafted by SINGA and Utopies, as part of its commitment to professional integration and the fight against the underemployment of refugees.

Promoting the inclusion of people with disabilities

For more than 20 years, L'Oréal has applied a global policy to include people with disabilities within the Company. In 2022, the Group employed 1,625 statutory employees with disabilities, i.e. 1.9% of the total workforce. The goal is 2% by 2025. The priorities for the disability pillar of the DE&I policy are:

- recruitment: promoting the recruitment of people with disabilities in all countries;
- retention: supporting employees who have experencied accidents, illness or the worsening of an existing disability;
- declaration of disability: promoting an inclusive environment and creating conditions that encourage employees to declare their disability, so that the company can adapt positions, jobs and support;
- digital accessibility: any new digital platform must now meet this objective;
- employee awareness: the success of the Disability pillar is closely linked to internal communication and training; and
- partnerships and sharing best practice: collaboration with recognised experts, associations and NGOs on the subject, as well as with the protected and disability-adapted work sector is an important element in advancing inclusion.

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 and chaired the network in 2021. Since 2020, L'Oréal has been a member of the Valuable 500, a global collective of 500 companies, whose objective is to promote the inclusion of people with disabilities.

L'Oréal continues to support the Disability Hub Europe initiative, which brings together various stakeholders in the field of disability and sustainable development.

L'Oréal is strengthening its commitment to greater inclusion in sport by supporting a group of sportspeople with disabilities.

Valuing and taking into consideration people of all ages and generations

L'Oréal ensures that every employee has their place in the company, regardless of their age or experience. In this context, in continuation of the Spanish *Generaciones* initiative and the French inter-company commitment to enhance the role played in the company by those over 50 years of age, a dedicated international programme, named L'Oréal For All Generations, was launched in 2022[2].

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. The aim is to strengthen the Group's ability to innovate while promoting a culture of inclusion. The Group 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.).

The policy on diversity and gender balance deployed in the Group includes a goal to maintain, every year, a proportion of male or women employees that may not be less than 40% in strategic positions (around 300 positions). General Management reports annually to the Board of Directors on this policy and the results obtained during the previous financial year. From 2022, the long-term remuneration plans include criteria for non-financial performance in addition to financial performance, one of which is a criterion linked to gender balance in strategic positions.

Since March 2019, L'Oréal has published its "Index of Professional Gender Equality", which is calculated using five indicators defined by the "Professional Future" law. This 2023 Group Index is at 97% for all of L'Oréal's French entities.

Since 2007, L'Oréal has collaborated with the INED (National Institute for Demographic Studies) to conduct an annual analysis of the differences in remuneration between women and men working in France. The aim is to ensure equal pay among those with the same level of skills and the same classification. The median pay gap in France decreased from 10% in 2007 to 0% in 2019 (stable in 2020 and 2021) and the average (mean) pay gap in France also fell during this period, from 31% in 2007 to 10% in 2021[3].

In addition to the INED analysis in France, in 2020 L'Oréal launched a global tool to measure gender pay equality "all things being equal" (net of structural effects) certified by EDGE, which applies a tolerance threshold of +/-5%. The analysis was extended to 32 countries[4] in 2022, representing more than 85% of the global workforce (compared to 28 countries in 2021). L'Oréal aims to expand the scope of this analysis to all the countries in which the Group has more than 150 employees by 2025. According to this analysis, the adjusted average salary gap in these countries is 0.90% in favour of men.

In addition to the EDGE methodology, L'Oréal is deploying a Gender Pay module in the HR information system, which enables each country to monitor, analyse and improve its gender pay statistics.

(1) *The European Network Against Racism.*
(2) *See section 4.3.2.4.*
(3) *Executive Committee excluded (11% including the Executive Committee). For more information, see the "Diversity, Equity and Inclusion key figures" section on the loreal.com website.*
(4) *Argentina, Australia, Brazil, Canada, Chile, China, Denmark, Finland, France, Germany, Greece, India, Indonesia, Ireland, Israel, Italy, Japan, Mexico, Norway, Panama, Peru, Philippines, Poland, Russia, South Korea, Spain, Sweden, Switzerland, Thailand, United Kingdom, United States, Uruguay.*

L'Oréal and gender balance

As of 31 December 2022, women account for:
- 68% of the total workforce;
- 51% of expatriates in place;
- 68% of employees promoted;
- 61% of international brand directors☑;
- 53% of all key positions within L'Oréal S.A.;[1]
- 57% of all key positions within the Group[2] including:
  - 48% of strategic positions[3];
  - 53% of other key positions monitored at Group level;
  - 59% of key positions monitored at local/regional level;
- 32% of Executive Committee members; and
- 50% of members of the Board of Directors.

L'Oréal has chosen its gender equality practices and policies audited and relies on two independent organisations to measure and assess the situation of its subsidiaries: Gender Equality European & International Standard (GEEIS) and Economic Dividend for Gender Equality (EDGE). The Group's head office in France and 25 of its countries[4] have been awarded the GEEIS label ☑, and are audited every two years by Bureau Veritas to measure the progress achieved.

Eight other countries[5] currently rely on the EDGE certification process ☑. The countries are audited by the third-party organisations Flocert or Intertek in order to be certified. L'Oréal Brazil has achieved EDGE Lead status, the highest level of EDGE certification. L'Oréal USA and L'Oréal Canada have achieved EDGE Plus status, which provides an additional analysis in terms of intersectional equality (gender identity, sexual orientation, age, ethnicity, disability and nationality).

In total, 33 countries continued to be EDGE or GEEIS certified in 2022 (compared with 31 countries in 2021) ☑, which represents more than 60% of the Group's workforce.

In 2022, an initiative from L'Oréal Pakistan was awarded a GEEIS-SDG trophy in the third edition of the awards, organised by Arborus under the patronage of the Permanent Mission of France to the United Nations.

In another area, L'Oréal has conducted a pioneering initiative designed to promote gender equality in the legal profession. A Charter has been drawn up and put forward to our principal law firms. At the end of 2022, 14 firms had signed this Charter, which supplements any action taken in this area by the firms themselves.

L'Oréal is committed to combating 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[6]. Its aim is to create and test measures to combat violence against women and to support the employees concerned, through specialised NGOs. With this network, concrete actions were taken in 2022, such as:
- the provision of online training (translated into seven languages) to raise employee awareness of violence against women;
- the launch of an awareness-raising advertising campaign, to mark the International Day for the Elimination of Violence against Women.

After having committed to support the ILO's adoption of the first international convention against violence and harassment in the workplace in 2019 along with the *NGO CARE*, L'Oréal established a global HR policy on combatting domestic violence. This policy was launched in March 2021 in the new version of Share & Care, with the aim of implementing a local policy in all subsidiaries in the Group.

In 2018, the #StOpE initiative against so-called "ordinary" sexism in the workplace, led by the L'Oréal teams in France with AccorHotels and EY, brought together 30 companies and organisations. They signed a commitment under the patronage of the French Minister for Gender Equality and the Fight Against Discrimination. Today, more than 190 organisations are involved with this initiative, which aims to promote best practices to combat sexism in the workplace. This initiative is deployed globally within the Group. Online training has been developed collaboratively by seven of the companies in the network.

Contributing to the establishment of more inclusive environments in favour of the LGBTQIA+ communities

With a presence in all Zones, L'Oréal is contributing to the establishment of more inclusive environments in favour of people identifying as LGBTQIA+[7]. Since 2018, L'Oréal has been one of the sponsors of the "Standards of Conduct for Business" established by the United Nations High Commissioner for Human Rights in the fight against discrimination against LGBTQIA+ people.

☑ The Statutory Auditors have expressed reasonable assurance about this indicator.
(1) These are the positions with the greatest responsibility: strategic positions, other key positions monitored at Group level and key positions monitored at the local/regional level. These positions represent 12.6% of L'Oréal S.A. employees as of 31 December 2022.
(2) These are the positions with the greatest responsibility. These positions represent 6.4% of Group employees as of 31 December 2022.
(3) Strategic positions include Executive Committee positions (i.e. approximately 300 positions).
(4) Austria, Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Saudi Arabia, The United Arab Emirates and the United Kingdom.
(5) Australia, Brazil, Canada, India, Philippines, Russia, Switzerland and United States.
(6) This is an initiative of the Foundation Agir Contre l'Exclusion (FACE) and the Kering Foundation.
(7) LGBTQIA+: Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual, +.

In 2019, a co-parenting policy was implemented in France and the United States, with the same rights established for paternity leave, which was increased to 6 weeks' paid leave in France and 8 weeks' paid leave in the US. This policy has been incorporated into the Share & Care programme since 2021.

The Employee Human Rights Policy sets out the Group's commitment to combating discrimination on the grounds of gender identity or sexual orientation. Once again, L'Oréal USA received the maximum score of 100 on the 2022 Corporate Equality Index of the Human Rights Campaign Foundation.

Training employees in Diversity, Equity and Inclusion

In order to support these initiatives, L'Oréal trains its employees in DE&I by organising Diversity Training Workshops. This training is now available virtually. In 2022, more than 5,000 employees were trained through these workshops.

Since 2010, L'Oréal has participated in the EVE programme, an initiative led by the Danone Group, aimed to help women to be agents of change in their company and to develop their leadership and careers. Editions of this programme were launched in Asia in 2014 (EVE Asia-Pacific) and in Africa in 2017 (EVE Africa). In 2022, 105 Group employees took part in this programme.

More than 80 DE&I learning resources are now available on the Group's internal training platform. In 2022, the Group made available 13 online training courses on DE&I topic[1], as well as quarterly online conferences and a selection of podcasts. L'Oréal also supports Octave, an intergenerational leadership programme launched more than ten years ago by Danone.

In 2022, L'Oréal launched in-house training in inclusive leadership within the Consumer Products Division, training more than 140 Human Resources Directors, Diversity Leads and managers in 2022. The course is being rolled out within the Luxe Division, and the aim is to roll it out to all Divisions during the course of the year.

Awards obtained in 2022

For the fifth consecutive year, L'Oréal was recognised by Bloomberg's Gender-Equality Index 2022 (GEI)[2] for its commitments to female leadership, talent management, gender equality, inclusion, and policies on sexual harassment.

For the seventh consecutive year, L'Oréal was one of the top 100 companies in the Refinitiv[3] Diversity & Inclusion Index 2022.

For the fifth consecutive year, L'Oréal was one of the top 20 most advanced companies in the world in terms of gender equality, according to the Equileap Global Gender-Equality Ranking 2022[4].

4.3.3. Human rights policy

4.3.3.1. A commitment of the entire organisation

L'Oréal's commitment to Human Rights is based in particular on the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the Fundamental Conventions of the International Labour Organisation.

The Chief Corporate Responsibility Officer, a member of the Executive Committee, is responsible for overseeing the respect of Human Rights and fundamental freedoms in the Group. This mission has been entrusted to her by L'Oréal's Chief Executive Officer, to whom she reports. She chairs the Group's Human Rights Committee. She relies on a dedicated team of Human Rights experts and has a budget to carry out her work.

The Group's Human Rights commitments are rolled out across all markets through a network of Human Rights Correspondents.

L'Oréal's Human Rights Committee is composed of representatives from the various Zones, activities and departments (including Purchasing, HR, CSR, Safety, Security, etc.). It is responsible for coordination and exchange on the implementation of the Group's Human Rights policy. Its primary objective is to facilitate the emergence of a Human Rights culture within the Group.

In order to best address the Human Rights issues that relate to its operational activities and commercial relationships, L'Oréal has structured its Human Rights policy around 4 stakeholder groups that are potentially affected: (i) employees, (ii) employees of the Group's suppliers, (iii) consumers, and (iv) communities.

In order to achieve its Human Rights goals and face the risks that have been identified, L'Oréal has been a member of the United Nations Global Compact since 2003, and is committed to respecting all internationally recognised Human Rights. This commitment is supported each year at the highest level of the company by its Chief Executive Officer and by the Chief Sustainability Officer.

Aware of the scale of the challenge throughout its entire value chain, L'Oréal has set itself ambitious goals in respect of Human Rights, through the various internal or public documents described below.

(1) Micro-aggressions, sexism, unconscious bias, mental health, digital accessibility, domestic violence, cyber-harassment, workplace inclusion of the LGBTQIA+ community, combating racism in the workplace, combating stereotypes in advertising and content creation, inclusion of people with a disability, physical appearance and the inclusion of people of all ages.

(2) The Bloomberg Gender-Equality Index includes 418 international companies headquartered in 45 countries and regions around the world.

(3) Formerly Thomson Reuters. This international index is compiled following an analysis of more than 12,000 listed companies.

(4) The Equileap Global Gender-Equality Ranking 2022 assesses nearly 4,000 companies in 23 countries.

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, describing the way in which these commitments are fulfilled in practice.
Employee Human Rights Policy	A specific policy launched in 2020 by which the Group undertakes to respect a base of universal Human and Social Rights for its employees, regardless of their position or location worldwide.
"The Way we work with our Suppliers" Guide	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. This Guide was updated in 2022.
Mutual Ethical Commitment Letter	Published in 2021, replacing the Ethical Commitment Letter, this document specifically contains the Human Rights standards the Group expects its suppliers to uphold.
Code of Ethics "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	In the annual appraisal system for all employees, overall performance includes the employee's achievements in compliance with the Code of Ethics and the Group's ethical principles.
Speak Up policy	Since 2008, L'Oréal's Speak Up policy has enabled employees to report serious violations of Human Rights and Fundamental Freedoms, health and safety of people and respect for the environment, notably via the Group's ethics whistleblowing channel (www.lorealspeakup.com), which falls under the remit of the Chief Ethics, Risk and Compliance Officer. This has been available to all of the Group's stakeholders since 2018.
An annual ethics reporting system	The system is used to monitor the implementation of the Ethics and Human Rights programme. The subsidiaries are informed of their potential areas for improvement by the Global Ethics, Risk & Compliance Department. 100% of the subsidiaries completed their annual ethics reporting in 2022.
Procedures for prospective acquisitions	When prospective acquisitions are being considered, L'Oréal submits an Ethics and Human Rights questionnaire to target companies. This procedure is intended to identify how they have taken into account risks related, amongst other things, to breaches of Human Rights (abolition of child labour and forced labour, etc.).

Raising employee awareness

Ongoing communication	The Group's Human Rights policy and Employee Human Rights Policy are communicated to all Group employees. The Chief Ethics, Risk & Compliance Officer regularly visits the Group's entities all over the world to meet employees at all levels of the Company. 100% of the subsidiaries have communicated on at least one Human Rights subject[1].
Training	Specific training is being rolled out for the Management Committees. ● A specific, compulsory e-learning course on Ethics, covering certain Human Rights topics, is currently being rolled out in all subsidiaries. As at 31 December 2022, 87% of the employees with access to the training had completed this course. ● In 2022, 103 purchasers were trained in responsible purchasing practices. This training is compulsory for any new purchaser. 100% of the Group's subsidiaries included issues related to Human Rights in their local training programme.

4.3.3.2. L'Oréal's commitment to protecting personal data

The Group attaches great importance to the principle of transparency and aims to establish a relationship of trust with its stakeholders. It ensures that its responsible use of personal data is underpinned by the protection and security of that data.

In support of this ambition, the Group's principles governing the processing of personal data (data privacy) have been shared all over the world to raise the awareness of all employees about respect for ethical principles and the legal and regulatory requirements in this area. These principles are supplemented by a framework of policies, procedures and operational guidelines.

The Group has put in place a structure based on a Data Privacy Office *(Global DPO Office)*, which consists of a Legal unit and a Programme unit. A Group Data Protection Officer (DPO) was appointed in 2018 and a network of Country DPOs has been set up worldwide and is growing in strength (44 DPOs in 2022). This structure also relies on a network of Heads of Personal Data Protection in each region and in each business area (IT, Digital, Marketing, HR, Research & Innovation, Retail, Operations, etc.). They are responsible for defining and deploying personal data protection policies that are tailored to the challenges and specific features of their fields.

(1) The scope of consolidation of human rights data arising from ethics reporting is identical to that of social data.

A Global Strategic Data Privacy Committee was set up to establish strategic guidelines and ensure the personal data protection programme is rolled out. Led by the Group DPO, this Committee is composed specifically of the Chief Financial Officer, the Chief Ethics, Risk and Compliance Officer, the Group General Counsel and the Chief Information Officer. For the sake of consistency and operational efficiency, a Steering Committee is in place for each Zone.

This governance ensures the Group's compliance with different laws, such as the GDPR in Europe, the CCPA in California, the *LGPD* in Brazil, the *PIPL* in China or the POPI Act in South Africa. It ensures stakeholder involvement and that client, supplier and business processes are adapted to applicable local laws.

In order to comply with European rules, the Group has established a record of data processing performed in Europe. This tool is also offered in countries not subject to the GDPR that wish to use it.

In support of the privacy by design principle, the Group has deployed a digitalised tool that is available to operational staff. This tool helps them to ensure that a project complies with operational principles and rules relating to personal data protection from the very start and to carry out the required privacy impact assessments.

All employees within the Group have access to an awareness-raising programme on the protection of personal data. Specific training is available for the main business lines. An Intranet site dedicated to this subject can be accessed at any time by all employees worldwide.

The Group Internal Control organises annual self-assessment of the implementation of the personal data protection compliance programme for all countries and business lines.

As part of the Group's digital activities, the Internal Audit Department conducts audit checks on the protection of the personal data of consumers.

Since 2019, a specific audit programme on personal data protection has been aimed at all European countries that are subject to GDPR, which has been conducted by an independent auditor.

4.3.3.3. Measures taken in favour of consumers

Brand commitments	L'Oréal encourages its brands to raise awareness and engage their stakeholders on the major environmental and societal challenges. Each brand must: • identify a specific environmental or societal cause of its own; • support a community partner involved in the field; and • conduct awareness-raising campaigns with its consumers (see section 4.3.1.3.2.).
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 online in 2019. This platform is 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 is an awareness campaign conducted by the Group's brands. The goal of this site developed by teams in France is to relay the extension of sorting instructions resulting from the AGEC Law & to raise consumer awareness of these same gestures applied to cosmetic products. In particular, it explains how to sort each of the different types of packaging for cosmetic products and the importance of recycling for our environment, and encourages everyone to act.
Product quality and safety	Consumer safety is an absolute priority for L'Oréal. Assessing safety is central to any new product development process and a prerequisite before any new product can be brought to the market. (see section 4.3.1.3.2.).

4.3.3.4. Measures taken in favour of L'Oréal employees

L'Oréal has 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.).

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.

The 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.), which also explains the Group's organisation in the area of Human Rights.

(1) *Wages that cover basic needs, calculated in line with best practices and the support of independent experts.*

4.3.3.5. Measures taken in favour of employees of the Group's suppliers in the context of their working conditions

L'Oréal seeks out suppliers that share its ethical commitments, namely with regard to Human Rights and working conditions of their employees.

L'Oréal's commitments are communicated to all suppliers via the general terms of purchase.

Suppliers identified in the Group's risk mapping must sign the Ethical Commitment Letter. Some may be audited. The details and implementation of this Buy & Care programme are described in L'Oréal's Vigilance Plan (see section 3.4.), and in section 4.3.1.2.1.

L'Oréal wants to carry this goal beyond the Group. This is why the L'Oréal for the Future programme includes a new demanding commitment ensuring that all employees of strategic suppliers are paid at least the level of a "living" wage. Calculated by region and aligned with the best local practices, these new standards must allow employees to cover their basic needs and those of their family for decent housing, food, education and any other needs. In many countries, this "living" wage goes beyond the legal minimums.

4.3.3.6. Measures taken in favour of communities

As part of the L'Oréal for the Future programme, the Group reiterated its commitment to help 100,000 more beneficiaries to access employment by 2030.

In 2022, L'Oréal helped **17,827** additional people from disadvantaged communities gain access to employment.

L'ORÉAL POUR LE FUTUR

L'ORÉAL SOLIDARITY SOURCING

In 2022, as part of the Solidarity Sourcing programme, **85,544** economically and socially vulnerable people gained access to lasting employment, *i.e.* **4,406** more people than in 2020.

2030 targets	2022 Results
By 2030, we will have helped 100,000 people from disadvantaged communities gain access to employment:	In 2022, 11,836 additional people from disadvantaged communities gained access to employment.
• *Solidarity Sourcing;*	85,544 people accessed work through the *Solidarity Sourcing* programme, 4,406 more people than in 2020.
• Beauty for a Better life, vocational training;	7,430 people from vulnerable environments were trained in beauty professions.

This commitment is supported by the Solidarity Sourcing and Beauty for a Better Life (BFBL) programmes, which take different approaches. BFBL provides vocational trainging on beauty skills for people in vulnerable situations. As this training is professional, L'Oréal believes that it promotes and contributes to access to employment. Solidarity Sourcing is a programme that encourages L'Oréal suppliers to directly employ workers from socially or economically vulnerable communities.

Measures taken in favour of 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.

A responsible approach to property assets: For prospective acquisitions of premises or building land, L'Oréal ensures 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 section 4.3.1.3.

Solidarity Sourcing: using the Group's purchasing power to serve social inclusion: Through the *Solidarity Sourcing* programme, launched in 2010, L'Oréal supports numerous local projects in favour of local communities. It aims to use the Group's purchasing power to serve social inclusion. A proportion of its purchases are dedicated 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 truggle to access major contractors. The programme concerns all the Group's suppliers and values their commitment to DE&I issues. It involves, for example, fair trade producers, companies which employ people with disabilities, social inclusion companies, or companies owned by minorities[1], where national legislation permits. *Solidarity Sourcing* offers a novel sourcing approach due to its global, holistic nature. Rolled out in all Zones, it concerns all fields of purchasing[2]. Its ambition is to associate economic

(1) Through Solidarity Sourcing, L'Oréal rewards suppliers who provide jobs in which minorities, as defined by the U.S. Civil Rights Act and the Equal Employment Opportunity Commission (EEOC) laws, are underrepresented. See the database https://datausa.io/. In line with the Broad-Based Black Economic Empowerment (B-BBEE) policy in South Africa and in the context of Solidarity Sourcing, L'Oréal works with suppliers that are accredited at B-BBEE levels 1 to 4.

(2) It concerns all areas of purchases (raw materials, packaging, subcontracting, logistics, promotional items and point-of-sale advertising, services etc.)

performance with a positive corporate social responsibility footprint. 2,889 people with disabilities in 33 countries benefited from the programme in 2022, an increase of 17% over the last two years. Solidarity Sourcing today has 401 projects up and running in 886 local initiatives (including an additional 214 initiatives launched in 2022) in 70 countries, with the support of 84 third parties.

Focus on the Group's Inclusive sourcing in France

80 projects of the global *Solidarity Sourcing* programme support employment in France (1 in 5 projects), deployed in 129 local initiatives. France is the country that undertakes the highest number of Solidarity Sourcing projects. In 2022, solidarity purchases in France represented 2,890 full-time jobs, an increase of 15% compared to 2020, representing 381 jobs.

These projects cover a wide range of purchases, including: cardboard, glass and plastic packaging, POS advertising materials, services, filling and packing, and logistics.

- 21% of the beneficiaries are people with disabilities (615 jobs);
- nearly half of the beneficiaries are in zones classified as vulnerable (1,339 jobs). These are areas classified as "Rural Revitalisation Zones" and "Sensitive Urban Zones". These jobs cover production needs (glass bottles, tubes, cardboard boxes, subcontracting) or services related to L'Oréal's business;
- other Solidarity Sourcing 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 in inclusion, and bio-solidarity cooperatives.

Citizen Day - a day of employee involvement*:* every year since 2010, L'Oréal employees dedicate a day of their working time by providing their skills and devoting their energy to hundreds of social and environmental non-profit organisations. This involves, for example, cleaning natural sites, setting up well-being workshops for people in vulnerable situations, repainting centers for elder people, etc. L'Oréal has also developed the L'Oréal Citizen[1] program, offering its employees the opportunity to contribute to different causes through several ways, such as Payroll Giving, Hackathons for good, crowdfunding campaigns, and mentorship.

Beauty for a Better Life – a Fondation L'Oréal programme for vulnerable people: Convinced that beauty contributes to the process of rebuilding oneself, the Fondation L'Oréal, 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. The Fondation L'Oréal also promotes employment for vulnerable women through excellence training programmes in the beauty professions.

Beauty care and well-being treatments

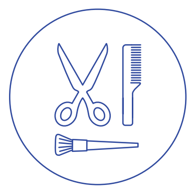
The Fondation L'Oréal supports the provision of free beauty care and well-being treatments in medical and social environments through the partnerships it has built with non-profit and hospital organisations. These treatments are provided by specially trained socio-beauticians or socio-hairdressers. They play a role in improving well-being, self-esteem, fighting spirit and social cohesion. They offer essential moments, whether for patients whose bodies are ravaged by illness or for people in a fragile social situation.

In 2022, the Fondation L'Oréal made it possible for more than 15,500 people in difficult circumstances to receive beauty care and wellbeing treatments in France. By increasing access to these treatments, the Fondation L'Oréal is also encouraging social innovation:

- the Fondation L'Oréal continued the mobile beauty and well-being salon initiative that it launched in 2019, in the Île-de-France, Auvergne-Rhône-Alpes and Provence-Alpes-Côte d'Azur regions of France. More than 500 vulnerable or isolated women have benefited from socio-beauty treatments;
- in partnership with Emmaüs Solidarité, another beauty and well-being space has been specifically dedicated to vulnerable people to give them no-cost access to socio-beauty and socio-hairdressing services within a welcoming space.

Training in the beauty professions

In partnership with local NGOs in nearly 27 countries, the Fondation L'Oréal offers free training on beauty skills (hairdressing and makeup) to women in very difficult social or economic situations to assist them in finding employment.



In 2022, as part of the Beauty For a Better Life programme, **7 430** people in very difficult social or economic situations were trained in Beauty professions.

The Fondation L'Oréal partners with Médecins du Monde for the benefit of women and children: The Fondation L'Oréal supports the Médecins du Monde (Doctors of the World) association's facial reconstructive surgery operations ("Opération Sourire"). The Fondation L'Oréal enables children or women who suffer from congenital malformations or who are victims of physical violence to regain their integrity and return to their community.

4.3.3.7. Measures for the promotion of women's rights

As an active supporter of the UN Women's Empowerment Principles, the Group is involved in numerous initiatives aimed not only at improving the situation of women in the private and public spheres, but also at recognising the contribution of women to the advancement of humanity.

4.3.3.7.1. 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.

4.3.3.7.2. Gender equality

Achieving real gender equality, up to the highest levels of responsibility, is a key challenge for the Group, 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. Special attention is given to pivotal periods such as parenthood (see section 4.3.2.6.). During supplier audits, L'Oréal also seeks to ensure the absence of discrimination and sexual harassment.

(1) *The citizen commitments are detailed on the website: www.loreal.com/en/articles/commitments/loreal-citizen/.*

4.3.3.7.3. For Women in Science: a programme of the Fondation L'Oréal

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.

To date, the International "L'Oréal-UNESCO For Women in Science" Awards has honoured 127 women, distinguished for their careers and the excellence of their scientific work. They include Professors Elizabeth H. Blackburn, Ada Yonath, Emmanuelle Charpentier and Jennifer Doudna, all of whom received a Nobel Prize after winning the International Prize. Each year, the programme also recognises more than 250 young talented scientists at doctoral or post-doctoral level in over 110 countries.

To support these scientific women even further, and to allow them to break the glass ceiling more easily, the Fondation L'Oréal has 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, gender bias).

This year, the For Girls in Science program was deployed nationaly. This program launched in 2016, in 6 cities in France with 150 high school girls aims to encourage them to pursue scientific vocations. Through academic support, inspiring meetings with women scientists, orientation workshops, scientific challenges and stays, the participants of the program discover together how science, in particular STEM - Science, Technology, Engineering, Mathematics - have an impact on society and in our lives.

Over **4,100 female scientists**, in more than 100 countries, distinguished and recognised since 1998.

4.3.3.7.4. The L'Oréal Fund for Women: a charitable fund to support women in extremely vulnerable situations throughout the world.

The crisis triggered by the Covid-19 health crisis has exacerbated many inequalities, with particularly devastating effects for those who were already struggling socially or economically or were victims of abuse, where women are at the top of the list.

As a long-term supporter of women's rights, in 2020 L'Oréal launched a €50 million charitable endowment fund as part of its L'Oréal for the Future programme. This fund aims to support local organisations on the field in their efforts to assist women in extremely vulnerable situations, prevent domestic and sexual violence and support victims. Particular attention is paid to projects aimed at helping women who are vulnerable on a number of fronts, particularly refugees or women with disabilities. Beyond emergency relief the L'Oréal Fund for Women wants to make a proactive contribution to the resilience of women and girls, by supporting social and professional integration projects and breaking down the barriers to education. Since it was launched, the L'Oréal Fund for Women has supported more than 240 organisations around the world, which support more than 1,230,000 direct beneficiaries.

4.3.3.7.5. Brand programmes: examples

Alongside the NGO Care, Lancôme has been taking part in Write your Future, an international programme aimed at fighting illiteracy among girls, since 2017. In 2022, the programme had more than 77,000 beneficiaries[(1)].

Over the past 14 years, the Helena Rubinstein brand has supported women who want to become entrepreneurs. In 2022, with the assistance of its partner NGO Forces Femmes, it supported 283 women [(1)].

4.3.3.7.6. Responsible and inclusive purchasing

Over 60% of the beneficiaries of the Group's Solidarity Sourcing programme are women (see section 4.3.3.6.). A total of 42,543 beneficiaries come from 83 projects – encompassing 180 local initiatives – specifically related to the emancipation of women in 39 countries, with the support of 22 associations and NGO partners. These projects support:

- women producers of raw materials such as shea, centella, argan, babacu or galanga collected and harvested in accordance with fair trade principles;
- women from various vulnerable local communities, or who have assumed positions usually held by men;
- beneficiaries through support for women-owned businesses (suppliers owned, controlled and led by 51% or more women). In 2022, the Group continued to accelerate its strategy to support female entrepreneurship, reconfirming its commitment in *WEConnect International*[(2)]. Since 2020, the Group has increased sevenfold the number of jobs with suppliers owned, controlled and managed by women: 4,522 jobs in 27 countries. This strategy, initiated many years ago in the United States through the partnership with The Women's Business Enterprise National Council, is being deployed and accelerated worldwide;
- single mothers (704 single mothers in Latin America);
- military wives; and
- women victims of violence.

In addition to agriculture, these projects concern a broad range of manufacturing activities and services: production, assembly, logistics, sales, marketing, or digital business activities.

(1) Data consolidated based on a statement submitted directly by partner NGOs
(2) WEConnect International is an international network that certifies and connects "women-owned" suppliers with their target customer companies.

4.3.4. Policy to prevent corruption

Wishing to act in all circumstances in accordance with the ethical principles it has set itself, and to comply with the laws and regulations in force in all the countries where it operates, the 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 of Transparency International France.This commitment is supported at the highest level of the Company by its Chief Executive Officer who renews L'Oréal's commitment to the United Nations Global Compact every year.

The involvement of everyone in preventing corruption

The Executive Committee	Regularly reviews the corruption prevention policy presented to the Board of Directors.
The Chief Ethics, Risk and Compliance Officer	Reporting to the Chief Executive Officer, the Chief Ethics, Risk & Compliance Officer is responsible for designing and monitoring the corruption prevention programme in collaboration with the departments involved in the programme (Legal, Purchasing, Finance, Human Resources, Internal Audit, etc.). He leads the specific risk mapping.
Country Managers	Country Managers ensure the correct deployment of the corruption prevention programme and its compliance. Their involvement in this issue is required on an annual basis by the Chief Ethics, Risk and Compliance Officer and by their local Corruption Prevention Committee.
Corruption Prevention Committees	They oversee the progress of the corruption prevention programme within their entities and involve the Management Committee in an annual review of the programme. They include the Internal Control Manager, the Chief Financial Officer, the Legal Director, the Human Resources Director and the Ethics Correspondent.
Internal Control Managers	Internal Control Managers are responsible for the day-to-day running of the programme within their entities, with the support of the Chief Financial Officer and the Legal Director.
Employees	Employees apply the corruption prevention policy in the context of their activities. In case of doubt or questions about compliance with these commitments, they may contact their line managers, the General Counsel, the Chief Financial Officer, the Internal Control Manager, the Ethics Correspondent and, ultimately, the Chief Ethics, Risk & Compliance Officer.

L'Oréal's Code of Ethics and practical corruption prevention guides

L'Oréal's Code of Ethics publicly declares a zero-tolerance policy on corruption. It applies to all employees, directors and corporate officers and members of the Executive and Management Committees of the Group and its subsidiaries worldwide. L'Oréal's Code of Ethics was updated in 2014. Available in 45 languages, and in French and English Braille, it is distributed to all employees worldwide.

L'Oréal has also published a more detailed corruption prevention policy that is available on its website, loreal.com.

With regard to employees, the Group also has other reference documents for the purpose of specifying the practices to be adopted and preventing corruption.

- ***Specific Corruption Prevention Guide***: rolled out throughout the Group as a whole since 2013 and complemented in 2018, it covers the relationships with each of L'Oréal's stakeholders, in particular with the public authorities and intermediaries. This practical Guide is intended to specify the Group's standards and to help employees handle situations that they might encounter in the performance of their duties. It reaffirms L'Oréal's corruption prevention policy which was approved by the Chief Executive Officer and the Executive Committee. The policy was presented to the Board of Directors.

  This policy posted online on L'Oréal's website 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, it sets out 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, it specifies the rules in this area.
- **"The Way We Work *with our Suppliers*" *Guide***: distributed in 2022, it specifies the rules concerning relationships between suppliers and any employees involved in purchasing decisions.

- **"The Way We Do *Philanthropy*" *Guide***: distributed in 2021, this guide specifies the rules surrounding providing Philanthropy in compliance with ethical principles, the Code of Ethics and the Group's internal standards.
- **"*Responsible Lobbying Policy*"**: distributed in 2021, this policy specifies the responsible lobbying commitments and how they should be implemented.
- **"*The The way We Work with Scientists and Healthcare Professionals*" Guide** helps the Group's employees to work with these third parties in an ethical manner.

Corruption prevention measures implemented within the Group

Group-level risk assessment	The risk of corruption is included in the Group risk assessment. Following the update in 2020, which used a more robust methodology, the Group has produced 93 corruption risk maps in 75 countries. A tool also enables Country Managers to assess and analyse possible local ethical risks (including corruption) and to take the necessary prevention measures.
Specific Human Resources procedures	In the annual appraisal system for all employees, overall performance includes the employee's achievements in compliance with the Code of Ethics and the Group's ethical principles.
L'Oréal's "Speak Up" policy	This policy enables employees to express any concerns they may have, particularly with regard to corruption, via a secure website or directly to the Group's Chief Ethics, Risk and Compliance Officer. Any allegation raised in good faith is examined in detail. In the event of non-compliance with the corruption prevention policy, corrective measures are taken, which may include disciplinary action. The whistle-blowing line was opened to employees in 2008, and then to stakeholders in 2018.
Training	A compulsory online training programme on the prevention of corruption, available in 18 languages, has been rolled out in all countries. As at 31 December 2022, this training had been received by 85% of the employees concerned. In accordance with L'Oréal's risk mapping, specific training courses for the staff most exposed to the risk are developed and deployed within departments and entities.
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, and to prepare for integration, if appropriate.
Third-party due diligences	The third-party management process (customers/suppliers) includes corruption risk. An assessment of corruption risks is conducted on the Group's third parties. Appropriate verifications are implemented, which rely primarily on a dedicated tool and risk analysis guide. A specific guide has been made available to employees concerning relationships between intermediaries and public authorities.

A commitment shared with the Group's partners

L'Oréal shares its commitment to combating corruption with its business partners. Compliance with the law is included in the Group's general terms of purchase, general terms of sale and the new version of the Mutual Ethical Commitment Letter. L'Oréal reserves the right to end any relationships with business partners who fail to comply with anti-corruption laws.

A recognised approach

L'Oréal was recognised for the 13th time as one of the "World's Most Ethical Companies" by the Ethisphere Institute.

4.3.5. Tax policy

L'Oréal considers that taxation is an integral part of its social, environmental and societal responsibility and constitutes a way to participate positively to the development of the countries in which the Group operates.

The L'Oréal Group's tax policy forms part of the sustainable development of its business. It is based on three pillars, which are defined in the Internal Tax Charter prepared and distributed around the world: Compliance, Transparency and Legitimacy.

Compliance

L'Oréal completes its tax declarations and pays its taxes by the deadlines in compliance with the laws and regulations in the countries in which the Group operates.

Special vigilance is required on compliance with the rules related to the fight against tax fraud and tax avoidance.

In 2022, L'Oréal has strengthened the distribution of roles and responsibilities of tax and accounting functions and their interactions, in order to harmonise the standards and processes that relate to tax compliance by the Group.

L'Oréal is located in countries where it conducts a real operational and commercial activity. If applicable, the Group's presence in certain so-called "tax haven" countries is justified for operational reasons and the development of its activity, and not for tax purposes.

L'Oréal ensures that transactions between Group companies are carried out in compliance with the arm's length principle defined by the OECD and the UN and satisfies increasingly digitalised reporting obligations (transfer pricing documentation, country-by-country reporting, etc.).

In view of the OECD reform that provides for a minimum level of taxation of 15% in each country (Pillar 2), L'Oréal is preparing to adapt its information systems in order to comply with this future regulation.

L'Oréal aims for excellence in tax compliance.

Transparency

L'Oréal establishes and maintains relations with Tax and Customs Authorities based on transparency, pursuant to the Group's "zero tolerance" rule on corruption.

L'Oréal also develops a constructive relationship with Tax and Customs Authorities, a relationship based on the principles of co-operation and mutual respect. L'Oréal responds appropriately and promptly to requests from the tax authorities regarding the exchange of information, in compliance with tax conventions.

Where permitted to do so by governments, L'Oréal joins the cooperative compliance programmes launched by the tax authorities. For example, the trust relationship ("*relation de confiance*") with the French tax authorities.

The Group may contribute to the analysis of legislative changes at the request of Tax and Customs Authorities or professional associations involved. Consequently, the Group takes part in OECD working groups relating to Pillars 1 and 2.

L'Oréal takes into consideration global challenges and standards in terms of tax transparency. In particular, it adheres to the reporting recommendations of the GRI (Global Reporting Initiative) and, more specifically, standards GRI 207-1, GRI 207-2 and GRI 207-3.

L'Oréal is also a member of the European Business Tax Forum (EBTF), a European companies association that seeks to increase transparency in the tax debate.

Legitimacy

L'Oréal legitimately applies the most relevant tax treatment, in accordance with the economic reality, operational objectives and the laws in force.

In an evolving international tax environment, the positions taken by the Group may be questioned and subject to tax and customs audits by local authorities. If there is disagreement with a Tax or Customs Authority, L'Oréal is able to legitimately defend its interpretation of the law, prove its good faith and, as needed, bring the disputes to court.

A regular review of tax risks, carried out by the Group's Tax Department in contact with the local financial teams, enables the risks to be assessed, resulting, if applicable, to the recognition of a provision. The main risks are reported to the General Management and the Audit Committee.

Organisation

Centralised expertise and a strong geographical presence of the tax function in the Countries ensure compliance with these three pillars.

The Chief Financial Officers are responsible for tax compliance, backed up and relayed by the Tax and Accounting Departments. These Departments monitor changes in tax regulations to ensure that the Group complies with these regulations. They are assisted, where applicable, by external advisors.

Centralised expertise

Within the Department of Operational Finance, the Group Tax Department ensures compliance with the Tax Policy in collaboration with the Finance Departments, through intermediaries in the form of different group-wide tax experts:

- Intra-group Transactions & Customs, which ensures compliance with tax and customs standards and secures the prices of intra-group transactions and the related documentation;
- Analytics & Compliance, which analyses, verifies and informs on the Group's compliance and global tax liability;
- Mergers and Acquisitions (M&A), which assists and provides tax advice on proposed merger-acquisition projects;
- Tax Digitalisation, which enables the Group to meet the new requirements for digitalisation imposed by the tax authorities (e-returns, e-invoicing, e-audits, etc.);
- Tax Governance, which ensures the correct deployment of the Group's tax policy; and
- Digital Taxation and E-commerce, launched in 2022, which assists and advises on the tax implications of e-commerce and digital projects.

A strong geographical presence

Accountable to the Chief Financial Officer of the Country/Zone, the Tax Directors of 30 Countries have the following responsibilities:

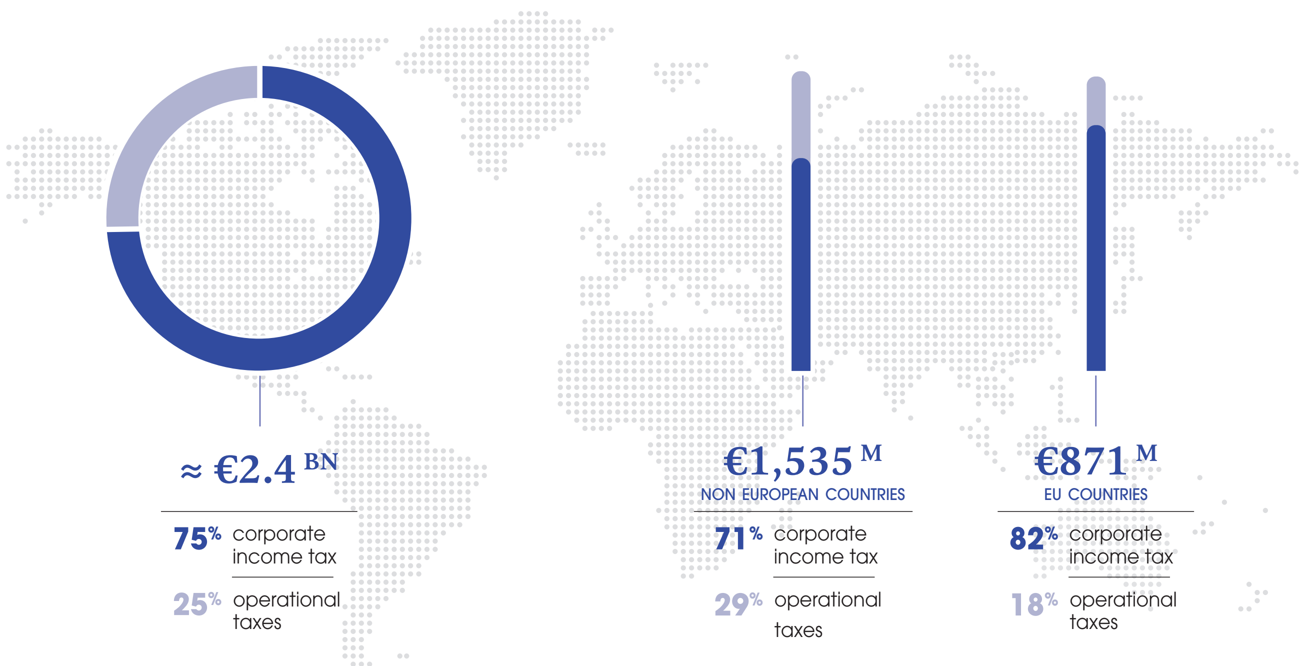
- respect for compliance rules in collaboration with the accounting departments;
- assistance and tax advice to the operational teams in the context of their projects;
- tax directives, ongoing training and pedagogy with other parties;
- management of the tax contribution;
- management of tax and customs risks, controls, claims and litigations;
- relations with the Tax and Customs Authorities and the other public authorities; and
- tax watch and best practices, which imply dialogue with peers, professional associations, external auditors and law firms.

This matrix organisation, combined with the Group's tax policy respect, are the basis of successful management of the tax burden and a responsible tax practice.

2022 tax contribution

In 2022, the amount of tax L'Oréal paid to governments and local authorities was €2.4 billion. In addition to income tax, L'Oréal pays and levies numerous taxes and contributions such as: sales and purchase taxes, environmental taxes, property taxes and other local taxes. The breakdown of taxation is presented annually to the Audit Committee.

The Group's tax footprint, consistent with its operational and geographical footprint, breaks down as follows in 2022



4.4. L'Oréal for the Future: 2022 results

L'Oréal for the Future marks the Group's launch of a new phase of its sustainable development approach, with the aim to build on earlier achievements to accelerate its transformation towards an increasingly sustainable business model.

A reminder of the quantifiable targets and the time frames that apply to them is provided in the summary table in section 1.3.2. (pages 48 and 49). This table also includes the results for 2022.

4.5. Methodological notes

4.5.1. Social and health and safety data

4.5.1.1. Social data

Scope of consolidation: the employees indicated and their breakdown correspond to the total headcount[(1)]. The 371 employees in the Retail Excellence 4, Thermes de La Roche Posay, Saint Gervais Mont Blanc, École OA and Mugler Fashion entities are included in the total workforce. The distributions of these employees are calculated in proportion to the distribution of France employees. They are excluded from the indicators on diversity, training, minimum salaries and the number of collective agreements.

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 HR policy.

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". In the context of this "Country Reporting", a subsidiary is a structural HR concept: each subsidiary comprises one or more legal entities, and covers one country. By way of exception, Korea, the United States and Hong Kong each have two subsidiaries, while some subsidiaries cover several countries: the Baltic States (Lithuania, Latvia, Estonia), Croatia (Croatia, Slovenia), UAE. (UAE, Saudi Arabia). 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 the financial year, the local HR Directors provide the required data for the previous year. Other data are collected by the Training and Recruitment Departments using dedicated systems which follow the same operational and dissemination approach. If information is not consolidated for the entire scope of the Group, 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. The data relating to specific populations, such as expatriates or key positions, for example, are gathered from the "CAROL" online career monitoring system, deployed in all subsidiaries of the Group. Trained employees include the total number of employees, including those who left the Group during the year, who completed at least one training course during the year, regardless of the format (in-person, virtual classroom, digital) and length of the training course. Hours spent in a training course that straddles two years are recorded in the second year. Training hours may include lunch breaks for all-day training. 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).

4.5.1.2. Health and safety data

Scope of consolidation: safety indicators relate to 99.2% of the sites, such as factories, distribution centres, administrative sites, research centres with more than 50 employees, stores, and sales forces. At year-end 2022, 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 and split into three categories: administrative sites with only administrative staff, sales forces for travelling staff and stores for in-store beauty consultants managed by L'Oréal. The safety indicators of the factories, distribution centres, administrative sites or research centres sold or closed during the financial year are reported in full up to the date they exit the scope. The factories, distribution centres, administrative sites or research centres that join the Group have a maximum period of two years to integrate the environmental and safety reporting systems.

Indicators: the indicators applied are those used in the management of the Group's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy. Hours worked report the time during which the staff is exposed to professional risks, including remote work or the equivalent. They include overtime hours. However, they do not include public holidays or days of absence, such as sick days and paid holidays.

Data: the health and safety data are collected using the dedicated Intranet-based site reporting system. This is available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers. When the data are compiled, each site or zone must validate the accuracy of all the data provided. A process of continuous improvement of these systems has been put in place.

The systems are reviewed each year, taking into account the Statutory Auditors' recommendations and monitoring objectives for subsequent years (updating the indicators to be monitored; improving their definition; and enhancing the communication, monitoring and control process).

In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review, before being included in the reported figures.

(1) *The subsidiaries in Venezuela were deconsolidated at 31 December 2015. Certain acquisitions/subsidiaries; Modiface; Stylenanda Japan; Ivory Coast; Ghana; Guatemala; Luxembourg; El Salvador, whose IT systems are not integrated with that of the Group, are excluded from the reporting. They represent 0.12% of the Group's employees.*

4.5.1.3. Environmental data

Scope of consolidation: environmental indicators cover 98.8% of the factories and distribution centres, as well as administrative sites and research centres with more than 50 people. Environmental indicators for sites sold or closed during the financial year are reported in full up to the date they exit the scope. Sites joining the Group have a maximum period of two years to integrate the environmental and safety reporting systems. The indicators do not take into account the impacts of exceptional external incidents or events, such as construction or extension works. Similarly, in the special case where a subcontractor is located geographically on the sites, its impacts are not taken into account In 2022, 85 administrative sites and research centres participated in the reporting. Some sites are unable to obtain certain information (e.g. water withdrawal, waste generation etc.) and may temporarily use estimates, which must be validated by the Operations Department. In addition, 100% of these sites provided information on energy consumption and CO_2 emissions, 100% of the sites reported their water consumption and 100% of the sites reported their quantity of waste. The sites of Vichy and La Roche Posay are part of a single company (Cosmétique Active Production) but are accounted for as two Group factories. Four Group factories contain a logistics centre in their building. These four logistics centres are not included in the count of the total number of Group logistics centres.

Indicators: the indicators chosen are those used in the management of the Company's sites. They reflect the results of the Group's Environment, Health and Safety (EHS) policy.

Activity: the activity of L'Oréal sites is measured on the basis of finished goods for industrial sites and hours worked for administrative sites and research centres. The production units included are the equivalent units produced on-site or affected by occasional subcontracting. Hours worked are the hours performed on-site, thus excluding remote working hours.

Greenhouse gases: the Group's CO_2 emissions are calculated in accordance with the concepts defined by the *GHG Protocol*, and monitored according to the Market-Based CO_2 indicator.

Management of the reference year: in accordance with the methodology of the GHG Protocol relating to the management of reference years, CO_2 emissions data are reviewed, if necessary, in accordance with the rules defined by the Group using a like-for-like recalculation. In this way, base years take into account investments and divestments (brands, sites), changes in methodologies, significant errors and changes in scope. Any changes in base years are validated by the Statutory Auditors.

Scope 1: the main emissions are related to natural gas; the consumption data are taken from supplier invoices. Potential leaks of cooling gas from refrigeration units are also included in the calculations. The emission factors used come from the ADEME Base Carbone database (Agence de l'Environnement et de la Maîtrise de l'Énergie, the French Agency for the Environment and Energy Management) for fossil fuels, such as natural gas, fuel oil, etc. and the 6th report of the IPCC (IPCC AR6) for cooling gas. All data are incorporated into the internal reporting software on a monthly basis.

Scope 2: the main emissions are related to electricity; the consumption data are taken from supplier invoices. The emission factors used come directly from the sites' electricity suppliers, using the Market-Based approach, or from the International Energy Agency (IEA) if the data are not available. The emission factors used for emissions related to heat, cooling and steam networks come from local suppliers. All data are incorporated into the internal reporting software on a monthly basis.

Scope 3: Scope 3 emissions, linked to the L'Oréal value chain, are calculated annually using emission factors from various databases, specific to each Scope 3 category, including, among others, the ADEME Base Carbone database, EcoInvent, the DBEIS and the IEA.

Level of uncertainty: for Scopes 1 and 2, the level of uncertainty at the Group level is approximately 1% for factories and distribution centres, and 5% for administrative sites and research centres. For Scope 3, the level of uncertainty is higher given the volume of data required for calculation, such as the emission factors of 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 raw materials and packaging suppliers, distances travelled for transportation etc.

Measurement of the global CO_2 impact of the Group's business activities is essential information. In light of the commitments made to combating climate change, L'Oréal strives year after year to increase the reliability of this data. The level of uncertainty of the Group's Scope 3 emissions is estimated to be between 20% and 30%. Unlike Scopes 1 and 2, changes in Scope 3 emissions may relate more to the quality of the data collected and the calculation methods used, rather than to a real 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.

"Carbon neutral"[(1)]: see section 4.3.1.1.3. The Vichy and La Roche Posay sites are part of a unique company (CAP), but are recognised as two Group factories, including in the recognition of sites that have achieved "carbon neutral" status. The diesel-powered handling equipment operated by one of the Group's sites (Libramont plant) is not included in the "carbon neutral" calculation. It represented 3 tonnes of CO2eq in 2022. A study will be launched in 2023 to assess the overall impact in terms of tonnes of CO2eq of this use on all the sites. The aim is to remove these uses or find alternatives (e.g. electric motor)

Wastewater: for industrial sites, the Chemical Oxygen Demand (COD) covers the volumes of wastewater leaving the plant, whether or not they have been treated on the site.

(1) A site can claim "carbon neutral" status if it meets the following requirements: •
Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and •
Indirect CO2 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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Waterloop: see the *Waterloop Factory* concept in section 4.3.1.1.4. Exceptions to the definition of *Waterloop* status may be authorised if they are approved by the Operations Department. These exceptions relate to regulatory constraints such as the requirements of the US Food and Drug Administration, or the Group's Quality requirements. With production levels at the plant in Mexico increasing significantly, the capacity of the on-site water treatment and recycling facilities was inadequate to support this change. As such, for a few months during 2022, the plant did not satisfy the conditions for achieving Waterloop status. Additional investments have been made since the end of 2022 in order to restore compliance with these conditions.

Waste: L'Oréal classifies as transportable waste everything that comes out of a factory or a distribution centre that is not a finished or semi-finished product for consumption. For a factory, this includes, for example, raw materials packaging or packaging materials, 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. Each site maximises the number of times returnable packaging is used. 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[(1)].

Since 2021, waste generation no longer includes the sludge from the wastewater treatment plans at the Group's sites.

Energy: the energy produced by geothermal heat pumps is no longer counted in the Group's total energy consumption. The energy necessary for the operation of this equipment is, however, included in the Group's energy consumption.

Biodiversity: inventories that describe the actual situation of the sites in terms of species and habitats present in the zone studied must be carried out by a certified organisation at least every three years.

Hold Flat commitment: with the support of expert firm The Biodiversity Consultancy, a standardised approach has been developed to enable the land-use biodiversity footprint of bio-based ingredients to be calculated each year. This approach is based on three parameters: (1) the ground surface required, (2) the loss of biodiversity due to land use and intensity of agricultural practices and (3) the significance of biodiversity in the ecosystem in question. The first two parameters are multiplied to represent a ground surface area in which 100% of biodiversity is lost (value expressed in Mean Species Abundance per hectare, MSA.ha).

Land-use biodiversity footprint =

- (1) Ground surface x (2) Biodiversity loss due to land use and intensity of agricultural practices (MSA.ha),
- (3) The significance of biodiversity in the ecosystem in question

The required ground surface (1) is estimated in three steps:

- Step 1: The volumes of raw materials (combined ingredients) are divided into volumes of ingredients made from plants.
- Step 2: Ingredient volumes are converted to plant volumes using conversion factors based on life-cycle assessment data (Ecoinvent, World Food Database, Agribalyse), supplier data and literature.
- Step 3: The ground surface required to produce the plants is estimated by multiplying the plant volume by the average yields for each plant. For the main plants, average yields were extracted at the most accurate spatial resolution available in the supply data using the Our World in Data (average yields available until 2018) and MapSPAM (average yields from 2010) spatial databases. A review of the literature was used to estimate the average (global) yield for the other plants. An additional land use area for crop-related infrastructure (roads and farms) was also taken into account for each plant, calculated on the basis of a proportion of the infrastructure surface area specific to each plant (data taken from Ecoinvent).

Ingredients whose traceability is not currently known (plants and/or countries) have been integrated into the footprint using their relative contribution distribution when the data is known.

Biodiversity loss due to agricultural practices (2):

Mean Species Abundance per hectare is a unit of measurement corresponding to the equivalent land surface that has lost 100% of its biodiversity. This metric is used to measure ecosystem integrity.

Biodiversity loss coefficients for land use are derived from the GLOBIO model database (providing average biodiversity loss values according to land-use type and intensity) and then refined for each plant based on a literature review (final values vary between 70% and 90% biodiversity loss depending on the plant). For infrastructure, the biodiversity loss coefficient for land use is also taken from the GLOBIO models (the value for urbanised areas, i.e. 95% biodiversity loss, is identical for each plant).

Focus on the significance of biodiversity in the ecosystem in question (3):

The significance of biodiversity in the production area is assessed using the Species Threat Abatement and Recovery (STAR) metric. STAR assesses the conservation potential in terms of reducing the risk of species extinction in an area of special interest either by threat reduction or habitat restoration. The metric was developed based on data from the IUCN Red List of Threatened Species (STAR mapping in December 2022 is based on the 2019.3 version of the IUCN Red List; STAR currently includes mammals, birds and amphibians). The 80th percentile was used to represent the presence of high values while avoiding overestimation by taking into account the maximum value only. Each region or country is then assigned to a risk category ranging from very low to very high. As the STAR distribution is highly skewed towards low values (97% of STAR values worldwide are in the very low and low categories), the use of the mean or median is not appropriate. Each region or country is then assigned to a risk category ranging from very low to very high by taking the higher of the following two values: the STAR 80th percentile for threat reduction or the STAR 80th percentile for habitat restoration. As the distribution of STAR values is very uneven and skewed towards low and very low values, any region or country categorised as medium, high or very high risk represents an important area for biodiversity in which there is a significant risk of impacting rich and vulnerable biodiversity**.**

(1) 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 represent a significant share of the returnable packaging in rotation.

Data: environmental data are collected using the dedicated Intranet-based site reporting system, available in all countries in which there is a L'Oréal subsidiary. The required data are reported every month by the local managers. When the data are compiled, each Site or Zone must validate the accuracy of all the data provided. A process of continuous improvement of these systems has been put in place and they are reviewed each year by the Statutory Auditors. They are modified taking into account their recommendations and monitoring objectives for subsequent years, such as updating the indicators to be monitored, improving their definition and the communication, monitoring and control processes. In rare cases, certain data already published for the preceding year may be modified when inaccuracies or errors are discovered after the end of the financial year. These data are monitored and included in the annual consistency review. They are included in the reported figures each year.

4.5.2. L'Oréal for the Future data

4.5.2.1. Transforming the Group's activities

Reduction of greenhouse gas emissions from the transport of finished products: the scope considered includes the transportation of the Group's finished and promotional products from its production sites to the first point of delivery to the customer. Deliveries made directly to consumers are excluded. The period considered is 12 months, between 1 November of year n-1 and 31 October of year n. The calculation methodology employed uses greenhouse gas emissions factors, in grams of CO_2 equivalent per tonne of merchandise transported and per km travelled. These factors depend on the mode of transport and the type of energy used. These were updated in 2021 by Quantis in light of current technological knowledge.

Respecting biodiversity with traceable, bio-based ingredients from sustainable sources: the calculation of the percentage of bio-based ingredients for traced formulas from a sustainable source is based on the following definitions: a raw material is considered to be bio-based when more than 50% of the carbons it contains are of plant origin (according to ISO 16128); an ingredient is considered traced when the following three pieces of information are available: the botanical species, the country in which it grows or is collected, the growing or collection method; an ingredient is considered to be sustainably sourced when, on the basis of the elements of traceability, it has been analysed for environmental and social risk (SCAN Index). If no risk has been identified, the raw material is considered to be sustainably sourced. If risks have been identified, an adapted action plan must have been put in place with this supplier. This action plan must have been verified by an independent third party. Such verification may take the form of an audit, certification, or a field project put in place with the support of an NGO. This method ensures compliance with the basic and progressive criteria of the sustainable sourcing policy for the Group's raw materials.

The calculation of this indicator is based on actual purchases for the period from January to November 2022, excluding volumes of ingredients used for fragrance compositions (<1%), subcontracting volumes (0.8%) as well as volumes from factories (India, Argentina and Kenya) not linked to the IDG management system (3.3%).

Reduction of the water consumption related to the use of the products: the scope of consolidation refers to the data on the products sold over a period of 12 months from 1 January to 31 December of 2022.

The calculation of this indicator is based on the average water volume necessary per usage dose for the use of the Group's products by consumers. These data are provided by the IDG management software, which is used for the economic results. It includes all global sales of finished products, both rinse-off and leave-in. The only exception is samples, which are not products sold and are therefore not taken into account.

Eco-designed products – SPOT: eco-designed products are new or updated products that have an improved environmental or social profile. The indicator covers the Group's scope and concerns new products or products updated by design centres that were manufactured by the Group's factories or by subcontractors. They had an availability date at the distribution centre that was scheduled for between 1 January and 31 December 2022. The analysis covers all the Group's brands, excluding: products not sold (*i.e.* samples, testers, gifts, products made at the point of sale, temporary activations, promotional products and additional packaging relating to "travel retail"), newly acquired brands that are not yet fully integrated into the Group's product design ecosystem (Mugler, Logocos, Thayers, Takami, Youth to the people, 3CE and Skin better science).

The indicator covers products with formulas/packaging that have been developed and produced for the first time, products with formulas/packaging that were updated in 2022 (i.e. underwent a major change in packaging or formula requiring a change in the commercial code) or products that have been improved in terms of the social dimension

Ingredients in formulas are from bio-based sources, derived from abundant materials or from circular processes

Scope of consolidation: the scope of consolidation corresponds to the twelve months of the year. It covers the cosmetic products manufactured in the L'Oréal factories and the finished products purchased from subcontractors.

The scope covers only the L'Oréal factories operating under the *SAP WISE* system, which permits the feedback of information via the IDG information system. To date, there are only four Group factories that are outside the scope: the factories in Pune and Badi in India, the Magdal factory in Israel and the Nairobi factory in Kenya.

The indicator: the reporting covers 99.4% of production from L'Oréal factories. This indicator is evaluated for all the Group's active formulas and is calculated on the basis of the data on production volume. The data are processed, including consistency checks and corrections of anomalies if necessary.

Data: calculation of this indicator relies solely on the dry material, excluding the "water" used in certain formulations. There are three elements that are calculated independently. The "biobased" portion represents the percentage of raw materials of renewable origin in L'Oréal's portfolio according to the definition of ISO 16128. The "abundant mineral" portion refers to the percentage of ingredients of mineral origin, the abundance of which allows sustainable use and the inorganic ingredients, i.e. non-mineral and not containing any carbon atoms (e.g. oxygenated water), obtained by green processes. The definition of abundant minerals has been established by the Raw Materials Department (DIMP) with the assistance of an expert consultant from the French Bureau of Geological and Mining Research (Bureau de recherches géologiques et minières – BRGM). An initial list was available at the start of 2022 that covers 40% in volume of the minerals used by the Group, *i.e.* 463 raw materials identified. This list is subject to change and will be updated over the coming years. Finally, the "circular process" portion is still being established by the Raw Materials Department (DIMP) with the assistance of experts and will be made available soon.

Resources – Data on packaging indicators

Scope of consolidation: the packaging data cover all the finished products leaving the factories, with the exception of certain finished products for which the data are not yet linked to the central information systems. This is the case for the products from the factories in Migdal, Nairobi, Funza or Salzhelmmendorf, for certain subcontracted products from recent acquisitions, and packaging specific to Travel Retail. These packaging data exclude POS/PLV materials.

Indicators

1. Percentage of created or renovated products with a better environmental profile due to improved packaging

Each year, SPOT calculates the proportion of new or updated products whose environmental profile has been improved. For a new product, improvement is measured in relation to an average of the brand's existing and comparable products. For an updated product, improvement is measured and compared to the previous version of the product.

2. Percentage of certified paper and cardboard

The data on the percentage of FSC-certified paper and cardboard (sourced from wood derivatives) comes from tracking the supplies of all suppliers. The Group's sourcing entities demand that each of their suppliers complete the information on tonnage and provide the related certifications. The data are aggregated by the central sourcing department.

3. Reduction in intensity of the quantity of packaging used for the Group's products

The reduction in packaging intensity is measured in packaging weight divided by the weight of the formula. The unit is g/g. The scope is all the packaging leaving a factory (primary, secondary or tertiary). The reduction in intensity is calculated from specification systems for filling, packing and production articles. The data are aggregated at global level by the data management teams.

4. Percentage of plastic packaging recycled or from biobased sources

The tonnages of plastic materials recycled or from bio-based sources used in the products come from specification systems for the filling and packaging components and the production of finished products. The data are aggregated at global level by the data management teams. The portion of recycled plastic is an actual rate of recycled material in the packaging: it does not come from a mass balance certification system. The scope of this indicator is all the plastic from all our primary, secondary and tertiary packaging leaving the factory.

5. Percentage of plastic packaging that is refillable, reusable, recyclable or compostable

The definitions of refillable, reusable, recyclable or compostable packaging follow the definitions of the Ellen Mc Arthur Foundation described in the document "New Plastics Economy Global Commitment – Reporting Guidelines April 2022". These definitions are taken account of in the Group's data management systems, which allow the respective quantities to be identified and counted. The scope of this indicator is all primary and secondary plastic packaging, *i.e.* any packaging containing more than 50% plastic by weight. Recyclability is assessed on the basis of impediments to recycling, linked to the materials and decorations used, and can change annually in line with changes to regulations.

Data: the different indicators or figures come from product specification systems linked to the production management tools. The data are extracted and recovered by the Data Management teams who aggregate them globally using a centralised IT tool. The Sustainability entity of the Department of Packaging and Development verifies all the elements and the figures.

Eco-designed advertising displays at points of sale

Scope of consolidation: the scope of consolidation covers POS purchasing expenses, such as displays or advertising elements at the points of sale, in the countries in which a L'Oréal subsidiary that has a Sourcing team is established. Every year the Sourcing teams in question report the POS expenses and the percentage of compliance with eco-design "Must Haves".

Data: Country data are collected using the Intranet system dedicated to reporting by country, which can be accessed by each Sourcing team. Each team is responsible for compiling the data for their Country, and must validate the accuracy of the data communicated. The data are also validated by the Sourcing Zones. The indicator is consolidated at the Group level by the Global Retail Sourcing teams. In 2022, 53 Countries or Hubs participated in the reporting. The Sourcing teams and suppliers concerned are trained in eco-design, including the associated data collection process. The process is defined and explained every year to the teams responsible. The percentage of eco-designed POS is calculated in accordance with a self-declared statement from the suppliers trained in eco-design.

Eco-design of owned stores and points of sale

Scope of consolidation: the scope includes the Group's new and renovated free-standing stores over a global scope. The period considered is from 1 January to 31 December.

A store is considered ecodesigned if the ecodesign rate exceeds 100% or if the store is LEED Gold certified. The ecodesign rate of the free-standing stores is calculated on the basis of the process tracking and the documentation of the Sustainable Retail Box checklist and according to a self-declaration of compliance of the points of sale, unless the store holds an external LEED certification.

Data: at the time the data is compiled, each Country team is responsible for verifying the accuracy of all data communicated to the teams of each of the Zones. The teams monitoring the process and the documentation of the Sustainable Retail Box checklist are trained in ecodesign. A process of continuous improvement of these systems has been put in place.

4.5.2.2. Empowering the Group's business ecosystem

Involving suppliers in the Group's transformation

Scope of consolidation: to define the list of strategic suppliers, *the spend baseline* is from March 2022. The N-1 spend is updated at the end of October for indicators related to the CDP and the environmental and social performance of suppliers.

Data: Suppliers participating in the CDP had to be invited in advance by L'Oréal according to defined criteria:

- CDP Climate Change: In 2014, participation in the CDP Climate Change programme was made compulsory for all strategic suppliers. The Group also invites suppliers that are strategic for a Zone or country.
- CDP Water: L'Oréal selects suppliers according to three criteria: particularly water-intensive technology or activity; location of at least one production site in a water-stressed catchment area; size of L'Oréal's purchasing volumes.
- CDP Forest: L'Oréal selects suppliers according to the impact of their activity on deforestation. Major suppliers of paper, palm oil and soy are invited to participate.

Clarification: no attempted bribery occurred this year during the social audits. The attempted bribery mentioned in the audit report refers to an attempt to bribe the auditor and not to the fact that the supplier may have been involved in a bribery case

Beneficiaries of the Solidarity Sourcing programme:

Scope of consolidation: the period considered is from 1 January to 31 December over a worldwide scope. This scope covers workers from economically or socially disadvantaged communities who work at the Group's suppliers and at their subcontractors. Beneficiaries of the Solidarity Sourcing programme must produce materials, goods or services purchased by L'Oréal. At least one of the following two criteria must be fulfilled: access to and remaining in a permanent job if their community is generally excluded or under-represented in the activity, or a substantial and lasting improvement in income thanks to the activity associated with the programme (fair sourcing).

Data: in the majority of projects, the methodology is based on the number of FTEs under local regulations, on the basis of a full year. The FTE number is proportional to L'Oréal's weight in the supplier's business activity, i.e. the proportion of the supplier's payroll that is involved in the production of L'Oréal products. If the supplier's employees work for other customers, the amount of the orders in relation to the supplier's total revenue determines the number of hours assigned to the L'Oréal production. For projects related to the sustainable sourcing of natural raw materials, the unit of measurement of the beneficiaries is not FTE, but the number of producers concerned. The supplier, with the assistance of an independent third party, defines a threshold at which the project has a significant impact on the target community with respect to the local situation.

People from very difficult social or economic situations trained in beauty professions.

Scope of consolidation: this indicator is calculated over a worldwide scope using annual data. This scope covers people trained on beauty skills under the Beauty for a Better Life programme implemented by partner organisations between 1 January and 31 December.

Data: the managers of the programme at L'Oréal's subsidiaries aggregate the data on the basis of the information and a certificate of compliance transmitted to them by the partner organisations. The Foundation teams within the Department of Corporate Responsibility consolidate the data and check it for consistency.

People in very difficult social or economic situations who have benefited from beauty care and wellbeing treatments

Scope of consolidation: this indicator is calculated over a France scope using annual data. This scope covers people who have benefitted from beauty care and well-being treatments under the Beauty for a Better Life programme implemented by partner organisations between 1 January and 31 December.

Data: the data are collected by the programme's partner organisations. The Foundation teams consolidate the data and check it for consistency.

Beneficiaries of our brands' social engagement programmes

Scope of consolidation: this indicator is calculated over a scope limited to the brands that have social engagement programmes. The scope excludes the brands' environmental programmes, product donations and awareness-raising media campaigns.

Data: in order to be counted for, a beneficiary must be a person who is either supported by a partner NGO with a sustainable impact, via, for example, an educational grant, medical treatment, personalised psychological support, or any other initiative under the brand's social engagement programme; or supported by a brand via a training programme that has been co-created with a partner NGO. The data are approved and transmitted by the NGOs, then consolidated by the brands via a digital tool.

Displaying the environmental and social impact of the products

Scope of consolidation: the indicators concern all rinse-off products that belong to one of the following categories: Shampoo, Conditioner & Mask, Dye, Face Cleanser, Body Cleanser, Targeted Facial Shock Treatment, Deep Cleanser & Face Mask, manufactured during 2022 on a Group scope. The indicators do not count the Hand Cleanser and Rinse-off Shave Cream categories.

The indicators used are those used in the application of the Product Impact Labelling (PIL) methodology. They reflect the results of the Group's policy for measuring the environmental and social impact of the products. The calculation method and the data are verified by Bureau Veritas, an independent auditor.

Data: the data for the defined scope is collected by the Operations Department using SPOT (Sustainable Product Optimisation Tool). All SPOT exclusions also apply to this indicator.

4.5.2.3. Contribute to solving the challenges of the world

Supporting the most vulnerable women

Scope of consolidation: this indicator is calculated over a global scope using data accumulated since the Fund was launched. It is the number of organisations supported by the Fund, the number of women directly supported by these organisations with the assistance of the Fund, and the budget in euros allocated since the launch of the Fund.

Data: data are collected by the organisations supported by the Fund which have used all or a portion of the budget allocated during the reference period. The Fund's teams (within the Corporate Responsibility Department) consolidate the data. They carry out consistency checks on the basis of the information reported and a certificate of compliance transmitted by the partner organisations. The budget allocated is monitored and consolidated by the Fund's teams in cooperation with L'Oréal's Finance team.

Contributing to the regeneration of nature

Rehabilitation: restoration focuses on halting and reversing ecosystem degradation and recovering biodiversity. *Source: OP2B Restoration Framework/Science Based Targets Network (2020). Science-Based Targets for Nature: Initial Guidance for Business*

Regeneration: regeneration actions apply to working lands and are about increasing ecological productivity in terms of nature's contributions. *Source: OP2B Restoration Framework/ Science Based Targets Network (2020). Science-Based Targets for Nature: Initial Guidance for Business*

4.5.3. Human Rights data

Scope of consolidation: this concerns the Human Rights data arising from Ethics reporting. This scope is identical to that of social data.

Indicators: the indicators have been selected in line with the applicable regulations, and to enable data comparison, in particular.

Data: the Ethics, Risk and Compliance Department collects the data relating to Ethics and Human Rights for L'Oréal subsidiaries using the Annual Ethics Reporting platform. The scope is aligned with individual company data unless otherwise indicated for each indicator. Human Rights data for the employees of the Group's suppliers are consolidated by the Purchasing Department and collected mainly during social audits conducted by an independent and accredited third party. This third party then shares the data and the audit reports with the Group. The other data are collected from the Departments concerned: Corporate Social Responsibility, Worldwide Product Safety Evaluation, Ethics, Risk and Compliance, and the L'Oréal Foundation.

4.5.4. Taxonomy data

The financial and technical information used for this analysis has been the subject of additional reporting and of joint analysis and checking by the local and central teams for the 2022 financial year.

Process for identifying and assessing eligible investments for 2022: the vast majority of the Group's eligible investments (89%) correspond to data relating to leases that have been capitalised in accordance with IFRS 16. The Group's other eligible investments (11%) correspond to construction, renovation and maintenance projects.

Leases on premises and vehicles that are capitalised in accordance with IFRS 16 were valued as shown in the Group's consolidated balance sheet (89%).

Capital expenditure related to "individual measures" taken by the Real Estate Department was subject to self-assessment by the Real Estate finance departments. The Group's financial tools are not, to date, capable of tracking investments according to the nomenclature of the activities that are eligible under the Taxonomy. With the help of their Real Estate Experts, the Financial Directors of each Zone have identified significant eligible projects. The analysis was conducted using a threshold of work, so as to focus the analysis on the most significant projects. The amounts reported by the Financial Directors correspond to the best estimate of the real investment amounts committed in 2022.

Capital expenditure related to "individual measures" taken by the Operations Department was subject to self-assessment by the Finance and Operations Departments. The Group's financial tools are not, to date, capable of tracking investments according to the nomenclature of the activities that are eligible under the Taxonomy. The projects were identified on the basis of the climate monitoring of the L'Oréal for the Future programme, using a threshold of work, so as to focus the analysis on the most significant projects.

Checks are conducted centrally to ensure each project is eligible and to ensure that the same project is not counted twice.

Approach to the qualification of 2022 aligned investments: in accordance with the instructions of the Delegated Acts, an investment is classified as "aligned" to the Taxonomy, if it meets the three criteria below.

1. The technical criteria for substantial contribution broken down by business activity: In terms of the acquisition of buildings constructed before 2021 for which experts appointed by the Group do not have the buildings' EPC[1] or are not aware of the threshold relating to the top 15% of the best performing buildings in terms of primary energy consumption at national or regional level, the labels for which energy performance is a certification criterion and for which the maximum level of certification has been reached, the buildings in question have been considered, in the context of this transition exercise, as making a substantial contribution to climate change mitigation with regard to the Taxonomy. The buildings are then considered highly likely to be among the best performing buildings in the country and should be placed in the top 15% of the country or region. If the label's best score is not achieved, a case-by-case analysis is conducted. For these buildings, the experts reconstitute primary energy consumption from energy consumption by applying a conversion factor that is specific to the country in which the building is located. They then compare it to national or regional thresholds in order to confirm that it comes in the top 15% locally.

(1) *Energy Performance Certificate (EPC)*

In terms of the acquisition of buildings constructed after 2020 for which the experts appointed by the Group do not have the buildings' EPC, the labels for which energy performance is a certification criterion and for which the maximum level of certification has been reached, the buildings in question have been considered, in the context of this transition exercise, as making a substantial contribution to climate change mitigation with regard to the Taxonomy. The experts also ensure that the other technical criteria set out in the Delegated Acts for building acquisitions are met in order to classify the alignment with the Taxonomy.

Where renovation or repairs that improve energy efficiency or equipment for renewable energies are concerned, the Group ensures that the work complies strictly with the respective criteria laid down in the Delegated Acts for each activity.

2. The five other objectives of the Taxonomy (DNSH): a project must not harm any of the other five objectives of the Taxonomy: climate change adaptation, water, biodiversity, pollution and the circular economy. An external organisation has conducted the analyses for climate change adaptation for this year. These analyses were carried out according to the scenarios RCP 2.6, RCP 4.5, RCP 8.5[1] with the time horizons 2040, 2050, 2060. An initial inventory of adaptation solutions has been drawn up. Their assessments will be further developed during 2023.

The other analyses are conducted on the basis of the information available for each project and activity, in view of the criteria laid down by the Delegated Acts.

3. Compliance with the "minimum safeguards": the "minimum social" criteria are reviewed centrally, by the Responsible Purchasing Departments and the Human Rights Department, in light of the requirements of the report on the minimum safeguards issued by the Platform on Sustainable Finance (PSF). L'Oréal guarantees that procedures have been put in place in respect of the four themes set out below. These measures are considered to be effective if (i) no complaints have been lodged against the Group or against a L'Oréal employee or (ii) an action plan is implemented following a complaint in one of the following four areas: respect for human rights (including consumer rights); anti-corruption practices; tax policy implemented; raising employee awareness of the importance of complying with all applicable laws and regulations in the field of competition law.

4.6. Cross-reference tables, including NFIS and GHG balance

4.6.1. Table of concordance for reporting standards in respect of social, environmental and societal matters

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP[1] and SDGs[2]
	PRINCIPLES	
4.5.	Methodological notes	
4.7.	Opinion on the compliance and true and fair nature of the information	
1.2.	Business model	
	MAIN RISKS	
4.2.2.	• Environment	
4.2.2.	• Human resources	
4.2.2.	• Human Rights	
4.2.2.	• The fight against corruption	
4.2.2	• The fight against tax avoidance	
	POLICIES, INDICATORS, RESULTS	
4.3.1.	• Environment	
4.3.2.	• Human resources	
4.3.3.	• Human Rights	
4.3.4.	• The fight against corruption	
4.3.5.	• The fight against tax avoidance	
	INFORMATION AND COMMITMENTS	**1,2,6,8**
4.3.1.1.3., 4.3.1.3.1., 4.3.1.4., 4.3.1.5., 4.3.1.6.	Consequences on climate change	
4.3.2.4., 4.3.3.4.	Collective agreements concluded within the company	
4.3.1.2.2., 4.3.2.1., 4.3.2.4., 4.3.2.5., 4.3.3.5.	Working conditions of employees	
4.3.2.6.	Measures to combat discrimination and promote diversity	
4.3.2.6.	Measures in favour of disabled people	
	SOCIETAL COMMITMENTS IN FAVOUR OF	**7,8,9**
1.3.2., 4.1., 4.3.1.	• Sustainable Development	
1.3.2., 4.3.1.1.6., 4.3.1.5.1.	• Circular economy	

(1) *Representative Concentration Pathways (RCP) – AR6*

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP[1] and SDGs[2]
4.1.2., 4.3.1.1.6.	• Fight against food waste	
4.1.2.	• Fight against food insecurity	
p.30., 4.3.1.3.2.	• Respect for animal welfare	
4.1.2., 4.3.1.1.6., 4.3.2.4.	• Responsible, fair and sustainable food	
p.7, 4.3.2.4., 4.3.2.6.	• The practice of physical and sporting activities	
	SOCIAL, ENVIRONMENTAL, AND SOCIETAL INFORMATION	
	SOCIAL INFORMATION	**1,2,3,4,5,6**
	Employment	**4,5,6**
p.209	• Total workforce	
p.209	• Distribution of employees by gender, by age and by geographic zone	
p.210, 4.3.2.2	• Recruitments	
p. 210	• Dismissals	
4.3.2.5.	• Remuneration and trends	
	Work organisation	**4**
4.3.2.4.	• Organisation of working time	
p.210	• Absenteeism	
	Social relation	**3**
4.3.2.4.	• Organisation of the social dialogue	
4.3.2.4.	• Situation with regard to collective agreements	
	Health & Safety	**1,2**
4.3.2.1., 4.3.2.4.	• Health and safety conditions at work	
4.3.2.4.	• Status report on agreements signed with trade union organisations with regard to health and safety at work	
4.3.2.1.	• Frequency and severity of occupational injuries	
4.3.2.1.	• Occupational diseases	
	Training	**8**
4.3.2.3.	• Training policy implemented	
4.3.2.3.	• Total number of training hours	
	Equality of treatment	**1,2,6**
4.3.2.6.	• Measures taken to promote gender equality	
4.3.2.6.	• Measures taken in favour of employment and professional insertion of the disabled	
4.3.2.6.	• Policy to combat discrimination	
	Promotion & compliance with the ILO conventions	**1,2,3,4,5,6**
4.3.2.4., 4.3.3.1	• Compliance with freedom of association and the right to collective bargaining	
4.3.2.6., 4.3.3.1.	• Elimination of employment and professional discrimination	
4.3.3.1., 4.3.3.4.	• Elimination of forced or compulsory labour	
4.3.3.1., 4.3.3.4.	• Effective abolition of child labour	
	ENVIRONMENTAL INFORMATION	**7,8,9**
	General environmental policy	**7,8,9**
p.33, 4.3.1.	• Company structure to take into account environmental issues and, where applicable, environmental evaluation or certification measures	
4.3.3.1.	• Training actions and provision of information to employees with regard to environmental protection	
4.2.2., 4.3.1	• Measures to prevent environmental risks and pollution	
p.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 process	
	Pollution	**2,7,8,9**
4.3.1.1.2.	• Means devoted to prevention of environmental risks and pollution	
4.3.1.1.	• Noise disturbances and any other pollution related to an activity	
	Circular economy	**7,8,9,2**
	(i) Prevention and management of waste	
4.3.1.1., 4.3.1.3.1., 4.3.1.5.1.	• Measures to prevent, recycle, reuse, other forms of recovery and waste elimination	

Sections or pages	Non-financial information statement – Articles L. 225-102-1, L. 22-10-36 and R. 225-105 of the French Commercial Code	Global Compact COP[1] and SDGs[2]
4.1.2., 4.3.1.1.6.	• Fight against food waste	
	(ii) Sustainable use of resources	
1.3.2., 4.3.1.1.4, 4.3.1.2.2,	• Water consumption and water supply depending on local constraints	
4.3.1.3.	• Raw material consumption and measures taken to improve efficiency in their use	
1.3.2., 4.3.1.1.3.,	• Energy consumption, measures taken to improve energy efficiency and use of renewable energies	
4.3.1.1.2., 4.3.1.1.5.	• Soil use	
	Climate change	**7,8,9**
4.3.1.4.1.	• Significant sources of greenhouse gas emissions generated by the activity, inparticular by the use of goods and services produced by the Company	
1.3.2., 4.3.1.4.2., 4.3.1.4.3.	• Ambitious voluntary medium- and long-term greenhouse gas emission reduction targets and the means implemented to achieve them	
4.2.2., 4.3.1.1.3., 4.3.1.2.3., 4.3.1.4.	• Adaptation to the consequences of climate change	
	Protection of biodiversity	**7,8**
4.3.1.1.5., 4.3.1.3.1., 4.3.1.5.2.	• Measures taken to preserve or develop biodiversity	
	SOCIETAL INFORMATION	**1,2,3,4,5,6,7,8,9,10**
	Societal commitments for Sustainable Development	**1,2,4,5,7,8,9**
p.19, 1.3.2., p.209	• Impact of the Company's activity on employment and local development	
4.1.2., 4.3.1.2.2., 4.3.3.6	• Impact of the Company's activity on neighbouring or local populations	
4.1.2., 4.3.2.4	• Relationships with the Company's stakeholders and means of dialogue with them	
4.1.2., 4.3.1.2.2., 4.3.1.3.2., 4.3.3.6.	• Partnership or philanthropy actions	
	Subcontractors and suppliers	**1,2,4,5,6,7,8,9,10**
1.2.9., 4.3.1.2., 4.3.3.6.	• Taking into account social and environmental issues in purchasing policy	
1.2.9., 4.3.1.2.	• Consideration of their social and environmental responsibility in relations with suppliers and subcontractors	
	Fair practices	**10**
4.3.4.	• The actions taken to prevent corruption	
1.2.9., 4.1.2., 4.3.1.3.2., 4.3.3.3.	• The measures taken in favour of consumer health and safety	
1.3.2., 4.3.3.	**Other actions taken in favour of Human Rights**	**1,2,3,4,5,6,8**

(1) Communication On Progress.
(2) Sustainable Development Goals.

4.6.2. TCFD cross-reference table

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 (TCFD).

Governance	Sections of this document
1. Supervision by the Board of Directors of climate-related risks and opportunities	p.11, 2.3.2., 2.3.3., 2.3.4. and 4.1.
2. Role of Management in the assessment and management of climate-related risks and opportunities	3.2. and 4.1.
Strategy	
1. Climate-related risks and opportunities identified in the short, medium and long term	3.5.3.2. 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., p.164, 4.3.1.4.3
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	
Indicators used to assess climate-related risks and opportunities, in line with the Group's strategy and risk management procedure	4.1. and 4.3.1
Scopes 1, 2 and 3 greenhouse gas emissions and associated risks	4.2.2., 4.3.1.2.3., 4.3.1.4., 4.5 and 4.6.5.
Objectives used to manage climate-related risks and/or opportunities and the Group's performance in relation to its objectives	1.3.2., 2.4., 4.1., 4.3.

4.6.3. SASB cross-reference table [1]

Theme	Measurement	Group information	Code
Water management	(1) total water withdrawn (2) total water consumption percentage of each from regions with high or extremely high water stress	Total water withdrawn: 2,068,608 m³ - factories % of water drawn from regions with water stress: 33% Total water consumed: 1,048,245 m³ % of water drawn from regions with water stress: 32% See p.174-175	CG-HP-140a.1
	Description of risks associated with water management and discussion of strategies and practices aimed at reducing these risks	L'Oréal has set itself a major objective of fighting climate change and preserving natural resources in the overall exercise of its activity. The Group wants to preserve the water resource throughout its value chain, on its operated sites, but by also engaging its ecosystem in its commitments. See the following sections: p. 160, 174-175, 185-186	CG-HP-140a.2
Product performance in terms of the environment, health and safety	Sales from products containing REACH substances of very high concern (SVHC)	L'Oréal has developed a detailed analysis of health and safety risks. It should be noted that the same safety standards are applied worldwide to ensure identical quality. See the following sections: p.148, 160, 192-193	CG-HP-250a.1
	Sales from products containing substances included on the California DTSC Candidate Chemicals List		CG-HP-250a.2
	Discussion on the process for identifying and managing emerging materials and chemicals of concern		CG-HP-250a.3
	Sales from products designed according to the principles of green chemistry	49% of new or updated products have an improved environmental profile thanks to a new formula with a reduced environmental footprint. 97% of new or updated products have an improved environmental profile. See the following section: p. 185-186	CG-HP-250a.4
Management of the packaging life cycle	(1) Total weight of packaging (2) percentage of packaging composed of recycled and/or renewable materials and (3) percentage of recyclable, reusable and/or compostable packaging	Management of the packaging life cycle is a central component of the Group's environmental policy. In 2021, the figures were as follows: 1) The total weight of plastic packaging was 172,158 tonnes. 2) 26% of the plastic packaging materials are from recycled or biobased sources. 3) 38% of the plastic packaging is refillable, recyclable, reusable and/or compostable. See p. 192-193	CG-HP-410a.1
	Discussion on strategies for reducing the environmental impact of packaging during its life cycle	In order to best understand the environmental impact of its packaging, L'Oréal has used SPOT since 2017. It calculates the complete environmental and social footprint of a product in accordance with the European Commission recommendation (Product Environmental Footprint). See the following sections: p.176-79, 192-194	CG-HP-410a.2
Environmental and social impact of the palm oil supply chain	Quantity of palm oil and derivatives Percentage certified by the supply chains of the Roundtable on Sustainable Palm Oil (RSPO) as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	In 2022, L'Oréal consumed 284 tonnes of palm oil. 100% of the palm oil supplies have been certified sustainable by the Round Table on Sustainable Palm Oil (RSPO) since 2010, and the supply of palm oil or palm kernel derivatives since 2012 Segregated: 100%. The Group has reached 99% of RSPO Mass Balance. See p.191-194	CG-HP-430a.1
Measurement of activity	Unit of products sold, total weight of products sold	The Group does not report on this indicator.	CG-HP-000.A
	Number of factories	L'Oréal has 38 factories around the world. See p. 32	CG-HP-000.B

4.6.4. GRI Standards Content Index

A table has been prepared in accordance with the latest GRI[2] Standards and will be made available on the website loreal.com by the end of the 1st semester 2023. Material issues have been mapped with the relevant GRI Standards disclosure. Content relating to the indicator list will be available within the table or at the location provided.

(1) *Sustainability Accounting Standards Board.*
(2) *Global Reporting Initiative.*

4.6.5. GHG balance

This table provides a detailed list of all restatements made to adjust our GHG balance since 2016. These changes may concern the scope under review, the methodology used or the emission factors used.

	Thousands of tonnes of CO_2 equivalent	Comments	Financial year 2016	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022
Reported figures	**Scopes 1, 2 and 3**		**114**	**11,762**	**11,225**	**12,526**	**11,270**
	Scope 3		**Unpublished**[1]	**11,682**	**11,169**	**12,488**	**11,245**
Unpublished data	**Scopes 1, 2 and 3**	Unpublished 2016 GHG balance results Scopes 1, 2 and 3[2]	9,881				
	Scope 3		9,712				
Variances	Scopes 1 and 2	**TOTAL RESTATEMENTS**	**55**	-	-		
		Improvement in the accuracy of the scope[3]	-55				
	Scope 3	**TOTAL RESTATEMENTS**	**2,021**	**-714**	**-617**	**-1,945**	
		Improvement in the accuracy of the methodology (from 2022)[4]	-262	-276	-257	-349	
		Improvement in the accuracy of the methodology (from 2022)[5]	-883	-737	-948	-708	
		Improvement in the accuracy of the scope (from 2022)[6]	4	-6	91	16	
		Update of the emission factors (from 2022)[7]		-283	-295	-903	
		Improvement in the accuracy of the methodology (from 2021)[8]	259	258	264		
		Improvement in the accuracy of the methodology (from 2021)[9]	177	-397	-139		
		Improvement in the accuracy of the scope (from 2021)[10]	958	880	666		
		Improvement in the accuracy of the scope (from 2021)[11]	19				
		Improvement in the accuracy of the scope (from 2021)[12]	-46				
		Update of the emission factors (from 2021)[13]	81				
		Improvement in the accuracy of the scope (from 2020)[14]		424			
		Update of the emission factors (from 2020)[15]		-577			
		Update of the parameters (from 2019) [16]	28				
		Improvement in the accuracy of the scope (from 2018)[17]	340				
		Update of the emission factors (from 2018)[18]	1,295				
		Improvement in the accuracy of the scope (from 2018)[19]	51				
Like-for-like basis	**Scopes 1, 2 and 3**		**11,847**	**11,048**	**10,608**	**10,581**	**11,270**
	Scope 3		**11,733**	**10,968**	**10,552**	**10,542**	**11,245**

(1) In 2016, the Scope 3 total reported was that of 2015; only the five main items of the 2016 Scope 3 were updated and reported (representing 90% of Scope 3). The work on the 2016 GHG balance continued pursuant to the SBT commitments.
(2) Data calculated under the SBT commitments (SBT baseline Scopes 1, 2 and 3).
(3) Variation in allocations to leased vehicles and stores, in Scope 3.
(4) Developments in the methodology and alignment with external databases (waste generated by sites, consumer travel, IT, business travel).
(5) Developments in the internal methodology, mainly affecting the use phase (rinse volumes for hygiene products).
(6) Improved data accuracy (vehicle fleet and emissions related to energy consumption for remote working).
(7) Update to emission factors (use and end of life of products sold, packaging items).
(8) Variation in the methodology and external data bases (transport and capital goods).
(9) Variation in the methodology and alignment of the internal data bases
(10) Improvement in the accuracy of the data (emissions related primarily to purchases of services and IT).
(11) Variation in allocations to leased vehicles and stores, in Scope 3.
(12) Improved precision in the POS data.
(13) Change in the source of the data on the energy mix used for residential water heating in the different countries.
(14) Improved accuracy of data for formulas and finished products (nomenclature).
(15) Update of the energy mix used for residential water heating in European countries.
(16) Improvement in the data related to the product use phase: volume of water and quantity of products used.
(17) Improved precision in the POS data.
(18) Change in the source of the data on the energy mix used for residential water heating in the different countries.
(19) Variation in allocations to leased vehicles and stores, in Scope 3.

4.7. Statutory Auditor's Reports

4.7.1. Report of one of the Statutory Auditors, appointed as independent third party, on the verification of the consolidated non-financial performance statement

Year ended December 31, 2022

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

L'OREAL
14, rue Royale
75008 Paris

To the Shareholders' Meeting,

In our capacity as Statutory Auditor of L'Oréal SA (hereinafter the "Company"), appointed as independent third party ("third party") and accredited by the French Accreditation Committee (Cofrac), under number 3-1886 rév. 0 (Cofrac Inspection Accreditation, scope available at www.cofrac.fr), we have conducted procedures to express a limited assurance conclusion on the historical information (observed or extrapolated) in the consolidated non-financial performance statement, prepared in accordance with the Company's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2022 (hereinafter the "Information" and the "Statement", respectively), presented in the Group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*code de commerce*).

Conclusion

Based on our procedures as described in the section "Nature and scope of procedures" and the evidence we have obtained, no material misstatements have come to our attention that cause us to believe that the non-financial performance statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of the Information enables the use of different but acceptable measurement techniques that may impact comparability between entities and over time.

Accordingly, the Information must be read and interpreted with reference to the Guidelines, summarised in the Statement and available on the Company's website or on request from its headquarters.

Limits inherent in the preparation of the information relating to the Statement

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

Responsibility of the Company

Management is responsible for:

- selecting or determining the appropriate criteria for the preparation of the Information;
- preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented with respect to these risks as well as the outcomes of these policies, including key performance indicators and the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- implementing such internal control as it determines is necessary to enable the preparation of Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by applying the Company's Guidelines as referred to above.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information."

As it is our responsibility to issue an independent conclusion on the information prepared by management, we are not authorised to participate in the preparation of the Information, as this could compromise our independence.

It is not our responsibility to provide a conclusion on:

- the Company's compliance with other applicable legal and regulatory provisions (particularly with regard to the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy), the duty of vigilance and the fight against corruption and tax evasion);
- the fairness of information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with our audit verification programme in application of Articles A. 225-1 *et seq.* of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and with the international standard ISAE 3000 (revised - Assurance engagements other than audits or reviews of historical financial information).

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

Means and resources

Our work engaged the skills of nine people between September 2022 and February 2023 and took a total of twenty-four weeks.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around thirty interviews with people responsible for preparing the Statement.

This work involved the use of information and communication technologies allowing the work and interviews to be carried out remotely, without hindering the good execution of the verification process.

Nature and scope of procedures

We planned and performed our work taking account of the risk of material misstatement of the Information.

We consider that the procedures conducted in exercising our professional judgement enable us to express a limited assurance conclusion:

- We familiarized ourselves with the activities of all companies in the consolidation scope and the description of the principal risks.
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, respect for human rights and the fight against corruption and tax evasion.We verified that the Statement provides the information required under Article R.225-105 II of the French Commercial Code where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L.225-102-1 III, paragraph 2 of the French Commercial Code.
- We verified that the Statement presents the business model and a description of the principal risks associated with the activities of all the consolidated entities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented; and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important - disclosed in Annex 1 - ; for certain risks or information, (human resources, health and safety, human, social and environmental rights, etc.), our work was carried out on the consolidating entity, while for other risks, our work was carried out on the consolidating entity and on a selection of entities.

- We verified that the Statement covers the consolidated scope, i.e. all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement.
- We obtained an understanding of internal control and risk management procedures implemented by the Company and assessed the data collection process aimed at ensuring the completeness and fairness of the Information.
- For the key performance indicators and other quantitative outcomes – disclosed in Annex 1 - that we considered to be the most important, we implemented:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sample basis and using other selection methods, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities – disclosed in Annex 2 - and covered between 15% and 23% of the consolidated data selected for these tests

We assessed the overall consistency of the Statement in relation to our knowledge of the entire Company.

The procedures conducted in a limited assurance review are substantially less in scope than those required to issue a reasonable assurance opinion in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*); a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, February 17, 2023

One of the Statutory Auditors,

Deloitte & Associés

David DUPONT-NOËL	Catherine SAIRE
Partner, Audit	Partner, Développement Durable

Appendix 1: List of Information we Considered as the most important

Key performance indicators and other quantitative results:

Environment, Health and Safety:

In **bold**, the indicators and information disclosed as such in the management report:

THEMATIC	INDICATORS
Production	Number of FPs produced (*in millions*)
	Quantity of juice produced (*in tons*)
	Number of hours worked by L'Oréal employees and temporary workers (*in thousands*)
Greenhouse gas emissions	**Emissions de CO_2 Methods " *Market-based* » and " *location-based* », scopes 1 and 2 according to the GHG Protocol (*in tCO_2Eq*)**
	Emissions de CO_2 eq - Scope 3 (*in tCO_2Eq*)
	Percentage change in CO emissions$_2$ per finished product sold (*kg $eqCO_2eq$./PF sold*), compared to 2016
	Cradle-to-shelf emissions by product sold (*in gCO_2eq/PF sold*)
	Percentage reduction in greenhouse gas emissions from product use compared to 2016
	Percentage of neutral sites
Energy consumption	**Total energy consumption (*in kWh, kWh/1000PF, kWh/100h*)**
	Breakdown by energy source: Electricity, Gas, Fuel, Steam, Other energy (*kWh*)
	Percentage of renewable energy consumed
	Electricity from renewable sources consumed (*kWh*)
	Rate of self-consumption of electricity
Aviation emissions, excluding greenhouse gases	Refrigerant gas leaks (*kg*)
	Percentage of sulphur in fuels
	Direct SO emissions$_2$ (*kg, kg/PF*)
	Emissions of Volatile Organic Compounds (*kg*)
Water	**Number of Waterloop factories**
	Total net withdrawal/Net water withdrawal (excluding recycled water and rainwater for gardening) (*in m^3; l/PF, l/100h*)
	Total volume of water consumed by source (*in m^3*)
	Total volume of water consumed per use (*in m^3*)
	Total volume of on-site recycled water (*in m^3*) / Total volume of water recycled from another L'Oréal site (*in m^3*) / Volume of recycled water from sites other than L'Oréal (in m^3)
	Volume of wastewater sent for off-site treatment (*in m^3*)
	Volume of wastewater involved in off-site pre-treatment analysis (*in m^3*) / Volume of wastewater concerned by the analysis after on-site treatment (*in m^3*)
	Compliance with 1000 mg/l max. COD before off-site treatment / after on-site treatment Number of sites that comply with internal quality standards
	COD weight before off-site treatment (*in tons*) / COD weight after on-site treatment (*in tons*) and specific pollution rate prior to off-site treatment (*mg/l*) / after on-site treatment (*in mg/l*)
	Total water consumption (excluding recycled water and rainwater for gardening) (*in m^3; l/PF; W/100H*)
	Quantitative water footprint (*in m^3 Eq*)
Rubbish	**Transportable waste excluding rotating shuttle packaging, by nature *(in tons and g/PF, kg/100h)***
	Sludge (*in tons*)
	Total waste excluding sludge (*in tons; g/FP*)
	Compliance with maximum 10 kg of sludge / ton of juice produced
	Rotating shuttle packaging, shuttle packaging at source, ***(in tons)***
	Treatment of transportable activity-related waste (*in tons*)
	Waste sent to landfill, including waste due to regulatory constraints *(in tons)*
	Valuation index and material valuation index *(%)*
	Hazardous / non-hazardous waste (*in tons*)
Health and safety	**Conventional frequency rate of accidents at work**
	Reported incident rate Expanded total
	Severity rate of occupational accidents
Biodiversity	**Number of sites that have carried out a biodiversity inventory of less than 3 years**
	Use of plant protection products

Social:

THEMATIC	INDICATORS
Staff	Statutory staff and breakdown by type of contract, by zone
	Number of employees with disabilities
	WPS to be paid
Remuneration	Minimum wage
	Number of permanent contracts with a fixed salary below the living wage
Evolution	Number of recruitments (Unfixed term-contracts)
	Number of departures, including number of redundancies
Absenteeism	Overall absenteeism rate and illness (%)
Formation	Number of hours of training
	Percentage of Group employees who received at least one training during the year
	Share of employees with access to the online module and completed the mandatory ethics course
Share & Care	Percentage of the Group's permanent employees who can benefit from financial protection in the event of an accident in life, such as death or total permanent disability
	Percentage of the Group's permanent employees who can benefit from health coverage aligned with the best practices of their country of residence
Collective agreement	Percentage of Group employees covered by a collective agreement (national, branch or company)
	Percentage of Group employees work in countries where representative bodies are in place
	Number of collective company agreements in force on 31 December
Diversity	Percentage of brands led by women
	Number of entities that have received the GEEIS / EDGE label

Societal:

THEMATIC	INDICATORS
R&I / Water	Percentage reduction in water consumption related to consumer use of products compared to 2017
	Percentage of ingredients in bio-based formulas, derived from abundant minerals or circular processes
R&I / Resources	Percentage of Raw Materials respecting the principles of Green Chemistry
	Percentage of biodegradability of formulas
Transportation of FPs	Emissions de CO_2 by FP: 2022 value (*tCO_2 eq*) and evolution compared to baseline 2016
	Emissions de CO_2 equivalent per tonne of goods transported and per km travelled (*tCO_2 eq/km*)
Purchasing & Sourcing / Greenhouse gas emissions	Percentage of CDP Climate participation for strategic direct suppliers
	Percentage of CDP Climate participation for strategic indirect suppliers
	Percentage of CDP Climate participation for total strategic suppliers
Purchasing & Sourcing / Social audits	Number of sites audited in 2022
	Number of social audits of suppliers carried out in 2022
	Number of sites audited in "remote audit" in 2022
	Distribution of non-conformities found during social audits of suppliers by audited chapter
	Percentage of suppliers who improved their social audit score in 2022
	Number of sites audited cumulated since 2019
	Number of cumulative social audits 2022 since 2019
Purchasing & Sourcing / Supplier Evaluation	Percentage of strategic suppliers assessed on the basis of their environmental and societal performance
Purchasing & Sourcing / Water	Percentage of CDP Water participation for direct strategic suppliers
	Percentage of CDP Water participation for indirect strategic suppliers
	Percentage of CDP Water participation for total strategic suppliers
Purchasing & Sourcing / Biodiversity	Percentage of renewable raw materials from sustainable sources
	Percentage of botanical species with biodiversity issues
	Percentage of palm oil and derivatives certified: Segregated + Mass Balance ° Book & Claim
	Percentage of volumes of palm and palm kernel products traced to refineries, mills, plantations.
	Percentage of bio-based packaging materials that are traceable and sustainably sourced.
Corporate Responsibility & Foundation / Ecodesign	Percentage of Eco-designed products
Corporate Responsibility & Foundation / PIL	% of rinse-off products with an environmental and social impact calculation
Corporate Responsibility & Foundation / Women's Fund	Number of structures and beneficiaries supported under the Women's Fund
	Amount invested in the fund since its inception
Corporate Responsibility & Foundation / BFBL	Number of people from troubled communities who were able to access employment
	Number of people in very precarious situations trained in beauty professions

THEMATIC	INDICATORS
Packaging	**Percentage of plastic packaging of recycled or bio-based origin**
	Percentage reduction in the amount of packaging used for products compared to 2019
	Percentage of plastic packaging that is refillable, reusable, recyclable or compostable
Retail	**Percentage of stores (own outlets) designed and built with sustainable development principles in mind**
Human rights	**Existence of a system for verifying the age of employees at recruitment**
	Communications and training on human rights topics
	Number of employees aged 16 to 18

Other qualitative results:

Corporate Responsibility & Foundation / Brand commitments	Brand Societal Engagement Programs
Retail	Ecodesign program for point-of-sale advertising displays
Corporate Responsibility & Foundation / L'Oréal Fund	Commitments made in 2022 as part of the L'Oréal Fund for the Regeneration of Nature
	Commitments made in 2022 under the Global Circular Economy Investment Fund *(Circular Innovation Fund)*

Appendix 2: List of selected contributing entities and sites

- Social data:
  - China;
  - Mexico;
  - Italy.
- EHS data selected from the following sites:

Country	Site Name
Brazil	**Sao Paulo**
	R&I BRAZIL
	SA BRAZIL
	SA BRAZIL SALES
France	R&I CHEVILLY_FRA
	R&I ST OUEN_FRA
	SA CCZ RIO_FRA
	SA CLICHY_FRA
	SA SEINE 62_FRA
	SA OA_FRA
India	SA INDIA
USA	**Florence**
Canada	**Montreal**
Turkey	**Istanbul**
USA	**DC_USA_SOUTH BRUNSWICK**
	R&I USA
	SA USA SALES
	Piscataway
	SA HUDSON YARDS_USA
	ITS CENTRIC STORES LOUNGE
UK	SA UK
	SA UK STORES

4.7.2. Reasonable assurance report of the Statutory Auditors on a selection of consolidated social, societal, environmental and health and safety information

Year ended December 31, 2022

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

L'OREAL
14, rue Royale
75008 Paris

To the chairman of the Board,

Further to your request and in our quality as Statutory Auditors of your Company (hereafter "Entity"), we have undertaken a reasonable assurance engagement on a selection of consolidated social, societal, environmental and health and safety information (hereinafter, the "Information"), detailed in Annex 1, that the Entity has chosen to prepare in accordance with its protocols (hereinafter, the "Guidelines"), for the year ended on 31 December 2022, presented in L'Oréal Group management report (hereinafter, the "Management Report").

Conclusion

In our opinion, based on the procedures we have performed as described under the "Nature and scope of procedures" and the evidence we have obtained, the Information is prepared, in all material respects, in accordance with the Guidelines.

Inherent limitations in preparing the Information

As stated in the Management Report, the Information may be subject to uncertainty inherent in the state of scientific or economic knowledge and the quality of external data used. Some information is sensitive to the methodological choices, assumptions, and/or estimates used in their preparation and presented in the Management Report.

Entity's responsibility

As part of this voluntary approach, it is the responsibility of the Entity to prepare the Information in accordance with the Guidelines, and of which a summary is included in the Management Report and availabl on request from the General Management of Operations, Human Resources, Purchasing, and Environmental and Social Responsibility departments.

Responsibility of the Statutory Auditors

We are responsible, in response to the Entity's request, based on our work, to express a reasonable assurance conclusion that the Information is prepared, in all material aspects, in accordance with the Guidelines.

It is not our responsibility to report on the entire Management Report for the year ended on the 31 December 2022 or on the compliance with other applicable legal provisions.

Professional standards applied

Our work was carried out in accordance with the professional guidance issued byhe French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) and ISAE 3000 (revised) standard "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" published by the IAASB (International Auditing and Assurance Standard Board).

Independence and quality control

Our independence is defined by the French Code of Ethics for Statutory Auditors (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control system including documented policies and procedures aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

Means and resources

Our work engaged respectively the skills of nine people in Deloitte's teams and seven people in EY's teams between September 2022 and March 2023.

Nature and scope of the work

A reasonable assurance engagement involves the implementation of procedures aimed at obtaining evidence regarding the Information. The nature, timing, and extent of the procedures selected are within our professional judgment, particularly our evaluation of the risks that the Information contains significant misstatements, whether they result from fraud or error. In assessing these risks, we have taken into account the relevant internal control for the preparation of the Information by the Entity. We also :

- assessed the suitability of the Guidelines in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry.
- performed, on the Information:
- analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions;
- detailed tests based on samples, to check the correct application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out with a selection of contributing entities listed below:
  - for the selected social Information: activities in China, Mexico and Italy, which cover 21% of the group's workforce;
  - for the selected societal Information: the headquarters of the entity that centralizes all information;
  - for the selected environmental and health and safety Information: Belgium (Libramont), Brazil (Sao Paulo), Canada (Florence, Montreal, DC Ville Saint-Laurent), China (Suzhou), Spain (Burgos, DC Burgos), United-States of America (DC South Brunswick, Piscataway, North Little Rock, DC North Little Rock), France (Vichy-LRP, Mourenx), Italy (Settimo), Japan (Gotemba), Poland (Warsaw, DC Blonie), Turkey (Istanbul), representing 47% of Group activity (in units of finished goods reviewed). This work covers between 25% and 53% of the consolidated data selected for these tests (25% of hours worked by L'Oréal employees, 29% of work-related accidents, 45% of CO_2 emissions according to the "location-based" method, 43% of total waste, 53% of net water withdrawal).

We consider that the sampling methods and sample sizes we have selected through our professional judgment allow us to provide a reasonable assurance conclusion. However, due to the use of sampling techniques as well as other inherent limitations in the functioning of any information and internal control system, the risk of not detecting a material misstatement in the Information cannot be completely eliminated.

We believe that this work enable us to provide reasonable assurance that the Information has been prepared, in all material respects, in accordance with the Guidelines.

Paris-La Défense, March 9th 2023

The Statutory Auditors

DELOITTE & ASSOCIES		ERNST & YOUNG et Associés	
David DUPONT-NOEL	Catherine SAIRE	Céline EYDIEU BOUTTE	Eric MUGNIER
Partner	Partner, Sustainable Development	Partner	Partner, Sustainable Development

Annex 1: Information in scope of the reasonable assurance engagement

SOCIAL INFORMATION

- Total workforce
- Percentage of brands managed by women (%)
- Number of entities that have been awarded the European labels "Gender Equality European & International Standard"

ENVIRONMENTAL, HEALTH AND SAFETY INFORMATION OF INDUSTRIAL SITES

- Units of finished goods produced (millions)
- Quantity of bulk produced (tons)
- **Direct and indirect CO_2 emissions using the "market-based" and "location-based" methods (tons)**
- **Percentage of carbon neutral sites (%)**
- **Total energy consumption (kWh) and by finished good (kWh/1000FG), repartition by source of energy (electricity, fossil gas, fuel, steam, other energies) (kWh)**
- **Percentage of renewable energy consumption (%), renewable electricity consumption (kWh)**
- Electricity autoconsumption rate
- Refrigerant gas leakages
- **Total net water withdrawal (excluding recycled and rainwater used for gardening) (m^3) and by finished good (m^3/FG),** repartition by usage, repartition by source
- **Quantitative water footprint (m^3 eq)**
- **Total water withdrawal (m^3)**
- **Number of waterloop factories**
- Volume of water recycled and used on site or coming from another L'Oréal's site or from a site other than L'Oréal (m^3)
- Volume of wastewater concerned by the analysis before off-site treatment, before on-site treatment, after on-site treatment (m^3), **number of sites compliant with 1000 mg/l max. of COD**, weight of COD before off-site treatment and after on-site treatment (tons), **specific pollution rate released at the exit of the site (g COD/FG produced), sludge in (tons)**
- **Transportable waste linked to activity by nature (excluding returnable packaging in rotation, with returnable packaging accounted at source) (tons), returnable packaging in rotation (tons), total waste (excluding sludge) (tons), hazardous and non-hazardous waste (tons),** treatment of transportable waste linked to activity (tons), conformity with 10 kg max. of sludge out per ton of bulk produced, **waste to landfill, of which for local regulatory constraints (tons), , recovery and material recovery rates (%)**
- **Number of sites that have completed a biodiversity inventory, percentage of sites that do not use phytosanitary products in their green spaces (%)**
- **Conventional frequency rates, enlarged frequency rates, and severity rates for work accidents**

SOCIETAL INFORMATION

- **Number of social audits carried out during the year and breakdown of non-compliance by subject audited**
- **Share of plastics in packaging of recycled or biosourced origin**
- **Ratio gramme of packaging per gramme of formula - intensity**

CHAPTER 5

2022 Consolidated Financial Statements *

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

L'Oréal S.A. is a French company, with its registered office in France. It performs a sales activity that is specific to France.

At the same time, L'Oréal S.A. acts as a holding company and provides strategic coordination on the one hand and scientific, industrial and marketing coordination for the L'Oréal Group throughout the world on the other.

The subsidiaries operate the Group's business activities in the countries or regions in which they are located, on the domestic or the export markets. To do so, they define the development strategy specific to their market(s), 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(s).

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	2022	2021	2020
Net sales	**3.1**	**38,260.6**	**32,287.6**	**27,992.1**
Cost of sales		-10,577.4	-8,433.3	-7,532.3
Gross profit		**27,683.3**	**23,854.3**	**20,459.8**
Research & Innovation expenses		-1,138.6	-1,028.7	-964.4
Advertising and promotion expenses		-12,059.0	-10,591.0	-8,647.9
Selling, general and administrative expenses		-7,028.8	-6,074.2	-5,638.5
Operating profit	**3.1**	**7,456.9**	**6,160.3**	**5,209.0**
Other income and expenses	4	-241.5	-432.0	-709.0
Operational profit		**7,215.4**	**5,728.3**	**4,500.0**
Finance costs on gross debt		-70.4	-38.0	-79.2
Finance income on cash and cash equivalents		69.8	18.5	19.8
Finance costs, net		**-0.6**	**-19.4**	**-59.4**
Other financial income and expenses	9.4	-72.3	-40.2	-36.5
Sanofi dividends		468.2	378.3	372.4
Profit before tax and associates		**7,610.6**	**6,046.9**	**4,776.5**
Income tax	6	-1,899.4	-1,445.4	-1,209.8
Share of profit in associates		1.4	0.6	0.9
Net profit		**5,712.6**	**4,602.2**	**3,567.6**
Attributable to:				
• owners of the company		5,706.6	4,597.1	3,563.4
• non-controlling interests		6.0	5.1	4.2
Earnings per share attributable to owners of the company *(euros)*		10.65	8.24	6.37
Diluted earnings per share attributable to owners of the company *(euros)*		10.61	8.21	6.34
Earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.4	11.30	8.86	7.33
Diluted earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.4	11.26	8.82	7.30

5.2. Consolidated Statement of Comprehensive Income

€ millions	Notes	2022	2021	2020
Consolidated net profit for the period		**5,712.6**	**4,602.2**	**3,567.6**
Cash flow hedges		288.5	-203.7	129.1
Cumulative translation adjustments		195.1	610.5	-790.2
Income tax on items that may be reclassified to profit or loss(1)		-58.0	41.5	-23.3
Items that may be reclassified to profit or loss		**425.6**	**448.3**	**-684.4**
Financial assets at fair value through other comprehensive income	9.3	152.1	1,192.2	-1,269.1
Actuarial gains and losses	11.3	395.6	585.5	-225.6
Income tax on items that may not be reclassified to profit or loss(1)		-111.5	-181.7	97.8
Items that may not be reclassified to profit or loss		**436.2**	**1,596.0**	**-1,396.9**
Other comprehensive income		**861.8**	**2,044.3**	**-2,081.3**
Consolidated comprehensive income		**6,574.4**	**6,646.5**	**1,486.3**
Attributable to:				
● owners of the company		6,567.6	6,641.4	1,482.1
● non-controlling interests		6.8	5.1	4.2

(1) The tax effect is as follows:

€ millions	2022	2021	2020
Cash flow hedges	-58.0	41.5	-23.3
Items that may be reclassified to profit or loss	**-58.0**	**41.5**	**-23.3**
Financial assets at fair value through other comprehensive income	-6.1	-37.3	40.4
Actuarial gains and losses	-105.5	-144.4	57.4
Items that may not be reclassified to profit or loss	**-111.5**	**-181.7**	**97.8**
TOTAL	**-169.5**	**-140.2**	**74.5**

5.3. Compared Consolidated Balance Sheets

Assets

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Non-current assets		**32,794.5**	**30,937.6**	**29,046.8**
Goodwill	7.1	11,717.7	11,074.5	10,514.2
Other intangible assets	7.2	3,640.1	3,462.8	3,356.3
Right-of-use assets	3.2	1,482.7	1,507.6	1,525.3
Property, plant and equipment	3.2	3,481.7	3,266.2	3,225.2
Non-current financial assets	9.3	11,652.8	10,920.2	9,604.8
Investments accounted for under the equity method	8	18.4	9.9	11.1
Deferred tax assets	6.3	801.1	696.5	809.9
Current assets		**14,049.6**	**12,075.8**	**14,560.1**
Inventories	3.3	4,079.4	3,166.9	2,675.8
Trade accounts receivable	3.3	4,755.5	4,021.0	3,511.3
Other current assets	3.3	2,423.2	2,037.9	1,732.7
Current tax assets		173.9	136.2	234.4
Cash and cash equivalents	9.2	2,617.7	2,713.8	6,405.9
TOTAL		**46,844.2**	**43,013.4**	**43,606.9**

Equity & liabilities

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Equity	**11**	**27,186.5**	**23,592.6**	**28,998.8**
Share capital		107.0	111.5	112.0
Additional paid-in capital		3,368.7	3,265.6	3,259.8
Other reserves		11,675.6	19,092.2	18,642.5
Other comprehensive income		6,404.4	5,738.6	4,304.5
Cumulative translation adjustments		-83.8	-279.1	-889.2
Treasury shares		—	-8,940.2	—
Net profit attributable to owners of the company		5,706.6	4,597.1	3,563.4
Equity attributable to owners of the company		**27,178.5**	**23,585.7**	**28,993.0**
Non-controlling interests		8.0	6.9	5.8
Non-current liabilities		**5,937.9**	**2,837.6**	**3,478.0**
Provisions for employee retirement obligations and related benefits	5.4	457.9	360.6	1,013.5
Provisions for liabilities and charges	12.1	67.7	63.8	56.8
Non-current tax liabilities	6	275.6	344.8	397.9
Deferred tax liabilities	6.3	905.6	810.3	706.6
Non-current borrowings and debt	9.1	3,017.6	10.7	8.5
Non-current lease debt	9.1	1,213.5	1,247.5	1,294.7
Current liabilities		**13,719.6**	**16,583.2**	**11,130.1**
Trade accounts payable		6,345.6	6,068.1	4,764.5
Provisions for liabilities and charges	12.1	1,205.6	1,223.3	1,224.7
Other current liabilities	3.4	4,484.6	3,980.8	3,682.5
Income tax		264.2	268.9	215.1
Current borrowings and debt	9.1	1,012.8	4,619.4	856.4
Current lease debt	9.1	407.0	422.8	386.9
TOTAL		**46,844.2**	**43,013.4**	**43,606.9**

5.4. Consolidated Statements of Changes in Equity

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit[1]	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total 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 other comprehensive income					-1,228.8			-1,228.8		-1,228.8
Actuarial gains and losses					-168.1			-168.1		-168.1
Other comprehensive income that may not be reclassified to profit and loss					**-1,396.9**			**-1,396.9**	**—**	**-1,396.9**
Consolidated comprehensive income				**3,563.4**	**-1,291.3**		**-789.9**	**1,482.1**	**4.2**	**1,486.3**
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares								—		—
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares								—		—
Changes in the scope of consolidation								—		—
Other movements				4.8				4.8	-0.1	4.7
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**		**-889.1**	**28,993.0**	**5.8**	**28,998.8**
Consolidated net profit for the period				4,597.1				4,597.1	5.1	4,602.2
Cash flow hedges					-161.9			-161.9	-0.3	-162.2
Cumulative translation adjustments							582.4	582.4	0.3	582.7
Hyperinflation							27.8	27.8		27.8
Other comprehensive income that may be reclassified to profit and loss					**-161.9**		**610.2**	**448.3**	**—**	**448.3**
Financial assets at fair value through other comprehensive income					1,154.9			1,154.9		1,154.9
Actuarial gains and losses					441.1			441.1		441.1
Other comprehensive income that may not be reclassified to profit and loss					**1,596.0**			**1,596.0**	**—**	**1,596.0**
Consolidated comprehensive income				**4,597.1**	**1,434.1**		**610.2**	**6,641.4**	**5.1**	**6,646.5**
Capital increase	800,780		5.8					5.8		5.8
Cancellation of Treasury shares		-0.5		-1,104.3		1,104.8		—		—
Dividends paid (not paid on Treasury shares)				-2,264.4				-2,264.4	-4.7	-2,269.1
Share-based payment				155.2				155.2		155.2
Net changes in Treasury shares	-25,260,000					-10,045.0		-10,045.0		-10,045.0
Changes in the scope of consolidation								—		—
Other movements[1]				99.8				99.8	0.6	100.4
At 31.12.2021	**535,412,360**	**111.5**	**3,265.6**	**23,689.3**	**5,738.6**	**-8,940.2**	**-279.1**	**23,585.7**	**6.9**	**23,592.6**

(1) *Of which €102.2 million pertaining to the IFRIC 2021 interpretation on IAS 19 "Employee Benefits" on Attributing Benefit to Periods of Service.*

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2021	**535,412,360**	**111.5**	**3,265.6**	**23,689.3**	**5,738.6**	**-8,940.2**	**-279.1**	**23,585.7**	**6.9**	**23,592.6**
Impact of the application of the IFRIC decision on SaaS contracts				-151.2				-151.2	—	-151.2
At 01.01.2022[2]	**535,412,360**	**111.5**	**3,265.6**	**23,538.1**	**5,738.6**	**-8,940.2**	**-279.1**	**23,434.5**	**6.9**	**23,441.4**
Consolidated net profit for the period				5,706.6				5,706.6	6.0	5,712.6
Cash flow hedges					229.7			229.7	0.8	230.5
Cumulative translation adjustments							127.5	127.5	-0.2	127.3
Hyperinflation							67.8	67.8	—	67.8
Other comprehensive income that may be reclassified to profit and loss					**229.7**		**195.3**	**425.0**	**0.6**	**425.6**
Financial assets at fair value through other comprehensive income					146.1			146.1		146.1
Actuarial gains and losses					290.0			290.0	0.1	290.1
Other comprehensive income that may not be reclassified to profit and loss					**436.1**			**436.1**	**0.1**	**436.2**
Consolidated comprehensive income				**5,706.6**	**665.8**		**195.3**	**6,567.6**	**6.8**	**6,574.4**
Capital increase	1,317,073	0.3	103.1	-0.2				103.2		103.2
Cancellation of Treasury shares		-4.8		-9,437.7		9,442.5		—		—
Dividends paid (not paid on Treasury shares)				-2,601.2				-2,601.2	-4.4	-2,605.6
Share-based payment				169.0				169.0		169.0
Net changes in Treasury shares	-1,542,871					-502.3		-502.3		-502.3
Changes in the scope of consolidation								—		—
Other movements				7.7				7.7	-1.2	6.5
AT 31.12.2022	**535,186,562**	**107.0**	**3,368.7**	**17,382.2**	**6,404.4**	**—**	**-83.8**	**27,178.5**	**8.0**	**27,186.5**

(2) After taking account of the IFRIC final decision in April 2021 on set-up and customization costs for SaaS-type contracts software (note 1).

5.5. Compared Consolidated Statements of Cash Flows

€ millions	Notes	2022	2021	2020
Cash flows from operating activities				
Net profit attributable to owners of the company		5,706.6	4,597.1	3,563.4
Non-controlling interests		6.0	5.1	4.2
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities		1,536.1	1,781.0	2,028.1
• changes in deferred taxes	6.1	-96.5	83.6	-10.1
• share-based payment (including free shares)	5.5	169.0	155.2	129.7
• capital gains and losses on disposals of assets		7.6	0.5	3.6
Other non-cash transactions		-38.7	16.5	5.8
Share of profit in associates net of dividends received		-0.5	1.3	-0.6
Gross cash flow		**7,289.6**	**6,640.4**	**5,724.1**
Changes in working capital	3.5	-1,011.3	88.0	729.2
Net cash provided by operating activities (A)		**6,278.3**	**6,728.4**	**6,453.3**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-1,343.2	-1,075.2	-972.4
Disposals of property, plant and equipment and intangible assets		9.2	14.5	26.6
Changes in other financial assets (including investments in non-consolidated companies)		-142.8	-117.3	-66.5
Effect of changes in the scope of consolidation	2.2	-746.9	-455.7	-1,626.8
Net cash from investing activities (B)		**-2,223.8**	**-1,633.7**	**-2,639.1**
Cash flows from financing activities				
Dividends paid		-2,689.9	-2,352.1	-2,190.6
Capital increase of the parent company		103.2	5.8	129.7
Disposal (acquisition) of Treasury shares		-502.3	-10,060.9	—
Purchase of non-controlling interests		—	—	—
Issuance (repayment) of short-term loans		-3,563.8	3,939.4	-74.8
Issuance of long-term borrowings		3,019.9	—	—
Repayment of long-term borrowings		—	—	-3.6
Repayment of lease debt		-446.9	-396.4	-451.8
Net cash from financing activities (C)		**-4,079.9**	**-8,864.2**	**-2,591.1**
Net effect of changes in exchange rates and fair value (D)		-70.7	77.4	-103.2
Change in cash and cash equivalents (A+B+C+D)		**-96.1**	**-3,692.1**	**1,119.9**
Cash and cash equivalents at beginning of the year (E)		**2,713.8**	**6,405.9**	**5,286.0**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**9.2**	**2,617.7**	**2,713.8**	**6,405.9**

Income tax paid totalled €2,098.7 million, €1,258.3 million and €1,316.3 million for 2022, 2021 and 2020, respectively.

Interest paid (excluding interest on lease debts) amounted to €28.4 million, €1.7 million and €32.4 million for 2022, 2021 and 2020, respectively.

Dividends received totalled €471.8 million, €379.8 million and €372.5 million in 2022, 2021 and 2020, respectively. These are included within the gross cash flow.

Cash outflow relating to leases amounted to €570.3 million (of which €38.1 million related to paid interests on lease debts) €513.1 million (of which €37.0 million related to paid interests on lease debts) and €574.1 million (of which €44.7 million related to paid interests on lease debts) for 2022, 2021 and 2020 including leases that do not fall under the scope of IFRS 16.

5.6. Notes to the Consolidated Financial Statements

NOTE CONTENTS

NOTE 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2022, have been prepared in accordance with *International Financial Reporting Standards* (IFRS), as adopted in the European Union as of 31 December 2022.

On 9 February 2023, the Board of Directors closed the consolidated financial statements at 31 December 2022. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 21 April 2023.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2022.

Publication in April 2021 by the IFRIC of a decision related to IAS 38 "Intangible Assets" on Configuration or Customisation Costs in a Cloud Computing Arrangement within the frame of a "Software as a service" contract (SaaS). The application of this decision did not have any significant impact on the accounts of the Group.

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 2022

Acquisitions

On 23 September 2022, L'Oréal signed an agreement to acquire Skinbetter Science, a physician-dispensed American skincare brand backed by cutting-edge, dermatological science, combining patented efficacious ingredients with luxurious sensorial textures.

Skinbetter Science was co-founded in 2016 by pharmaceutical industry professionals, Jonah Shacknai, Justin Smith and Seth Rodner, and has since become one of the fastest growing medical-dispensed skincare brands in the United States. Skinbetter Science is known for formulating innovative products with active ingredients for anti-aging, moisturizing, cleansing, exfoliating, skin peeling and sun protection. The brand is strongly supported by deep knowledge of skin and chemistry with clinical trials led by board-certified dermatologists.

Skinbetter Science's products are mainly available through a network of leading dermatology, plastic surgery and medical aesthetics practices throughout the United States, powered by a national medical sales team.

Headquartered in Arizona, the brand's leadership team will continue to run the business following the acquisition and will be integrated under the leadership of the President of the Active Cosmetics Division within L'Oréal USA.

This acquisition was completed on 14 October 2022 and has been fully consolidated since that date.

The cost of this new acquisition represented €858.4 million. The total amount of goodwill and other intangible assets resulting from their acquisitions provisionally amounted to €818.3 million.

In 2022, the acquisition of Skinbetter Science represented €105.9 million in full-year net sales and €18.7 million in full-year operating profit.

2.1.2. Year 2021

Acquisitions

On 1 February 2021, L'Oréal finalised the acquisition of Takami Co. This company develops and markets under licence products from the Takami skincare brand; owned by Dr. Hiroshi Takami, the founder of the two eponymous dermatology clinics in Tokyo. Mainly available in Japan and in some Asian countries, notably in China.

At the same time, L'Oréal also renewed the brand licensing agreement with Dr. Takami for a very long period and signed a collaboration agreement with the Takami clinics. *Takami* will be integrated into the L'Oréal Luxe Division.

In 2021, the acquisition of Takami represented €54.4 million in full-year net sales and -€7.7 million in full-year operating profit.

On 8 December 2021, L'Oréal signed an agreement to acquire *Youth to the People*, a skincare company based in California inspired by superfood.

Youth to the People develops and markets high-performance skincare products known for innovative formulas that combine premium vegan blends of superfood extracts and science.

Available in the US, Canada, Australia and in select European countries where it enjoys a very strong appeal, the brand is marketed through an omnichannel distribution – mix of D2C e-commerce and selective distribution.

The brand will be integrated into the L'Oréal Luxe Division. In 2021, Youth to the People is expected to record over $50 million of sales. This acquisition was completed on 29 December 2021 and has been fully consolidated since that date.

The cost of these new acquisitions represented €524.3 million. The total amount of goodwill and other intangible assets resulting from their acquisitions amounted to €507.7 million (of which €336.7 million of intangible assets related to Youth to the People).

Sale

On 31 March 2021, L'Oréal finalised the sale of the Cosmeurop production site, located in Strasbourg, France to the Superga group.

2.1.3. Year 2020

Acquisition

On 31 March 2020, L'Oréal finalised the acquisition of the Mugler and Azzaro brands and perfumes belonging to the Clarins group for a cash amount of €1.3 billion, net of cash acquired.

This acquisition has been fully consolidated since that date.

On 18 June 2020, L'Oréal announced the acquisition of US skincare brand Thayers Natural Remedies. The brand will be integrated into L'Oréal's Consumer Products Division.

The distribution strategy, initially focused on a network of natural products stores, has evolved into a multi-channel approach that today includes mass-market retailers, specialised retailers, drug stores and online distribution. In 2019, Thayers generated sales of US$44 million. The acquisition was completed on 31 July 2020 and has been fully consolidated since that date.

The cost of these acquisitions represented €1.7 billion. The total amount of goodwill and other intangible assets resulting from these acquisitions amounted at their acquisition dates to €1,464 million for Azzaro and Mugler and €304.3 million for Thayers.

In 2020, these acquisitions represented €275.7 million in full-year net sales and €34.9 million in full-year operating profit.

Sale

On 4 February 2020, after some strategic thinking to ensure the best possible development for the Roger & Gallet brand, L'Oréal announced it had entered into exclusive negotiations with the French investment holding company Impala to sell this brand.

Founded in Paris in 1862, Roger & Gallet emerged from the world of Apothecary Perfumery inspired by the French *art de vivre*. Part of L'Oréal since 2008 following the acquisition of *Yves Saint Laurent Beauté, Roger & Gallet* offers a rich catalogue of fragrances in a range of perfumes, toiletries and skincare. In 2018, the brand generated sales of €52 million.

On 29 June 2020, L'Oréal and French investment holding company Impala announced that they had finalised the sale of the Roger & Gallet brand.

2.2. Impact of changes in the scope of consolidation in the cash flow statement

For 2022, these changes related to Skinbetter Science acquisition.

For 2021, these changes mainly related to the Takami and Youth to the People acquisitions.

For 2020, these changes mainly related to the Azzaro-Mugler and Thayers Natural Remedies acquisitions.

2.3. Transaction on share capital

On 7 December 2021, the L'Oréal Board of Directors approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. The total price paid to Nestlé was €8.904 billion.

All shares redeemed by L'Oréal have been bought back for the express purpose of cancelling them. The transaction had a marginally accretive impact on the diluted net earnings per share in 2021, given that the shares were repurchased at the end of 2021, but will have a full-year accretive impact of at least 4% for the 2022 financial year.

This transaction led the Group to take out a bridging loan of €1.9 billion and issue commercial paper for €2.3 billion, with the balance financed by the cash available at 31 December 2021. These loans have been fully repaid in 2022.

2.4. Other information

Russia-Ukraine conflict

This conflict has no material impact on the Group.

The Group decided to temporarily close all its own stores and directly operated counters in department stores in Russia as well as suspend all its business and advertising investments in the country.

The Group also decided to temporarily shut down the e-commerce sites of its brands in Russia.

Pursuant to the sanctions introduced by the European Union and the United States, the Group also suspended the sale of all its products except essential everyday items.

Sustainability-linked Bond issue

The Group issued a €3 billion bond in three tranches, one of which was in the amount of €1.25 billion and included environmental (ESG) criteria linked to the Group's CSR performance (note 9.1).

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 or consumers are recognised as a deduction from sales: the service cannot be separated from the product sales transaction or 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 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.

Leases

All leases are recognised using a single model consisting of recording lease liabilities as liabilities (amount of discounted future payments) and rights of use as assets.

The lease term corresponds to the non-cancellable term of each contract and includes any renewal options that the Group is reasonably certain to exercise, particularly if the estimated useful life of the fittings in which the Group invested initially or during the lifetime of the contract exceeds the initial contractual life. In the case of termination options subject to a short notice period, these options have not been taken into account in the assessment of the lease terms.

The right of use is amortised over the expected lease term. French lease rights are not amortised.

The discount rate used to value the lease liability corresponds to the annual rate for each contract calculated using zero-coupon rates obtained by currency and by maturity tranche, increased by the Group's credit spread.

Deferred taxes are recorded during the initial recognition.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost method.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

The current trade accounts receivable impairment methodology at L'Oréal reflects the level of expected losses on the customer portfolio, calculated on the basis of past statistics from the outset of the receivable. Moreover, this risk is contained thanks to the credit insurance policy applied by the Group.

Except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

3.1. Segment information

3.1.1. Information by business segment

The Group's business activities are organised into four Divisions. In its markets, each Operational Division develops and enhances a range of its own brand of consumer products:

- the Professional Products Division provides expertise to beauty professionals.

  For over 100 years, this Division has acquired extensive knowledge of, and provided tailored support solutions for, the hairdressing sector. It has built up a unique brand portfolio which currently includes L'Oréal Professionnel, Kérastase, Redken, Matrix and PureOlogy;
- the Consumer Products Division's goal is to democratise access to the best that the world of beauty has to offer.

  The Division is underpinned by four major global brands (L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup), and by the deployment of its specialised and regional brands (Stylenanda, Essie, Mixa, etc.);
- L'Oréal Luxe creates exceptional experiences and products, for the most demanding consumers in selective distribution.

  The Division has built a unique portfolio of prestigious brands including iconic mainstream, aspirational, alternative and specialist brands (Lancôme, Kiehl's, Giorgio Armani Beauty, Yves Saint Laurent Beauté, Biotherm, Helena Rubinstein, Shu Uemura, IT Cosmetics, Urban Decay, Ralph Lauren, Mugler, Viktor&Rolf, Valentino, Azzaro, etc.);
- the Active Cosmetics Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

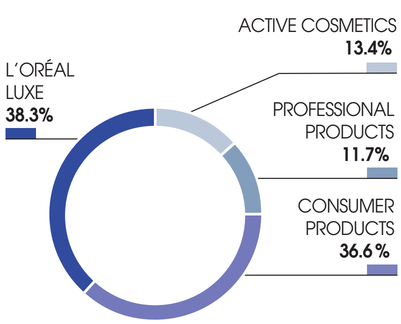
  Its portfolio of highly complementary brands (La Roche-Posay, Vichy, CeraVe, SkinCeuticals, etc.) is designed to keep pace with major skincare trends and recommendations of healthcare professionals.

The "non-allocated" item includes expenses incurred by the Functional Divisions, fundamental research and the cost of free shares not allocated to the Divisions. It also includes non-core businesses, such as reinsurance.

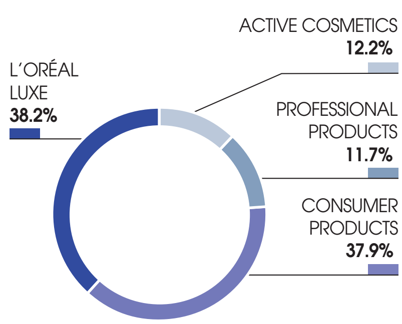
The performance of each Division is measured on the basis of operating profit.

Weight of net sales by division over the three periods

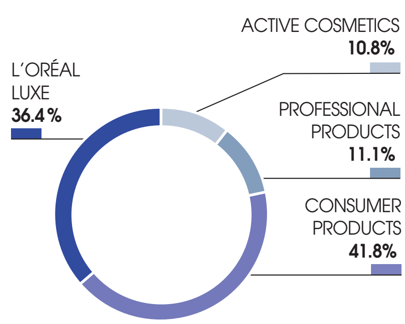
2022 SALES: €38,261 M



2021 SALES: €32,288 M



2020 SALES: €27,992 M



€ millions 2022	Sales	Operating profit	Operational Assets[1]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	4,476.8	953.6	3,512.0	110.1	161.9
Consumer Products	14,021.3	2,774.9	10,969.3	449.1	687.8
L'Oréal Luxe	14,638.1	3,350.4	9,925.2	359.6	518.4
Active Cosmetics	5,124.5	1,303.0	4,049.3	72.2	122.3
TOTAL OF DIVISIONS	**38,260.6**	**8,381.9**	**28,455.8**	**990.9**	**1,490.4**
Non-allocated		-925.1	1,234.8	351.0	210.9
GROUP	**38,260.6**	**7,456.9**	**29,690.5**	**1,341.9**	**1,701.3**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, right-of-use assets, trade accounts receivable and inventories.

€ millions 2021	Sales	Operating profit	Operational Assets[1]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,783.9	806.9	3,251.6	80.3	175.1
Consumer Products	12,233.5	2,466.0	10,186.6	370.7	709.1
L'Oréal Luxe	12,346.2	2,816.3	9,532.4	293.3	473.6
Active Cosmetics	3,924.0	990.5	2,957.4	80.1	117.5
TOTAL OF DIVISIONS	**32,287.6**	**7,079.7**	**25,927.9**	**824.4**	**1,475.3**
Non-allocated		-919.4	1,047.7	259.6	215.6
GROUP	**32,287.6**	**6,160.3**	**26,975.7**	**1,084.0**	**1,690.9**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, right-of-use assets, trade accounts receivable and inventories.

€ millions 2020	Sales	Operating profit	Operational Assets[1]	Investments in property, plant and 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.

Operational assets can be reconciled to the 2022, 2021 and 2020 balance sheets as follows:

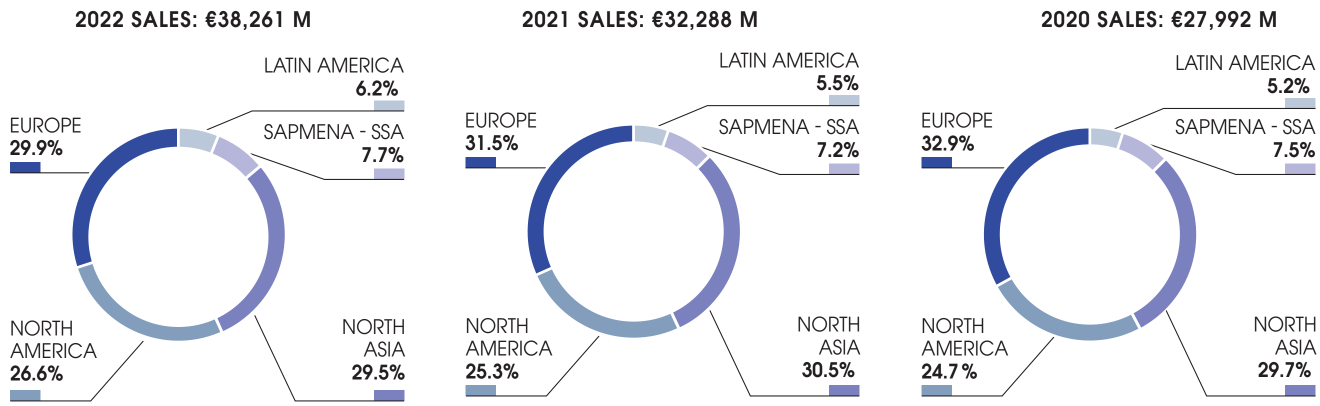
€ millions	2022	2021	2020
Operational assets	**29,690.5**	**26,975.7**	**25,190.3**
Non-current financial assets	11,652.8	10,920.2	9,604.8
Investments accounted for under the equity method	18.4	9.9	11.1
Deferred tax assets	801.1	696.5	809.9
Other current assets	2,063.7	1,697.4	1,584.9
Cash and cash equivalents	2,617.7	2,713.8	6,405.9
Non-allocated assets	**17,153.7**	**16,037.7**	**18,416.6**
TOTAL ASSETS	**46,844.2**	**43,013.4**	**43,606.9**

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

Weight of net sales by geographic zone over the three periods



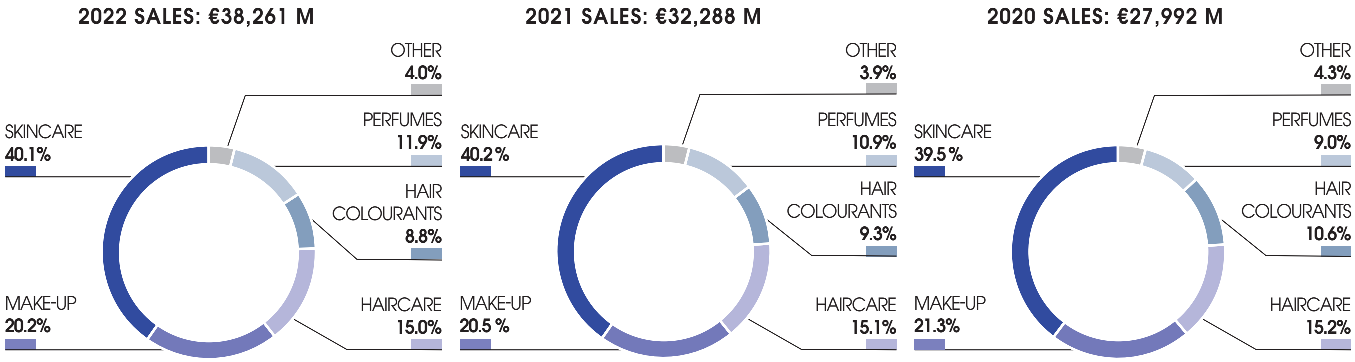
		Growth *(%)*			
€ millions	2022	Published data	Excluding exchange effect	2021	2020
Europe	11,436.7	12.3%	11.1%	10,184.8	9,199.3
North America	10,164.0	24.6%	11.2%	8,155.9	6,903.4
North Asia	11,321.4	14.8%	6.5%	9,863.3	8,318.1
SAPMENA – SSA	2,962.4	28.1%	21.9%	2,312.0	2,101.9
Latin America	2,376.2	34.1%	26.8%	1,771.5	1,469.3
GROUP	**38,260.6**	**18.5%**	**11.3%**	**32,287.6**	**27,992.1**

3.1.2.2. Breakdown of operational assets and consolidated investments by geographic zone

	2022		2021		2020	
€ millions	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
Europe	12,531.6	423.0	11,837.5	375.8	11,504.0	358.5
North America	8,944.7	279.5	7,636.3	208.5	6,991.0	193.7
North Asia	4,132.2	187.6	4,030.1	153.9	3,424.4	116.7
SAPMENA – SSA	1,306.1	51.5	1,170.7	52.7	1,059.6	48.8
Latin America	1,541.2	49.2	1,253.4	33.6	1,168.7	40.0
Non-allocated	1,234.9	351.0	1,047.7	259.6	1,042.6	167.4
GROUP	**29,690.5**	**1,341.9**	**26,975.7**	**1,084.0**	**25,190.3**	**925.2**

3.1.3. Sales by business segment

Weight of net sales by business segment over the three periods



		Growth *(%)*			
€ millions	2022	Published data	Excluding exchange effect	2021	2020
Skincare	15,344.3	18.2%	10.6%	12,982.3	11,051.7
Make-up	7,738.8	16.8%	9.0%	6,626.8	5,969.3
Haircare	5,750.2	17.8%	11.9%	4,880.1	4,254.3
Hair colourants	3,361.6	11.5%	4.5%	3,016.1	2,971.6
Perfumes	4,546.2	29.5%	22.8%	3,511.8	2,528.7
Other	1,519.5	19.6%	13.4%	1,270.6	1,216.5
GROUP	**38,260.6**	**18.5%**	**11.3%**	**32,287.6**	**27,992.1**

3.2. Depreciation and amortisation expense 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 €1,474.2 million, including €428.0 million for right-of-use (IFRS 16), €1,459.1 million, including €405.6 million for right-of-use (IFRS 16) and €1,616.9 million, including €466.6 million for right-of-use (IFRS 16) respectively, for 2022, 2021 and 2020.

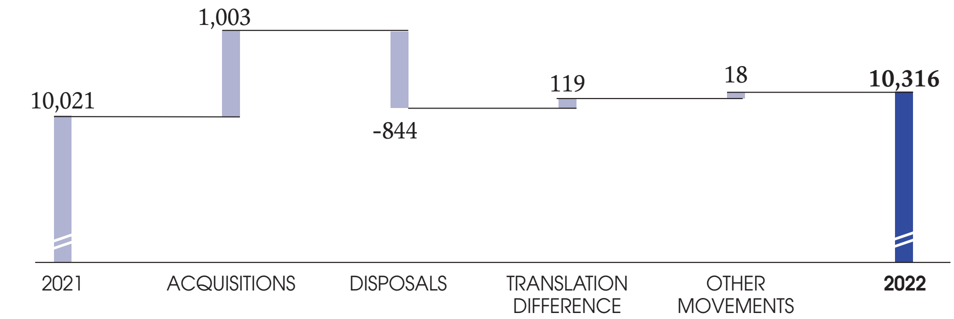
3.2.2. Property, plant and equipment

€ millions 2022	31.12.2021	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements[1]	31.12.2022
Land and buildings	2,383.3	73.3	-20.5	10.2	42.8	2,489.1
Machinery and equipment	3,733.7	145.9	-95.2	43.8	86.7	3,914.9
Point-of-sales advertising: stands and displays	1,927.1	265.2	-625.8	36.2	27.8	1,630.5
Other property, plant and equipment and fixed asset in progress	1,976.9	518.4	-102.8	28.7	-139.5	2,281.6
Gross value	**10,020.9**	**1,002.7**	**-844.2**	**119.0**	**17.8**	**10,316.2**
Land and buildings	1,292.0	81.1	-20.3	6.9	-7.0	1,352.7
Machinery and equipment	2,783.2	271.8	-95.0	29.7	-17.8	2,972.0
Point-of-sales advertising: stands and displays	1,547.2	295.4	-628.0	29.9	2.0	1,246.5
Other property, plant and equipment	1,132.4	177.9	-99.2	19.0	33.2	1,263.2
Depreciation and provisions	**6,754.7**	**826.3**	**-842.5**	**85.5**	**10.4**	**6,834.5**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,266.2**	**176.4**	**-1.7**	**33.5**	**7.4**	**3,481.7**

(1) *These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.*

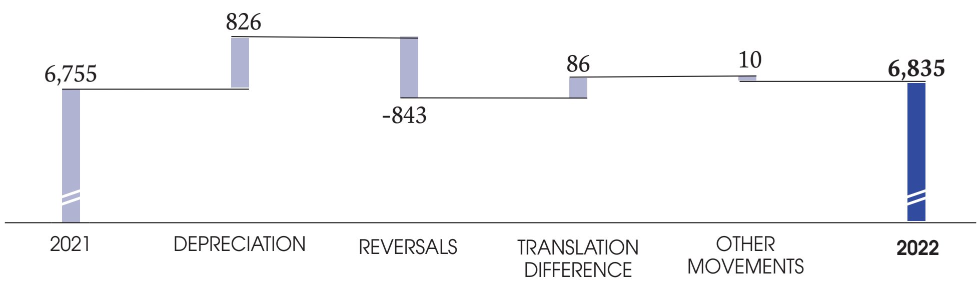
Change in gross fixed assets

(€ millions)



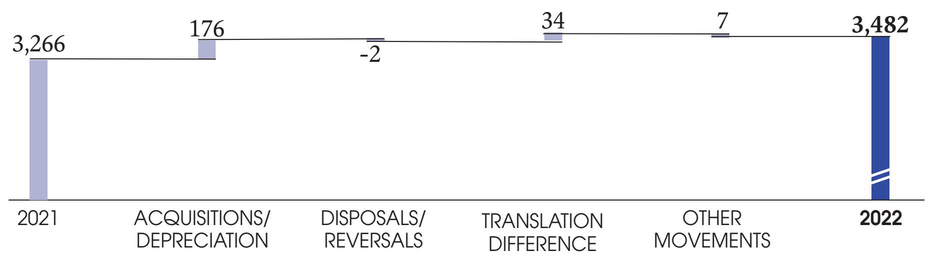
Change in depreciation, amortisation and provisions

(€ millions)



Net property, plant and equipment

(€ millions)



€ millions 2021	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements[1]	31.12.2021
Land and buildings	2,334.7	42.2	-75.3	52.8	29.0	2,383.3
Machinery and equipment	3,639.7	133.8	-204.8	101.5	63.5	3,733.7
Point-of-sales advertising: stands and displays	2,096.4	203.8	-506.0	90.1	42.8	1,927.1
Other property, plant and equipment and fixed assets in progress	1,846.8	366.4	-142.2	77.0	-171.0	1,976.9
Gross value	**9,917.6**	**746.2**	**-928.3**	**321.4**	**-35.7**	**10,020.9**
Land and buildings	1,251.2	89.9	-69.0	28.0	-8.1	1,292.0
Machinery and equipment	2,700.6	237.4	-203.3	75.0	-26.5	2,783.2
Point-of-sales advertising: stands and displays	1,664.9	317.9	-505.5	69.7	0.2	1,547.2
Other property, plant and equipment	1,075.7	144.2	-140.1	47.1	5.5	1,132.4
Depreciation and provisions	**6,692.4**	**789.4**	**-917.9**	**219.8**	**-28.9**	**6,754.7**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,225.2**	**-43.2**	**-10.4**	**101.6**	**-6.8**	**3,266.2**

(1) These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.

€ 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 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.

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	31.12.2022 Net	Depreciation and impairment losses[1] 2022	31.12.2021 Net	31.12.2020 Net
Buildings	1,116.4	282.5	1,124.6	1,101.2
Stores	273.5	125.7	294.1	327.8
Others	92.9	16.7	88.8	96.3
RIGHT-OF-USE ASSETS	**1,482.7**	**424.9**	**1,507.6**	**1,525.3**

(1) Of which €428.0 million in depreciation for the period.

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Lease debt due in more than 5 years	360.5	313.8	299.9
Lease debt due in between 1 and 5 years	853.0	933.7	994.8
Lease debt due in less than 1 year	407.0	422.8	386.9
LEASE DEBT	**1,620.5**	**1,670.3**	**1,681.6**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2022	31.12.2021	31.12.2020
Finished products and consumables	3,375.5	2,770.3	2,492.2
Raw materials, packaging and semi-finished products	1,178.1	838.6	643.4
Gross value	**4,553.6**	**3,608.9**	**3,135.6**
Valuation allowance	474.2	442.1	459.8
INVENTORIES – NET	**4,079.4**	**3,166.9**	**2,675.8**

3.3.2. Trade accounts receivable

€ millions	31.12.2022	31.12.2021	31.12.2020
Gross value	4,792.3	4,069.7	3,565.4
Valuation allowance	36.8	48.7	54.1
NET VALUE	**4,755.5**	**4,021.0**	**3,511.3**

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 2022.

3.3.3. Other current assets

€ millions	31.12.2022	31.12.2021	31.12.2020
Tax and employee-related receivables (excluding income tax)	831.6	707.9	639.0
Prepaid expenses	617.3	503.6	452.2
Derivatives	260.9	67.6	183.0
Current financial assets	23.1	4.8	6.7
Other current assets[(1)]	690.2	753.9	451.8
TOTAL	**2,423.2**	**2,037.9**	**1,732.7**

(1) These mainly include year-end rebates for €178.8 million and advances and down-payments on purchase orders for €201.1 million.

3.4. Other current liabilities

€ millions	31.12.2022	31.12.2021	31.12.2020
Tax and employee-related payables (excluding income tax)	1,853.2	1,628.3	1,533.8
Credit balances on trade receivables	1,651.2	1,326.4	1,244.5
Fixed assets payables	418.0	386.6	385.1
Derivatives	170.6	240.4	94.9
Other current liabilities[(1)]	391.5	399.1	424.3
TOTAL	**4,484.6**	**3,980.8**	**3,682.5**

(1) These mainly include prepaid income for €135.4 and other payables for €178.1 million.

3.5. Changes in working capital

This caption is broken down as follows:

€ millions	2022	2021	2020
Inventories	-865.4	-373.3	101.9
Trade accounts receivable	-717.6	-407.1	315.3
Trade accounts payable	247.9	1,086.8	345.3
Other receivables and payables	323.8	-218.5	-33.3
TOTAL	**-1,011.3**	**88.0**	**729.2**

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	2022	2021	2020
Capital gains and losses on disposals of property, plant and equipment and intangible assets(1)	-7.4	-0.4	-3.5
Impairment of property, plant and equipment and intangible assets(2)	-39.0	-337.5	-89.8
Restructuring costs(3)	-172.6	-149.6	-382.1
Other(4)	-22.5	55.5	-233.5
TOTAL	**-241.5**	**-432.0**	**-709.0**

(1) Including:
- in 2022, mainly the capital loss (-€8.8 million) on the assets disposal of Dermablend in the United States;
- in 2020, mainly the capital loss (-€2.7 million) on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019).

(2) Including:
- in 2022, the impairment of the brand Decléor (-€39 million);
- in 2021, the goodwill of IT Cosmetics (-€254,7 million) and the brand Magic (-€82,8 million);
- in 2020, the residual brand and goodwill of Clarisonic (-€63.6 million) and (-€24.6 million) respectively, due to the brand's discontinuation.

(3) Including:
- in 2022, mainly the loss resulting from the sale of Logocos for €114.6 million following the signing of an agreement on 2 December 2022 (this project should be completed by March 2023), the continued restructuring of the sales forces in the Consumer Products Division in Europe (€14.5 million) and the reorganisation of the operational structures in Europe and Sapmena (€23.1 million);
- in 2021, the ongoing restructuring of the organisation and distribution of the Luxe and Professional Divisions in Europe (€60.8 million), the reorganisation of the Consumer Products Division's sales forces in North Asia (€29 million), the restructuring of an industrial activity in Eastern Europe (€10 million), the restructuring of production in Germany (€18.2 million) and the reorganisation of Urban Decay's distribution structures in 17 countries (€9.2 million);
- in 2020, the reorganisation of the distribution structures of the Luxe Division in North America (€96.3 million) and in Asia-Pacific (€27.2 million), the repositioning 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).

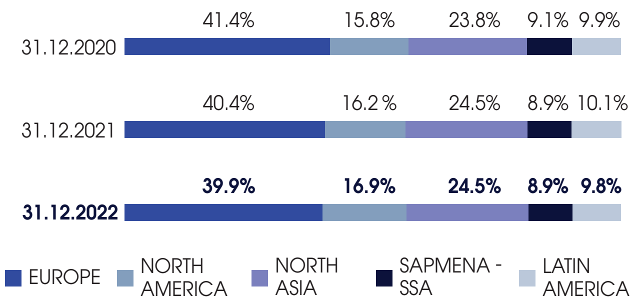
(4) Including:
- in 2022, corporate philanthropy donations amounting to €25.3 million, exceptional costs associated with the conflict in Ukraine totalling €18.4 million, partially offset by the downward revaluation of earn-out liabilities of €21.2 million;
- in 2021, the reversal of a provision for disputes related to intellectual property (€45.6 million), the write-down of Earn-out Style Nanda and Atelier Cologne earn-out debts (€44.2 million), partially offset by charitable donations (€16 million) and acquisition costs (€14.3 million);
- in 2020, certain specific and identifiable costs relating to the consequences of the public health crisis borne during the first half of the year including €27 million in additional health costs (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and the costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities. These include €43 million relating to own points of sales (mainly the salaries of beauty advisers and costs relating to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States.
Acquisition-related costs (€24 million) and disputes related to intellectual property (€20 million).

NOTE 5. Number of employees, personnel costs and employee benefits

5.1. Number of employees

	31.12.2022	31.12.2021	31.12.2020
Europe	34,856	34,503	35,372
North America	14,788	13,806	13,492
North Asia	21,387	20,9	20,345
SAPMENA – SSA	7,797	7,609	7,739
Latin America	8,541	8,594	8,444
TOTAL(1)	**87,369**	**85,412**	**85,392**

(1) Excluding employees of equity-accounted companies.



5.2. Personnel costs

€ millions	2022	2021	2020
Personnel costs (including welfare contributions)(1)	7,263.7	6,471.1	6,124.2

(1) Excluding employees of equity-accounted companies.

Personnel costs include pension expenses (excluding interest components), the cost of any share-based payments (stock options and free shares), and payroll taxes.

5.3. Executive compensation

Costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors can be analysed as follows:

€ millions	2022	2021	2020
Directors' fees	1.3	1.4	1.4
Salaries and benefits including employer welfare contributions	40.4	40.5	40.3
Employee retirement obligation charges	10.2	11.2	12.9
SHARE-BASED PAYMENT (STOCK OPTIONS AND FREE SHARES)	**28.9**	**27.2**	**27.5**

The number of executives and members of the Management Committee was 20 at 31 December 2022 compared with 19 at 31 December 2021 and 20 at 31 December 2020.

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 %	31.12.2022	31.12.2021	31.12.2020
Discount rate (commitment)	4.2%	1.6%	1.1%
Discount rate (service cost)*	4.2%	1.8%	1.4%
Salary increases	3.7%	3.6%	3.4%

* *Used for the services cost for the following financial year.*

	31.12.2022			31.12.2021			31.12.2020		
	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	5.4%	4.3%	2027	5.3%	4.2%	2027	5.3%	4.2%	2027

The discount rates are obtained by reference to market yields on high quality corporate bonds having term dates equivalent to those of the obligations.

Bond quality is assessed by reference to the AA-/Aa3 minimum rating provided by one of the three main credit-rating agencies.

Discount rates can be broken down by geographic zone as follows:

In %	2022	2021	2020
Weighted average (all countries) based on the benefit obligation	**4.2%**	**1.6%**	**1.1%**
Of which:			
Euro zone			
Discount rate (commitment)(1)	3.7%	1.0%	0.5%
Discount rate (service cost)*	3.7%	1.1%	0.6%
USA			
Discount rate (commitment)	5.0%	2.5%	2.0%
Discount rate (service cost)*	5.3%	2.8%	2.3%
United Kingdom			
Discount rate (commitment)	4.8%	2.0%	1.5%
Discount rate (service cost)*	4.8%	2.0%	1.5%

(1) The weighted average for 2022 consists of a 3.73% discount rate on annuity plans with an average term of 16.25 years and a 3.63% discount rate on capital plans with an average term of 10.56 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 €131.5 million for the euro zone, €76.0 million for the United States and €38.7 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 %	31.12.2022	31.12.2021	31.12.2020
Equity securities(1)	34.0%	36.6%	35.2%
Bonds	51.5%	54.1%	57.2%
Property assets(2)	5.9%	4.3%	4.6%
Monetary instruments	3.4%	3.3%	0.9%
Other	5.2%	1.7%	2.1%
TOTAL	**100%**	**100%**	**100%**

(1) Of which L'Oréal shares: none.
(2) Of which property assets occupied by Group entities: none.

The allocation of plan assets has to comply with specific investment limits for the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

Fluctuations during 2022, 2021 and 2020 are set out below:

€ millions	Present value of defined benefit obligation	Plan assets	Net commitment
Balance at 31 December 2019	**4,974.5**	**-4,201.6**	**772.9**
Service cost during the period	201.2	—	201.2
Interest cost	80.0	—	80.0
Expected return on assets	—	-66.7	-66.7
Past service cost: new plans/plan amendments	-12.7	—	-12.7
Curtailments	-21.2	—	-21.2
Settlements	-1.0	1.1	0.2
Benefits paid	-227.7	161.9	-65.9
Contributions paid	4.1	-85.3	-81.3
Actuarial gains and losses	483.1	-257.5	225.6
Translation differences	-167.0	139.8	-27.2
Other movements	5.1	3.3	8.4
Balance at 31 December 2020	**5,318.4**	**-4,305.0**	**1,013.5**
Service cost during the period	221.9	—	221.9
Interest cost	60.5	—	60.5
Expected return on assets	—	-50.4	-50.4
Past service cost: new plans/plan amendments	-10.0	—	-10.0
Curtailments	-16.7	—	-16.7
Settlements	1.1	—	1.1
Benefits paid	-221.6	174.7	-46.9
Contributions paid	6.4	-101.1	-94.6
Actuarial gains and losses	-329.9	-255.2	-585.2
Translation differences	159.0	-151.4	7.5
Other movements[(1)]	-141.9	1.8	-140.0
Balance at 31 December 2021	**5,047.2**	**-4,686.6**	**360.6**
Service cost during the period	236.0	—	236.0
Interest cost	86.6	—	86.6
Expected return on assets	—	-80.1	-80.1
Past service cost: new plans/plan amendments	-0.8	—	-0.8
Curtailments	-15.1	—	-15.1
Settlements	0.3	—	0.3
Benefits paid	-238.6	180.0	-58.7
Contributions paid	7.3	-98.7	-91.3
Actuarial gains and losses	-1,431.6	1,036.1	-395.5
Translation differences	49.0	-33.1	16.0
Other movements	-3.8	3.7	-0.1
BALANCE AT 31 DECEMBER	**3,736.5**	**-3,678.7**	**57.9**

(1) Including -€137.4million pertaining to the IFRIC 2021 interpretation on IAS 19 "Employee Benefits" on Attributing Benefit to Periods of Service.

The net commitment breaks down as follows:

€ millions	2022	2021	2020
Net commitment	**57.9**	**360.6**	**1,013.5**
Surplus funds for pension scheme commitments held in assets	-400.0	—	—
Provision in the balance sheet	457.9	360.6	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	31.12.2022	31.12.2021	31.12.2020
Present value of defined benefit obligations wholly or partly funded	3,325.7	4,635.0	4,832.5
Fair value of plan assets	3,678.7	4,686.6	4,304.9
Net position of defined benefit obligations wholly or partly funded	-352.9	-51.6	527.6
Present value of defined benefit obligations wholly unfunded	410.8	412.2	485.9

The retirement expense charged to the income statement is recorded within personnel expenses for the operating part and within financial costs for the financial part and can be analysed as follows:

€ millions	2022	2021	2020
Service cost during the financial year	236.0	221.9	201.2
Interest costs	86.6	60.5	80.0
Expected return on assets	-80.1	-50.4	-66.7
New plans/plan amendments	-0.8	-10.0	-12.7
Curtailments	-15.1	-16.7	-21.2
Settlements	0.3	1.1	0.2
TOTAL	**226.9**	**206.4**	**180.9**

Contributions to defined contribution schemes recognised as an expense for 2022, 2021 and 2020 amounted to €670.6 million, €559.3 million and €511.3 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	5.84	-5.70
Impact on current service cost and interest costs	0.25	-0.21

Actuarial gains and losses for the periods presented are as follows:

€ millions **2022**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	100.3	1,036.1	1,192.0
Actuarial gains and losses: demographic assumptions	-1.5	—	-1.5
Actuarial gains and losses: financial assumptions	-1,530.4	—	-1,586.1
TOTAL	**-1,431.6**	**1,036.1**	**-395.5**

€ millions **2021**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	31.5	-255.2	-223.7
Actuarial gains and losses: demographic assumptions	23.2	—	23.2
Actuarial gains and losses: financial assumptions	-384.6	—	-384.6
TOTAL	**-329.9**	**-255.2**	**-585.1**

€ 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**	**225.7**

5.5. Share subscription or purchase options – Free shares

Accounting principles

In accordance with the requirements of IFRS 2 "Share-based Payment", the value of options or free shares granted as calculated at the grant date is expensed in the income statement over the vesting period, which is generally five years for purchase options and four years for free shares.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

The impact of IFRS 2 on profit for the period is booked on the Selling, general and administrative expenses item of the income statement at Group level, and is not allocated to the Divisions or geographic zones.

a) Share subscription or purchase options

There is no option plans in force at 31 December 2022.

Data concerning all share option plans during financial years 2022, 2021 and 2020 are set out below:

	31.12.2022		31.12.2021		31.12.2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	**—**		**57,397**	**€83.19**	**524,193**	**€81.91**
Options granted			—		—	
Options exercised			-52,397	€83.19	-465,796	€81.76
Options expired			-5,000		-1,000	
Number of options not exercised at end of period	**—**		**—**		**57,397**	**€83.19**
Of which:						
number of exercisable options at end of period					57,397	€83.19
expired options at end of period					—	
Weighted average share price				**€364.74**		**€273.24**

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2020.

Grant date Stock subscription plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
20.04.2016	21.04.2020	906,100	835,725	—
20.04.2017	21.04.2021	906,000	742,276	—
17.04.2018	18.04.2022	931,000	868,575	—
18.04.2019	19.04.2023	843,075	450	801,400
14.10.2020	15.10.2024	713,660	385	691,150
07.10.2021	08.10.2025	588,750	105	578,325
13.10.2022	14.10.2026	700,000	—	700,000

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.

The performance conditions apply to the 7 October 2021, 14 October 2020 and 18 April 2019 plans:

- for 50% of shares granted, the growth in comparable Cosmetics sales in relation to growth in net sales for a panel of competitors:
  - 2022, 2023 and 2024 financial years under the 2021 plan,
  - 2021, 2022 and 2023 financial years under the 2020 plan,
  - 2020, 2021 and 2022 financial years under the 2019 plan;
- for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit for the 7 October 2021, 14 October 2020 and 18 April 2019 plans.

The calculation will be based on the mean of the performance in the:

- 2022, 2023 and 2024 financial years under the 2021 plan;
- 2021, 2022 and 2023 financial years under the 2020 plan;
- 2020, 2021 and 2022 financial years under the 2019 plan;

and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

For the 13 October 2022 plan, the performance conditions comprise the following:

- 80% based on financial performance criteria, split evenly between:
  - growth – compared with that of a panel of competitors – in comparable cosmetics sales for financial years 2023, 2024 and 2025,
  - the increase over the same period in the Group's consolidated operating profit. The calculation will be made on the basis of the arithmetic average of the performances for 2023, 2024 and 2025,

- 20% based on non-financial performance criteria, of which:
  - 15% is associated with the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme,
  - 5% is associated with the gender balance within strategic positions, including the Executive Committee.

No performance condition applies below a block of 100 shares. The plans of 20 April 2016, 20 April 2017 and 17 April 2018 were finally granted by the allocation of, respectively, 835,600 shares on 21 April 2020, 742,276 shares on 21 April 2021 and 868,225 shares on 19 April 2022. The number of fully vested shares for the 17 April 2018 plan took into account the performance percentage achieved at the end of the plan.

At 31 December 2022, the performance conditions for plans in progress were deemed achieved.

The fair value of free shares is determined using the following assumptions:

	Stock subscription plans						
Grant date	**April 2016**	**April 2017**	**April 2018**	**April 2019**	**October 2020**	**October 2021**	**October 2022**
Risk-free rate of return	-0.06%	-0.35%	-0.28%	-0.25%	-0.53%	-0.60%	2.24%
Discount for post-vesting transfer restrictions for French employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends	1.85%	1.82%	1.85%	1.58%	1.34%	1.11%	1.46%
Share price	€168.10	€181.75	€191.85	€243.80	€288.00	€360.00	€327.80
Fair value							
• Employees resident in France	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34	€303.33
• Employees not resident in France	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34	€303.33

The expense recorded in 2022, 2021 and 2020 amounted to €155.3 million, €152.3 million and €120.1 million, respectively.

c) Capital increase reserved for employees

In June 2022, 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 €254.90, representing 80% o the average share price over the 20 trading sessions prior to the decision by the Chief Executive Officer setting the subscription period from 8 June to 22 June 2022 during which 410,943 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 October 2023.

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 26 July 2027 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 26 July 2022 by 448,267 shares, including matching shares.

The IFRS 2 expense for free shares granted amounted to:

- €9.5 million for French employees based on a subscription price of €254.90 per share; and
- €12.2 million for employees outside of 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 €286.36 per share.

The IFRS 2 expense for free shares recognised for the 2022 financial year amounted to €13.7 million and corresponds to 2018, 2020 and 2022 plans.

The IFRS 2 expense amounted respectively to €9.7 million and €2.8 million in 2020 and 2021.

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	2022	2021	2020
Current tax	1,995.9	1,361.7	1,219.9
Deferred tax	-96.5	83.6	-10.1
INCOME TAX	**1,899.4**	**1,445.4**	**1,209.8**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2022	2021	2020
Profit from continuing operations before tax and associates	**7,610.6**	**6,046.9**	**4,776.5**
Theoretical tax rate	24.36%	24.72%	26.37%
Expected tax charge	**1,853.9**	**1,494.8**	**1,259.7**
Impact of permanent differences	102.7	17.3	31.4
Impact of tax rate differences	-154.0	-74.3	-129.9
Change in unrecognised deferred taxes	4.1	3.5	1.7
Effect of non-current tax liabilities	17.3	-11.9	108.2
Other(1)	75.4	16.0	-61.3
GROUP TAX CHARGE	**1,899.4**	**1,445.4**	**1,209.8**

(1) Including tax credits and taxes on dividend distributions.

The expected tax charge reflects the sum of pre-tax profit for each country, multiplied by the normal taxation rate. The theoretical tax rate reflects the total expected tax charge as a percentage of pre-tax profit.

The impact of any reduced tax rates existing in certain countries in addition to the normal tax rates is included on the line Impact of tax rate differences.

6.3. Deferred taxes in the balance sheet

The net change in deferred taxes (assets and liabilities) can be analysed as follows:

€ millions	
Balance of deferred tax assets at 31 December 2019	**777.3**
Balance of deferred tax liabilities at 31 December 2019	**-737.7**
Income statement impact	10.1
Translation differences	-8.5
Other effects[1]	62.1
Balance of deferred tax assets at 31 December 2020	**809.9**
Balance of deferred tax liabilities at 31 December 2020	**-706.6**
Income statement impact	-83.6
Translation differences	-7.4
Other effects[1]	-126.0
Balance of deferred tax assets at 31 December 2021	**696.5**
Balance of deferred tax liabilities at 31 December 2021	**-810.3**
Income statement impact	96.5
Translation differences	-17.0
Other effects[1]	-70.3
BALANCE OF DEFERRED TAX ASSETS AT 31 DECEMBER 2022	**801.1**
BALANCE OF DEFERRED TAX LIABILITIES AT 31 DECEMBER 2022	**-905.6**

(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:

	31.12.2022		**31.12.2021**		**31.12.2020**	
€ millions	**Deferred tax assets**	**Deferred tax assets**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Temporary differences	777.7	589.5	672.3	498.8	783.3	431.4
Deferred tax liabilities on revaluation of Sanofi		316.1		311.5		275.2
Tax credits and tax loss carry-forwards	23.4		24.2		26.6	
DEFERRED TAX TOTAL	**801.1**	**905.6**	**696.5**	**810.3**	**809.9**	**706.6**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€20.9 million, €93.6 million and €263.8 million respectively at the end of 2022, 2021 and 2020) and provisions for liabilities and charges (€192.7 million, €115.9 million and €135.8 million at the end of 2022, 2021 and 2020).

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 €20.4 million at 31 December 2022 compared with €16.4 million at 31 December 2021 and €14.3 million at 31 December 2020.

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 2022	31.12.2021	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2022
Redken/PureOlogy	678.1	0.7		29.4	708.2
L'Oréal Professionnel/Kérastase	417.9			11.6	429.5
Matrix	409.1			19.7	428.8
Professional Products Total	**1,505.1**	**0.7**	**—**	**60.7**	**1,566.5**
L'Oréal Paris	1,169.4		—	17.5	1,186.9
Mass Market make-up	1,019.9		4.2	36.5	1,060.6
Garnier	466.2		-53.6	9.8	422.4
Stylenanda	420.7			-0.6	420.1
NYX Professional Makeup	324.8			16.5	341.3
LaSCAD	156.4			16.5	156.4
Other	375.5			-19.3	372.6
Consumer Products Total	**3,932.9**	**—**	**-49.5**	**76.9**	**3,960.3**
Perfumes	1,453.5			18.6	1,472.1
Lancôme	837.9			-1.5	836.4
YSL Beauté	536.0			0.4	536.5
IT Cosmetics	515.4			19.1	534.5
Luxe skincare[(1)]	492.9		-64.2	-0.1	428.7
Urban Decay	151.3			8.0	159.3
Shu Uemura	136.6			-9.0	127.6
Other	246.0	—	—	-18.6	227.4
L'Oréal Luxe Total	**4,369.6**		**-64.2**	**16.9**	**4,322.3**
SkinCeuticals[(2)]	145.1	610.1		-36.7	718.5
CeraVe	632.0			18.9	650.9
Vichy	321.6			5.6	327.3
La Roche-Posay	168.2			3.7	171.9
Active Cosmetics Total	**1,266.9**	**610.1**	**—**	**-8.5**	**1,868.5**
GROUP TOTAL	**11,074.5**	**610.8**	**-113.7**	**146.0**	**11,717.7**

(1) The Cash Generating Unit includes Kiehl's, Takami and Youth To The People.
(2) The Cash Generating Unit also includes the 2022 acquisition of Skinbetter Scicence and Decléor.

2022 acquisitions mainly relate to Skinbetter Science for €610.1 million.

Other movements mainly reflect a recognition of an impairment loss (€53.6 million) on Logocos as well as the final goodwill allocation of Youth To The People.

The accumulated impairment losses relating to Logocos, IT Cosmetics, L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to -€53.6 million, -€281.9 million, -€319.7 million, -€160.9 million, -€154.5 million and -€32.7 million respectively at 31 December 2022.

€ millions 2021	31.12.2020	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2021
Redken/PureOlogy	639.2	1.5		37.3	678.1
L'Oréal Professionnel/Kérastase	403.7			14.3	417.9
Matrix	382.4	0.2		26.5	409.1
Professional Products Total	**1,425.3**	**1.7**		**78.1**	**1,505.1**
L'Oréal Paris	1,132.0		6.3	31.1	1,169.4
Mass Market make-up	971.5		2.4	46.0	1,019.9
Garnier	443.8		1.3	21.1	466.2
Stylenanda	423.7			-3.0	420.7
NYX Professional Makeup	304.5			20.4	324.8
LaSCAD	156.4			—	156.4
Other	341.2			34.2	375.5
Consumer Products Total	**3,773.1**	**—**	**10.0**	**149.8**	**3,932.9**
Perfumes	1,468.3		1.5	-16.3	1,453.5
Lancôme	829.1			8.8	837.9
YSL Beauté	535.5			0.5	536.0
IT Cosmetics	736.5		-254.7	33.6	515.4
Urban Decay	141.4			9.9	151.3
Shu Uemura	137.5			-0.8	136.6
Other	239.8	484.2		14.8	738.9
L'Oréal Luxe Total	**4,088.1**	**484.2**	**-253.2**	**50.5**	**4,369.6**
CeraVe	608.7			23.3	632.0
Vichy	314.4			7.2	321.6
La Roche-Posay	163.6			4.6	168.2
Other	140.9			4.2	145.1
Active Cosmetics Total	**1,227.6**	**—**	**—**	**39.3**	**1,266.9**
GROUP TOTAL	**10,514.1**	**485.9**	**-243.2**	**317.7**	**11,074.5**

2021 acquisitions mainly relate to Takami and Youth to the People for €484.2 million. Allocation of the goodwill from these transactions to the CGUs has not yet been finalised.

Other movements mainly reflect the positive impact of changes in exchange rates for €317.7 million, as well as the recognition of an impairment loss on IT Cosmetics (€254.7 million).

The accumulated impairment losses relating to IT Cosmetics, L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €265.6 million, €301.6 million, €165.5 million, €146.4 million and €33.6 million, respectively, at 31 December 2021.

€ millions 2020	31.12.2019	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2020
Redken/PureOlogy	681.0	0.5		-42.3	639.2
L'Oréal Professionnel/Kérastase	421.0			-17.3	403.7
Matrix	413.1			-30.7	382.4
Decléor and Carita(1)	137.4		-137.4		—
Other	3.2	-3.2			—
Professional Products Total	**1,655.7**	**-2.7**	**-137.4**	**-90.3**	**1,425.3**
L'Oréal Paris	910.2	253.1	-0.5	-30.8	1,132.0
Mass Market make-up	1,037.9		1.3	-67.7	971.5
Garnier	503.9		-0.5	-59.6	443.8
Stylenanda	430.7			-7.0	423.7
NYX Professional Makeup	327.8			-23.3	304.5
LaSCAD	158.3		-1.9	—	156.4
Other	356.8	—		-15.6	341.2
Consumer Products Total	**3,725.5**	**253.1**	**-1.6**	**-203.9**	**3,773.1**
Perfumes(2)	457.7	1,119.4	-106.9	-1.9	1,468.3
Lancôme	832.6			-3.5	829.1
IT Cosmetics	787.4			-50.9	736.5
YSL Beauté	536.1			-0.6	535.5
Skincare premium(1)	—		172.8	0.2	173.0
Urban Decay	152.7			-11.3	141.4
Shu Uemura	143.1			-5.6	137.5
L'Oréal Beauty Device(3)	24.6		-24.6	—	—
Other	67.5			-0.7	66.8
L'Oréal Luxe Total	**3,001.8**	**1,119.4**	**41.3**	**-74.3**	**4,088.1**
CeraVe	635.4			-26.7	608.7
Vichy(4)	323.8	-1.1		-8.3	314.4
La Roche-Posay	169.0			-5.4	163.6
Other(1)	74.5		71.2	-4.8	140.9
Active Cosmetics Total	**1,202.7**	**-1.1**	**71.3**	**-45.2**	**1,227.6**
GROUP TOTAL	**9,585.6**	**1,368.7**	**-26.4**	**-413.7**	**10,514.2**

(1) Reclassification related to Decléor/Carita.
(2) Allocation of Azzaro-Mugler goodwill to the Perfumes Cash Generating Unit.
(3) Following the discontinuation of the Clarisonic brand, residual goodwill was fully written down.
(4) Disposal of the Roger & Gallet brand on 29 June 2020.

2020 acquisitions mainly relate to Azzaro/Mugler and Thayers for €1,372 million.

Following the strategic repositioning of the Decléor and Carita brands within the Active Cosmetics and Luxe Divisions with effect from 1 July 2020, Decléor-Carita goodwill of €137.4 million was reallocated, respectively, to the Skinceuticals Cash Generating Unit for Decléor for €71.2 million and to the new Skincare Premium Cash Generating Unit for Carita for €66.1 million, in view of the expected synergies between the brands belonging to these Cash Generating Units.

Héléna Rubinstein goodwill of €106.9 million was reallocated to the Skincare Premium Cash Generating Unit with the Carita brand to reflect the new dedicated operational structure for these two Skincare brands.

Other movements mainly reflect the 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.

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.

b) Internally generated intangible assets

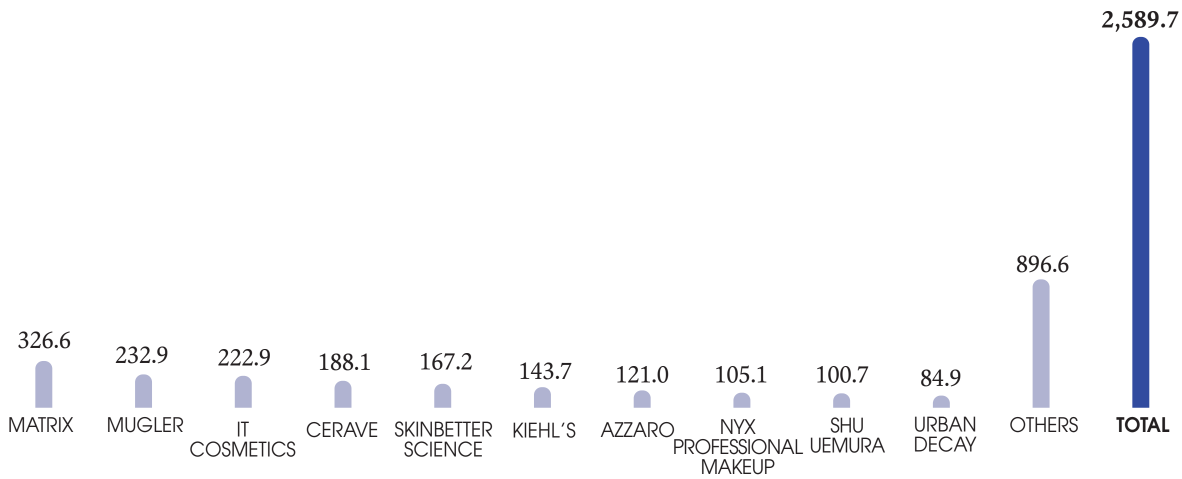
These mainly consist of software.

Innovation costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

Capitalised innovation costs are amortised from the date the software is made available in the entity concerned and over its probable useful life, which, in most cases, is between five and eight years.

€ million **2022**	**31.12.2021**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Changes in the scope of consolidation[2]**	**Other movements[1]**	**Translation difference**	**31.12.2022**
Brands with indefinite useful life[3]	2,301.0	10.8	-15.7	182.0	65.0	46.6	2,589.7
Amortisable brands and product ranges	94.1	0.1			0.7	-1.0	93.9
Licences and patents	765.5	1.8	-0.1	4.7	-0.4	-0.1	771.4
Software	1,739.1	63.4	-59.1		-137.3	18.6	1,624.7
Customer relationships	613.0	0.5		21.5		23.0	658.0
Assets under construction	327.2	257.0	-2.6		-165.5	0.7	416.8
Others	31.5	6.2	-6.3		0.2	1.3	32.9
Gross value	**5,871.4**	**339.7**	**-83.9**	**208.2**	**-237.4**	**89.1**	**6,187.1**
Brands with indefinite useful life	347.8				53.5	2.2	403.5
Amortisable brands and product ranges	77.9	2.2			0.5	-1.0	79.6
Licences and patents	194.7	15.0	-0.1		-0.5	1.3	210.3
Software	1,229.2	166.5	-59.1		-109.1	13.8	1,241.3
Customer relationships	536.6	27.7	—			22.5	586.8
Others	22.5	8.4	-6.3			0.9	25.5
Depreciation and provisions	**2,408.7**	**219.7**	**-65.5**	**—**	**-55.6**	**39.7**	**2,547.0**
OTHER INTANGIBLE ASSETS – NET	**3,462.8**	**120.0**	**-18.4**	**208.2**	**-181.9**	**49.4**	**3,640.1**

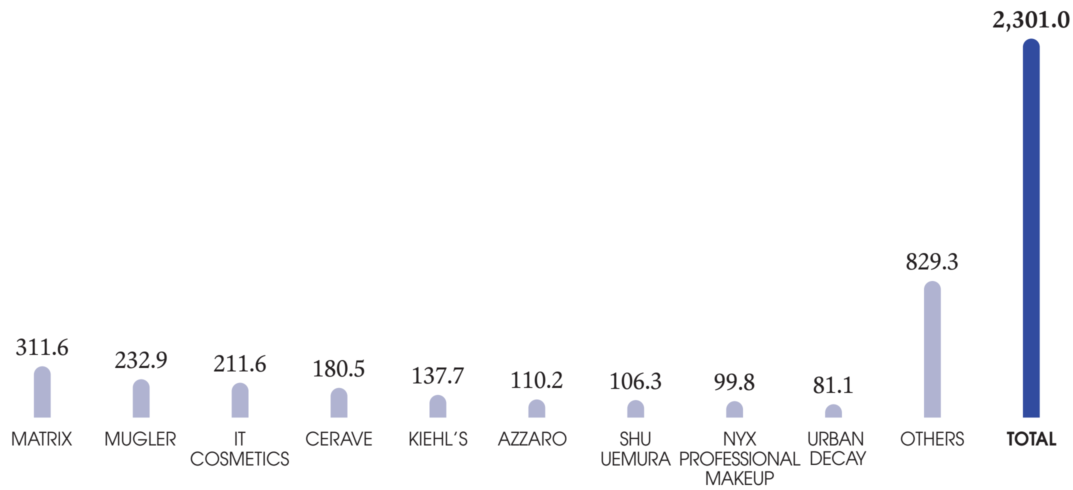
(1) Other movements mainly consisted of the impact of the reclassification at the beginning of the year on SaaS projects (-€193 million), the allocation of goodwill (€65 million) to the brand from the acquisition of Youth to the people, and the impairment of brand Decléor (-€39 million) and brands Logona and Santé (-€14.5 million).
(2) Changes in the scope of consolidation mainly correspond to the temporary allocation of goodwill (€182 million) to the brand from the acquisition of Skinbetter Science, and to customer relationships (€21.5 million) and technology (€4.6 million).
(3) At end-2022, the gross value of brands with an indefinite useful life span breaks down as follows:



Accumulated impairment losses relating to brands amounted to €39 million on Decléor, €14.5 million on Logona and Santé, €133.4 million on Magic, €101.4 million on Clarisonic, €56.5 million on Softsheen-Carson, €44.8 million on Yue-Sai and €14 million on Biomedic at 31 December 2022.

€ million **2021**	**31.12.2020**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Change in the scope of consolidation**	**Other movements[1]**	**Translation difference**	**31.12.2021**
Brands with indefinite useful life[3]	2,200.4					100.6	2,301.0
Amortisable brands and product ranges	92.3		-2.4		1.2	3.1	94.1
Licences and patents	738.7	14.6	-8.7	19.6	0.3	1.0	765.5
Software	1,627.5	62.1	-104.3	-1.9	104.4	51.3	1,739.1
Customer relationships	563.6	0.5	-0.6	6.3		43.2	613.0
Assets under construction	190.4	259.0			-127.0	4.8	327.2
Others	27.7	2.1	-0.3		0.4	1.6	31.5
Gross value	**5,440.6**	**338.3**	**-116.3**	**24.0**	**-20.7**	**205.6**	**5,871.4**
Brands with indefinite useful life[2]	242.1	82.8				22.9	347.8
Amortisable brands and product ranges	73.6	3.2	-2.4		0.5	3.0	77.9
Licences and patents	180.1	21.8	-8.7		-0.1	1.5	194.7
Software	1,114.1	193.7	-101.9	-2.1	-11.3	36.7	1,229.2
Customer relationships	455.1	43.1	-0.6		0.7	38.3	536.6
Others	19.3	2.4	-0.3			1.1	22.5
Depreciation and provisions	**2,084.3**	**347.0**	**-113.9**	**-2.1**	**-10.2**	**103.5**	**2,408.7**
OTHER INTANGIBLE ASSETS – NET	**3,356.3**	**-8.7**	**-2.5**	**26.2**	**-10.4**	**102.1**	**3,462.8**

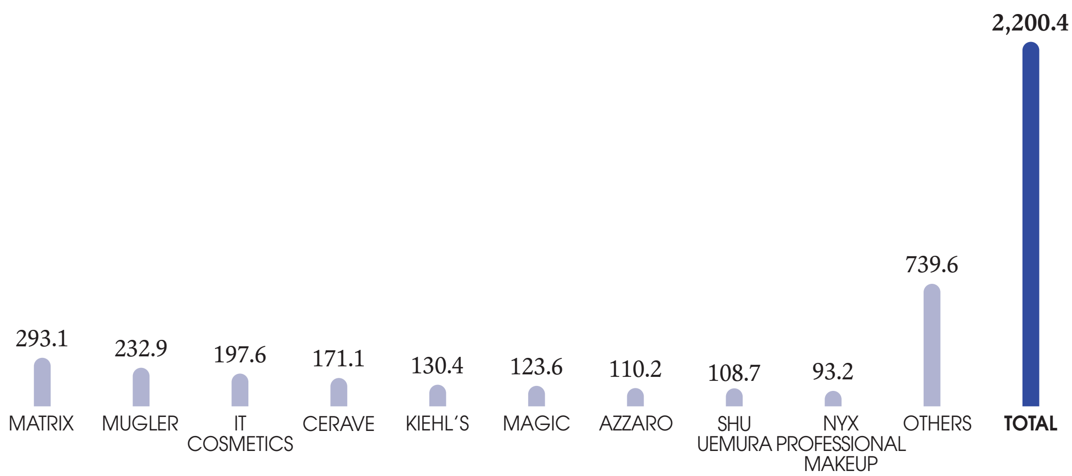
(1) Other movements mainly consisted of the impact of hyperinflation in Argentina.
(2) Including the impairment of the brand Magic (€83 million), due to the exacerbated competition on the masks market in China and its consequence on the slippage in Business Plan. The Magic technology is in contrast successfully implemented globally on brands Garnier and L'Oréal Paris.
(3) At end-2021, the gross value of brands with an indefinite useful life span breaks down as follows:



Accumulated impairment losses relating to brands amounted to €137.1 million on Magic, €96.5 million on Clarisonic, €54.2 million on Softsheen-Carson, €46.0 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2021.

€ million 2020	31.12.2019	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation(2)	Other movements(1)	Translation difference	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		-0.9	-4.8	92.3
Licences and patents	730.5	15.7	-5.2	0.8	1.5	-4.4	738.7
Software	1,549.6	71.6	-82.3	5.8	153.3	-70.5	1,627.5
Customer relationships	610.8		-11.4	6.5		-42.3	563.6
Assets under construction	206.4	152.9	-1.3		-160.1	-7.4	190.5
Others	33.2	4.3	-8.2		0.3	-1.9	27.6
Gross value	**5,173.1**	**244.6**	**-132.9**	**400.7**	**-5.9**	**-238.8**	**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		-1.2	-2.7	73.6
Licences and patents	172.9	10.3	-0.3	0.1	1.5	-4.4	180.1
Software	1,066.1	183.4	-82.3	4.7	-8.9	-48.8	1,114.1
Customer relationships	458.7	42.7	-11.4			-34.9	455.1
Others	24.1		-3.6		0.1	-1.3	19.3
Depreciation and provisions	**2,009.4**	**303.4**	**-120.8**	**4.8**	**-20.2**	**-92.1**	**2,084.3**
OTHER INTANGIBLE ASSETS – NET	**3,163.8**	**-58.8**	**-12.1**	**395.9**	**14.3**	**-146.7**	**3,356.3**

(1) Other movements mainly consisted of the impact of hyperinflation in Argentina.
(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.

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 and brands 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 in case of similar marketing position or 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 8.8% in 2022, to 7.8% in 2021 and 7.3% in 2020 for amounts in euro, ad)justed 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 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:

€ millions	2022	2021	2020
Net carrying amount of goodwill and brands with an indefinite useful life			
Perfumes	1,842.2	1,812.9	1,827.7
L'Oréal Paris	1,235.7	1,215.6	1,174.8
Maquillage Mass Market	1,109.5	1,067.5	1,017.5
SkinCeuticals/Skinbetter Science	938.2	234.7	228.3
Lancôme	850.8	852.7	842.5
CeraVe	839.0	812.5	779.8
Redken/PureOlogy	802.4	767.2	722.1
IT Cosmetics	757.4	726.9	934.1
Matrix	755.4	720.8	675.6
Skincare Luxe	640.4	630.7	142.8
YSL Beauté	536.4	536.0	535.5
Stylenanda	493.8	494.6	498.2
NYX Professional Makeup	446.4	424.6	397.6
Garnier	436.6	493.8	471.3
L'Oréal Professionnel/Kérastase	429.5	417.9	403.7
Vichy/Dermablend	327.3	336.2	327.9
Urban Decay	244.1	232.4	217.8
Shu Uemura	228.3	242.9	246.2

The discount rate used at 31 December 2022 for this test were between 6.2% and 15.9% including 8.6% for the USA and 8.8% for international. This rate is the result of specific rates for each market or geographic zone based on the risks they represent.

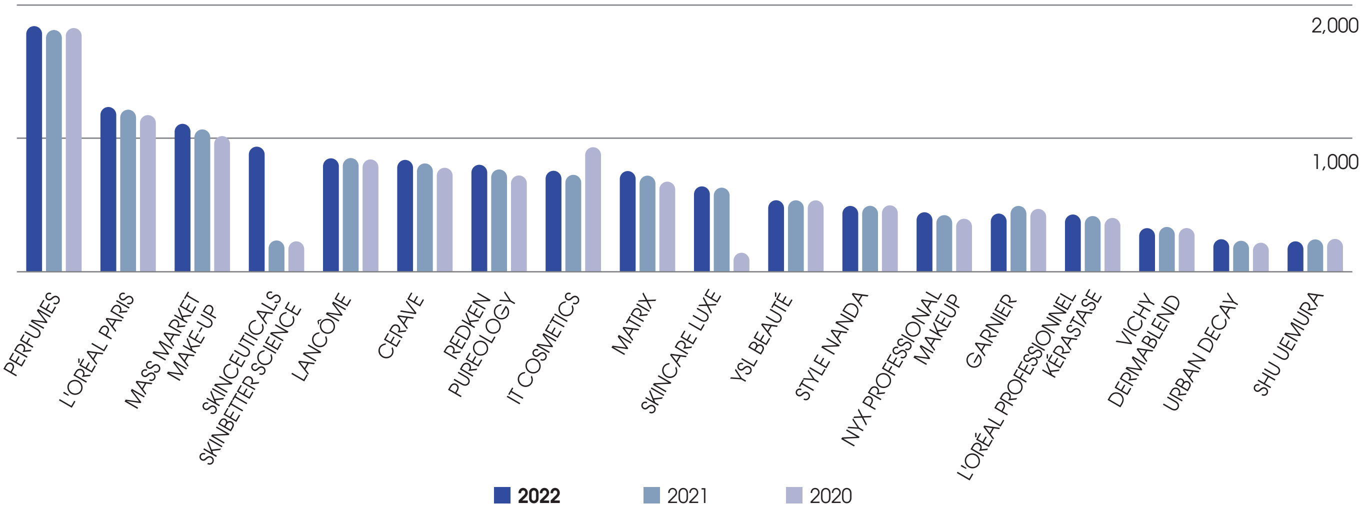
At 31 December 2022, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €168.9 million.

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 €94.4 million.

The terminal growth rate is consistent with market data, *i.e.* 2.5% for Europe and 3.0% 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 €64.5 million.

The net carrying amount of goodwill and brands with indefinite useful life breaks down as follows for the largest Cash Generating Units:



NOTE 8. Investments accounted for under the equity method

€ millions	31.12.2022	31.12.2021	31.12.2020
Investments accounted for under the equity method			
LIPP Distribution	9.9	9.3	10.5
Other[1]	8.5	0.6	0.6
TOTAL	**18.4**	**9.9**	**11.1**

(1) Of which Loshian Co., Ltd in Korea (€8.1 million).

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 foreign exchange rate hedges.

Borrowings and debt

Borrowings and debt are valued at amortised cost based on an effective interest rate.

In accordance with the principle of fair value hedge accounting, fixed-rate borrowings and debt swapped at a floating rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance costs and are offset by changes in the value of the related interest rate swaps.

The fair value of fixed-rate debt is determined by the discounted cash flow method using bond yield curves at the closing date, allowing for the spread corresponding to the Group's risk class to be taken into account.

The carrying amount of floating-rate debt is a reasonable approximation of its fair value.

Medium- and long-term borrowings and debt are recorded under Non-current liabilities. Short-term borrowings and debt as well as the current portion of medium- and long-term borrowings and debt are presented under Current liabilities.

Cash and cash equivalent

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with a negligible risk of changes in value and a maturity date of less than three months at the date of acquisition.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash and are presented under Other current assets.

Bank overdrafts considered to be financing are presented in Current borrowings and debt.

The money-market unit trusts are classified as financial assets at fair value through profit or loss. As such, they are valued in the balance sheet at their market value at the closing date. Any related unrealised gains are accounted for in Finance costs, Net in the income statement.

The carrying amount of bank deposits is a reasonable approximation of their fair value.

Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and receivables maturing after more than 12 months.

Investments in non-consolidated companies are classified as financial assets at fair value through other comprehensive income. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line Other comprehensive income.

The fair value of listed securities is determined on the basis of the share price at the closing date. For unlisted securities, in the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

Long-term loans and receivables are considered to be assets generated by the business. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

9.1. Borrowings and debt

The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

In March 2022, the Group conducted a bond issue totalling €3 billion. It comprised three tranches: a €750 million 2-year floating rate note; a €1,000 million 2-year fixed rate bond paying a coupon of 0.375% p.y.; a €1,250 million 4.25-year fixed rate Sustainability-Linked Bond paying a coupon of 0.875% p.y. and including environmental (ESG) criteria linked to the Group's internal performance.

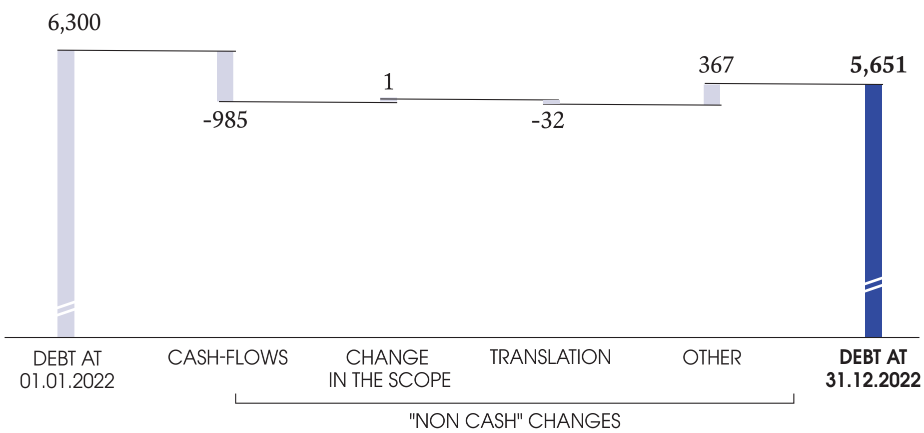
9.1.1. Debt by type

€ millions	31.12.2022 Non-current	31.12.2022 Current	31.12.2021 Non-current	31.12.2021 Current	31.12.2020 Non-current	31.12.2020 Current
Short-term marketable instruments[1]	—	795.2	—	2,507.0	—	706.4
MLT bank loans	—	—	—	—	—	—
Lease debt	1,213.5	407.0	1,247.5	422.8	1,294.7	386.9
Overdrafts	—	81.7	—	118.7	—	61.6
Other borrowings and debt	17.8	122.3	10.7	1,993.7	8.6	88.3
Bond	2,999.8	13.5	—	—	—	—
TOTAL	**4,231.1**	**1,419.8**	**1,258.2**	**5,042.2**	**1,303.3**	**1,243.2**

9.1.2. Change in debt

			"Non-cash" changes				
€ millions	31.12.2021	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other[1]	31.12.2022
Short-term marketable instruments	2,507.1	-1,711.8	—	—	—	—	795.2
MLT bank loans	—	—	—	—	—	—	—
Lease debt	1,670.3	-446.9	1.3	30.1	—	365.7	1,620.5
Overdrafts	118.7	7.1	—	-43.9	—	—	81.7
Other borrowings and debt	2,004.4	-1,846.9	—	-18.6	—	1.2	140.1
Bond	—	3,013.3	—	—	—	—	3,013.3
TOTAL	**6,300.4**	**-985.1**	**1.3**	**-32.3**	**—**	**366.9**	**5,650.9**

(1) These are renewals and amendments to contracts and new leases.



9.1.3. Debt by maturity date

€ millions	31.12.2022	31.12.2021	31.12.2020
Less than 1 year[1]	1,419.8	5,042.2	1,243.2
1 to 5 years	3,859.0	933.7	994.8
More than 5 years	372.1	324.4	308.5
TOTAL	**5,650.9**	**6,300.4**	**2,546.5**

(1) At 31 December 2022 the Group had confirmed undrawn credit lines for €5,000 million compared with €5,000.0 million at 31 December 2021 and €5,363.0 million at 31 December 2020. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2022, as at 31 December 2021 and 31 December 2020, 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	31.12.2022	31.12.2021	31.12.2020
Euro (EUR)	3,065.7	4,441.4	382.0
US dollar (USD)	822.2	59.2	368.4
Turkish lira (TRY)	46.2	19.3	5.4
Colombian Peso (COP)	25.2	21.2	34.8
Egyptian Pound (EGP)	12.5	8.3	13.9
Indonesian Rupee (IDR)	10.5	—	—
Kenyan Shilling (KES)	10.0	12.9	6.4
Chilean Peso (CLP)	8.7	8.8	24.1
Korean Won (KRW)	7.8	—	—
Filipino Peso (PHP)	5.9	4.3	—
Pakistani Rupee (PKR)	5.2	8.0	7.4
Other	10.4	46.6	22.5
TOTAL	**4,030.3**	**4,630.0**	**864.9**

9.1.5. Breakdown of fixed rate – floating rate debt

€ millions	31.12.2022	31.12.2021	31.12.2020
Floating rate	1,638.5	4,529.9	768.2
Fixed rate including lease debts	4,012.4	1,770.5	1,778.3
TOTAL	**5,650.9**	**6,300.4**	**2,546.5**

9.1.6. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are 1.68% in 2022 compared with -0.54% in 2021 and 0.39% in 2020 for short-term marketable instruments.

Effective interest rate on the bond issued by the Group in March 2022 is 2.24% in 2022.

There is no medium- to long-term bank loan at 31 December 2022 as at 31 December 2021 and 31 December 2020.

9.1.7. Average debt interest rates

Average debt interest rates after allowing for hedging instruments break down as follows:

	31.12.2022	31.12.2021	31.12.2020
Euro (EUR)	0.26%	-0.51%	-0.30%
US dollar (USD)	2.18%	0.08%	0.90%

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 excluding IFRS 16 amounted to €4,030.3 million at 31 December 2022 compared with €4,630.0 million at 31 December 2021 and €864.9 million at 31 December 2020.

9.1.9. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2022, 2021 and 2020.

9.1.10. Confirmed credit lines

At 31 December 2022, L'Oréal and its subsidiaries had €5,000 million of confirmed undrawn credit lines, compared with €5,000.0 million at 31 December 2021 and €5,363.0 million at 31 December 2020.

The maturities of the credit lines at 31 December 2022 are broken down as follows:

- €0 million at less than one year;
- €2,600.0 million between one and four years;
- €2,400.0 million at more than five years.

9.2. Cash and cash equivalents

	31.12.2022		31.12.2021		31.12.2020	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	718.5	718.5	513.2	513.3	3,739.9	3,743.5
Bank accounts and other cash and cash equivalents[(1)]	1,899.2	1,899.4	2,200.6	2,201.6	2,666.0	2,680.5
TOTAL	**2,617.7**	**2,617.9**	**2,713.8**	**2,714.9**	**6,405.9**	**6,424.0**

(1) Including €370 million in cash in countries in which cash repatriation is difficult.

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

	31.12.2022		31.12.2021		31.12.2020	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
Sanofi[(1)]	10,621.5	4,033.5	10,472.6	4,033.5	9,304.5	4,033.5
Other listed securities[(2)]	99.7	95.2	34.5	20.6	30.7	12.0
Unlisted securities[(3)]	392.6	441.4	277.9	336.4	154.4	244.7
Financial assets at amortised cost						
Non-current loans and receivables	139.0	141.1	135.2	137.2	115.1	117.1
Surplus funds for pension scheme commitments held in assets	400.0		—		—	
TOTAL	**11,652.8**	**4,711.3**	**10,920.2**	**4,527.7**	**9,604.8**	**4,407.3**

(1) L'Oréal's stake in Sanofi was 9.38% at 31 December 2022. The carrying amounts at 31 December 2022, 31 December 2021 and 31 December 2020 (€10,621.5 million, €10,472.6 million and €9,304.5 million (respectively) correspond to the market value of the shares based on the closing price at each of these dates (€89.84, €88.58 and €78.70, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12. The investment is measured at fair value through other comprehensive income.

(2) This heading includes listed securities of biotechnology start-ups as well as Euroapi shares for €71.2 million (reassessed cost) as an exceptional dividend paid in shares by Sanofi.

(3) This heading mainly includes:

- strategic investments in investment funds measured at fair value through other comprehensive income of which €50 million subscribed over 2021 in the Circular Innovation Fund, €60 million subscribed in the L'Oréal Fund for Nature Regeneration of which €50 million subscribed over 2020 and €10 million subscribed over 2022 and other holdings in start-ups and other investment funds account for the remainder;

- 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	2022	2021	2020
Interest component of pension costs	-6.5	-10.1	-13.3
Other financial income and expenses	-65.8	-30.1	-23.3
TOTAL	**-72.3**	**-40.2**	**-36.5**

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 in shareholders' equity and the amount accumulated in shareholders' equity impacts the result on the date of completion of hedged transactions.

Any remaining hedge ineffectiveness is recognised directly in the income statement.

In accordance with hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. Similarly, if a currency hedge has been taken out in respect of fixed assets purchased with foreign currency, these assets are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to hedge certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated equity, under the item Cumulative translation adjustments.

With regard to interest rate risk, fixed-rate debt and financial loans hedged by interest rate swaps are valued in the balance sheet at their market value. Changes in the fair value of these items are recorded as finance costs and offset by adjustments to the fair value of the related hedging derivatives. Floating-rate debt and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge these items are valued in the balance sheet at their market value, with changes in value recorded directly through equity on the Other comprehensive income item.

The fair value of interest rate derivative instruments is their market value. This market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with counterparties rated investment grade.

In accordance with Group rules, currency and interest rate derivatives are set up exclusively for hedging purposes.

10.1. Hedging of currency risk

The Group is exposed to currency risk on commercial transactions recorded on the balance sheet and on highly probable future transactions.

The Group's policy regarding its exposure to currency risk on future commercial transactions is to hedge, before the end of the year, a large part of the currency risk for the following year, using derivatives based on operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Any currency risks identified are hedged by forward contracts or options in order to reduce as far as possible the currency exposure of each subsidiary. The term of the derivatives is aligned with the Group's settlements. Exchange rate derivatives are negotiated by FINVAL or, in exceptional cases, directly by the Group's subsidiaries. Such transactions are supervised by the Group's Treasury department.

As a non-financial corporation, FINVAL is subject to the European Market Infrastructure Regulations (EMIR). Published by the European Commission in September 2012, EMIR is aimed at moving OTC markets towards a centralised model, thereby enhancing market transparency and regulatory oversight and decreasing systemic risk using a guarantee mechanism. As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by managing their own cash and debt are almost non-existent.

Owing to the Group's policy of currency risk hedging a large part of annual requirements for the following year before the end of the current year, the sensitivity of profit or loss to changes in foreign exchange rates at 31 December is marginal. The impact of changes in foreign exchange rates on the foreign exchange cash flow hedges reserve is described in note 11.3.

All derivative financial instruments held for currency risk hedging purposes have a maturity of less than 18 months at inception and break down as follows:

	Nominal			Market value		
€ millions	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Currency futures						
Purchase of EURO against foreign currencies	**2,999.0**	**2,606.1**	**2,940.2**	**30.7**	**-174.7**	**95.5**
EUR/CNY	629.7	540.7	937.5	24.7	-91.3	7.0
EUR/USD	197.6	502.4	343.5	3.7	-26.3	30.2
EUR/SGD	750.9	118.4	5.6	-12.6	3.3	—
EUR/JPY	118.8	201.3	47.5	-2.2	3.3	0.1
EUR/GBP	231.0	162.9	308.9	3.6	-6.8	1.1
EUR/MXN	249.2	148.3	137.7	-5.7	-4.8	-4.1
EUR/BRL	171.3	117.5	70.9	1.2	-0.7	0.6
EUR/AUD	143.3	88.5	89.5	3.6	-1.9	-3.9
EUR/CLP	91.6	57.9	50.2	-5.9	5.5	-1.8
EUR/HKD	90.1	76.7	210.1	1.5	-35.9	54.2
EUR/KRW	70.1	56.7	49.2	-1.2	-0.4	-0.4
EUR/SAPMENA currencies	85.8	182.2	170.3	5.3	-7.2	0.6
EUR/North Asia currencies	56.1	—	52.6	2.9	—	3.8
EUR/Europe currencies	—	288.6	344.3	—	-9.7	8.2
EUR/Latin America currencies	38.4	28.4	22.3	2.6	-0.2	0.2
EUR/SSA currencies	29.1	21.0	28.7	0.5	0.5	-2.2
EUR/Other currencies	46.1	14.5	71.5	8.5	-2.2	1.8
Sale of EUR against foreign currencies	**63.6**	**56.8**	**—**	**-13.2**	**-1.2**	**—**
EUR/Europe	63.6	—	—	-13.2	—	—
EUR/North Asia currencies	—	56.8	—	—	-1.2	—
Purchase of USD against foreign currencies	**2,511.6**	**418.6**	**373.1**	**86.5**	**13.2**	**-18.2**
USD/SAPMENA currencies	2,136.1	238.9	232.6	82.4	2.7	-6.3
USD/Latin America currencies	—	130.7	68.3	—	9.9	-5.7
USD/CAD	85.9	49.0	51.4	2.9	0.6	-3.6
USD/Europe currencies	—	—	19.3	—	—	-2.2
USD/North Asia currencies	289.6	—	—	1.1	—	—
USD/SSA currencies	—	—	1.4	—	—	-0.4
Sale of USD against foreign currencies	**273.9**	**508.8**	**242.7**	**-9.6**	**-5.6**	**-10.0**
USD/North Asia currencies	—	495.6	242.7	—	-6.5	-10.0
USD/Latin America currencies	138.9	—	—	-8.9	—	—
USD/Other currencies	134.9	13.2	—	-0.7	0.9	—
Other currency pairs	**1,016.5**	**551.8**	**481.2**	**-2.1**	**-4.1**	**2.7**
CNY/SGD	309.0	0.2	0.7	-8.1	—	—
SGD/HKD	117.2	9.2	19.3	-3.9	0.6	0.4
Other currency pairs	590.3	542.3	461.3	9.9	-4.7	2.2
CURRENCY FUTURES TOTAL	**6,864.6**	**4,142.3**	**4,037.1**	**92.2**	**-172.7**	**70.0**
Currency options						
EUR/CNY	—	—	101.1	—	—	3.6
EUR/RUB	—	—	62.2	—	—	7.4
EUR/USD	—	69.4	37.7	—	—	2.9
EUR/BRL	—	11.1	26.0	—	0.1	2.1
EUR/MXN	—	7.7	21.8	—	—	0.5
EUR/TRY	—	—	9.4	—	—	1.5
EUR/HKD	—	70.4	—	—	-0.1	—
Other currency pairs	**—**	**—**	**18.6**	**—**	**—**	**0.6**
CURRENCY OPTIONS TOTAL	**—**	**158.5**	**276.7**	**—**	**-0.1**	**18.6**
Of which total options purchased	—	158.5	276.7	—	-0.1	18.6
Other hedging elements	**—**	**—**	**—**	**—**	**—**	**—**
Cross Currency Swap	604.2	—	—	-1.3	—	—
OTHER ELEMENTS TOTAL	**604.2**	**—**	**—**	**-1.3**	**—**	**—**
TOTAL	**7,468.8**	**4,300.6**	**4,313.7**	**90.9**	**-172.5**	**88.6**

The market values by type of hedging are as follows:

€ millions	2022	2021	2020
Fair value hedges[1]	-42.7	-38.6	20.4
Cash flow hedges	133.4	-133.9	68.2
TOTAL	**90.7**	**-172.5**	**88.6**

(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.

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	2022	2021	2020
Time value	-105.1	-70.5	-87.6
Other foreign exchange gains and losses	-309.6	17.7	94.0
TOTAL	**-414.7**	**-52.8**	**6.4**

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 €24.5 million, €1.5 million and €13.3 million in 2022, 2021 and 2020, respectively.

These amounts are allocated to the appropriate operating expense items. They are broken down as follows:

€ millions	2022	2021	2020
Cost of sales	-324.2	-37.2	6.4
Research and innovation expenses	29.6	-4.2	-2.1
Advertising and promotion expenses	-61.5	-5.9	1.2
Selling, general and administrative expenses	-58.7	-5.5	0.9
FOREIGN EXCHANGE GAINS AND LOSSES	**-414.7**	**-52.8**	**6.4**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2022, 2021 and 2020.

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 €9.8 million on the Group's net finance costs at 31 December 2022, compared with a direct negative impact of -€18.2 million at 31 December 2021 and a direct positive impact of €56.4 million at 31 December 2020. 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 -€23.9 million at 31 December 2022 compared with -€1.0 million at 31 December 2021 and -€1.0 million 31 December 2020.

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.

Accordingly, the Group considers its exposure to counterparty risk to be low.

10.6. Liquidity risk

The Group's liquidity risk can be assessed on the basis of its outstanding short-term debt under its short-term marketable instruments programme. Should these bank facilities not be renewed, the Group would have confirmed undrawn credit lines of €5,000 million at 31 December 2022. 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 2022, marketable securities consist exclusively of unit trusts (note 9.2.).

At 31 December 2022, the Group held 118,227,307 Sanofi shares for an amount of €10,621.5 million (note 9.3.).

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 2021, the Group held 118,227,307 Sanofi shares for an amount of €10,472.6 million (note 9.3.).

At 31 December 2020, the Group held 118,227,307 Sanofi shares for an amount of €9,304.5 million (note 9.3.).

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 2022**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives	—	260.9	—	260.9
Sanofi shares	10,621.5	—	—	10,621.5
Other securities	99.7	—	391.6	491.3
Marketable securities	718.5	—	—	718.5
TOTAL ASSETS AT FAIR VALUE	**11,439.7**	**260.9**	**391.6**	**12,092.2**
Liabilities at fair value				
Foreign exchange derivatives	—	170.6	—	170.6
TOTAL LIABILITIES AT FAIR VALUE	**—**	**170.6**	**—**	**170.6**

€ millions **31 December 2021**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		67.6		67.6
Sanofi shares	10,472.6			10,472.6
Other securities	34.5		276.9	311.4
Marketable securities	—			—
TOTAL ASSETS AT FAIR VALUE	**10,507.1**	**67.6**	**276.9**	**10,851.6**
Liabilities at fair value				
Foreign exchange derivatives		240.4		240.4
TOTAL LIABILITIES AT FAIR VALUE	**—**	**240.4**	**—**	**240.4**

€ millions 31 December 2020	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		183.0		183.0
Sanofi shares	9,304.5	—		9,304.5
Other securities	30.7	—	153.4	184.1
Marketable securities	3,739.9	—		3,739.9
TOTAL ASSETS AT FAIR VALUE	**13,075.1**	**183.0**	**153.4**	**13,411.5**
Liabilities at fair value				
Foreign exchange derivatives		94.9		94.9
TOTAL LIABILITIES AT FAIR VALUE	**—**	**94.9**	**—**	**94.9**

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 €156.7 million, €62.7 million and €75.5 million respectively in 2022, 2021 and 2020.

10.10. Sanofi dividends

In addition to the €3.33 per share annual cash dividend awarded by Sanofi, which amounted to €393.7 million for the L'Oréal Group, Sanofi paid an extraordinary dividend in kind.

The Sanofi group decided to list its wholly owned subsidiary Euroapi on the stock exchange on 6 May 2022 and to distribute 58% of its Euroapi shares to its shareholders.

Consequently, the L'Oréal Group received 5,140,317 Euroapi shares amounting to €74.5 million, which was recognised as financial income.

NOTE 11. Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists of 535,186,562 shares with a par value of €0.20 at 31 December 2022 following the issue of 448,267 shares for the employee shareholding plan and 868,806 free shares and the cancellation of 23,802,871 shares.

Share capital consisted of 557,672,360 shares with a par value of €0.20 at 31 December 2021 following the exercise of subscription options for 52,397 shares, the issue of 5,327 shares for the employee shareholding plan in the UK and 743,056 free shares and the cancellation of 3,000,000 shares.

Share capital consisted 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.

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) 2022

The change in the number of shares in 2022 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2022	**557,672,360**	**-22,260,000**	**535,412,360**
Shares cancelled	-23,802,871	23,802,871	—
Options and free shares exercised	1,317,073	—	1,317,073
Treasury shares purchased	—	-1,542,871	-1,542,871
AT 31.12.2022	**535,186,562**	**—**	**535,186,562**

The change in treasury shares in 2022 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2022	**22,260,000**	**—**	**22,260,000**	**8,940.0**
Shares cancelled	-23,802,871	—	-23,802,871	-9,442.3
Options and free shares exercised	—	—	—	—
Treasury shares purchased	1,542,871	—	1,542,871	502
AT 31.12.2022	**—**	**—**	**—**	**—**

b) 2021

The change in the number of shares in 2021 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2021	559,871,580	—	559,871,580
Shares cancelled	-3,000,000	3,000,000	—
Options and free shares exercised	800,780	—	800,780
Treasury shares purchased	—	-25,260,000	-25,260,000
AT 31.12.2021	557,672,360	-22,260,000	535,412,360

The change in treasury shares in 2021 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2021	—	—	—	—
Shares cancelled	-3,000,000	—	-3,000,000	-1,104.8
Options and free shares exercised	—	—	—	—
Treasury shares purchased	25,260,000	—	25,260,000	10,045.0
AT 31.12.2021	22,260,000	—	22,260,000	8,940.2

c) 2020

The change in the number of shares in 2020 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2020	558,117,205	—	558,117,205
Shares cancelled	—	—	
Options and free shares exercised	1,754,375	—	1,754,375
Treasury shares purchased		—	—
AT 31.12.2020	559,871,580	—	559,871,580

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	31.12.2022	31.12.2021	31.12.2020
Securities at fair value through other comprehensive income			
Reserve at beginning of period	6,485.4	5,293.2	6,562.3
Changes in fair value over period	152.1	1,192.2	-1,269.1
RESERVE AT END OF PERIOD	6,637.5	6,485.4	5,293.2

€ millions	31.12.2022	31.12.2021	31.12.2020
Cash flow hedges – foreign exchange			
Reserve at beginning of period	-29.8	173.8	44.8
Changes in fair value over period	686.3	-75.2	78.7
Changes in fair value recorded through other comprehensive income	-399.2	-128.4	50.3
Deconsolidation and other	—	—	—
RESERVE AT END OF PERIOD	257.3	-29.8	173.8

The table below shows the impact of an increase or decrease of over 10% in the euro and US dollar against other currencies on the foreign exchange cash flow hedging reserve and the market value of the hedging instruments:

€ millions	31.12.2022	31.12.2021	31.12.2020
Impact of a 10% increase in the EUR against all other Group currencies	444.9	359.9	344.5
Impact of a 10% decrease in the EUR against all other Group currencies	-432.8	-344.9	-324.2
Impact of a 10% increase in the USD against key Group currencies	-196.5	-80.4	-43.7
Impact of a 10% decrease in the USD against key Group currencies	206.4	90.7	54.9

€ millions	31.12.2022	31.12.2021	31.12.2020
Cash flow hedges – interest rates			
Reserve at beginning of period	—	—	—
Changes in fair value over period	—	—	—
Changes in fair value recorded through other comprehensive income	1.4	—	—
RESERVE AT END OF PERIOD	**1.4**	**—**	**—**

€ millions	31.12.2022	31.12.2021	31.12.2020
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-698.3	-1,283.7	-1,058.2
Actuarial gains/(losses) over the period	404.9	584.1	-224.4
Impact of asset ceiling	-9.4	1.1	-1.1
Deconsolidation and other	—	0.2	—
RESERVE AT END OF PERIOD	**-302.8**	**-698.3**	**-1,283.7**

€ millions	31.12.2022	31.12.2021	31.12.2020
Other comprehensive income			
Gross reserve	6,592.4	5,757.4	4,183.2
Associated tax effect	-188.1	-18.8	121.4
RESERVE NET OF TAX	**6,404.4**	**5,738.6**	**4,304.5**

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	2022	2021	2020
Net profit from attributable to owners of the company	**5,706.6**	**4,597.1**	**3,563.4**
Capital gains and losses on property, plant and equipment and intangible assets	7.4	0.4	3.5
Impairment of property, plant and equipment and intangible assets	39.0	337.5	89.8
Restructuring costs	172.6	149.6	382.1
Other	22.5	-55.5	233.5
Tax effect on non-recurring items	-52.6	-104.4	-161.5
Non-controlling interests on non-recurring items	—	-0.4	—
Tax effect on acquisitions and internal restructuring	158.5	14.2	-11.8
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**6,054.1**	**4,938.5**	**4,099.0**

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:

2022	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	5,706.6	535,898,659	10.65
Stock options	—	—	—
Free shares	—	1,758,889	—
DILUTED EARNINGS PER SHARE	**5,706.6**	**537,657,548**	**10.61**

2021	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	4,597.1	557,600,698	8.24
Stock options	—	55,463	—
Free shares	—	2,135,384	—
DILUTED EARNINGS PER SHARE	**4,597.1**	**559,791,545**	**8.21**

2020	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,563.4	559,101,322	6.37
Stock options	—	274,942	—
Free shares	—	2,259,699	—
DILUTED EARNINGS PER SHARE	**3,563.4**	**561,635,963**	**6.34**

11.4.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share excluding non-recurring items:

2022	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	6,054.1	535,898,659	11.30
Stock options	—	—	—
Free shares	—	1,758,889	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**6,054.1**	**537,657,548**	**11.26**

2021	Net profit attributable to owners of the company excluding non-recurring items (€ millions)	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,938.5	557,600,698	8.86
Stock options	—	55,463	—
Free shares	—	2,135,384	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,938.5**	**559,791,545**	**8.82**

2020	Net profit attributable to owners of the company excluding non-recurring items*(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items*(€)*
Earnings per share excluding non-recurring items	4,099.0	559,101,322	7.33
Stock options	—	274,942	—
Free shares	—	2,259,699	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,099.0**	**561,635,963**	**7.30**

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 2022, 340,541,544 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	31.12.2022	31.12.2021	31.12.2020
Provisions for liabilities and charges	**67.7**	**63.8**	**56.8**
Non-current provisions(1)	67.7	63.8	56.8
Current provisions for liabilities and charges	**1,205.6**	**1,223.3**	**1,224.8**
Provisions for restructuring	146.1	182.5	235.1
Provisions for product returns	395.3	405.9	352.4
Other current provisions(1)	664.2	634.9	637.3
TOTAL	**1,273.3**	**1,287.1**	**1,281.6**

(1) This item notably includes provisions for tax risks and litigation excluding corporate income tax, industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments accounted for under the equity method when the Group's share in the net asset is negative, as well as risks relating to nvestigations carried out by competition authorities of which France for €189.5 million (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 2022 can be analysed as follows:

€ millions	31.12.2020	31.12.2021	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	31.12.2022
Provisions for restructuring	235.1	182.5	81.0	-92.9	-32.3	7.8	146.1
Provisions for product returns	352.4	405.9	468.5	-408.8	-81.5	11.1	395.3
Other provisions for liabilities and charges	694.1	698.7	233.7	-125.9	-86.1	11.6	732.0
TOTAL	**1,281.6**	**1,287.1**	**783.2**	**-627.6**	**-199.8**	**30.5**	**1,273.3**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	681.1	-506.6	-171.0
Other income and expenses	102.1	-121.0	-28.8
Net financial income	—	—	—

The change in this caption in 2021 can be analysed as follows:

€ millions	31.12.2019	31.12.2020	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	31.12.2021
Provisions for restructuring	113.0	235.1	130.5	-145.2	-45.4	7.5	182.5
Provisions for product returns	351.1	352.4	422.9	-305.4	-84.5	20.4	405.9
Other provisions for liabilities and charges	710.7	694.1	216.2	-97.7	-117.7	3.8	698.7
TOTAL	**1,174.7**	**1,281.6**	**769.6**	**-548.3**	**-247.6**	**31.7**	**1,287.1**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	639.1	-417.1	-155.8
Other income and expenses	130.5	-131.2	-91.8
Net financial income	—	—	—

The change in this caption in 2020 can be analysed as follows:

€ millions	31.12.2018	31.12.2019	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	31.12.2020
Provisions for restructuring	102.1	112.9	261.9	-110.9	-15.7	-13.1	235.1
Provisions for product returns	316.8	351.1	300.4	-227.0	-49.4	-22.7	352.4
Other provisions for liabilities and charges	608.5	710.7	219.0	-133.8	-58.8	-43.0	694.1
TOTAL	**1,027.4**	**1,174.7**	**781.3**	**-471.7**	**-123.9**	**-78.8**	**1,281.6**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	498.8	-357.6	-108.1
Other income and expenses	282.5	-114.1	-15.8
Net financial income	—	—	—

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.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €631 million, including interest and penalties. The Brazilian tax authorities are questioning the ex-works sales price to the commercial arm used to calculate the IPI tax base. After consulting with its tax advisors, L'Oréal considers that the Brazilian tax authorities' position is unfounded and has challenged these notices. L'Oréal continues its legal proceedings with the tax and legal authorities.

In light of the negative developments in administrative court decisions on the same matter for other Brazilian groups, L'Oréal funded a provision for €42 million to partially cover this risk.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2017/18 and 2019/20 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €204 million including interest and penalties. After consulting with its tax advisors, L'Oréal decided to contest these notices and continues the legal proceedings with the administrative and legal authorities.

Mutual agreement procedures

Mutual agreement procedures were instigated *vis-à-vis* the Italian, French, Indonesian and Singaporean tax authorities in order to eliminate double taxation following disagreements between these authorities.

12.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

In Greece, in its decision passed down on 4 October 2017, the Greek competition authority condemned L'Oréal Hellas to pay a fine of €2.6 million for carrying out anti-competitive practices in 2005-2006. L'Oréal Hellas refuted all allegations of having engaged in anti-competitive practices with other luxury cosmetics manufacturers. The Greek Administrative Court of Appeal quashed this decision on 5 November 2018. The Greek competition authority lodged an appeal in cassation against this decision on 28 January 2019 and a hearing before the Council of State, which was postponed on numerous occasions, was finally held on 17 November 2020. The decision should be handed down in the course of the first-half of 2023.

In Germany, after the German competition authority filed a lawsuit in 2008 in the area of personal care products, which was definitively closed in 2015, distributors filed a lawsuit seeking damages against L'Oréal Germany which has resulted in dismissals by the courts at this stage. These proceedings are still ongoing. L'Oréal Germany is contesting the merits of these claims and denies that any damages occurred.

b) France

In France, on 18 December 2014, the French competition authority handed down a fine of €189.5 million against L'Oréal in the hygiene products sector for events that took place in the early 2000s. On 27 October 2016, the Paris Court of Appeal upheld this first instance decision. L'Oréal refutes all accusations of concerted practices with its competitors and regrets that the French competition authority did not take into account the highly competitive French market in household and hygiene products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches.

Following an appeal lodged by L'Oréal, on 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision should be handed down down in the course of the first-half of 2023.

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 2022, the provision was maintained in liabilities and the payment recognised in Other current assets.

Following this ruling, the distributors filed lawsuits for damages against L'Oréal. These proceedings are in initial stages or resulted in dismissals by the courts. These proceedings are still ongoing. L'Oréal contests the merits of these claims and denies that any damages occurred.

A provision has been set aside for all disputes still in progress at 31 December 2022 amounting to €192.2 million at year-end unchanged from the provision at end-2021 and end-2020.

At the present time, no other exceptional events or disputes are highly likely to have a material impact on the earnings, financial situation, assets, or operations of the Company or the L'Oréal Group.

NOTE 13. Sustainable development and the climate

13.1. Measurement of assets and liabilities

a) Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect current regulations to have any significant impact on the Group's operations, financial position, earnings or assets.

b) Measurement of assets

For many years, L'Oréal has shown a strong commitment to environmental, social and societal responsibility. L'Oréal placed sustainability at the heart of its strategy, with the launch in 2013 of the Sharing *Beauty With All* programme with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth.

In June 2020, L'Oréal initiated the second phase of its commitments to sustainable development, under the umbrella of the *L'Oréal for the Future* programme, with a new set of particularly ambitious and concrete targets for 2030, in order to cover all the impacts associated with its value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers.

For example:

- the Group undertakes to reach "carbon neutrality[1]" for all Group sites by 2025, by improving energy efficiency and using 100% renewable energy;
- by 2030, 100% of ingredients in formulas and biobased packaging materials will be traceable and come from sustainable sources. None of them will contribute to deforestation;
- by 2030, 100% of the plastics used in packaging will be from either recycled or biobased sources;
- by 2030, L'Oréal undertakes to innovate to enable its consumers to reduce by 25%, on average and per finished product, the water consumption and greenhouse gas emissions linked to the use of its products, compared to 2016.

The above commitments do not jeopardise the value of the Group's assets or the useful lives of our non-financial assets. In particular:

- our ongoing efforts to bring our products in line with consumer demand as part of *L'Oréal for the Future* are included in the Group's short-term strategic plans used in impairment tests on intangible assets with an indefinite useful life;
- to date, the adaptation of our plants and product formulas has not led us to identify any risk of our production lines becoming obsolete or experiencing a reduction in their value in use.

13.2. Financing, investments and compensation

The Group's *L'Oréal for the Future* programme rests on its financing, short- and long-term investment and compensation strategies.

a) Financing

The credit lines indexed to the Group's sustainable development performance incorporate a borrowing cost adjustment mechanism.

The L'Oréal Group has a syndicated loan from 19 banks (€5 billion), which had not been used at the end of December 2022. This loan incorporates a mechanism whereby the margin is adjusted in line with the Group's performance with regard to four ESG KPIs: climate, biodiversity, resources and social commitment.

The Group issued a €3 billion bond in three tranches, one of which a €1,250 million 4.25-year fixed rate Sustainability-Linked Bond included environmental (ESG) criteria linked to the Group's CSR performance (note 9.1).

b) Short-term investment

The Group's available cash is mainly invested in SRI SICAV money-market funds (40% of all short-term investment in 2022) and term accounts (60% of all short-term investment in 2022).

c) Long-term investment

The Group recorded a total of €157 million in non-current financial assets related to sustainable development activities, measured at fair value through equity (note 9.3).

- at the end of 2021, investment in *Circular Innovation Fund* amounting to €50 million. L'Oréal is one of the main contributors to this impact investing fund, whose investment thesis is focused on seven verticals including new packaging materials and solution from bioeconomy and the circular economy, green technology and waste and recycling collection services.
- in 2020, the creation of a fund for Nature Regeneration to financially support projects to restore natural marine, forest and agricultural ecosystems. This dedicated €60 million fund had already invested in three projects at the end of 2022.
- investment in start-ups (€42 million in total), including the Swiss environmental technology firm Gjosa, which developed innovative water saving solutions, the French biotech company Global Bioenergies, which developed a process to convert plant-based resources, the green chemistry start-up Carbios, which developed enzymatic processes for plastic biodegradation and biorecycling and the French biotech Microphyt which developped a process with a low carbon impact to produce microalgae.

(1) A site can claim "carbon neutral" status if it meets the following requirements:
- Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
- Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting.

d) Remuneration

The variable portion of the Chief Executive Officer's current remuneration incorporates quantitative and qualitative non-financial objectives, including objectives associated with the L'Oréal for the Future programme. Since 2016, non-financial objectives in line with the Group's goals for sustainability have been included in the variable remuneration of the top management, including international brand managers and country managers.

For the conditional grant of free shares, the 2022 plan stipulates the fulfilment of non-financial performance criteria, of which:

- the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme;
- gender balance within strategic positions including the Executive Committee.

NOTE 14. Off-balance sheet commitments

14.1. Lease commitments

These amounted to €122.7 million at 31 December 2022 compared with €257.9 million at 31 December 2021 and €257.5 million at 31 December 2020, of which:

- €46.7 million was due within one year at 31 December 2022, compared with €45.1 million at 31 December 2021 and €44.3 million at 31 December 2020;
- €61.3 million was due within one to five years at 31 December 2022, compared with €76.9 million at 31 December 2021 and €72.3 million at 31 December 2020;
- €14.8 million was due in over five years at 31 December 2022, compared with €135.9 million at 31 December 2021 and €140.9 million at 31 December 2020.

14.2. Other off-balance sheet commitments

Confirmed credit lines are discussed in note 9.1.10.

Other significant off-balance sheet commitments have been identified and measured. They chiefly fall due within one year and are as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Guarantees given[1]	308.9	312.2	326.5
Guarantees received	110.4	76.8	73.6
Capital expenditure orders[2]	508.0	504.2	255.6
Firm purchase commitments under logistics supply contracts	1,852.1	1,341.5	972.8

(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 commitment to pay into the fund dedicated to rebuilding the Notre-Dame Cathedral.
(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

NOTE 15. Transactions with related parties

15.1. Transactions with associated companies (Related parties)

Equity-accounted companies include joint ventures only.

The consolidated financial statements include transactions carried out between the Group and its equity-accounted companies, considered to be related parties. The main transactions with these related parties and the associated outstanding balances are as follows:

€ millions	2022	2021	2020
Sales of goods and services	—	—	—
Financial expenses and income	—	—	—

The following receivables and payables were recorded on the balance sheet for the related parties:

€ millions	31.12.2022	31.12.2021	31.12.2020
Operating receivables	—	0.1	—
Operating payables	—	—	—
Financial receivables	0.1	0.1	0.1

15.2. Related parties with a significant influence on the Group

L'Oréal has been informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr. Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

The lock-up agreements were concluded in application of Articles 787 B and 885 I bis of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action vis-à-vis the Company.

In 2022, 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 16. Fees accruing to auditors and members of their networks payable by the Group

Fees for the 2022 financial year

	Ernst & Young Audit				Deloitte & Associés			
	Auditor Ernst & Young 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	1.6	64%	n/a	n/a	1.5	56%	n/a	n/a
Fully consolidated subsidiaries	0.7	29%	4.7	53%	0.6	22%	5.0	64%
Subtotal	**2.3**	**93%**	**4.7**	**53%**	**2.1**	**78%**	**5.0**	**64%**
Non-audit services(1)								
L'Oréal	0.2	7%	2.3	26%	0.6	22%	1.3	16%
Fully consolidated subsidiaries	—	—%	1.9	21%	—	—	1.6	20%
Subtotal	**0.2**	**7%**	**4.2**	**47%**	**0.6**	**22%**	**2.9**	**36%**
TOTAL	**2.5**	**100%**	**8.9**	**100%**	**2.7**	**100%**	**7.9**	**100%**

(1) Mainly concerning acquisition audits.

Fees for the 2021 financial year

	PricewaterhouseCoopers				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.2	55%	n/a	n/a	1.4	54%	n/a	n/a
Fully consolidated subsidiaries	0.7	32%	4.0	56%	0.6	22%	4.7	83%
Subtotal	**1.9**	**86%**	**4.0**	**56%**	**2.0**	**76%**	**4.7**	**83%**
Non-audit services(1)								
L'Oréal	0.3	14%	2.1	29%	0.6	24%	—	—
Fully consolidated subsidiaries	—	—	1.1	15%	—	—	0.9	17%
Subtotal	**0.3**	**14%**	**3.2**	**44%**	**0.6**	**24%**	**0.9**	**17%**
TOTAL	**2.2**	**100%**	**7.2**	**100%**	**2.6**	**100%**	**5.6**	**100%**

(1) Mainly concerning acquisition audits.

NOTE 17. Subsequent events

No significant events occurred between the balance sheet date and the date on which the consolidated financial statements were approved by the Board of Directors.

5.7. Main consolidated companies at 31 December 2022

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
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.	Turkiye	100.00
CENTRE LOGISTIQUE D'ESSIGNY ou CLOE	France	100.00
CENTRE THERMAL DE LA ROCHE POSAY	France	100.00
COBELSA COSMETICOS, S.A.	Spain	100.00
COMPAGNIE THERMALE HOTELIÈRE ET FINANCIÈRE – 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
COSMÉTIQUE ACTIVE INTERNATIONAL – CAI	France	100.00
COSMÉTIQUE ACTIVE PRODUCTION – C.A.P.	France	100.00
EGYPTELOR LLC	Egypt	100.00
ELEBELLE (PROPRIETARY) LIMITED	South Africa	100.00
EPISKIN	France	99.92
EPISKIN BRASIL BIOTECNOLOGIA EIRELI	Brazil	99.92
ERWITON S.A.	Uruguay	100.00
FAPAGAU & CIE	France	100.00
FAPROREAL	France	100.00
FINVAL	France	100.00
FITNE GESUNDHEIT UND WELLNESS GmbH	Germany	100.00
FRABEL S.A. de C.V.	Mexico	100.00
GEMEY PARIS – MAYBELLINE NEW YORK	France	100.00
GUANGZHOU L'ORÉAL BUYCOOR INTERNET SCIENCE & TECHNOLOGY CO., LTD	China	100.00
HELENA RUBINSTEIN ITALIA S.p.A.	Italy	100.00
HOLDIAL	France	100.00
INTERBEAUTY COSMETICS LTD	Israel	92.97
INTERBEAUTY PRODUCTS LIMITED	Kenya	100.00
JSC L'ORÉAL	Russia	100.00
KOSMEPOL Sp. z.o.o.	Poland	100.00
L & J RE	France	100.00
L'ORÉAL (CHINA) CO. LTD	China	100.00
L'ORÉAL (THAILAND) LIMITED	Thailand	100.00
L'ORÉAL (UK) LIMITED	United Kingdom	100.00
L'ORÉAL ADRIA d.o.o.	Croatia	100.00
L'ORÉAL AMERICA LATINA S.A. DE C.V.	Mexico	100.00
L'ORÉAL ARGENTINA Sociedad Anonima	Argentina	100.00
L'ORÉAL AUSTRALIA PTY LTD	Australia	100.00
L'ORÉAL BALKAN d.o.o.	Serbia	100.00
L'ORÉAL BALTIC SIA	Latvia	100.00
L'ORÉAL BANGLADESH LIMITED	Bangladesh	100.00
L'ORÉAL BELGILUX S.A.	Belgium	100.00
L'ORÉAL BRASIL COMERCIAL DE COSMÉTICOS LTDA	Brazil	100.00
L'ORÉAL BRASIL PESQUISAS E INOVACAO LTDA	Brazil	100.00
L'ORÉAL BULGARIA EOOD	Bulgaria	100.00
L'ORÉAL CANADA, INC.	Canada	100.00
L'ORÉAL CENTRAL AMERICA S.A.	Panama	100.00
L'ORÉAL CENTRAL WEST AFRICA LTD	Nigeria	100.00
L'ORÉAL CESKA REPUBLIKA s.r.o.	Czech Republic	100.00

Company	Head office	% interest
L'ORÉAL CHILE S.A.	Chile	100.00
L'ORÉAL COLOMBIA S.A.S.	Colombia	100.00
L'ORÉAL COSMETICS INDUSTRY S.A.E.	Egypt	100.00
L'ORÉAL COTE D'IVOIRE	Ivory Coast	100.00
L'ORÉAL DANMARK A/S	Denmark	100.00
L'ORÉAL DEUTSCHLAND GmbH	Germany	100.00
L'ORÉAL EAST AFRICA LIMITED	Kenya	100.00
L'ORÉAL EGYPT LLC	Egypt	100.00
L'ORÉAL ESPANA S.A.	Spain	100.00
L'ORÉAL FINLAND OY	Finland	100.00
L'ORÉAL GUATEMALA S.A.	Guatemala	100.00
L'ORÉAL HELLAS S.A.	Greece	100.00
L'ORÉAL HONG KONG LIMITED	Hong Kong	100.00
L'ORÉAL INDIA PRIVATE LIMITED	India	100.00
L'ORÉAL ITALIA S.p.A.	Italy	100.00
L'ORÉAL KAZAKHSTAN Limited Liability Partnership	Kazakhstan	100.00
L'ORÉAL KOREA LIMITED	Korea	100.00
L'ORÉAL LIBAN SAL	Lebanon	100.00
L'ORÉAL LIBRAMONT	Belgium	100.00
L'ORÉAL MAGYARORSZAG KOZMETIKAI Kft	Hungary	100.00
L'ORÉAL MALAYSIA SDN BHD	Malaysia	100.00
L'ORÉAL MANUFACTURING MIDRAND (PROPRIETARY) LIMITED	South Africa	100.00
L'ORÉAL MAROC	Morocco	50.00
L'ORÉAL MEXICO S.A. de C.V.	Mexico	100.00
L'ORÉAL MIDDLE EAST	United Arab Emirates	100.00
L'ORÉAL NEDERLAND B.V.	The Netherlands	100.00
L'ORÉAL NEW ZEALAND LIMITED	New Zealand	100.00
L'ORÉAL NORGE A/S	Norway	100.00
L'ORÉAL ÖSTERREICH GmbH	Austria	100.00
L'ORÉAL PAKISTAN PRIVATE LIMITED	Pakistan	100.00
L'ORÉAL PANAMA COMERCIAL S.A.	Panama	100.00
L'ORÉAL PANAMA S.A.	Panama	100.00
L'ORÉAL PERU S.A.	Peru	100.00
L'ORÉAL PHILIPPINES, INC.	The Philippines	100.00
L'ORÉAL POLSKA Sp. z.o.o.	Poland	100.00
L'ORÉAL PORTUGAL UNIPESSOAL, LDA	Portugal	100.00
L'ORÉAL PRODUITS DE LUXE INTERNATIONAL	France	100.00
L'ORÉAL PRODUKTION DEUTSCHLAND BETEILIGUNGS GmbH	Germany	100.00
L'ORÉAL PRODUKTION DEUTSCHLAND GmbH & CO KG	Germany	100.00
L'ORÉAL ROMANIA SRL	Romania	100.00
L'ORÉAL SAIPO INDUSTRIALE S.p.A.	Italy	100.00
L'ORÉAL SAUDI ARABIA	Saudi Arabia	75.00
L'ORÉAL SINGAPORE Pte Ltd	Singapore	100.00
L'ORÉAL SLOVENSKO s.r.o.	Slovakia	100.00
L'ORÉAL SLP S.A. de C.V.	Mexico	100.00
L'ORÉAL SOUTH AFRICA HOLDINGS (PROPRIETARY) LIMITED	South Africa	100.00
L'ORÉAL SUISSE S.A.	Switzerland	100.00
L'ORÉAL SVERIGE AB	Sweden	100.00
L'ORÉAL TAIWAN CO., LTD.	Taiwan	100.00
L'ORÉAL TRAVEL RETAIL AMERICAS, INC.	United States	100.00
L'ORÉAL TÜRKIYE KOZMETIK SANAYI VE TICARET ANONIM SIRKETI	Turkiye	100.00
L'ORÉAL U A E GENERAL TRADING LLC	United Arab Emirates	100.00
L'ORÉAL UKRAINE	Ukraine	100.00
L'ORÉAL URUGUAY S.A.	Uruguay	100.00
L'ORÉAL USA, INC. (as a sub-group)	United States	100.00
L'ORÉAL VERWALTUNGS GmbH	Germany	100.00
L'ORÉAL VIETNAM CO. LTD	Vietnam	100.00
L'ORÉAL WEST AFRICA LIMITED	Ghana	100.00
LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE	France	99.98
LABORATOIRE SANOFLORE	France	100.00
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00
LIBRAMONT ÉNERGIES VERTES – LEV	Belgium	100.00

Company	Head office	% interest
LOA3	France	100.00
LOA6	France	100.00
LOA6 USA, INC.	United States	100.00
LOA11	France	100.00
LOA12	France	100.00
LOA13	France	100.00
LOA14	France	100.00
LOA15	France	100.00
LOGO-BAU VERWALTUNGSGESELLSCHAFT mbH	Germany	100.00
LOGOCOS NATURKOSMETIK GmbH & Co. KG	Germany	100.00
LUXURY OF RETAIL	France	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'ORÉAL 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'ORÉAL INDONESIA	Indonesia	100.00
P.T. YASULOR INDONESIA	Indonesia	100.00
PRESTIGE ET COLLECTIONS INTERNATIONAL	France	100.00
PROCOSA PRODUCTOS DE BELEZA LTDA	Brazil	100.00
PRODUCTOS CAPILARES L'ORÉAL S.A.	Spain	100.00
REAL CAMPUS BY L'ORÉAL	France	100.00
SCENTAL LIMITED	Hong Kong	100.00
SCIENCEMD	France	100.00
SHANGHAI EPISKIN BIOTECHNOLOGY CO. LTD	China	99.92
SHANGHAI L'ORÉAL INTERNATIONAL TRADING CO. LTD	China	100.00
SHANGHAI MEICIFANG BUSINESS CONSULTING CO. LTD	China	100.00
SHANGHAI MEICIFANG INVESTMENT CO., LTD.	China	100.00
SHU UEMURA COSMETICS INC.	Japan	100.00
SICOS & CIE	France	100.00
SOCIÉTÉ HYDROMINERALE DE LA ROCHE POSAY	France	99.98
SOPROCOS	France	100.00
SOPROREAL	France	100.00
SPARLYS	France	100.00
SUZHOU L'ORÉAL SUPPLY CHAIN MANAGEMENT CO., LTD	China	100.00
TAKAMI CO., LTD	Japan	100.00
THERMES DE SAINT GERVAIS LES BAINS LE FAYET	France	100.00
YICHANG TIANMEI INTERNATIONAL COSMETICS CO LTD	China	100.00
YIGAOMEILAN SHANGHAI 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
LOSHIAN CO., LTD	Korea	40.00
NUTRICOS TECHNOLOGIES	France	50.00[1]
SCI GOLF DU CONNETABLE	France	38.12

(1) *Companies jointly owned with Nestlé.*

5.8. Statutory Auditor's Report on the Consolidated Financial Statements

Year ended December 31, 2022

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or the verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'OREAL

14, rue Royale

75008 Paris

To the Annual General Meeting of L'Oréal,

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 December 31, 2022.

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 as at December 31, 2022 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 those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and indefinite-life brands

See Note 7.1 "Goodwill", Note 7.2 "Other intangible assets", Note 7.3 "Impairment tests of intangible assets" and Note 4 "Other operating income and expenses" to the consolidated financial statements

Risk identified	Our response
As at December 31, 2022, the net carrying amount of goodwill and indefinite-life brands amounted respectively to M€ 11,718 and M€ 2,186 (representing a total of 30% of the assets) as disclosed in Note 7 to the consolidated financial statements. These assets are subject to an impairment test whenever an adverse event occurs, and at least once a year in order to verify that the carrying amount does not exceed their recoverable value. The recoverable amounts of each cash-generating unit (CGU) are determined based on discounted projections of future operating cash flows over a ten-year period (the necessary period for the strategic positioning of an acquisition) and a terminal value. The assumptions taken into account in the valuation of the recoverable value are described in Note 7.3 and mainly relate to: ● the increase in revenue and margin rates; ● an infinite growth rate for calculating the terminal value, and ● discount rates based on the weighted average cost of capital, including a country risk premium if necessary. The impairment tests carried out in 2022 led to an impairment of M€ 53.6 on goodwill and an impairment of M€ 53.5 on brands. We considered that the valuation of these assets was a key audit matter because of their proportion in the consolidated financial statements and because the determination of their recoverable value requires significant judgment from Management in determining future cash flow projections and the key assumptions used.	We took note of Management's methodology for conducting impairment tests and sensitivity analyses. We evaluated these, especially by linking them to our own sensitivity analyses, in order to define the nature and scope of our work. We appreciated the quality of the budgeting and forecasting process. For the impairment tests of the assets considered the most sensitive, our work included assessing the reasonableness of the main estimates, and more specifically: ● Assessing the consistency of revenue and margin rate projections in relation to your Group's past performances and the economic and financial context in which your Group operates; ● Corroborating the future growth rates used with the performance analyses of the global cosmetics market, taking into account the specificities of the local markets and distribution channels in which your Group operates; ● Analyzing discount rates applied to future cash flows by comparing the parameters used with external benchmarks, long-term growth rates and royalty rates by including valuation experts in our team; ● Reviewing sensitivity analyses against Management's key assumptions and against our own analyses. We assessed the appropriateness of the information given in the notes to the consolidated financial statements.

Revenue recognition: estimate of items deducted from revenue

See Note 3 "Accounting principles – Revenue" to the consolidated financial statements

Risk identified	Our response
Your Group's revenue is presented net of product returns and discounts, rebates and other benefits granted to distributors or consumers (such as commercial cooperation) as described in Note 3 to the consolidated financial statements. These various deductions from the revenue are recorded simultaneously upon the recognition of sales on the basis, in particular, of contractual conditions and statistical data from past experience. Thus, the valuation of revenue includes, at the end of the financial year, estimates related to the amounts deducted, which we considered to be (i) complex, due to the diversity of contractual agreements and commercial conditions existing in the different markets of your Group, (ii) sensitive, revenue being a key indicator in the evaluation of your Group's performance and its management, and (iii) material in relation to their impact in the financial statements. The evaluation of product returns, discounts, rebates and other benefits granted to customers constitutes a key audit matter.	We assessed the appropriateness of your Group's accounting principles relating to the recognition of product returns, discounts, rebates and other benefits granted to customers, in accordance with IFRS. We took note of the internal control system put in place in the commercial entities of your Group, allowing to evaluate and record the items deducted from the revenue, especially at closing, and we tested, by sampling, the main controls of this system. Substantial tests were also carried out to assess the reasonableness of the product returns and customer benefits estimate. These tests specifically included: ● Analyzing the valuation methods used, in particular, by critically examining the assumptions used, checking the permanence of the methods and analyzing the anteriority and unwinding of the previous financial year provisions; ● Reconciling the statistical data from the past experience and contractual conditions with data contained in the information systems dedicated to the management of commercial conditions; ● Verifying the arithmetic accuracy of the calculation of the corresponding entries (including the residual commitment at closing), their recording in the accounts and their presentation in the consolidated financial statements.

Valuation of provisions for tax risks and uncertain tax positions

See Note 6 "Income Taxes " and Note 12 "Provisions for liabilities and charges – Contingent liabilities and significant outstanding litigation" to the consolidated financial statements

Risk identified	Our response
Your Group is exposed to various business risks, including tax risks. When the amount or maturity can be estimated with sufficient reliability, a tax liability is recognized for these risks. Otherwise, your Group discloses information on contingent liabilities in the notes to the consolidated financial statements. Note 12.2.1 "Tax disputes" sets out, in particular, the current tax disputes in Brazil and India, for which the administration's claims amount to M€ 631 and M€ 204 respectively. The uncertain tax positions are classified in the balance sheet on the non-current tax liabilities line for M€ 276 as at December 31, 2022.	In order to identify and obtain an understanding of all uncertain tax positions, existing liabilities and related judgments, we discussed with tax departments at different levels of the structure, in France and abroad. We were aware of the internal control framework put in place to identify and assess these risks. We corroborated the list of identified tax disputes with the information provided by the tax departments and the main tax advisors of your Group. For the main uncertain tax positions and tax risks for which a liability is made, we assessed the quality of Management's estimates by considering the data and assumptions used, as well as the calculations made.

Risk identified	Our response
The identification and assessment of these items are a key audit matter given that: ● the high level of Management's judgment required to determine the risks to be provisioned and to assess with sufficient reliability the amounts to be provisioned; ● the potential significant impact of these provisions in your Group's income.	We also conducted a retrospective analysis by comparing the amounts paid over the last few years with the amounts previously provisioned. We carried out, where necessary by integrating tax experts into our team, the following procedures: ● We examined procedural matters and/or tax or technical opinions issued by external advisors selected by Management, in order to assess the appropriateness of a liability; ● We carried out, on the basis of the items submitted to us, a critical review of the risk estimates and verified that the assessments used by Management are within these acceptable ranges; ● When relevant, we verified the permanence of the methods used for these evaluations. With regard to contingent liabilities, we examined, where appropriate by integrating tax experts, the procedural elements and/or the tax or technical opinions issued by external advisors chosen by Management in order to assess the appropriateness of a lack of provision. We assessed the appropriateness of the information given in the notes to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given 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 statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditor regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF *(Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of L'Oréal by your annual general meeting of April 29, 2004 for DELOITTE & ASSOCIES and of April 21, 2022 for ERNST & YOUNG Audit.

As at December 31, 2022, DELOITTE & ASSOCIES was in the nineteenth year of total uninterrupted engagement and ERNST & YOUNG Audit in the first year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from 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 is expected 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 and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

¢ Objectives 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 from 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 of users made on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.
- Obtains an understanding of internal control 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.
- Assesses 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 his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains 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 auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report 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 significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore 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 set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 17, 2023

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES
David DUPONT-NOEL

ERNST & YOUNG Audit
Céline EYDIEU-BOUTTÉ

CHAPITRE 6

Parent company financial statements *

6

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

The individual financial statements set out in this chapter are those of the L'Oréal parent company. They show the financial situation of the parent company stricto sensu. Unlike the consolidated financial statements, they do not include the results of the Group's subsidiaries.

The information regarding the parent company financial statements that was previously included in the Management Report of the Board of Directors is now included in this chapter. The pages concerned are the table showing the main changes and thresholds crossed regarding investments in subsidiaries, the five-year financial summary and the amount of expenses and charges provided for in Article 223 quater of the French General Tax Code, and the table showing invoices issued and received, not paid at the end of the financial year and in arrears, provided for by Articles L. 441-6-1 and D. 441-4 of the French Commercial Code. The Statutory Auditor's Report on the parent company financial statements completes this information.

6.1. Compared income statements

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Operating revenue		**7,164.5**	**5,944.5**	**5,535.9**
Sales	2	6,282.0	5,255.4	4,837.8
Reversals of provisions and transfers of charges		168.4	135.6	194.8
Other revenue	3	714.1	553.5	503.4
Operating expenses		**-6,290.3**	**-5,297.1**	**-5,022.4**
Purchases and change in inventories		-792.8	-705.4	-674.6
Other purchases and external charges		-3,309.4	-2,659.0	-2,404.3
Taxes and similar payments		-129.7	-135.4	-119.2
Personnel costs		-1,376.3	-1,276.7	-1,213.2
Depreciation, amortisation and charges to provisions	5	-314.2	-288.7	-329.2
Other charges		-367.9	-231.9	-281.9
Operating profit		**874.2**	**647.4**	**513.6**
Net financial revenue	6	11,711.7	3,517.1	3,912.4
Net charges/reversals of provisions and transfers of charges	6	108.1	-183.4	-77.1
Exchange gains and losses		-316.1	-93.6	16.4
Net financial income		**11,503.7**	**3,240.1**	**3,851.7**
Profit before tax and exceptional items		**12,377.9**	**3,887.5**	**4,365.3**
Exceptional items	**7**	**246.6**	**2.1**	**-156.4**
Employee Profit Sharing		-31.0	-27.4	-27.2
Income tax	8	-250.4	-1.7	-22.8
NET PROFIT		**12,343.1**	**3,860.5**	**4,158.8**

6.2. Compared balance sheets

Assets

€ millions (net values)	Notes	31.12.2022	31.12.2021	31.12.2020
Intangible assets	11	4,876.4	4,607.4	4,366.0
Tangible assets	12	625.3	573.4	555.9
Financial assets	14	17,274.6	19,272.1	10,488.1
Non-current assets		**22,776.3**	**24,452.9**	**15,410.0**
Inventories		135.6	102.3	107.2
Prepayments to suppliers		11.6	6.4	7.8
Trade accounts receivable	16	1,030.9	770.2	692.9
Other current assets	16	513.6	515.0	489.8
Marketable securities	15	76.8	33.4	63.9
Cash and cash equivalents	27	618.0	0.6	3,791.3
Current assets		**2,386.5**	**1,427.9**	**5,152.9**
Prepaid expenses		90.8	84.4	87.7
Unrealised exchange losses	21	59.6	188.2	45.8
TOTAL ASSETS		**25,313.3**	**26,153.4**	**20,696.4**

Liabilities

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Share capital		107.0	111.5	112.0
Additional paid-in capital		3,368.7	3,265.6	3,259.8
Reserves and retained earnings		2,673.0	10,813.1	10,020.0
Net profit		12,343.1	3,860.5	4,158.8
Regulated provisions		22.0	29.9	36.2
Shareholders' equity		**18,513.8**	**18,080.6**	**17,586.8**
Provisions for liabilities and charges	**18**	**596.6**	**878.3**	**790.6**
Borrowings and debt	19	3,872.1	4,946.5	369.3
Trade accounts payable	20	1,201.8	994.7	829.8
Other current liabilities	20	1,051.2	1,234.8	1,074.7
Other payables		**6,125.1**	**7,176.0**	**2,273.8**
Unrealised exchange gains	21	77.8	18.5	45.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**25,313.3**	**26,153.4**	**20,696.4**

6.3. Changes in shareholders' equity

The share capital comprises 535,186,562 shares with a par value of €0.2 each following transactions carried out in 2022:

- issue of 448,267 shares under the employee shareholding plan;
- issue of 868,806 free shares;
- cancellation of 23,802,871 shares including 22,260,000 shares repurchased from Nestlé in December 2022.

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 2019 before appropriation of net profit	**111.6**	**3,130.2**	**42.5**	**8,044.6**	**4,105.8**	**49.8**	**15,484.5**
Capital increase	0.4	129.6					130.0
Cancellation of shares							
Appropriation of 2019 net profit				1,933.2	-1,933.2		0.0
Dividends paid for 2019					-2,172.6		-2,172.6
2020 net profit					4,158.8		4,158.8
Other movements during the period				-0.2		-13.6	-13.8
Balance at 31 December 2020 before appropriation of net profit	**112.0**	**3,259.8**	**42.5**	**9,977.6**	**4,158.8**	**36.2**	**17,586.8**
Capital increase	0.1	5.8					5.9
Cancellation of shares	-0.6			-1,101.3			-1,101.9
Appropriation of 2020 net profit				1,894.4	-1,894.4		0.0
Dividends paid for 2020					-2,264.4		-2,264.4
2021 net profit					3,860.5		3,860.5
Other movements during the period				-0.1		-6.3	-6.4
Balance at 31 December 2021 before appropriation of net profit	**111.5**	**3,265.6**	**42.5**	**10,770.6**	**3,860.5**	**29.9**	**18,080.6**
Capital increase	0.3	103.1					103.4
Cancellation of shares	-4.8			-9,399.4			-9,404.2
Appropriation of 2021 net profit				1,259.3	-1,259.3		0.0
Dividends paid for 2021					-2,601.2		-2,601.2
2022 net profit					12,343.1		12,343.1
Other movements during the period						-7.9	-7.9
BALANCE AT 31 DECEMBER 2022 BEFORE APPROPRIATION OF NET PROFIT	**107.0**	**3,368.7**	**42.5**	**2,630.5**	**12,343.1**	**22.0**	**18,513.8**

The amount added to reserves for (i) unpaid dividends on some treasury shares held by L'Oréal, (ii) movements between 1 January and the dividend payment date, on maturing free share plans, (iii) and the final number of shares carrying preferential dividend rights, stood at - €4.5 million in 2022, compared with -€2.7 million in 2021 and - €6.2 million in 2020.

Regulated provisions mainly consisted of accelerated tax-driven depreciation, which amounted to €22 million at 31 December 2022, compared with €29.9 million at 31 December 2021 and €36.2 million at 31 December 2020.

Details of option plans and free share plans are provided in note 17.

6.4. Statements of cash flows

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Operating activities				
Net profit		**12,343.1**	**3,860.5**	**4,158.8**
Depreciation and amortisation	11–12	166.0	162.7	145.4
Charges to provisions (net of reversals)		-208.9	121.8	216.4
Gains and losses on disposals of non-current assets		4.3	57.9	78.4
Other non-cash transactions			3.6	-1.5
Gross cash flow		**12,304.5**	**4,206.5**	**4,597.5**
Changes in working capital	25	65.5	45.0	185.0
Net cash provided by operating activities		**12,370.0**	**4,251.5**	**4,782.5**
Investing activities				
Investments in non-current assets	11-12-14	-7,845.7	-10,594.5	-1,605.3
Changes in other financial assets	26	-361.7	171.8	-58.7
Disposals of non-current assets		27.2	36.5	65.3
Net cash from investing activities		**-8,180.2**	**-10,386.2**	**-1,598.7**
Financing activities				
Capital increase		103.2	5.8	129.7
Dividends paid		-2,601.2	-2,264.4	-2,172.6
Changes in financial debt	19	-1,074.4	4,577.3	160.3
Net cash from financing activities		**-3,572.4**	**2,318.7**	**-1,882.6**
Cash acquired or sold in the period (complete transfer of assets and liabilities)		0.0	26.3	25.7
Change in cash and cash equivalents		**617.4**	**-3,789.7**	**1,327.0**
Net cash and cash equivalents at beginning of the year	27	0.6	3,790.3	2,463.3
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**27**	**618.0**	**0.6**	**3,790.3**

6.5. Notes to the financial statements of L'Oréal S.A.

NOTE CONTENTS

Highlights of the financial year

Capital transaction

On 7 December 2021, the L'Oréal Board of Directors approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. The total price paid to Nestlé was €8.904 billion. These shares were cancelled in the financial year 2022 in line with the decision of the Board of Directors on 9 February 2022.

Furthermore, this transaction led the Group to take out a bridging loan of €1.9 billion and to issue commercial paper for €2.3 billion, with the balance financed by the cash available at 31 December 2021. This €1.9 billion loan was repaid in full during the 2022 financial year.

Other events

In March 2022, the Group issued a €3 billion bond in three tranches, of which a €1,250 million tranche with environmental (ESG) criteria linked to the Group's CSR performance.

In July 2022, the Travel Retail Asia business historically carried by L'Oréal Hong Kong was transferred to L'Oréal Singapore. L'Oréal S.A. backed L'Oréal Singapore in its acquisition of the business via a share capital increase in the amount of €6.4 billion. In addition, following the transfer of the business, L'Oréal Hong Kong generated a profit of €6.8 billion, which was immediately transferred to L'Oréal S.A. in the form of an exceptional dividend.

NOTE 1. Accounting principles

The Company's annual financial statements are prepared in accordance with French law and regulations, as set out in Regulation ANC 2014-03 (French Chart of Accounts) and generally accepted accounting principles. The accounts for the 2022 financial year were prepared and approved on a going concern basis.

1.1. Sales

These are comprised of sales of goods (net of returns, 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 he period in which they are incurred.

1.4. Loan issue costs

Issuance costs of borrowings are expensed immediately in the year in which they are incurred.

1.5. 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.

1.6. Intangible assets

Intangible assets are recorded in the balance sheet at purchase cost, including acquisition costs.

Technical merger losses are allocated to the corresponding underlying assets and amortised where appropriate.

The value of newly acquired trademarks is calculated based on a multi-criteria approach taking into consideration their reputation and their future contribution to profits.

In accordance with regulation No. 2004-06 on assets, certain trademarks have been identified as amortisable regarding their estimated useful life.

Non-amortisable trademarks are tested for impairment at least once a year on the basis of the valuation model used at the time of their acquisition. An impairment is recorded where appropriate. Initial trademark registration costs are recorded as expenses.

Patents are amortised over a period ranging from 2 to 10 years.

Business goodwill is not amortised. It is impaired whenever the present value of future cash flows is less than the book value. Business goodwill is subject to impairment tests at least once a year, even when there is no evidence of an impairment loss

Software of material value is amortised using the straight-line method over its probable useful life, generally between five and eight years. It is also subject to accelerated tax-driven amortisation, which is recognised over a 12-month period.

Other intangible assets are usually amortised over periods not exceeding 20 years.

1.7. Tangible assets

Tangible assets are recognised at purchase cost, including acquisition expenses.

The useful lives of tangible assets are as follows:

	Length
Buildings	20-50 years
Fixtures and fittings	5-10 years
Industrial machinery and equipment	10 years
Other tangible assets	3-10 years

Both straight-line and declining-balance depreciation is calculated over the actual useful lives of the assets concerned. Exceptionally, industrial machinery and equipment is depreciated using the straight-line method over a period of 10 years, with all additional depreciation classified as accelerated tax-driven depreciation. Exceptional depreciation may be recognised where events and circumstances lead to a review of the asset's useful life.

1.8. Financial assets

1.8.1. Equity 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 shareholders' equity owned. If the value in use falls below the net book value, an impairment is recognised.

1.8.2. 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.

1.9. Inventories

Inventories are valued using the weighted average cost method. At the end of each accounting period, obsolete and slow-moving inventories are written down in the amount corresponding to the difference between their gross value and their probable net realisable value, on the basis of historical and forecast data, if the latter is lower than the gross value.

1.10. 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.

1.11. 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.

1.12. 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 mainly concern risks and disputes of a commercial, financial, tax or social nature (see note 18).

The estimated amount included in provisions corresponds to the outflow of resources that the Company is likely to incur in the settlement of its obligation. Depending on the type of provision, the estimate takes account of the most probable assumptions of realisation, or is assessed in line with statistical methods.

Contingent liabilities are potential obligations arising from past events, whose existence will only be confirmed by the occurrence of future (uncertain) events that are not wholly within the control of the Company or probable liabilities for which the outflow of resources is also not within its control. Contingent liabilities are not recognised and are disclosed where applicable.

1.13. Accounting for foreign currency transactions and exchange rate hedges

All receivables, payables, loans and borrowings denominated in foreign currencies are translated on the balance sheet at the exchange rate prevailing as of the reporting date for the financial year. These exchange rate variations, as well as those linked to the hedging instruments taken out to cover the said receivables, payables, loans and borrowings denominated in foreign currencies, are recorded in the balance sheet under the heading "Unrealised exchange losses/gains".

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.

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.

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.

1.14. 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.

1.15. Employee retirement obligations and related benefits

The L'Oréal parent company operates pension, early retirement and other benefit schemes for employees and retirees depending on local legislation and regulations. Directors and corporate officers are regarded as employees for all additional benefits relating to their remuneration, and are therefore covered by the same employee benefit schemes.

These obligations are partially funded by an external scheme where the funds are gradually built up through contributions paid. The contributions are expensed as incurred under the *Other purchases and external charges* item.

The related obligations are measured using an actuarial valuation method based on final salaries. The method takes account of length of service, life expectancy, turnover by category of personnel and economic assumptions such as inflation and discount rates. The Company has opted for the new method provided by recommendation ANC 2013-02 on the accounting treatment of pension obligations and similar benefits as amended on 5 November 2021. That is to say, the increase in the obligation for each employee is no longer recognised on a straight-line basis over his or her term of employment but straight-line only over the vesting period for his or her benefit rights.

No provision is recognised in the balance sheet for net unfunded obligations. These thus appear as 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	31.12.2022	31.12.2021	31.12.2020
Sales of goods	2,488.1	2,351.2	2,199.3
Services[(1)]	3,672.7	2,795.7	2,506.6
Other revenue	121.2	108.5	131.9
TOTAL	**6,282.0**	**5,255.4**	**4,837.8**

(1) Including invoicing of technological assistance.

The Company generated €3,400.8 million of its net sales in France in 2022, compared with €3,093.6 million in 2021 and €2,901.5 million in 2020.

NOTE 3. Other revenue

This item mainly comprises brand royalties and foreign exchange gains from operations.

NOTE 4. Average headcount

Average headcount can be broken down as follows:

	2022	2021	2020
Executives	6,482	6,001	5,671
Supervisors	2,062	2,119	2,160
Administrative staff	129	148	171
Manual workers	337	326	332
Sales representatives	533	540	566
TOTAL	**9,543**	**9,134**	**8,900**
Apprentices	515	410	278

NOTE 5. Depreciation, amortisation and charges to provisions

Depreciation, amortisation and charges to provisions can be broken down as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Depreciation and amortisation	-157.2	-152.2	-136.4
Impairment of non-current assets	-49.4	-18.9	-73.2
Impairment of current assets	-8.2	-9.8	-12.2
Provisions for liabilities and charges	-99.4	-107.8	-107.4
TOTAL	**-314.2**	**-288.7**	**-329.2**

NOTE 6. Net financial income

Net financial income amounts include the following items:

€ millions	31.12.2022	31.12.2021	31.12.2020
Dividends received(1)	11,726.2	3,549.2	3,940.9
Revenues on other receivables and marketable securities	27.8	0.1	0.1
Interest expense on borrowings and financial debt	-4.9	-21.9	-21.6
Others	-37.4	-10.3	-7.0
TOTAL	**11,711.7**	**3,517.1**	**3,912.4**

(1) In July 2022, L'Oréal received an exceptional dividend of €6.8 billion from its subsidiary L'Oréal Hong Kong following the transfer of the Travel Retail Asia business to L'Oréal Singapore. Along with the annual dividend paid to its shareholders, this item includes an additional exceptional dividend paid by Sanofi of €74.5 million in the form of Euroapi shares.

Additions to provisions net of reversals and expense transfers chiefly concern:

€ millions	31.12.2022	31.12.2021	31.12.2020
Equity investments (1)	-49.2	-40.4	-79.8
Impairment of other financial assets	-	-	-
Impairment of Treasury shares	-	-	-
Provisions for liabilities and charges relating to financial items(2)	154.8	-143.0	2.7
Others	2.5	-	-
TOTAL	**108.1**	**-183.4**	**-77.1**

(1) In 2020, this mainly related to the impairment of shares in Cosmeurop and Elebelle Limited.
(2) In 2022, this mainly related to provisions for currency risk amounting to €165.1 million.
In 2021, this mainly related to provisions for currency risk amounting to -€150.7 million.

NOTE 7. Exceptional items

Exceptional items represented €246.6 million in 2022, compared to €2.1 million in 2021 and -€156.4 million in 2020.

NOTE 8. Income tax

The income tax breaks down as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Tax on profit before tax and exceptional items	-262.5	-82.3	-39.8
Tax on exceptional items and employee Profit Sharing	12.1	80.6	17
INCOME TAX	**-250.4**	**-1.7**	**-22.8**

In 2022, the tax charge recognised by L'Oréal included a tax consolidation loss of €65.0 million.

In 2021, the tax charge recognised by L'Oréal reflected €53.3 million in savings resulting from tax consolidation.

In 2020, the tax charge recognised by L'Oréal included a tax consolidation loss of €0.3 million.

NOTE 9. Increases or reductions in future tax liabilities

	31.12.2020		31.12.2021		Changes		31.12.2022	
€ millions	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Temporary differences								
Regulated provisions	-	10.2	-	7.6	3.3	1.2	-	5.6
Temporarily non-deductible charges	116.3	-	132.8	-	14.0	46.4	100.5	-
Charges deducted (or revenue taxed) for tax purposes but not yet recognised	-	0.2	-	43.8	4.7	-43.8	4.7	-
Temporarily non-taxable revenue	-	-	-	-	-	-	-	-
Deductible items								
Tax losses, deferred items	-	-	-	-	-	-	-	-
Potentially taxable items								
Special reserve for long-term capital gains	-	150.7	-	137.0	-	-	-	137.0

These figures factor in the social contribution of 3.3% which is added to corporate income tax, both at normal and reduced rates, and the reduction in the tax rate in 2022.

NOTE 10. Research costs

Expenses booked for Research activities in 2022 totalled €1,188.3 million, compared with €1,040.7 million in 2021 and €976.6 million in 2020.

NOTE 11. Intangible assets

€ millions	31.12.2020	31.12.2021	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2022
Patents and trademarks[(1)]	1,003.0	1,147.6	49.2	-	-	1,196.7
Business goodwill[(2)]	2,860.4	2,981.7	160.3	-9.4	-	3,132.7
Software	559.1	602.8	17.8	-25.0	69.4	665.0
Other intangible assets	551.0	551.0	-	-	-	551.0
Tangible assets in progress	259.3	260.8	208.9	-22.2	-70.1	377.4
Gross value	**5,232.9**	**5,543.9**	**436.2**	**-56.6**	**-0.8**	**5,922.6**
Patents and trademarks	181.6	193.4	16.6	-	-	210.0
Business goodwill	2.0	2.5	2.7	-5.0	-	0.1
Software	388.5	438.1	73.5	-20.0	-0.2	491.4
Other intangible assets	69.0	72.3	2.3	-	0.2	74.8
Amortisation	**641.1**	**706.3**	**95.1**	**-25.0**	**0.0**	**776.3**
Patents and trademarks	69.9	74.7	2.8	-1.4	-	76.1
Business goodwill[(3)]	149.7	150.1	45.7	-6.5	-	189.3
Software	2.7	1.9	0.6	-1.5	-	1.0
Other intangible assets	3.5	3.6	-	-	-	3.6
Impairment	**225.8**	**230.2**	**49.1**	**-9.4**	**-**	**269.9**
NET VALUE	**4,366.0**	**4,607.4**	**292.0**	**-22.2**	**-0.8**	**4,876.4**

(1) In 2022, the increase in patents and trademarks is mainly related to the acquisition of the Skinbetter Science and Youth to the People brands, following the final setting of the purchase price.

(2) In 2022, the increase in business goodwill was related to the acquisition of Skinbetter Science.

In 2021, the increase in business goodwill was related to the acquisition of Youth to the People.

(3) In 2022, the increase in the impairment of other intangible assets was related mainly to the Decléor brand.

NOTE 12. Tangible assets

€ millions	31.12.2020	31.12.2021	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2022
Land	81.1	81.3	-	-	-	81.3
Buildings	727.4	769.3	15.8	-10.6	-25.0	749.5
Industrial machinery and equipment	220.5	218.7	9.2	-14.0	1.1	215.0
Other tangible assets	303.1	297.2	36.5	-27.3	45.5	351.9
Tangible assets in progress	40.5	48.1	58.9	-0.2	-20.9	85.9
Advances and prepayments	2.1	3.1	0.1	1.4	-	4.6
Gross value	**1,374.7**	**1,417.7**	**120.5**	**-50.7**	**0.7**	**1,488.2**
Land	1.8	2.1	0.3	-	-	2.4
Buildings	430.4	454.9	26.4	-10.4	-11.4	459.5
Industrial machinery and equipment	174.8	172.2	10.5	-11.5	-	171.2
Other tangible assets	205.8	208.8	33.6	-26.5	11.4	227.3
Amortisation	**812.8**	**838.0**	**70.8**	**-48.4**	**-**	**860.4**
Land	0.2	-	-	-	-	-
Industrial machinery and equipment	5.8	6.3	0.1	-3.9	-	2.6
Impairment	**6.0**	**6.3**	**0.1**	**-3.9**	**-**	**2.6**
NET VALUE	**555.9**	**573.4**	**49.6**	**1.6**	**0.7**	**625.3**

Depreciation and amortisation recognised in 2022 for tangible assets and intangible assets included:

- €157.2 million on a straight-line basis;
- €0.07 million on a declining-balance basis;
- €8.8 million relating to exceptional depreciation and amortisation.

NOTE 13. Non-current assets held under finance leases

At 31 December 2022, L'Oréal S.A. no longer held any leased assets.

NOTE 14. Financial assets

€ millions	31.12.2020	31.12.2021	Allocation of technical merger losses	Acquisitions/ Subscriptions	Disposals/ Reductions	Other movements(1)	31.12.2022
Equity investments (2)	11,530.0	11,066.1	-	6,666.1	-	100.6	17,832.8
Loans and other receivables(3)	39.0	33.6	-	2,560.8	-2,349.1	-22.1	223.2
L'Oréal shares(4)	-	8,904.0	-	500.0	-	-9,404.0	0.0
Others	4.8	5.4	-	0.7	-1.2	-	4.9
Gross value	**11,573.8**	**20,009.1**	**-**	**9,727.6**	**-2,350.3**	**-9,325.5**	**18,060.9**
Equity investments	1,085.0	736.4	-	99.1	-49.9	-	785.6
Loans and other receivables	0.5	0.4	-	0.4	-0.4	-	0.4
Others	0.2	0.2	-	0.1	-	-	0.3
Impairment	**1,085.7**	**737.0**	**-**	**99.6**	**-50.3**	**-**	**786.3**
NET VALUE	**10,488.1**	**19,272.1**	**-**	**9,628.0**	**-2,300.0**	**-9,325.5**	**17,274.6**

(1) Other movements related to equity investments essentially correspond to Euroapi shares in the amount of €74.5 million obtained in connection with the payment of an exceptional stock dividend by Sanofi.
(2) The change mainly corresponds to the subscription by L'Oréal S.A. to the share capital increase conducted by L'Oréal Singapore Ltd (see § Highlights of the financial year).
(3) Movements on loans and related receivables correspond to loans granted and repaid during the year firstly to Finval and secondly to L'Oréal Singapore.
(4) On 28 July 2022, the Board of Directors resolved, in connection with the authorisation approved by the Annual General Meeting of 21 April 2022, to buy back L'Oréal shares in the maximum amount of €500 million. The shares thus bought back for €500 million were cancelled in line with the Board of Directors' decision on 7 December 2022.
In addition, the shares bought back from Nestlé in December 2021 were cancelled in line with the Board of Directors' decision of 9 February 2022 for €8,904 million.

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	31.12.2022	31.12.2021	31.12.2020
Financial instruments/Premiums paid on options	76.8	33.4	63.9
Gross value	**76.8**	**33.4**	**63.9**
Financial instruments/Premiums paid on options	-	-	-
Impairment	**-**	**-**	**-**
NET VALUE	**76.8**	**33.4**	**63.9**

NOTE 16. Maturity of receivables

€ millions	1 year or less	More than 1 year	Gross	Impairment	Net
Loans and other receivables	**219.8**	**3.4**	**223.2**	**-0.4**	**222.8**
Other financial assets	**4.7**	**-**	**4.7**	**-0.1**	**4.6**
Trade accounts receivable	**1,032.4**	**-**	**1,032.4**	**-1.5**	**1,030.9**
Other current assets, of which	**513.6**	**-**	**513.6**	**-**	**513.6**
Tax and employee-related receivables[1]	431.3	-	431.3	-	431.3
Other receivables	82.3	-	82.3	-	82.3
Prepaid expenses	**90.8**	**-**	**90.8**	**-**	**90.8**

(1) Including a corporate income tax receivable in the amount of €86.2 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	31.12.2022	31.12.2021	31.12.2020
Trade accounts receivable	3.0	2.0	1.2
Other receivables	20.5	23.1	19.1
TOTAL	**23.5**	**25.1**	**20.3**

NOTE 17. Stock purchase or subscription options – Free shares

17.1. Share subscription or purchase options

As at 31 December 2022, there were no more stock options plans in force.

17.2. Free shares

The table below summarises data relating to the free share plan.

Grant date					
Stock subscription plans	Stock purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
20.04.2016		21.04.2020	906,100	835,725	-
20.04.2017		21.04.2021	906,000	742,276	-
17.04.2018		18.04.2022	931,000	868,575	-
18.04.2019		19.04.2023	843,075	450	801,400
14.10.2020		15.10.2024	713,660	385	691,150
07.10.2021		08.10.2025	588,750	105	578,325
13.10.2022		14.10.2026	700,000	-	700,000

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.

The performance conditions concern:

- For the 7 October 2021, 14 October 2020 and 18 April 2019 plans:
  - for 50% of shares granted, the comparable cosmetics net sales for the 2022, 2023 and 2024 financial years under the 2021 plan; for the 2021, 2022 and 2023 financial years under the 2020 plan; and the 2020, 2021 and 2022 financial years under the 2019 plan in relation to the growth in net sales for a panel of competitors;
  - for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the mean of the performance in the 2022, 2023 and 2024 financial years under the 2021 plan, of the 2021, 2022 and 2023 financial years under the 2020 plan, and of the 2020, 2021 and 2022 financial years under the 2019 plan. It will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

- For the 13 October 2022 plan, the performance conditions comprise the following:
  - 80% of financial performance criteria, of which half is the growth of comparable cosmetics sales for the 2023, 2024 and 2025 financial years compared to a panel of competitors, and the other half is the change in the Group's consolidated operating profit over the period. The calculation will be made on the basis of the arithmetic average of the performances for 2023, 2024 and 2025;
  - 20% of non-financial performance criteria, of which 15% is linked to the achievement of environmental and social responsibility commitments made by the Group as part of the "L'Oréal for the Future" programme, and 5% is linked to gender equality in strategic positions including those of the Executive Committee.

No performance condition applies below a block of 100 shares.

The plans of 20 April 2016, 20 April 2017 and 17 April 2018 were finally granted by the allocation of, respectively, 835,600 shares on 21 April 2020, 742,276 shares on 21 April 2021 and 868,225 shares on 19 April 2022.

As at 31 December 2022, the performance conditions of the plans in progress were deemed achieved.

In June 2022, 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 €254.9, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chief Executive Officer setting the subscription period from 8 June to 22 June 2022 during which 410,943 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 final number of shares will only be known in October 2023.

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 free shares. The shares will be allocated to employees on 26 July 2027 provided they are still with the Group on that date.

The share capital increase took place on 26 July 2022 for a total of 448,267 shares, including subscribed shares.

NOTE 18. Provisions for liabilities and charges

€ millions	31.12.2020	31.12.2021	Charges	Reversals (used)	Reversals (not used)	Others	31.12.2022
Provisions for litigation(1)	193.0	193.4	1.2	-1.7	-0.4	-	192.5
Provisions for foreign exchange losses	24.9	176.4	16.0	-176.4	-	-	16.0
Provisions for expenses	169.4	171.8	78.6	-75.2	-18.6	1.9	158.5
Other provisions for liabilities(2)	403.3	336.7	74.0	-108.6	-70.6	-1.9	229.6
TOTAL	**790.6**	**878.3**	**169.8**	**-361.8**	**-89.7**	**-**	**596.6**

(1) L'Oréal S.A. was ordered to pay a fine of €189.5 million following the decision handed down in the first instance by the French competition authority on 18 December 2014. L'Oréal appealed against this decision. On 27 October 2016, the Paris Court of Appeal upheld the first instance decision. L'Oréal lodged an appeal in cassation. On 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision is expected in the first half of 2023. 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 2022 income statement as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	99.4	80.6	38.8
Net financial income	23.1	177.9	-
Exceptional items	47.3	103.2	50.9
TOTAL	**169.8**	**361.8**	**89.7**

NOTE 19. Borrowings and debt

L'Oréal obtains financing through medium-term bond loans and issues short-term marketable instruments in France and the United States. The amounts of the programmes are €5,000 million and $5,000 million respectively. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

Liquidity on the short-term marketable instruments issues is provided by confirmed undrawn short-term credit facilities with banks, which amounted to €5,000 million at 31 December 2022, compared to €5,000 million at 31 December 2021 and €5,363 million at 31 December 2020.

In March 2022, the Group completed a bond issue in the total amount of €3 billion. It is composed of three tranches. A first floating rate tranche with a maturity of 2 years in the amount of €750 million. A second fixed rate tranche with the same maturity in the amount of €1,000 million, with a coupon of 0.375% per annum. A third fixed rate tranche with a maturity of 4 years 3 months in the amount of €1,250 million, with a coupon of 0.875% per annum, known as a sustainability linked bond.

All borrowings and debt are denominated in euros and can be broken down as follows:

Breakdown by type of debt

€ millions	31.12.2022	31.12.2021	31.12.2020
Bonds(1)	3,014.5	-	-
Short-term marketable instruments(2)	795.2	2,507.0	360.0
Bank overdrafts and financing with the Group's cash pool	-	-	-
Other borrowings and debt(3)	62.4	2,439.5	9.3
TOTAL	**3,872.1**	**4,946.50**	**369.3**

(1) The issue premium of €3.4 million is directly linked to the amount of this bond.
To finance the repurchase in 2021 of its own shares from Nestlé, the Group:
(2) issued commercial paper (€2,300 million); and
(3) took out a bridging loan (€1,904 million).

Breakdown by maturity date

€ millions	31.12.2022	31.12.2021	31.12.2020
Less than 1 year	866.8	4,939.8	361.7
1 to 5 years	3,005.3	6.7	7.6
More than 5 years	-	-	-
TOTAL	**3,872.1**	**4,946.5**	**369.3**

Average interest rate on borrowings and debt

As was the case in previous years, drawdowns of short-term marketable instruments denominated in euros were made on the basis of negative rates in 2022.

Thus for 2022, the average rate of the debt in euros was +0.26% including bonds, compared to -0.51% in 2021 and -0.31% in 2020, and the average rate of short-term marketable instruments in dollars in the United States stands at 2.18%.

NOTE 20. Maturity of payables

€ millions	1 year or less	More than 1 year	Total
Trade accounts payable	**1,201.8**	**-**	**1,201.8**
Other current liabilities, of which	**1,050.8**	**0.4**	**1,051.2**
Tax and employee-related payables	550.1	-	550.1
Payables related to non-current assets(1)	197.4	0.4	197.8
Other payables	303.3	-	303.3

(1) Long-term payables correspond to the earn-out clause on the Sayuki acquisition.

Accrual accounts included in trade accounts payable and other current liabilities are as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Trade accounts payable	**662.4**	**542.4**	**482.0**
Payables related to non-current assets	**162.6**	**168.1**	**230.2**
Tax and employee-related payables, of which	**498.7**	**486.9**	**442.4**
Provision for employee Profit Sharing	31.7	29.2	28.5
Provision for incentives	143.8	135.2	122.1
Other payables	**210.2**	**199.9**	**179.6**
TOTAL	**1,546.3**	**1,397.3**	**1,334.2**

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	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Financial receivables	8.9	-	-	-	-	-
Trade accounts receivable	6.6	1.9	1.0	0.3	0.1	0.2
Borrowings and debt	-	-	-	8.9	-	-
Trade accounts payable	-	0.1	-	-	-	0.2
Derivative financial instruments	44.1	186.2	44.8	68.6	18.4	44.8
TOTAL	**59.6**	**188.2**	**45.8**	**77.8**	**18.5**	**45.2**

The overall foreign exchange position, calculated on a currency-per-currency basis at 31 December 2022, is an unrealised loss of €16.0 million, recorded as a provision for unrealised foreign exchange losses (see note 18). At 31 December 2021, the overall foreign exchange position was an unrealised loss of €176.4 million, compared with an unrealised loss of €24.9 million at 31 December 2020.

NOTE 22. Derivative financial instruments

Derivative financial instruments can be broken down as follows:

			Notional			Market value
€ millions	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Currency futures						
Purchase of EURO against foreign currencies						
EUR/CNY	1,697.0	1,455.3	1,015.3	17.9	-130.9	1.0
EUR/RUB	4.7	276.3	205.8	-1.0	-10.2	12.4
EUR/USD	157.3	162.4	155.5	0.0	-7.8	8.7
EUR/BRL	159.3	106.8	69.4	-0.9	-1.8	1.1
EUR/KRW	73.2	61.3	54.2	-1.5	-0.7	-0.5
EUR/TWD	59.1	55.2	55.5	2.7	-1.4	3.6
EUR/THB	62.0	51.8	45.0	-0.8	-0.7	0.8
EUR/IDR	52.2	45.4	35.6	2.4	-3.7	-0.6
EUR/GBP	43.9	44.2	36.5	0.5	-1.0	0.0
EUR/INR	33.5	26.7	23.2	1.6	-1.6	0.5
EUR/ZAR	28.4	20.7	25.7	0.2	0.2	-2.3
EUR/AUD	22.6	19.6	18.3	0.3	-0.4	-0.8
EUR/CAD	16.9	16.6	16.1	0.9	-0.5	0.2
EUR/DKK	19.9	15.9	14.8	0.0	0.0	0.0
EUR/PEN	17.3	11.0	8.1	-0.2	-0.7	0.7
EUR/TRY	0.0	1.1	60.6	0.0	0.3	-0.5
EUR/Other currencies	61.2	65.0	53.0	-0.9	-0.8	-0.4
Sale of EUR against foreign currencies						
EUR/SGD	129.0	98.3	21.3	3.2	3.6	-0.4
EUR/PLN	28.2	36.2	32.2	1.3	-0.6	-0.5
EUR/JPY	1.4	8.7	15.2	-0.1	0.1	-0.6
EUR/HKD	0.0	0.0	16.5	0.0	0.0	-1.2
EUR/Other currencies	3.3	5.6	3.9	0.5	0.2	0.1
Purchase of USD against foreign currencies						
USD/CNY	306.0	256.6	179.4	1.9	-11.8	-11.2
USD/BRL	80.8	46.3	26.6	-0.8	1.3	-1.4
USD/THB	32.9	31.0	33.9	-1.4	0.9	-1.7
USD/KRW	9.2	15.5	15.4	0.1	0.6	-1.3
USD/PEN	18.4	12.9	11.8	-0.7	0.1	0.2
USD/TWD	12.5	11.2	13.1	0.2	0.2	-0.1
USD/PHP	8.8	9.6	20.4	-0.2	0.3	-0.5
USD/Other currencies	15.9	9.0	16.8	-0.1	0.0	-0.7
Sale of USD against foreign currencies						
USD/IDR	29.8	22.4	25.6	-0.5	0.7	1.5
USD/Other currencies	0.0	0.6	0.0	0.0	-0.2	0.0

	Notional			Market value		
€ millions	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Purchase of CNY against foreign currencies						
CNY/IDR	29.0	28.4	18.9	0.3	-0.2	-0.3
CNY/THB	20.2	21.8	21.1	-1.1	1.1	0.3
CNY/INR	17.7	21.4	23.5	0.1	0.1	0.8
CNY/PHP	10.8	9.1	3.4	-0.3	0.3	0.1
CNY/Other currencies	7.0	6.3	7.9	0.1	0.3	0.4
Other currencies pairs						
JPY/CNY	66.7	95.6	48.9	0.9	-7.0	-1.5
KRW/CNY	25.6	31.8	44.5	1.3	-2.7	0.6
PLN/RUB	0.0	5.7	10.6	0.0	-0.4	0.3
Others	34.2	33.8	27.5	1.2	-1.0	-0.6
Currency futures total	**3,395.9**	**3,253.11**	**2,531.0**	**26.5**	**-175.8**	**6.2**
Currency options						
EUR/CNY	0.0	0.0	101.1	0.0	0.0	3.6
EUR/RUB	0.0	0.0	62.2	0.0	0.0	7.4
EUR/BRL	0.0	11.1	26.0	0.0	0.1	2.1
USD/BRL	0.0	0.0	18.6	0.0	0.0	0.6
EUR/USD	0.0	28.2	13.6	0.0	0.0	1.1
EUR/TRY	0.0	0.0	9.4	0.0	0.0	1.5
Other currencies	0.0	0.0	0.0	0.0	0.0	0.0
Currencies options total	**0.0**	**39.3**	**230.9**	**0.0**	**0.1**	**16.3**
Of which total options purchased	0.0	39.3	230.9	0.0	0.1	16.3
Of which total options sold	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INSTRUMENTS	**3,395.9**	**3,292.4**	**2,761.9**	**26.5**	**-175.7**	**22.5**

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 €78.2 million due in less than one year, €176.6 million due between one and five years and €29.3 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	31.12.2022	31.12.2021	31.12.2020
Commitments in connection with employee retirement obligations and related benefits[1]	-205.5	111.2	499.4
Commitments to buy out non-controlling interests	11.6	10.6	8.5
Guarantees given[2]	2,002.9	4,579.0	4,235.6
Guarantees received	2.8	1.6	3.3
Capital expenditure orders	111.4	154.0	74.2
Documentary credits	-	-	-

(1) The discount rate used in 2022 to measure commitments was 3.75% for plans providing for the payment of capital and 3.75% for annuity plans, compared with 0.80% and 1.10% respectively in 2021, and 0.30% and 0.60% in 2020. The increase in interest rates resulted in a funding surplus for pension liabilities in the amount of €205 million at end 2022.

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 €1,922.9 million at 31 December 2022 on behalf of the Group's direct and indirect subsidiaries, compared with €4,434.4 million at 31 December 2021 and €4,100.5 million at 31 December 2020. Seller's warranties are also included in this amount as appropriate. This line also includes a commitment to pay towards the Notre Dame Cathedral Reconstruction fund.

24.3. Contingent liabilities

In the ordinary course of its operations, L'Oréal is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Company sets aside a provision when a risk is found to exist and the related cost can be reliably estimated.

No exceptional event or dispute is highly likely to have a material impact on the Company's earnings, financial position, assets or operations.

NOTE 25. Changes in working capital

Changes in working capital can be broken down as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Inventories	-32.3	7.1	-11.9
Accounts Receivable	-100.1	-233.3	79.7
Accounts Payable	197.9	271.2	117.2
TOTAL	**65.5**	**45.0**	**185.0**

NOTE 26. Changes in other financial assets

This line primarily includes cash flows relating to financial instruments, classified as marketable securities.

NOTE 27. Net cash and cash equivalents at the end of the year

Cash and cash equivalents can be broken down as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Cash and cash equivalents	616.2	0.6	3,791.3
Accrued interest receivable	1.8	-	-
Accrued interest payable	-	-	-1.0
NET CASH AND CASH EQUIVALENTS	**618.0**	**0.6**	**3,790.3**

NOTE 28. Other information

Statutory audit fees are presented in note 16 to the Consolidated Financial Statements.

NOTE 29. Subsequent events

L'Oréal S.A. wishes to implement a simplification and streamlining of its organisation in order to provide a better operating method for its activities in France. This proposed reorganisation consists in particular of spinning off certain of L'Oréal S.A.'s operational activities, hosting them in dedicated structures in order to give them their autonomy.

L'Oréal S.A.'s Board of Directors meeting of 9 February 2023 approved two proposed partial asset contributions, taking account of social and environmental issues in particular.

These transactions consist of:

- a contribution to L'Oréal France of the complete and autonomous branches of activities (i) Affaires Marché France (marketing activity on the French market for products from the Group's four Divisions – Products Grand Public France, Produits Professionnels France, Luxe France and Cosmétique Active France), (ii) Domaines d'Excellence (services activity for subsidiaries based in France, carried out by central services and support functions) and (iii) all shares comprising the capital of Luxury of Retail, a wholly owned subsidiary of the Company;
- a contribution to L'Oréal International Distribution of the complete and autonomous branch of the International Distribution activity (operating the brands of the four Divisions in countries where the brands are not marketed by the Company's subsidiaries, as well as globally driving the distribution network).

The completion date of these contributions will be set at 1 July 2023, subject to extension until 31 December 2023 at the latest.

NOTE 30. Table of subsidiaries and holdings

TABLE OF SUBSIDIARIES AND HOLDINGS AT 31 DECEMBER 2022

€ thousands	Share capital	Reserves and retained earnings before appropriation of net profit	% holding	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	790	100.00%	78,723	78,723	542	2,176
Beauté, Recherche & Industries	1,069	15,126	100.00%	9,495	9,495	8,280	6,390
Cosmétique Active International	19	13,947	88.97%	15,100	15,100	100,207	67,230
Cosmétique Active Production	186	22,917	80.13%	5,081	5,081	11,354	8,294
EpiSkin	13,609	11,115	99.92%	17,999	17,999	615	0
Fapagau & Cie	15	4,270	79.00%	12	12	15,884	6,594
Faproreal	11,944	5,378	100.00%	11,953	11,953	6,600	5,107
Finval	19,516	142,683	100.00%	75,677	75,677	72,471	27,654
Gemey Paris - Maybelline New York	35	8,374	99.96%	46	46	5,390	4,512
Holdial	1	4	98.00%	1	1	784	2,806
L & J Ré	27,500	14,173	100.00%	27,500	27,500	-3,098	0
La Roche-Posay Laboratoire Pharmaceutique	380	4,437	99.98%	27,579	27,579	37,674	29,825
Noveal	1,958	10,294	100.00%	21,501	21,501	5,037	4,643
Nutricos Technologies	535	2	50.00%	38,125	0	-108	0
Laboratoire Sanoflore	10	1,147	100.00%	5,197	1,697	778	749
L'Oréal Fund For Nature Regeneration	60,000	-1,745	100.00%	60,000	60,000	-1,251	0
L'Oréal Produits de Luxe International	98	75,253	99.85%	75,350	75,350	64,763	19,016
LOA3	90,402	-37,741	100.00%	90,400	52,400	-59	0
BOLD (Business Opportunities for L'Oréal Development)	178,853	109,195	100.00%	299,603	299,603	573	0
LOA7	838	-4,099	100.00%	1,129	29	542	0
Real Campus by L'Oréal	7,205	-4,620	100.00%	7,205	7,205	-1,596	0
LOA10	8,005	-1,475	100.00%	8,005	8,005	-3,458	0
LOA11	50	-5	100.00%	50	50	-5	0
LOA12	50	0	99.98%	50	50	-5	0
LOA13	50	0	99.98%	50	50	-5	0
LOA14	50	0	99.98%	50	50	-5	0
LOA15	50	0	99.98%	50	50	-5	0
Retail Excellence 4	508	402	100.00%	825	825	668	843
Prestige & Collections International	78	7,465	99.81%	98,364	98,364	523,461	406,413
Magic Holdings International Limited	33	8	100.00%	63,411	11	-113	40,678
Sicôs & Cie	375	11,428	100.00%	1,076	1,076	11,525	11,981
Soprocos	8,250	9,287	100.00%	11,904	11,904	3,789	9,994
Soproréal	15	2,838	99.90%	15	15	10,788	7,362
Sparlys	7,378	14,186	100.00%	18,553	18,553	2,033	0
Thermes De Saint Gervais Les Bains Le Fayet	1,047	3,242	100.00%	22,942	16,942	-397	0
B. Main French investments (Holdings of under 50%)							
Euroapi	94,027	0	5.47%	74,535	74,535		0
Sanofi[2]	2,531,000	0	9.38%	423,887	423,887		468,232

(1) *Including profits distributed by the SNCs (general partnership), and Sociétés civiles (non trading companies), that are not tax consolidated.*
(2) *Listed company. At the end of the year, L'Oréal owned 118,227,307 shares. Their market value at 31 December 2022 amounted to €10,621,541 thousand.*

€ thousands	Share capital	Reserves and retained earnings before appropriation of net profit	% holding	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends booked during the year
A. Main foreign subsidiaries (Holdings of over 50%) [1]							
Atelier Cologne (Luxembourg)	1,210	13,290	100.00%	89,200	13,409	22	0
Beautycos International Co. Ltd (China)	52,482	35,631	73.46%	46,195	46,195	16,000	9,560
Beautylux International Cosmetics (Shanghai) Co. Ltd (China)	5,629	117	100.00%	16,871	4,871	323	0
Biotherm (Monaco)	152	16	99.80%	3,545	3,545	8,003	7,597
Canan Kozmetik Sanayi Ve Ticaret A.S. (Turkey)	6,451	-1,386	100.00%	30,290	2,860	-3,729	0
Cosmelor Ltd (Japan)	548	15,012	100.00%	35,810	30,360	9,353	5,823
Cosmephil Holdings Corporation (Philippines)	171	-122	100.00%	400	14	0	0
Egyptelor LLC (Egypt)	6	-101	99.80%	7	7	292	0
Elebelle (Proprietary) Ltd (South Africa)	806	25,146	100.00%	61,123	13,123	-1,728	0
Erwiton S.A. (Uruguay)	147	1,218	100.00%	3	3	14,138	12,731
Interbeauty Cosmetics Ltd (Israel)	4,137	17,547	92.97%	38,497	38,497	15,656	2,317
Kosmepol Sp. z.o.o. (Poland)	38,844	53,099	99.73%	48,965	48,965	1,389	6,223
L'Oréal Adria d.o.o. (Croatia)	131	4,088	100.00%	1,503	1,503	9,320	8,356
L'Oréal Argentina S.A.	5,334	135,394	96.82%	183,864	61,964	9,956	0
L'Oréal Australia Pty Ltd	2,711	17,405	100.00%	33,867	33,867	63,828	61,080
L'Oréal Balkan d.o.o. (Serbia)	1,283	-442	100.00%	1,285	1,285	2,990	2,471
L'Oréal Baltic SIA (Lithuania)	387	-1,018	100.00%	529	529	-343	5,019
L'Oréal Bangladesh Ltd (Bangladesh)	2,700	-2,108	100.00%	2,635	0	-1,784	0
L'Oréal Brasil	315,720	-122,720	90.82%	287,835	287,835	77,946	20,122
L'Oréal Belgilux S.A. (Belgium)	16,124	17,253	98.93%	77,150	77,150	128,359	26,169
L'Oréal Brasil Pesquisas e Inovacao Ltda	45,887	-11,632	99.99%	45,654	45,654	1,053	0
L'Oréal Bulgaria EOOD	102	735	100.00%	102	102	3,581	4,688
L'Oréal Canada Inc.	3,979	114,169	100.00%	146,517	146,517	103,141	97,733
L'Oréal Central America (Panama)	8	-274	100.00%	8	0	237	0
L'Oréal Central West Africa (Nigeria)	3,443	-3,436	99.91%	18,106	8	0	0
L'Oréal Ceska Republika s.r.o (Czech Republic)	2,268	3,041	100.00%	4,983	4,983	27,791	29,051
L'Oréal Chile S.A. (Chile)	6,173	-3,373	100.00%	43,784	43,784	33,249	27,395
L'Oréal China Co Ltd (China)	43,498	70,092	100.00%	345,733	345,733	915,363	738,556
L'Oréal Colombia S.A. (Colombia)	11,658	29,937	100.00%	80,419	49,419	1,688	0
L'Oréal Cosmetics Industry S.A.E. (Egypt)	58,382	-42,732	100.00%	58,363	23,363	4,346	0
L'Oréal Côte d'Ivoire	1,999	-10,463	100.00%	2,499	0	-6,143	0
L'Oréal Danmark A/S (Denmark)	270	5,449	100.00%	8,336	8,336	42,928	48,676
L'Oréal Deutschland Gmbh (Germany)	12,647	62,356	100.00%	76,855	76,855	88,743	127,412
L'Oréal East Africa Ltd (Kenya)	203	18,885	99.97%	61,350	11,798	-18,545	0
L'Oréal Espana S.A. (Spain) (incl. Oomes merger)	59,911	18,453	100.00%	361,454	361,454	78,127	73,033
L'Oréal Finland Oy (Finland)	673	-38	100.00%	1,280	1,280	6,184	3,000
L'Oréal Guatemala S.A.	1,044	1,278	100.00%	2,162	2,162	3,267	2,444
L'Oréal Hellas S.A. (Greece)	9,736	1,462	100.00%	35,307	35,307	19,828	17,104
L'Oréal Hong Kong Ltd	-77	-7,119,255	100.00%	24,276	24,276	7,146,756	7,653,391
L'Oréal India Private Ltd (India)	48,691	-51,888	100.00%	75,987	75,987	61,053	59,953
L'Oréal Italia Spa	1,680	46,198	100.00%	226,469	226,469	60,140	72,853
L'Oréal Kazakhstan Llp (Kazakhstan)	422	382	100.00%	422	422	899	1,616
L'Oréal Korea Ltd (South Korea)	1,991	17,295	100.00%	20,794	20,794	12,398	2,989

€ thousands	Share capital	Reserves and retained earnings before appropriation of net profit	% holding	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends booked during the year
L'Oréal Liban SAL	-428	1,661	100.00%	4,136	6	-1,840	0
L'Oréal Magyarorszag Kosmetikai Kft (Hungary)	428	-147	100.00%	787	787	4,673	2,128
L'Oréal Malaysia SDN BHD	3,268	6,479	100.00%	6,762	6,762	11,031	0
L'Oréal Mexico S.A. de C.V. (Mexico)	2,349	98,349	100.00%	8,443	8,443	42,998	41,284
L'Oréal Middle East (United Arab Emirates)	7,761	4,635	100.00%	54,379	53,379	46,713	31,871
L'Oréal Nederland B.V. (Netherlands)	1,178	-916	100.00%	22,014	22,014	37,420	24,448
L'Oréal New Zealand Ltd (New Zealand)	44	2,818	100.00%	6,110	6,110	9,689	8,771
L'Oréal Norge A/S (Norway)	1,384	2,396	100.00%	4,050	4,050	6,290	3,058
L'Oréal Osterreich Gmbh (Austria)	2,915	1,644	100.00%	3,818	3,818	3,655	60,957
L'Oréal Pakistan Private Ltd	19,609	-28,938	100.00%	20,234	2,700	-960	0
L'Oréal Panama S.A.	159	1,959	100.00%	168	168	1,668	893
L'Oréal Peru S.A. (Peru)	2,322	386	100.00%	3,739	3,739	9,629	964
L'Oréal Philippines Inc.	3,696	-4,320	99.50%	39,107	1,917	-750	0
L'Oréal Polska Sp. Z.O.O. (Poland)	405	279	100.00%	707	707	43,607	35,521
L'Oréal Portugal Lda	495	-67	100.00%	6,459	6,459	66,542	8,633
L'Oréal Romania SRL (Romania)	799	86	100.00%	974	974	16,718	12,824
L'Oréal Saudi Arabia	5,682	3,122	74.63%	4,260	4,260	4,789	3,233
L'Oréal Singapore Pte Ltd (Singapore)	6,402,955	132,872	100.00%	6,394,939	6,394,939	-321,400	9,852
L'Oréal Slovensko s.r.o. (Slovakia)	98	935	100.00%	173	173	-18	12,597
L'Oréal Suisse S.A.	346	14,340	100.00%	160,311	160,311	17,883	25,947
L'Oréal Sverige AB (Sweden)	2,038	-283	100.00%	2,247	2,247	18,212	8,752
L'Oréal Taiwan Co Ltd	187	-1,368	100.00%	17,881	17,881	33,440	24,419
L'Oréal Thailand Ltd	3,992	1,987	99.99%	5,238	5,238	14,159	9,919
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	39,142	-32,086	100.00%	55,093	14,243	3,910	0
L'ORÉAL UAE General Trading LLC (United Arab Emirates)	21,638	13,429	100.00%	34,523	34,523	7,427	6,712
L'Oréal UK Ltd (United Kingdom)	121,150	-56,786	100.00%	145,573	145,573	174,465	149,443
L'Oréal Ukraine	3,033	10,316	100.00%	2,990	0	2,192	0
L'Oréal Uruguay S.A.	244	-749	100.00%	2,718	2,718	1,757	0
L'Oréal USA Inc.[(3)]	647,731	3,932,273	100.00%	4,851,879	4,851,879	1,169,527	925,337
L'Oréal Venezuela C.A.	0	3,264	100.00%	26,953	0	-2,018	0
L'Oréal Vietnam Co Ltd	13,537	-634	100.00%	13,646	13,646	10,100	0
L'Oréal West Africa Ltd (Ghana)	18,872	-21,117	100.00%	21,760	0	-262	0
Masrelor LLC (Egypt)	17,686	-12,213	100.00%	17,573	17,573	-1	412
Nanda CO Ltd. (Korea)	-705	42,276	100.00%	485,563	485,563	18,720	15,952
Nihon L'Oréal KK (Japan)	-17,697	134,522	100.00%	351,504	351,504	-21,315	0
L'Oréal Travel Retail Americas Inc. (USA)	40	2,525	100.00%	100,317	100,317	21,482	0
Procosa Productos de Beleza Ltda (Brazil)	154,665	-34,281	100.00%	223,938	223,938	13,282	32,084
P.T. L'Oréal Indonesia	1,510	-593	99.00%	2,305	2,305	8,882	5,737
P.T. Yasulor Indonesia	73,931	-941	99.99%	110,022	79,022	4,565	4,405
Scental Limited (Hong-Kong)	5	207	100.00%	8	8	0	0
Venprobel (Venezuela)	0	0	100.00%	2,722	0	0	0
B. Main foreign investments (Holdings of under 50%) [(1)]							
LIPP Distribution (Tunisia)	3,561	2,624	49.00%	9,009	9,009	1,746	904

(1) *For foreign subsidiaries and investments, the capital, reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchange rates, while profits and losses have been translated at average rate.*
It is specified that the list above is not exclusive.
(2) *Data from the sub-consolidation of subsidiary L'Oréal USA INC*

Global information relating to subsidiaries and investments

	Subsidiaries		Other investments	
€ thousands	French	Foreign	French	Foreign
Book value of shares held:				
• Gross (after revaluation)	1,093,037	15,816,476	510,885	9,009
• Net	942,912	15,200,578	510,885	9,009
Amount of loans and advances granted		32,239		
Amount of guarantees and security granted	11,078	1,911,860		
Amount of dividends booked	662,284	10,593,516	469,534	906

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 (so-called sumptuary expenses) and the amount of tax applicable to such expenses and charges are as follows:

Expenses and charges	€4.4 million
Corresponding tax	€1.1 million

6.6.2. Invoices issued and received but not paid at the end of the financial year and in arrears

In accordance with the French law on the Modernisation of the Economy of 4 August 2008 and Articles L. 441-14 and D. 441-6 of the French Commercial Code, invoices issued and received but not paid at 31 December 2021 and in arrears are broken down as follows:

	Article D. 441-6, I.-1°: Invoices received but not paid at the end of the financial year and in arrears						Article D. 441-6, I.-2°: Invoices issued but not paid at the end of the financial year and in arrears					
	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days or more	Total (1 day or more)[(1)]	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days or more	Total (1 day or more)
A. Late payment tranches												
Number of invoices concerned	30					1,030	29,727					6,969
Total amount of invoices concerned, including taxes	-354,871	-7,094,843	193,327	71,711	-148,808	-6,978,614	231,216	16,990,992	17,031,288	12,896,984	51,201,586	98,120,850
Percentage of total amount of purchases (including taxes) for the financial year	-0.01	-0.13	0.00	0.00	0.00	-0.13						
Percentage of sales (including tax) for the financial year							0.00	0.23	0.23	0.17	0.68	1.31
B. Invoices excluded from A. because of disputed or unrecognised payables and receivables												
Number of invoices excluded						2,708						71
Total amount of invoices excluded						14,529,907						218,240
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											

(1) *Including amount of invoices due to L'Oréal Group companies (intra-group): -€8,245,474 for invoices received; €95,970,899 for invoices issued, i.e. 96% of the total amount.*

6.6.3. Sales (excluding taxes)

€ millions Sales	2022	2021	% change
1st quarter	1,518.5	1,319.7	15.06%
2nd quarter	1,575.5	1,280.9	23.00%
3rd quarter	1,525.6	1,274.0	19.75%
4th quarter	1,662.4	1,380.8	20.39%
TOTAL	**6,282.0**	**5,255.4**	**19.53%**

Sales 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 €)	2018	2019	2020	2021	2022
I. Financial situation at financial year-end					
a) Share capital	112.1	111.6	112.0	111.5	107.0
b) Number of shares	560,396,652	558,117,205	559,871,580	557,672,360	535,186,562(1)
c) Number of convertible bonds	0	0	0	0	0
II. Overall results of operations					
a) Net pre-tax sales	3,888.4	4,131.0	4,837.8	5,255.4	6,282.0
b) Pre-tax profit before depreciation, amortisation, provisions and reversals of provisions (including provision for investment activities and profit-sharing reserve)	4,017.1	4,658.7	4,570.7	4,174.1	12,579.2
c) Income tax	+6.9	-82.7	-22.8	-1.7	-250.4
d) Net profit	3,594.9	4,105.8	4,158.8	3,860.5	12,343.1
e) Amount of distributed profits	2,176.7	2,172.6	2,264.4	2,601.2	3,245.5(2)
III. Results of operations per share					
a) Profit after tax and profit-sharing, but before depreciation, amortisation and provisions	7.14	8.12	8.07	7.43	22.98
b) Net profit	6.41	7.36	7.43	6.92	23.06
c) Dividend paid on each share (not including tax credit)	3.85	3.85	4.00	4.80	6.00(2)
IV. Personnel					
a) Number of employees	7,510	7,692	8,900	9,134	9,543
b) Total salaries	667.4	692.3	804.6	860.9	945.8
c) Amount paid for welfare benefits (social security, provident schemes etc.)	312.0	346.2	408.6	415.8	430.5

(1) The share capital comprises 535,186,562 shares with a par value of €0.2 following the issue of 448,267 shares under the employee shareholding plan, the delivery of 868,225 shares under the ACAS 2018 plan, the early exercise of 581 shares under the ACAS 2019, 2020 and 2021 plans, and the cancellation of 23,802,871 shares of which 22,260,000 Nestlé shares.
(2) The dividend will be proposed to the Annual General Meeting of 21 April 2023.

6.8. Equity investments (main changes including shareholding threshold changes)

Equity investments

(Main changes including shareholding threshold changes >5%)

€ millions	At 31.12.2021 including revaluation		Acquisitions	Subscriptions	Others	31.12.2022	
Headings	**Amount**	**%**	**Amount**	**Amount**	**Amount**	**Amount**	**%**
Atelier Cologne Luxembourg	92.9	100.0			-3.7[(1)]	89.2	100.0
BOLD (Business Opportunities for L'Oréal Development)	83.6	100.0		216.0		299.6	100.0
Euroapi	-	-			74.5[(2)]	74.5	5.5
LOA12	-	-		-		-	100.0
LOA13	-	-		-		-	100.0
LOA14	-	-		-		-	100.0
LOA15	-	-		-		-	100.0
L'Oréal Argentina S.A. (Argentina)	161.6	96.2			22.3[(3)]	183.9	96.8
L'Oréal Côte d'Ivoire	0.6	100.0			1.9	2.5	100.0
L'Oréal East Africa Ltd (Kenya)	53.8	100.0			7.5	61.3	100.0
L'Oréal Fund For Nature Regeneration	20.0	100.0		40.0		60.0	100.0
L'Oréal Pakistan Private Ltd	17.5	100.0			2.7	20.2	100.0
L'Oréal Singapore Pte Ltd (Singapore)	19.0	100.0		6,375.9		6,394.9	100.0
L&J Ré	1.5	100.0		26.0		27.5	100.0
Nanda CO Ltd (Korea)	500.2	100.0			-14.7[(1)]	485.6	100.0
SCIENCEMED	0.0	100.0		8.0		8.0	100.0
Sparlys	8.6	100.0			10.0[(3)]	18.6	100.0

(1) Discounting of the earn-out.
(2) Exceptional additional dividend paid by Sanofi in the form of Euroapi shares.
(3) Share capital increase by incorporation of receivables.

6.9. Statutory Auditor's Report on the Financial Statements

Year ended December 31, 2022

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or the verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'OREAL

14, rue Royale

75008 Paris

To the Annual General Meeting of L'Oréal,

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 December 31, 2022.

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 as at December 31, 2022 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 those standards are further described in the *Statutory Auditors' Respon0sibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period January 1, 2022 to the date of our report, and specifically we did not provide any prohibited non audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments - Key Audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Measurement of investments and intangible assets (excluding software and assets in progress)

See notes Accounting principles 1.6 - Intangible assets and 1.8.1 - Investments, note 11 - Intangible assets, note 14 - Financial fixed assets and note 30 - List of subsidiaries and investments, to the notes to the financial statements

Risk identified	Our response
At December 31, 2022, investments and intangible assets (excluding software and assets in progress) were recorded in the balance sheet for a net book value of € 17 billion and € 4.3 billion, respectively, i.e. 84% of the balance sheet total. They are recorded at their date of entry at acquisition cost. An impairment loss is recognized if the value in use of a given item falls below its net carrying amount.	We examined the methodology employed by Management to estimate the value in use of investments and intangible assets (excluding software and assets in progress). Our audit work mainly focused on examining, 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 considering the data, assumptions and calculations used. We focused our work primarily on investments and intangible assets with a value in use close to their net book value.

Risk identified	Our response
As described in Notes 1.6 and 1.8 to the financial statements, their value is examined annually by reference to their value in use, which takes into account: ● for investments : the current and projected profitability of the holding concerned and the share of equity held; ● for intangible assets: discounted future cash flows. Estimating the value in use of these assets requires Management judgment in determining future cash flow projections and key assumptions. Given the weight of investments and intangible assets in the balance sheet and the uncertainties inherent in certain items, including the realization of forecasts used in the valuation of value in use, we considered the valuation of these assets to be a key audit issue with a risk of material misstatement.	We assessed the reasonableness of the key estimates and more specifically: ● the consistency of revenue projections and margin rates, compared to past performance and the economic and financial context; ● corroboration of the growth rates used with the performance analyses of the global cosmetics market, taking into account the specificities of the local markets and distribution channels in which the Group operates; ● discount rates applied to future cash flows by comparing the parameters composing them with external references, by integrating valuation experts into our team.

Valuation of provisions for liabilities and charges and contingent liabilities

See note Accounting principles 1.12 - Provisions for liabilities and charges, note 18 - Provisions for liabilities and charges (excluding subsidiaries and interests) and note 24.3 - Contingent liabilities, to the financial statements

Risk identified	Our response
In the normal course of its activities, the Company is involved in legal proceedings and is subject to fiscal, customs and administrative controls. Provisions are made to deal with probable resource outflows for the benefit of third parties, without compensation for your Company. They mainly concern risks and disputes of a commercial and financial nature, as well as risks with administrations and related to personnel. They are estimated taking into account the most probable assumptions or using statistical methods depending on the nature of the provisions. The significant provisions concern in particular the situation of litigation with the competition authority and the risks with the administrations mentioned in Note 18 to the *financial statements*. Provisions for liabilities and charges amounted to M€ 597 at December 31, 2022. The identification and assessment of these elements is considered to be a key audit matter given: ● the high level of Management judgment required to determine the risks to be provisioned and to assess with sufficient reliability the amounts to be provisioned; ● the potentially material impact of these provisions on the Company's earnings.	In order to identify and obtain an understanding of all existing disputes and liabilities, as well as the related judgments, we made inquiries with the General Management and the Legal and Tax Departments. We familiarized ourselves with the internal control framework put in place to identify and assess these risks. We corroborated the list of identified tax disputes with information provided by the Company's tax departments and key tax advisors. We corroborated the list of identified disputes with information provided by the Company's leading law firms we interviewed. For major litigation for which a liability is made, we assessed the quality of Management's estimates by considering the data and assumptions used and the calculations made. We also conducted a retrospective analysis by comparing the amounts paid over the last few years with the amounts previously provisioned. We have, if necessary by integrating tax experts into our team, carried out the following procedures: ● we have reviewed procedural matters and/or tax or technical opinions rendered by external advisors selected by Management to assess the appropriateness of a liability; ● based on the information provided to us, we have critically reviewed the risk estimates and verified that Management's assessments are within these acceptable ranges; ● where relevant, we have checked the permanence of the methods used for these evaluations. With regard to contingent liabilities, we have, where appropriate by integrating tax experts into our team, reviewed procedural elements and/or tax or technical opinions issued by external advisors selected by Management in order to assess the merits of a lack of funds.

Recognition of sales – estimation of items deducted from sales

See notes 1.1 – Accounting principles – Sales and 2 – Sales to the financial statements

Risk identified	Our response
The Company's merchandise sales is presented net of product returns made to distribution and discounts and rebates granted. These various deductions from sales are recorded simultaneously with the recognition of sales on the basis in particular of contractual conditions and statistical data from past experience. The revenue assessment thus includes, at the end of the financial year, estimates related to the amounts deducted, which we considered to be (i) complex, due to the diversity of contractual agreements and commercial conditions existing in the Company's different markets, (ii) sensitive, revenue being a key indicator in the evaluation of the performance of the Group and its Management and (iii) significant in relation to their impact in the financial statements. The evaluation of product returns, discounts, rebates and other benefits granted to customers is therefore considered to be a key point of the audit.	We have assessed the appropriateness of the accounting policies applied by the Company with respect to the recognition of product returns, discounts, rebates and other benefits granted to customers, with respect to French accounting principles. We familiarized ourselves with the internal control system put in place in the Company, which makes it possible to evaluate and record the items deducted from sales, particularly at closing, and we have tested, by sampling, the main controls of this system. We also carried out substantive tests on representative samples in order to assess the reasonableness of the estimate of product returns and customer benefits. These tests mainly included: ● analysing the valuation methods used, in particular, by critically examining the assumptions used, checking the permanence of the methods and analyzing the anteriority and unwinding of provisions for the previous financial year; ● reconciling statistical data from past experience and contractual conditions with data contained in information systems dedicated to the management of commercial conditions; ● verifying the arithmetic accuracy of the calculation of the corresponding entries (including the residual commitment at closing), their recording in the accounts and their presentation in the *financial statements*.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

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 with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

Information relating to Corporate Governance

We attest that the section of the Board of Director's management report on corporate governance 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 (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de commerce*) relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, 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 thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Format of preparation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditor regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (Code monétaire et financier), prepared under the Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018. On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of L'Oréal by your annual general meeting of April 29, 2004 for DELOITTE & ASSOCIES and of April 21, 2022 for ERNST & YOUNG Audit.

As at December 31, 2022, DELOITTE & ASSOCIES was in the nineteenth year of total uninterrupted engagement and ERNST & YOUNG Audit in the first year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from 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 is expected 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 and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from 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 of users made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.
- Obtains an understanding of internal control 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements.
- Assesses 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 his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report 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 significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant in the audit of the financial statements of the current period and which are therefore 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 set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris–La Défense , February 17, 2023

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG Audit
David Dupont-Noel	Céline Eydieu-Boutté

CHAPTER 7

Share capital and stock market information

7

* *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.

Information about the L'Oréal share and its market is also provided in this chapter.

7.1. Information relating to the Company

7.1.1. General information about the Company

L'Oréal is a French limited company (société anonyme) governed by French law. It is registered in the Paris Trade and Companies Register under number 632 012 100.

The Company's term shall be ninety-nine years, which began to run on 1 January 1963 and which shall therefore expire on 31 December 2061, except in the event of early dissolution or of extension (Article 5 of the Articles of Association). Each fiscal year shall have a duration of twelve months, beginning on 1 January and ending on 31 December of each year (Article 14 of the Articles of Association).

LEI (Legal Entity Identifier) Code: 529900JI1GG6F7RKVI53.

7.1.2. 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, includes:

- the manufacturing and the sale of cosmetic products in general; of all devices intended for the same uses as the products listed above; of all household maintenance products; of all products and articles relating to feminine and/or child hygiene and to the embellishment of human beings; the demonstration and advertising of such products; the manufacturing of packaging articles;
- the filing and the acquisition of all patents, licences, processes and manufacturing trademarks, their exploitation, assignment and/or contribution;
- all diversification transactions and all commercial, industrial, financial, movable property and/or real property transactions, made in the Company's interest, under any form whatsoever;
- the direct or indirect involvement in all transactions such as those listed above, in particular by means of the creation of companies, the contribution to pre-existing companies, merger or alliance with such companies.

7.1.3. General Management (Article 11 of the Articles of Association)

1. "In accordance with legal provisions, the General Management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer.

   The choice between these two modes of exercising General Management is made by the Board of Directors each time a Chairman of the Board of Directors or a Chief Executive Officer is appointed or has his tenure renewed. The Board of Directors must inform shareholders and third parties of this choice in accordance with the statutory provisions.

   The choice of the Board of Directors concerning the mode of exercise of the General Management is made on the basis of a majority vote of the directors present or represented.

   Changing the mode of exercise of the General Management does not involve a modification of the Articles of Association.

   The Chief Executive Officer must leave office no later than the end of the Ordinary General Meeting that follows their 65th birthday.
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.
3. The Chief Executive Officer is granted the most extensive powers to act in any circumstance 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".

7.1.4. 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.

7.1.5. Statutory distribution of profits (Article 15 of the Articles of Association)

"**A.** From the distributable profits, the following amounts shall be withheld, in the following order:

1. The amount required to pay the "primary dividend" to the shareholders equal to five percent (5%) of the amounts paid up on the unredeemed securities in accordance with calls for funds, provided however that (where the profits for a given year do not allow such dividend to be paid) the shareholders shall not be entitled to claim such dividend from out of the profits of subsequent years.
2. From the available remainder, the Ordinary General Meeting, upon a proposal by the Board of Directors, shall have the authority to resolve to withhold the amounts that it deems appropriate (and even the entire amount of such available remainder), either to be carried forward to the next fiscal year, or to be paid into a "prudential fund" or into one or more ordinary, extraordinary or special reserve funds. Such reserve fund(s), which shall not bear any interest, may be distributed to the shareholders, or allocated to complete the 5% primary dividend for the shareholders, in the event of insufficient results during one or more fiscal years, or to acquire and to cancel shares in the Company, or to redeem in whole or in part such shares.
3. The remaining balance (if any) shall be divided up among all the shareholders, without any discrimination, and each share shall entitle its holder to receive the same income.

   However, any shareholder who can prove at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of payment of the dividend paid for such financial year, will be entitled to a preferential dividend on the shares that are thus registered, equal to 10% of the dividend (initial dividend and additional dividend) paid on the other shares, including in the event of payment of the dividend in new shares, the preferential dividend thus paid being rounded down to the nearest lower cent, if necessary.

   Similarly, any shareholder who can prove, at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of completion of an increase in capital carried out through capitalisation of reserves, profits or share premiums by the distribution of bonus shares, shall be entitled to an increase in the number of bonus shares to be distributed to him, equal to 10%, this number being rounded down to the nearest lower unit in the event of fractional share rights.

   The new shares created in this manner will be identical, for the purposes of calculating the rights to the preferential dividend and to the increased share allocations, to the old shares from which they result.

   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".

7.1.6. Statutory share ownership thresholds (extracts from Article 7 of the Articles of Association)

"Any person, acting alone or in concert, who comes to hold, directly or indirectly, a number of shares or voting rights representing a fraction of the share capital or voting rights, taking into account equivalent securities under the meaning of Article L. 233-9 of the French Commercial Code, equal to 1% or a multiple of this percentage, and lower than 5%, must inform the Company of the total number of shares, voting rights and securities giving access to the share capital that it holds, as well as of equivalent securities under the meaning of Article L. 233-9 of the French Commercial Code, within a period of five trading days, from the date of the threshold crossing, pursuant to the notification and content conditions stipulated by the legal and regulatory provisions applicable to declarations of legal threshold crossings, and, notably by declaring the information that must be provided when a legal threshold is crossed to the French Financial Markets Authority (AMF), in accordance with its General Regulations. Such notice must also be given to the Company when a shareholder's ownership falls below one of the thresholds set forth above." This provision of the Articles of Association supplements the legal requirements covering disclosures concerning the crossing, upwards or downwards, of thresholds relating to one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, three-tenths, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of share capital or of voting rights.

"If not disclosed in accordance with the conditions stipulated by law or by the Articles of Association, the shares of the offending shareholder exceeding the fraction which should have been disclosed are deprived of voting rights, in accordance with the conditions stipulated in the French Commercial Code, if during a General Meeting the failure to disclose is noted and if one or more shareholders together holding at least 5% of the share capital so request during said meeting".

7.1.7. Consultation of documents relating to the Company

The Company's Articles of Association are available in full at www.loreal-finance.com, under the heading "Regulated information".

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.

7.2. 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 €107,037,312.40 at 31 December 2022. It was divided into 535,186,562 shares with a par value of €0.20 each, all of the same class and with the same dividend rights.

The following table summarises the currently valid authorisations granted to the Board of Directors by the Annual General Meeting[(1)] concerning the capital. It shows the use made of such authorisations over the financial year and presents the authorisations that are to be put to the vote at the Annual General Meeting on 21 April 2023.

	Authorisations in force				Authorisations proposed to the Annual General Meeting of 21 April 2023		
	Date of the Annual General Meeting (resolution number)	**Duration (date of expiry)**	**Maximum authorised amount**	**Use of the authorisation in 2022**	**Resolution No.**	**Length**	**Maximum calling**
Share capital increases							
Capital increase through the issue of shares with maintenance of preferential subscription rights	20 April 2021 (17th)	26 months (19 June 2023)	Increase the share capital to €156,764,042.40 (1)	None	14	26 months (20 June 2025)	Increase the share capital to €149,852,237.36(1)
Capital increase via the capitalisation of premiums, reserves, profits or other amounts	20 April 2021 (18th)	26 months (19 June 2023)	Increase the share capital to €156,764,042.40 (1)	None	15	26 months (20 June 2025)	Increase the share capital to €149,852,237.36(1)
Capital increase reserved for L'Oréal employees participating in the Company Savings Plan (PEE)	21 April 2022 (20th)	26 months (20 June 2024)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication, 5,576,723 shares at 31 December 2021)(2)	238,926	17	26 months (20 June 2025)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication, 5,351,866 shares at 31 December 2022)(2)
Capital increase reserved for employees of foreign subsidiaries	21 April 2022 (21st)	18 months (20 October 2023)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication, 5,576,723 shares at 31 December 2021)(2)	209,341	18	18 months (20 October 2024)	1% of the share capital on the date of the Annual General Meeting (*i.e.* as an indication, 5,351,866 shares at 31 December 2022)(2)
Share capital increase in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies.	20 April 2021 (19th)	26 months (19 June 2023)	2% of the share capital on the date of the decision to increase the capital (*i.e.* as an indication, 11,197,430 shares at 31 December 2020)	None	16	26 months (20 June 2025)	2% of the share capital on the date of the decision to increase the capital (*i.e.* as an indication, 10,703,731 shares at 31 December 2022)
Buyback by the Company of its own shares							
Buyback by the Company of its own shares	21 April 2022 (17th)	18 months (20 October 2023)	10% of the share capital on the date of the buybacks (*i.e.* as an indication, 55,767,236 shares at 31 December 2021)	1,542,871	13	18 months (20 October 2024)	10% of the share capital on the date of the buybacks (*i.e.* as in indication, 53,518,656 shares at 31 December 2022)
Reduction in the share capital via cancellation of shares							
Cancellation of shares purchased by the Company under Article L. 22-10-62 of the French Commercial Code	21 April 2022 (18th)	26 months (20 June 2024)	10% of the share capital on the date of the buybacks (*i.e.* as an indication, 55,767,236 shares at 31 December 2021)	23,802,871(3)			
Free grants of shares							
Grant of existing free shares or shares to be issued to the employees	21 April 2022 (19th)	26 months (20 June 2024)	0.6% of the share capital on the grant decision date (*i.e.* as an indication, 3,346,034 shares at 31 December 2021)	868,225			

(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 17th and 18th resolutions submitted for a vote of the Annual General Meeting on 21 April 2023 may not exceed the total amount of 1% of the share capital, which constitutes a ceiling that applies jointly to these two resolutions, a ceiling that was also common to the 20th and 21st resolutions adopted by the Annual General Meeting of 21 April 2022.*
(3) *Following the repurchase of 22,260,000 shares from Nestlé in December 2021 and the repurchase of 1,542,871 shares between 15 September and 26 October 2022.*

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*
(1) *In application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code.*

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 2022, no subscription options had been granted or exercised as the most recent L'Oréal stock options plan expired in 2021 (see section 7.4.2.). Furthermore, 2,770,875 conditional shares had been granted to Group employees subject to performance conditions, not yet met. These 2,770,875 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 €107,591,487.40, divided into 537,957,437 shares with a par value of €0.20.

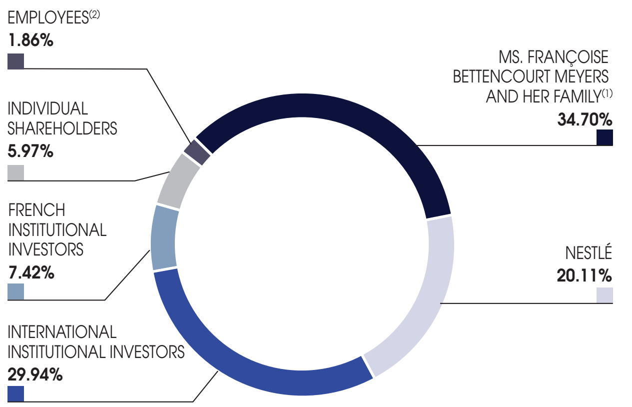
The Company has not issued any securities that grant direct rights to shares in the capital.

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
31.12.2017				€112,103,817.60		
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 plans	€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 plans	€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 plans	€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 plans	€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 plans	€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 plans	€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 plans	€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 plans	€0.80		€111,974,316.00	4	559,871,580
01.01.2021 to 13.01.2021	Exercise of share subscription options	€40.00	€16,598.00	€111,974,356.00	200	559,871,780
14.01.2021 to 21.02.2021	Conditional grant of shares	€30.00		€111,974,386.00	150	559,871,930
22.02.2021 to 28.02.2021	Exercise of share subscription options	€94.00	€39,005.30	€111,974,480.00	470	559,872,400
01.03.2021 to 03.03.2021	Employee shareholding plans	€2.40		€111,974,482.40	12	559,872,412
04.03.2021 to 20.04.2021	Exercise of share subscription options	€10,345.40	€4,292,823.73	€111,984,827.80	51,727	559,924,139
21.04.2021	Conditional grant of shares	€148,455.20		€112,133,283.00	742,276	560,666,415
22.04.2021 to 29.07.2021	Employee shareholding plans	€1,066.60	€1,472,489.34	€112,134,349.60	5,333	560,671,748
30.07.2021	Cancellation of shares	-€600,000.00		€111,534,349.60	-3,000,000	557,671,748
31.07.2021 to 12.09.2021	Employee shareholding plans	€1.60		€111,534,351.20	8	557,671,756
13.09.2021 to 17.11.2021	Conditional grant of shares	€120.00		€111,534,471.20	600	557,672,356
18.11.2021 to 31.12.2021	Employee shareholding plans	€0.80		€111,534,472.00	4	557,672,360
01.01.2022 to 09.02.2022	Employee shareholding plans	€2.40		€111,534,474.40	12	557,672,372
10.02.2022	Cancellation of shares	-€4,452,000		€107,082,474.40	-22,260,000	535,412,372
11.02.2022 to 18.04.2022	Employee shareholding plans	€2.40		€107,082,476.80	12	535,412,384
19.04.2022	Conditional grant of shares	€173,645		€107,256,121.80	868,225	536,280,609
26.07.2022	Employee shareholding plans	€89,653.40	€104,667,182.00	€107,345,775.20	448,267	536,728,876
27.07.2022 to 19.10.2022	Employee shareholding plans	€2.60		€107,345,777.80	13	536,728,889
20.10.2022 to 13.11.2022	Conditional grant of shares	€108.00		€107,345,885.80	540	536,729,429
14.11.2022 to 30.11.2022	Employee shareholding plans	€0.80		€107,345,886.60	4	536,729,433
01.12.2022 to 31.12.2022	Cancellation of shares	-€308,574.20		€107,037,312.40	-1,542,871	535,186,562

7.3. Shareholder structure *

Structure of share ownership as at 31 December 2022



(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) With regard to employees and former employees of L'Oréal, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 1.02% of the share capital as part of the L'Oréal Employee Savings Plan and employee investment funds as defined by Article L. 225-102 of the French Commercial Code.

7.3.1. Legal entities or individuals acting in concert to the Company's knowledge

The Bettencourt Meyers family consists of Ms Françoise Bettencourt Meyers, Mr Jean-Pierre Meyers, Mr Jean-Victor Meyers and Mr Nicolas Meyers, along with Téthys SAS.

As a reminder, following the expiry of the agreement concluded in 2004 between the Bettencourt Meyers family on the one hand and Nestlé S.A. on the other, these two shareholders have not acted in concert since 21 March 2018.

7.3.2. Changes in allocation of the share capital and voting rights over the last three years

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

	31.12.2022			31.12.2021			31.12.2020		
	Number of shares	% of capital	% of voting rights(4)	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	34.70	34.70(2)	185,715,079	33.30	33.30	185,715,079	33.17	33.17
Nestlé S.A.	107,621,021	20.11	20.11	107,621,021	19.30	19.30	129,881,021	23.20	23.20
Employees(3)	9,969,402	1.86	1.86	8,933,867	1.60	1.60	8,787,341	1.57	1.57
Public	231,881,060	43.33	43.33	233,142,393	41.80	41.80	235,488,139	42.06	42.06
Treasury shares	0	0	0	22,260,000	4.00	4.00	0	0.00	0.00
TOTAL	**535,186,562**	**100**	**100**	**557,672,360**	**100**	**100**	**559,871,580**	**100**	**100**

(1) Including, at 31 December 2022, 152,514,292 L'Oréal shares held in absolute ownership by Téthys SAS, a company controlled by Ms Françoise Bettencourt Meyers and her family, 33,182,455 shares held in absolute ownership by Ms Françoise Bettencourt Meyers, 15,332 shares held in absolute ownership by Mr Jean-Pierre Meyers, 1,500 held in absolute ownership by Mr Jean-Victor Meyers and 1,500 held in absolute ownership by Mr Nicolas Meyers.
(2) On 8 December 2021, the French Financial Markets Authority (French Financial Markets Authority - AMF) granted the Bettencourt Meyers family a waiver from the obligation to file a draft public offer for the L'Oréal shares (AMF decision no. 221C3388), accordingly, the Bettencourt Meyers family has undertaken, for a period expiring at the end of the Annual General Meeting of L'Oréal called in 2025 to approve the financial statements for the financial year ending 31 December 2024, in particular to refrain from exercising the proportion of voting rights in excess of 33.33% of L'Oréal's voting rights.
(3) Concerns the current and former employees of L'Oréal. Pursuant to law no. 2015-990 of 6 August 2015, the percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code. Of which 1.02% of the share capital in the L'Oréal Employee Savings Plan (PEE) as defined by Article L. 225-102 of the French Commercial Code.
(4) Calculated in accordance with Article 223-11 of the General Regulations of the AMF.

At 31 December 2022, the Company did not hold any of its own shares. The number of shares held by each member of the Board of Directors is detailed in section 2.2.2.

The Company is authorised to trade in its own shares on or off the Stock Exchange in accordance with Articles L. 22-10-62 *et seq.* and L. 225-210 to L. 225-217 of the French Commercial Code, within the limits and in accordance with the purposes defined by the authorisations granted to it by the Annual General Meeting.

7.3.3. Employee share ownership

The employees and former employees of L'Oréal and its affiliates held 9,969,402 shares at 31 December 2022 representing 1.86%(1) of the share capital, 1.02% of which is held in the Employee Savings Scheme and the employee investment fund. At that date, this stake in the capital was held by 13,606 employees participating in the PEE as defined by Article L. 225-102 of the French Commercial Code, and 23,317 employees in Employee Mutual Funds (Fonds Commun de Placement Entreprise – FCPE) participating in the Group's Employee Shareholding Plan.

** 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) Concerns the current and former employees of L'Oréal. The percentage also includes the performance shares granted in accordance with Article L. 225-197-1 of the French Commercial Code.

7.3.4. Disclosures to the Company of legal thresholds crossed and if applicable, declarations of intent made to the Company during the financial year

It should be noted that on 9 February 2022, effective as of 10 February 2022, the Board of Directors decided to cancel the 22,260,000 shares repurchased by L'Oréal from Nestlé under the repurchase agreement concluded on 7 December 2021. Given this cancellation:

- Nestlé declared (AMF declaration D&I No. 222C0344) that on 10 February 2022 it exceeded the thresholds of 20% of the share capital and voting rights of the Company and that it held 107,621,021 shares in the Company, representing the same number of voting rights, i.e. 20.10% of the share capital and voting rights(1). Nestlé made a declaration of intent, which stated, notably, that it did not plan to buy more shares in the Company or take control of it, that it supported the strategy implemented by the issuer's management team and Board of Directors and had no intention of changing its own strategy towards the issuer, and that it did not intend to request a third seat on the L'Oréal Board of Directors;
- the Bettencourt Meyers family declared (AMF declaration D&I No. 222C0345) that on 10 February 2022 it exceeded the thresholds of one third of the Company's share capital and voting rights and that it held 185,715,079 shares in the Company, representing the same number of voting rights, *i.e.* 34.69% of the share capital and voting rights (see section 7.3.5.).

7.3.5. Shareholders' agreements relating to the securities comprising the Company's share capital

Collective lock-up agreements entered into in 2016 within the scope of Articles 787 B and 885 I *bis* of the French General Tax Code

L'Oréal was informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

The lock-up agreements were concluded in application of Articles 787 B and 885 I bis of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action vis-à-vis the Company.

Commitments of the Bettencourt Meyers family associated with their waiver granted by the AMF from the obligation to file a draft public offer for the L'Oréal shares(2)

Following the 2021 repurchase by L'Oréal of 4% of its own shares held by Nestlé, and the consequent cancellation in February 2022 of the 22,260,000 shares thus repurchased by L'Oréal, the Bettencourt Meyers family exceeded the thresholds of one third of the Company's share capital and voting rights. The AMF granted the Bettencourt Meyers family a waiver from the obligation to file a draft public offer for the L'Oréal shares. Accordingly, the Bettencourt Meyers family has undertaken(3), for a period expiring at the end of the Annual General Meeting of L'Oréal called in 2025 to approve the financial statements for the financial year ending 31 December 2024:

- not to acquire shares in L'Oréal beyond those they held on the date of the AMF's waiver decision;
- to refrain from participating in decisions of L'Oréal's governance bodies that could lead to a passive increase in the capital and voting rights of L'Oréal; and
- to refrain from exercising the proportion of its voting rights in excess of 33.33% of the voting rights of L'Oréal.

The Company is not aware of any shareholders' agreements affecting shares and its capital other than those described above.

(1) 20,11% as at 31 December 2022.
(2) AMF Decision No. 221C3388.
(3) These commitments could be lifted early if there are significant changes to L'Oréal's environment, situation or shareholding, provided that the Bettencourt Meyers family submits to the AMF in advance their intention to do so.

7.3.6. Buyback and cancellation by the Company of its own shares

During the 2022 financial year, the Company redeemed 1,542,871 of its own shares, in accordance with the authorisation approved by the Annual General Meeting of 21 April 2022.

The table below summarises by purpose the transactions carried out in this context and the use made of the securities redeemed:

Date of authorisation of the Annual General Meeting	17th resolution of 21 April 2022
Authorisation expiry date	20 October 2023
Maximum amount of authorised buybacks	10% of the share capital on the date of the buybacks (*i.e.* as an indication, 55,767,236 shares at 31 December 2021)
Maximum purchase price per share (excluding costs)	€600
Authorised purposes	Cancellation Employee shareholding Free grants of shares Liquidity and market stabilisation External growth, merger, demerger or contribution
Board of Directors' meeting that decided on the buybacks	28 July 2022
Purpose of buybacks	Cancellation
Period of buybacks made	From 15 September 2022 to 26 October 2022
Number of shares bought back	1,542,871
Average purchase price per share	€324.07 *
Use of shares bought back	Cancellation

* *Excluding expenses.*

23,802,871 shares were cancelled in 2022, including the 22,260,000 shares L'Oréal had bought back from Nestlé in December 2021. Over the last 24 months, 26,802,871 shares have been cancelled.

As of 31 December 2022, the Company does not hold any of its own shares.

No use was made of derivatives to make the share buybacks. There was no open purchase or sale position at 31 December 2022.

7.3.6.1. Renewal by the Annual General Meeting of the authorisation given to the Board to trade in the Company's shares

By voting a new resolution, the Annual General Meeting could give the Board of Directors the means to enable it to continue with the buyback policy.

This authorisation would be given for a maximum period of 18 months as from the date of the Annual General Meeting and the purchase price per share could not exceed €600 (excluding expenses); provided that in the event a public offer is filed for the shares of the Company by a third party, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy its own shares for the following purposes:

- cancelling them;
- selling them within the scope of employee share ownership programmes and allocating them to free grants of shares for the benefit of employees, directors and corporate officers of the Group;
- market-making under a liquidity agreement; and
- retaining the shares and subsequently using them as payment in connection with external growth, merger, demerger or contribution transactions.

The authorisation would concern up to 10% of the share capital, *i.e.*, as an indication, 53,518,656 shares for a maximum amount of €32,111,193,720 at 31 December 2022; 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 13).

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 financial and extra-financial 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.

Since the 2022 ACAs Plan, performance conditions have included the non-financial criteria described below. These criteria need to fit with L'Oréal's dual goal: economic and corporate excellence to create lasting value for all.

History

Until 2009, L'Oréal's Board of Directors exclusively granted stock options to the senior managers and corporate officers whom L'Oréal wished to reward for their performance and their important role, wherever they might be geographically located.

In 2009, L'Oréal's Board of Directors enlarged its policy by introducing an ACAs mechanism.

The objective was:

- to provide a long-term incentive offering greater motivation to all those who received stock options only occasionally or in limited numbers; and
- to reach out to a broader population of potential beneficiaries, particularly internationally, in a context of increased competition for talent.

In 2011, L'Oréal's Board of Directors decided to make ACAs the primary instrument for its long-term incentive policy by extending the grant of shares to the main senior managers of the Group who until then had only received stock options. In 2012, at the suggestion of the Human Resources and Remuneration Committee, the Board of Directors went one step further in this policy and decided to replace the grant of stock options with conditional grants of shares for all beneficiaries as of the 2013 Plan.

Grant process

The plans are proposed by General Management to the Board of Directors which decides, after receiving the opinion of the Human Resources and Remuneration Committee, the principle of these plans and the applicable conditions and rules.

In accordance with the AFEP-MEDEF Code recommendation, these grants are made over the same period each year: between 2009 and 2019 they were put in place following the approval of the financial accounts for the previous financial year by the Annual General Meeting and since 2020 they have been put in place at the end of the year, provided that the first year the performance conditions are assessed is the financial year following the year of grant.

The decision with regard to each individual grant is, in every case, contingent upon the quality of the performance rendered at the time of implementation of the plan with particular attention being paid to the main talents for the future. According to the eligibility criteria linked to the position held by the beneficiary and the size of the entity or the country in which the beneficiary works, to ensure worldwide fairness, these grants are made every year, on a recurring basis every two to three years, or more regularly.

The General Management and the Board of Directors reiterate the importance that is given to bringing together the interests of the beneficiaries of conditional grants of shares and those of the shareholders themselves.

The beneficiaries (employees and 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. 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 and up until the 2015 Plan, by a two-year holding period during which these shares could not be transferred.

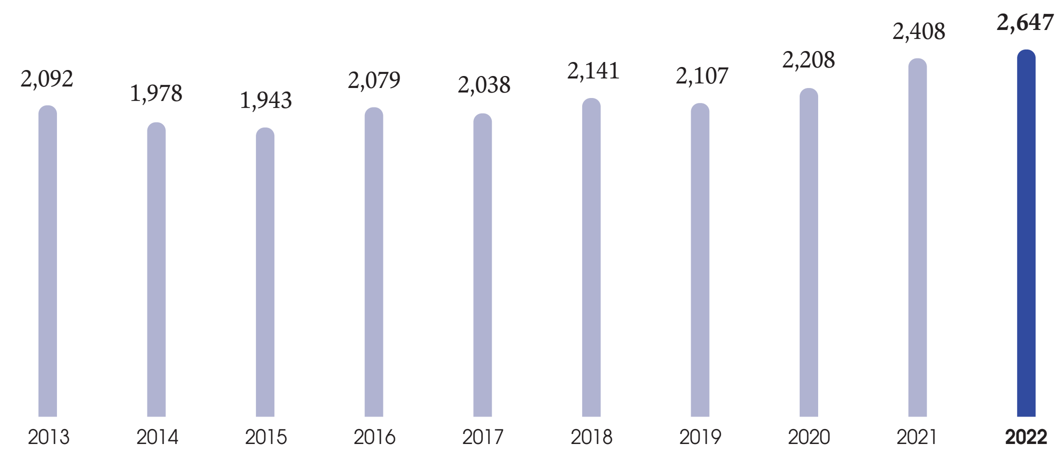
The attention of the beneficiaries of conditional grants of shares is drawn to the regulations in force concerning persons holding "inside information". The beneficiaries of conditional grants of shares undertake to read L'Oréal's Stock Market Code of Ethics, included when settling the conditional grants of shares plans that they benefit from, and to comply with the provisions thereof.

Number of beneficiaries

53% of the beneficiaries of the 13 October 2022 Plan are women. Nearly 4,200 employees, representing 10.5% of the managers around the world, nearly 58% of whom are in international subsidiaries, benefit or have benefited from at least one conditional grant of shares plan since 2018 and were still employees of the Company on 31 December 2022.

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

Change in the number of beneficiaries of ACAs since 2013



7.4.2. Absence of stock option plans for the subscription and purchase of shares of the Company

At 31 December 2022, there was no stock option plan in place for the purchase of Company shares[1], the last plan having expired in 2021.

7.4.3. Plan for the Conditional Grants of Shares (ACAs)

7.4.3.1. Authorisation of the Ordinary and Extraordinary General Meeting of 21 April 2022

The Annual General Meeting of 21 April 2022 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 thus granted may not represent more than 0.6% of the share capital recorded on the date of the Board of Directors' decision.

The number of free shares granted to the Company's corporate officers may not represent more than 10% of the total number of free shares granted during a financial year pursuant to this resolution.

The Board of Directors will determine the identity of the beneficiaries of the free shares and the number granted to each of them. It will also determine the conditions to be met in order for the shares to fully vest, in particular the financial and non-financial performance conditions.

Financial and non-financial performance conditions

The financial performance criteria are based on:

- the growth in L'Oréal's like-for-like cosmetics sales as compared to those of a panel of its biggest direct competitors[2]; and
- growth in L'Oréal's consolidated operating profit;

The non-financial performance criteria are based on:

- fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (% of sites that are "carbon neutral"[3]; % of formula ingredients that are biobased, traceable and come from sustainable sources; % of plastic packaging that comes from either recycled or biobased sources; number of people benefitting from the Group's brands' social commitment programmes); and
- gender balance within strategic positions including the Executive Committee.

The Board of Directors indeed considers that these two types of criteria, assessed over a long period of 3 financial years and applied to several plans, are complementary, in line with the Group's objectives and its specificities and likely to promote balanced, continuing growth over the long term. They are exacting but remain a source of motivation for the beneficiaries. The grant of such shares to their beneficiaries, for all or part of the shares granted, will become final provided that the other conditions set at the time of grant are met, at the end of a minimum vesting period of 4 years.

(1) There are no plans for stock options in L'Oréal subsidiaries.
(2) The panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.
(3) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Pursuant to the criterion relating to sales, in order for all the free shares granted to be fully 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.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, a level of growth defined by the Board of Directors, but not made public for confidentiality reasons, must be achieved or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

Pursuant to the criterion relating to the achievement of the L'Oréal for the Future Commitments, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, the L'Oréal for the Future Commitments have to be met at a certain level, as defined and publicised by the Board of Directors, on average over the course of the vesting period. Below this level, the grant decreases. No shares will fully vest under this criterion if the average level of achievement of the L'Oréal for the Future Commitments falls below the minimum level defined and publicised by the Board of Directors.

Pursuant to the criterion relating to the gender balance in management bodies, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, the average proportion of employees of each gender in strategic positions must be at least 40%. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.

These performance conditions will apply, for all individual grants greater than 100 free shares per plan, to all shares above the hundredth share, with the exception of grants to the directors and corporate officers and members of the Executive Committee, for which they will apply in total. The free grant of shares may be carried out for all Group staff without performance conditions, or for shares allocated on the basis of cash subscriptions carried out as part of an increase in share capital reserved for Group employees.

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.

Any allocations of shares to the directors and corporate officers will be decided by the Board of Directors on the basis of the proposals of the Human Resources and Remuneration Committee after assessment of their performance. The corporate officers of L'Oréal will be required to hold 50% of their fully vested shares in registered form until they cease to hold office.

7.4.3.2. Conditional Grants of Shares granted within the framework of the authorisation of 21 April 2022 (ACAs Plan of 13 October 2022)

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 13 October 2022, to make a Conditional Grant of Shares within the scope of the authorisation granted by the Annual General Meeting on 21 April 2022.

The share capital at 13 October 2022 was composed of 536,728,876 shares, and 3,220,373 shares could therefore be issued.

The Board of Directors used this authorisation at its meeting of 13 October 2022 by granting 700,000 shares to 2,647 beneficiaries. This is a free grant of shares to be issued.

Vesting of the shares is subject to a dual condition:

- presence: the shares granted will only vest after a period of 4 years at the end of which the beneficiary must still be an employee of the Group (except in the cases provided by the law or the Plan rules); and
- performance, evaluated as follows:

Financial criteria represent 80% of the performance conditions, split evenly between:

- the growth in L'Oréal's like-for-like cosmetics sales as compared to those of a panel of its biggest direct competitors[1]; and
- the growth in L'Oréal's consolidated operating profit.

Non-financial criteria represent 20% of performance conditions and are based on:

- the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (accounts for 15% of the performance conditions), i.e. the % of sites that are "carbon neutral"[2]; the % of formula ingredients that are bio-based, traceable and come from sustainable sources; and the % of plastic packaging that comes from either recycled or biobased sources; number of people benefitting from the Group's brands' social commitment programmes; and
- the gender balance within strategic positions including the Executive Committee (accounts for 5% of the performance conditions).

The calculation will be made on the basis of the arithmetic average of the performances for 2023, 2024 and 2025.

(1) The panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.

(2) A site can claim "carbon neutral" status if it meets the following requirements:
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO2eq./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. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Pursuant to the criterion relating to sales, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the grant decreases. If L'Oréal's comparable growth in net sales is less than the average growth in sales of the panel of competitors over the period, no share will be allocated for this criterion. The Board of Directors defines a threshold, not made public for confidentiality reasons, below which no share will finally vest pursuant to this criterion.

Pursuant to the criterion relating to operating profit, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, a level of growth defined by the Board of Directors, but not made public for confidentiality reasons, must be met or exceeded. Below this level, the grant decreases. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion.

Pursuant to the criterion relating to the achievement of the L'Oréal for the Future Commitments, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, an average of 65% of the L'Oréal for the Future Commitments must be achieved during the vesting period. Below this level, the grant decreases. No shares will vest if the average level of achievement for the L'Oréal for the Future Commitments falls below 50%.

Pursuant to the criterion relating to gender balance in strategic positions, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, the average representation of one of the sexes must account for at least 40% of employees in strategic positions. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period.

The Human Resources and Remuneration Committee is responsible for communicating to the Board of Directors the level of indicators recorded for the years to be used for the calculation of the performance conditions. The Board of Directors records, at the appropriate time, the level of performance achieved on which the number of shares that finally vests depends.

The figures recorded each year to determine the levels of performance achieved are published in sections 7.4.3.5. and 7.4.3.6.

The vesting of the first 100 conditional grants of shares is not subject to fulfilment of the performance conditions except for beneficiaries who were members of the Executive Committee on the date they were granted, including the Chief Executive Officer.

7.4.3.3. Shares granted to the ten employees other than directors or corporate officers to whom the largest number of shares have been granted

The total number of shares granted in 2022 to the ten employees other than directors or corporate officers who received the largest number of shares was 78,400 shares.

7.4.3.4. Existing Conditional Grants of Shares at 31 December 2022

Date of authorisation by the Extraordinary General Meeting	17.04.2018	30.06.2020	30.06.2020	21.04.2022
Date of grant by the Board of Directors	18.04.2019	14.10.2020	07.10.2021	13.10.2022
Total number of shares conditionally granted	843,075	713,660	588,750	700,000
Of which the ten employees other than directors or corporate officers granted the largest number of shares(1)	*128,000*	*111,250*	*72,400*	*78,400*
Number of beneficiaries	2,107	2,208	2,408	2,647
Performance conditions	● 50%: growth in like-for-like cosmetics sales as compared to a panel of competitors(2) ● 50%: growth in L'Oréal Group's consolidated operating profit			● 80% based on financial performance criteria, split evenly between: • the growth in like-for-like cosmetics sales as compared to a panel of competitors (2) and, • the growth in L'Oréal's consolidated operating profit. ● 20% based on non-financial performance criteria, of which: • 15% is associated with the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme. • 5% is associated with the gender balance within strategic positions, including the Executive Committee.
Date of final vesting	19.04.2023	15.10.2024	08.10.2025	14.10.2026
End of lock-in period	N/A	N/A	N/A	N/A

(1) Employees who are not directors 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 18 April 2019 ACAs plan

At its meeting on 9 February 2023, the Board of Directors found that 100% of the performance conditions were achieved during the three years taken into consideration by the ACAs plan of 18 April 2019, namely 2020, 2021 and 2022. Accordingly, the beneficiaries who fulfil the conditions under the plan of 18 April 2023 and, in particular, that relating to the condition of presence in the Company, will receive 100% of the shares that were granted to them.

For information purposes, 24,000 shares were granted to the corporate officer, under the Plan of 18 April 2019. After application of the performance conditions, 24,000 shares will be fully vested by Mr Jean-Paul Agon, the Chairman and Chief Executive Officer at the time they were granted.

Table monitoring the performance conditions of the ACAs plan of 18 April 2019

ACAs plan of 18 April 2019	2020	2021	2022	Arithmetic average of performances for 2020, 2021 and 2022
50% growth in like-for-like sales compared to a panel of competitors*	**+4.0 points** (-4.1%/-8.1%)	**+6.9 points** (+16.1%/+9.2%)	**+7.3 points** (+10.9% / +3.6%)	**+6.1 points**
50% growth in the Group's operating profit	**-6.10%** (5,547.5/5,209.0)	**18.30%** (5,209.0/6,160.3)	**+21.0%** (6,160.3 / 7,456.9)	**+11.1%**

* *The panel consists of the following companies: 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 14 October 2020	2021	2022	2023
50% growth in like-for-like sales compared to a panel of competitors*	**+ 6.9 points** (+16.1%/+9.2%)	**+7.3 points** (+10.9% / +3.6%)	pending
50% growth in the Group's operating profit	**18.30%** (5,209.0 / 6,160.3)	**+21.0%** (6,160.3 / 7,456.9)	pending

ACAs plan of 07 October 2021	2022	2023	2024
50% growth in like-for-like sales compared to a panel of competitors*	**+7.3 points** (+10.9% / +3.6%)	pending	pending
50% growth in the Group's operating profit	**+21.0%** (6,160.3 / 7,456.9)	pending	pending

ACAs plan of 13 October 2022	2023	2024	2025
● **80% based on financial performance criteria, split evenly between**: • the growth in like-for-like cosmetics sales as compared to a panel of competitors* • the growth in L'Oréal's consolidated operating profit.	pending	pending	pending
● **20% based on non-financial performance criteria, of which:** • 15% is associated with the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme, • 5% is associated with the gender balance within strategic positions, including the Executive Committee.	pending	pending	pending

* *The panel consists of the following companies: Unilever, Procter & Gamble, Estée Lauder, Shiseido, Beiersdorf, Johnson & Johnson, Henkel, LVMH, Kao and Coty.*

7.5. The L'Oréal share/the share market

7.5.1. The L'Oréal share

7.5.1.1. Information on the L'Oréal share

ISIN code: FR0000120321.

Loyalty bonus codes:

- Shares that already benefit from preferential dividend rights: FR0011149590.
- Dividend +10% in 2023: FR0014000RC4.
- Dividend +10% in 2024: FR00140071O3.
- Dividend +10% in 2025: FR001400ECA7.

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 30 December 2022[1]	**€333.60**
Average of closing share prices for the last 30 trading days of 2022	€346.66
Low	€300.45 on 16.06.2022
High	€431.95 on 04.01.2022
Annual share price increase at 30 December 2022[1]	
● L'Oréal	-20.53%
● CAC 40	-9.75%
● Euronext 100	-9.80%
● DJ Euro Stoxx 50	-11.90%
● Stoxx Europe 600 Personal and Household Goods	-19.99%
Market capitalisation at 31 December 2021	€178.5 billion[2]
At 30 December 2022[1], the L'Oréal share weighed:	
● in the CAC 40	4.9%
● in the DJ Euro Stoxx 50	2.7%
● in the Stoxx Europe 600 Personal and Household Goods	6.9%

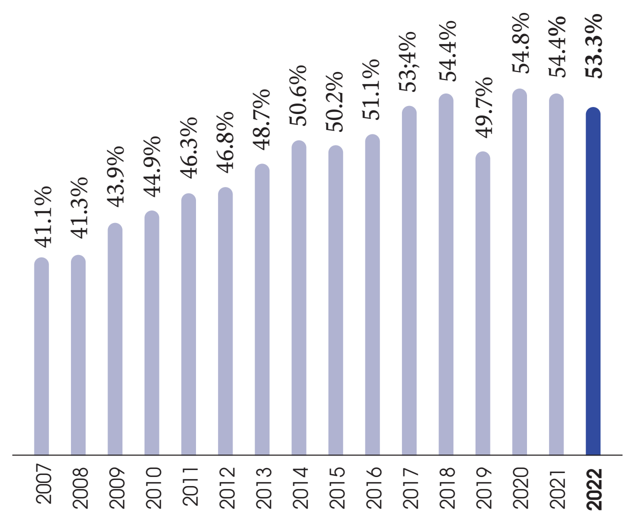
(1) The last trading day of 2022 is Friday, December 30, 2022.
(2) Out of the number of shares at 31 December 2022, i.e. 535,186,562 shares.

7.5.1.3. Dynamic shareholder return policy

- Earnings per share: 11.26 euros[1]
- Dividend per share: 6.00 euros[2]

Steady increase in dividend per share (€)

Share of profits dedicated to dividends: 53.3%



(1) Diluted net earnings per share attributable to owners of the Company excluding non-recurring items.
(2) Proposed dividend at the Annual General Meeting of 21 April 2023.

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.

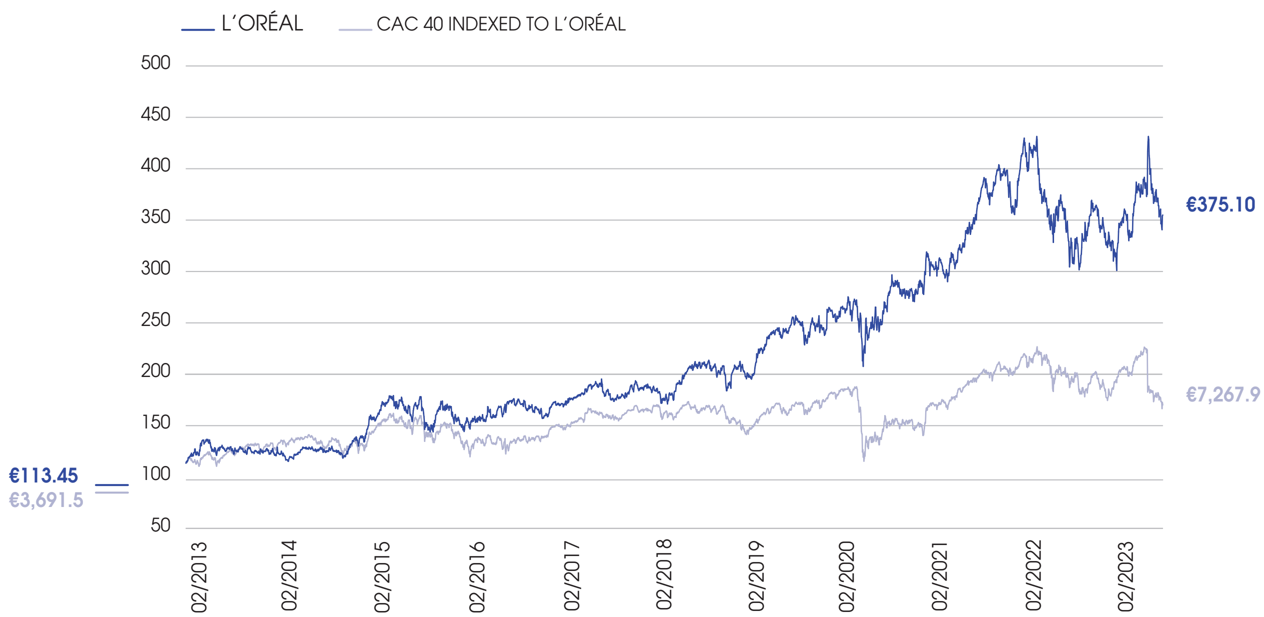
Date	Price (€)			Average daily trading volume (€ millions)
	High	Low	Average	
2020				
January	276.20	251.90	264.74	120.55
February	278.50	235.20	263.14	174.09
March	263.10	196.00	236.42	311.80
April	265.30	229.00	245.98	146.41
May	263.50	239.10	250.20	131.00
June	287.60	255.10	272.29	168.14
July	297.20	279.50	288.10	139.07
August	286.50	272.30	279.18	113.46
September	285.40	269.30	278.15	127.18
October	295.00	275.10	284.23	120.11
November	321.40	276.80	306.99	177.19
December	314.10	294.20	305.11	119.92

Date	Price (€)			Average daily trading volume (€ millions)
	High	Low	Average	
2021				
January	316.10	290.10	300.54	117.79
February	320.00	292.40	308.61	126.93
March	329.10	304.00	318.50	127.93
April	350.65	322.45	338.72	125.10
May	372.40	340.70	355.23	122.41
June	395.95	367.00	382.72	155.30
July	388.75	360.45	377.23	130.22
August	406.25	381.55	396.34	114.68
September	402.65	356.85	385.89	147.22
October	394.95	351.00	370.41	147.63
November	430.45	392.75	413.21	162.73
December	433.65	395.55	415.82	132.42

Date	Price (€)			Average daily trading volume (€ millions)
	High	Low	Average	
2022				
January	431.95	361.45	389.93	162.86
February	385.25	328.80	360.53	189.65
March	376.10	322.50	351.31	207.06
April	376.35	334.35	357.78	149.80
May	345.10	300.90	320.72	167.03
June	343.95	300.45	321.03	136.81
July	373.00	323.05	343.60	138.24
August	372.15	339.00	359.07	103.39
September	361.70	319.70	337.10	138.33
October	341.10	304.05	324.84	131.76
November	356.70	300.70	338.17	138.13
December	364.80	330.00	345.40	114.74

Date	Price (€)			Average daily trading volume (€ millions)
	High	Low	Average	
2023				
January	388.40	334.30	370.64	128.25
February	393.60	364.20	381.50	143.21

Change in the L'Oréal share price compared to the CAC 40 index from 27 February 2013 to 28 February 2023



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
29.12.2017	Purchase of 82 shares at 184.95 €	15,165.90		82
27.04.2018	Dividend: 3.55€ per share		291.10	82
	Reinvestment: purchase of 2 shares at 196.90 €	393.80		84
30.04.2019	Dividend: 3.85€ per share		323.40	84
	Reinvestment: purchase of 2 shares at 245.10 €	490.20		86
07.07.2020	Dividend: 3.85€ per share		331.10	86
	Reinvestment: purchase of 2 shares at 288.30 €	576.60		88
29.04.2021	Dividend: 4.00€ per share		352.00	88
	Reinvestment: purchase of 2 shares at 343.10 €	686.20		90
29.04.2022	Dividend:4.80€ per share		432.00	92
30.12.2022	Reinvestment: purchase of 2 shares at 348.90 €	697.80		92
TOTAL		**18,010.50**	**1,729.60**	
TOTAL NET INVESTMENT		**16,280.89**		

Portfolio value at 31 December 2022 (92 shares at €333.60, price at 30 December 2022[1]): €30,691.

The initial capital has thus been multiplied by 2 over 5 years (5-year inflation rate = 9.73% – Source: INSEE) and the final capital is 1.9 times the total net investment.

The Total Shareholder Return of the investment is thus 14% per year (assuming that the shares are sold on 30 December 2022, 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.

(1) *The last trading day of 2022 is Friday, December 30, 2022.*

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
31.12.2012	Purchase of 143 shares at 104.90 €	15,000.7		143
10.05.2013	Dividend: 2.30€ per share		328.90	143
	Reinvestment: purchase of 3 shares at 134.05 €	402.15		146
05.05.2014	Dividend: 2.50€ per share		365.00	146
	Reinvestment: purchase of 3 shares at 123.90 €	371.70		149
07.05.2015	Dividend: 2.70€ per share		402.30	149
	Reinvestment: purchase of 3 shares at 168.60 €	505.80		152
03.05.2016	Dividend: 3.10€ per share		471.20	152
	Reinvestment: purchase of 3 shares at 157.80 €	473.40		155
03.05.2017	Dividend: 3.30€ per share		511.50	155
	Reinvestment: purchase of 3 shares at 184.55 €	553.65		158
27.04.2018	Dividend: 3.55€ per share		560.90	158
	Reinvestment: purchase of 3 shares at 196.90 €	590.70		161
30.04.2019	Dividend: 3.85€ per share		619.85	161
	Reinvestment: purchase of 3 shares at 245.10 €	735.30		164
07.07.2020	Dividend: 3.85€ per share		631.40	164
	Reinvestment: purchase of 3 shares at 288.30 €	864.90		167
29.04.2021	Dividend: 4.00€ per share		668.00	167
	Reinvestment: purchase of 2 shares at 343.10 €	686.20		169
29.04.2022	Dividend: 4.80€ per share		811.20	169
30.12.2022	Reinvestment: purchase of 3 shares at 348.90 €	1,046.70		172
TOTAL		**21,231.20**	**5,370.25**	
TOTAL NET INVESTMENT		**15,860.94**		

Portfolio value at 31 December 2022 (172 shares at €333.6, price at 30 December 2022[1]): €57,379.

The initial capital has thus been multiplied by 3.8 over 10 years (10-year inflation rate = 12.99% – Source: INSEE) and the final capital is 3.6 times the total net investment.

The Total Shareholder Return of the investment is thus 14% per year (assuming that the shares are sold on 30 December 2022, 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.

(1) *The last trading day of 2022 is Friday, December 30, 2022.*

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
31.12.2002	Purchase of 207 shares at 72.55 €	15,017.9		207
27.05.2003	Dividend: 0.64€ per share		132.48	207
	Reinvestment: purchase of 3 shares at 61.10 €	183.30		210
14.05.2004	Dividend: 0.73€ per share		153.30	210
	Reinvestment: purchase of 3 shares at 63.65 €	190.95		213
11.05.2005	Dividend: 0.82€ per share		174.66	213
	Reinvestment: purchase of 4 shares at 56.50 €	226.00		217
10.05.2006	Dividend: 1.00€ per share		217.00	217
	Reinvestment: purchase of 3 shares at 72.65 €	217.95		220
03.05.2007	Dividend: 1.18€ per share		259.60	220
	Reinvestment: purchase of 3 shares at 86.67 €	260.01		223
30.04.2008	Dividend: 1.38€ per share		307.74	223
	Reinvestment: purchase of 5 shares at 76.21 €	381.05		228
24.04.2009	Dividend: 1.44€ per share		328.32	228
	Reinvestment: purchase of 7 shares at 52.02 €	364.11		235
05.05.2010	Dividend: 1.50€ per share		352.50	235
	Reinvestment: purchase of 5 shares at 76.77 €	383.85		240
04.05.2011	Dividend: 1.80€ per share		432.00	240
	Reinvestment: purchase of 6 shares at 85.79 €	514.74		246
03.05.2012	Dividend: 2.00€ per share		492.00	246
	Reinvestment: purchase of 6 shares at 92.84 €	557.04		252
10.05.2013	Dividend: 2.30€ per share		579.60	252
	Reinvestment: purchase of 5 shares at 134.05 €	670.25		257
05.05.2014	Dividend: 2.50€ per share		642.50	257
	Reinvestment: purchase of 6 shares at 123.90 €	743.40		263
07.05.2015	Dividend: 2.70€ per share		710.10	263
	Reinvestment: purchase of 5 shares at 168.60 €	843.00		268
03.05.2016	Dividend: 3.10€ per share		830.80	268
	Reinvestment: purchase of 6 shares at 157.80 €	946.80		274
03.05.2017	Dividend: 3.30€ per share		904.20	274
	Reinvestment: purchase of 5 shares at 184.55 €	922.75		279
27.04.2018	Dividend: 3.55€ per share		990.45	279
	Reinvestment: purchase of 6 shares at 196.90 €	1,181.40		285
30.04.2019	Dividend: 3.85€ per share		1,097.25	285
	Reinvestment: purchase of 5 shares at 245.10 €	1,225.50		290
07.07.2020	Dividend: 3.85€ per share		1,116.50	290
	Reinvestment: purchase of 4 shares at 288.30 €	1,153.20		294
29.04.2021	Dividend: 4.00€ per share		1,176.00	294
	Reinvestment: purchase of 4 shares at 343.10 €	1,372.40		298
29.04.2022	Dividend: 4.80€ per share		1,430.40	298
30.12.2022	Reinvestment: purchase of 5 shares at 348.90 €	1,744.50		303
TOTAL		**29,100.05**	**12,327.40**	
TOTAL NET INVESTMENT		**16,772.64**		

Portfolio value at 31 December 2022 (303 shares at €333.60, price at 30 December 2022[1]): €101,081.

The initial capital has thus been multiplied by 6.7 over 20 years (20-year inflation rate = 30.89% – Source: INSEE) and the final capital is 6 times the total net investment.

The Total Shareholder Return of the investment is thus 9.8% per year (assuming that the shares are sold on 30 December 2022, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

7.5.2.3. Dividends

The limitation period for dividends is five years. Any dividends for which payment has not been requested are paid to the French Deposits and Consignments Fund *(La Caisse des Dépôts et Consignations).*

(1) The last trading day of 2022 is Friday, December 30, 2022.

7.6. Information and shareholder dialogue 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, a whole range of information and communication tools 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. These comprise documentation, including digital media on the L'Oréal Finance website, shareholder events and meetings either organised physically or virtually, and investor conferences and roadshows.

7.6.1. Additional communication tools

Keen on transparency and accessibility of information, in 2022, another year marked by the Covid-19 health crisis, L'Oréal's Financial Communication Department shared a wealth of complete financial and non-financial information with the entire financial community. It relies on communication tools with a high emphasis on digital:

- L'Oréal makes available two comprehensive and complementary publications each year, the Annual Report and the Universal Registration Document, and one interim publication, the Half-Year Financial Report. These documents can be consulted and downloaded at www.loreal-finance.com. In 2022, the Universal Registration Document was published in an interactive format to improve user-friendliness and access to content.
- The www.loreal-finance.com website contains a complete set of all financial and non-financial information. Its content and ergonomics evolve regularly to provide quicker and easier access to information.
- The L'Oréal Finance mobile app, available on the App Store and Google Play, makes it possible to keep L'Oréal Finance news close to hand. Downloaded more than 64,000 times since it was created, it is highly appreciated by professionals and individual shareholders.
- The Letter to Shareholders and e-newsletters make it possible to keep shareholders and subscribers regularly informed of all the Group's major events.
- 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.
- Several "best-of" films featuring the main events of the year have been made and posted on the L'Oréal Finance website, so our shareholders can relive these moments.
- 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 advantages related to this method of shareholding, becoming a registered shareholder enables shareholders to be known to the Group, to have systematic and regular access to information, and to be closely involved in the Group's development.

In 2022, the Group and the Financial Communications Department were recognised for their achievements:

- On 28 June, we received an award from the Palmes d'or des jeunes actionnaires (Young Shareholders Awards), created by EDHEC Business School and the Federation of Individual Investors and Investment Clubs (F2iC), for our approach to informing and communicating with our shareholders.
- On 5 July, the Chief Financial Officer received the Award for ESG Purpose and Commitments at the 2022 General Meeting and Gender Balance Awards ceremony, organised by the Institut du Capitalisme Responsable.
- On 20 September, the Group Chairman received the 2022 award from the Appeal of Conscience Foundation for his long-standing commitment to corporate social responsibility.
- On 10 November, and for the second consecutive year, at the 21st Investor Awards ceremony, winning the Best Website award for L'Oréal-finance.com via Boursorama.
- On 1 December, L'Oréal won the top prize – the Grand Trophée d'Or – for the CAC40 company with the best shareholder relations, awarded by Le Revenu magazine.
- On 7 December, at the Grand Prix Stratégies du Luxe awards, L'Oréal's 2021 Annual Report won two awards, receiving the Gold award for best website (in the digital/mobile category) and a Bronze award for best corporate communication.

7.6.2. A large number of shareholder events for regular and detailed dialogue

In 2022, events were organised, some in digital format, to maintain relationships and promote dialogue. Thus:

- The Financial Communications Department and the Investor Relations Department organised a financial information meeting and telephone conferences intended for analysts and institutional investors. Journalists specialising in the cosmetics sector were invited. The presentations of the Group's financial results and the business activities of the Operational Divisions were broadcast live online on the financial website www.loreal-finance.com. All the information presented was made available on this site, on the day of its publication, when the annual and half-yearly results were published, as well as at investor conferences.
- The Annual General Meeting was broadcast live and on demand, in French and English, on the L'Oréal Finance website. For several years, shareholders have had the option to vote remotely via the Votaccess platform. This year, in order to respect shareholder democracy and encourage dialogue with shareholders, and in addition to the legal process for written questions, L'Oréal set up a dedicated email address to receive, in the days preceding the Annual General Meeting[1], all their questions to be made directly to Management. Shareholders also had the opportunity to ask questions via an electronic platform, both before and during the Annual General Meeting. This broadcast was viewed by around 2,000 shareholders.

(1) Within the framework of the Annual General Meeting (for more information see section 7.1.4. "Annual General Meeting").

- As a preferred partner, for the 2nd year running, L'Oréal participated in Boursorama's digital e-show, Boursorama (Bourso'Live), on 27 and 28 June 2022. The L'Oréal virtual stand welcomed nearly 700 visitors who were able to download documents and publications, and to interact with the Group's Individual Shareholders department. The Chief Financial Officer of L'Oréal presented the L'Oréal model during a web conference and answered questions from web users; the presentation was attended by many shareholders and recorded close to 16,000 views. At the event, L'Oréal also took part in a round table entitled "Investing in women", which has been viewed approximately 13,000 times.
- On 30 June, the Chief Financial Officer took part in "Conversations with leaders", a digital conversation hosted by The Bull Club from eToro, the leading social investment community.
- The Chief Executive Officer of L'Oréal presented the Group, its strategy, commitments and shareholder policy during a web conference on Boursorama on 21 September 2022. It has been viewed more than 27,000 times on demand.
- L'Oréal participated in the hybrid 2022 edition of Investor Day, which was held online on Mondays 14, 21 and 28 November 2022 and in person at the Carrousel du Louvre in Paris on 29 November 2022. Nearly 6,800 people took part in this year's edition, 4,300 of whom attended the Carrousel du Louvre. The Chief Financial Officer, the Chief Investment Officer of BOLD, the Global Head of Digital Open Innovation and the Director of the Beauty Tech programme participated in this meeting.
- In total, the various conferences organised in 2022 received close to 100,000 views on demand.
- 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 2022, the Consultation Committee met three times, including at the VivaTech fair on 16 June 2022. Its members were able to explore the L'Oréal stand, try out its Beauty Tech innovations and meet with the Group's experts.
- The Investor Relations Department (IRD) organises numerous meetings throughout the year with institutional investors of the main international financial marketplaces. In 2022, they met with a total of more than 600 investors.
- Finally, a free phone service is available to L'Oréal shareholders calling from France (0 800 66 66 66) or other countries (+33 1 40 14 80 50). An interactive voice server gives shareholders 24/7 access to information on share prices, key dates or a summary of the latest press release. The Shareholder Services Department can also be contacted using this number during business hours (8:45am – 6:00pm Paris time).

7.6.3. 2023 Financial Calendar

09.02.2023	**2022 Annual results**
19.04.2023	1st quarter 2023 sales
21.04.2023	Ordinary and Extraordinary General Meeting
July 2023*	First-half 2023 sales and results
October 2023*	Sales at 30 September 2023

* *The precise date will be detailed on the website www.loreal-finance.com.*

7.6.4. Financial press releases published in 2022

09.02.2022	**2021 Annual Results**
17.03.2022	Ordinary and Extraordinary General Meeting of 21 April 2022 / 2021 Universal Registration Document
22.03.2022	L'Oréal successfully prices its 1st €3 billion bond including a sustainability-linked tranche
19.04.2022	First quarter 2022 sales
21.04.2022	Ordinary and Extraordinary General Meeting and Board of Directors' Meeting of 19 April 2022
17.05.2022	L'Oréal announces the launch of its 3rd employee share ownership plan
28.07.2022	2022 Half-Year Results
01.08.2022	Availability of the 2022 Half-Year Financial Report
23.09.2022	L'Oréal signs agreement to acquire Skinbetter Science
20.10.2022	Sales at 30 September 2022

The www.loreal-finance.com website contains all regulated information published in 2022.

CHAPTER 8

Annual General Meeting

8

8.1. Draft resolutions and Report of the Board of Directors to the Ordinary and Extraordinary General Meeting to be held on Friday 21 April 2023

Agenda

Ordinary part

1. Approval of the 2022 parent company financial statements
2. Approval of the 2022 consolidated financial statements
3. Allocation of the Company's net profit for 2022 and setting of the dividend
4. Renewal of the term of office of Ms Sophie Bellon as Director
5. Renewal of the term of office of Ms Fabienne Dulac as Director
6. Establishment of the total maximum amount allotted to directors as remuneration for their office
7. 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
8. Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2022 or allocated for that year to Mr Jean-Paul Agon, in his capacity as Chairman of the Board of Directors
9. Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2022 or allocated for that year to Mr Nicolas Hieronimus, in his capacity as Chief Executive Officer
10. Approval of the remuneration policy for Directors
11. Approval of the remuneration policy for the Chairman of the Board of Directors
12. Approval of the remuneration policy for the Chief Executive Officer
13. Authorisation for the Company to buy back its own shares

Extraordinary part

14. Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital by issuing ordinary shares, with preferential subscription rights for shareholders
15. Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital by capitalising premiums, reserves, profits or other amounts
16. Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital in order to remunerate the contributions in kind given to the Company in the form of equity securities or securities giving access to the share capital of third party companies
17. Delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of the shareholders' preferential subscription rights
18. Delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the framework of an employee share ownership plan
19. Approval of the proposed partial contribution of assets subject to the demerger regime granted by the Company to its L'Oréal France subsidiary, of the complete and autonomous branches of Affaires Marché France and Domaines d'Excellence business activities, as well as all shares comprising the capital of Luxury of Retail
20. Approval of the proposed partial contribution of assets subject to the demerger regime granted by the Company to its L'Oréal International Distribution subsidiary, of the complete and autonomous branch of the L'Oréal International Distribution business activity
21. Powers for formalities

8.1.1. Ordinary part

Resolutions 1, 2 and 3: Approval of the annual (parent company and consolidated) financial statements for 2022, allocating the company's net income and setting of 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 2022, with an income statement for 2022 showing net income of €12,343,116,730.68 compared with €3,860,498,991.57 for 2021; and
- the 2022 consolidated financial statements.

The details of these financial statements are set out in the 2022 Annual Financial Report and the main data included in the package containing the convening notice to the Annual General Meeting.

The Board of Directors proposes to the Annual General Meeting:

- an ordinary dividend of €6.00 per share, representing an increase of 25% 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 53.3% in 2022. Over the last five financial years, this rate was:

Year	2017	2018	2019	2020	2021
Rate of distribution	53.4%	54.4%	49.7%	54.8%	54.4%

- a preferential dividend of €6.60 per share, corresponding to a 10% increase over the ordinary dividend.

  The preferential dividend will be granted to the shares held in registered form since 31 December 2020 at the latest, and which have continuously remained in registered form until the dividend payment date in 2023. 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 26 April 2023 at midnight (Paris time) and they will be paid on 28 April 2023.

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 2022 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 2022 parent company financial statements, as presented, and the transactions reported in these financial statements and summarised in these Reports, showing net income of €12,343,116,730.68, versus €3,860,498,991.57 for 2021.

Second resolution: approval of the 2022 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 2022 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 2022 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 2022 financial year, amounting to €12,343,116,730.68 as follows:

No allocation to the legal reserve which already represents over one-tenth of the share capital	-
Amount allocated to shareholders as dividend[1] (including preferential dividend)	**€3,245,474,994.00**
Balance that will be allocated to the "Other reserves" item	**€9,097,641,736.68**

(1) Including a primary dividend equal to 5% of the amounts paid up on shares, i.e. the total amount of the share capital.

This amount is calculated on the basis of the number of shares forming the capital at 31 December 2022 and will be adjusted to reflect:

- the number of shares issued between 1 January 2023 and the date of payment of this dividend following the full vesting of new free shares granted and giving rights to said dividend;
- the final number of shares eligible for the preferential dividend, taking into account sales or transfers to a bearer account between 1 January 2023 and the date of payment of the dividend.

The Annual General Meeting therefore sets the ordinary dividend at €6.00 per share and the preferential dividend at €6.60 per share. The preferential dividend will be granted to the shares held in registered form since 31 December 2020 at the latest, and which have continuously remained in registered form until the dividend payment date, it being specified that the number of shares giving entitlement to such a preferential dividend cannot exceed 0.5% of share capital for any one shareholder. The ex-dividend date for the dividends (both ordinary and preferential) will be 26 April 2023 at midnight (Paris time) and they will be paid on 28 April 2023.

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:

	2019	2020	2021
Ordinary dividend per share	€3.85	€4.00	€4.80
Preferential dividend per share	€0.38	€0.40	€0.48

Resolutions 4 and 5: Offices of Directors

| EXPLANATORY STATEMENT

1. Composition of the Company's Board of Directors at 31 December 2022

The Directors of L'Oréal come from different backgrounds. They complement one another due to their different professional experience, skills and nationalities. They have good knowledge of the Company. The Directors are present, active and closely involved. These are all assets that contribute to the quality of the Board of Directors' deliberations in the context of the decisions it is called on to make.

The Directors are attentive and vigilant and carry out their duties with complete freedom of judgement. This freedom of judgement enables them in particular to participate, in complete independence, in the decisions or work of the Board of Directors and its Committees.

Jean-Paul Agon, 66, joined the L'Oréal Group in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, General Manager of the Asia Zone, Chairman and Chief Executive Officer of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005, and then Chief Executive Officer in April 2006, and finally Chairman and Chief Executive Officer in 2011. Since 1 May 2021, Jean-Paul Agon has been the Chairman of the Board of Directors. A Director of L'Oréal since 2006, he is also the Chairman of the Strategy and Sustainability Committee. Jean-Paul Agon is the Chairman of the L'Oréal Corporate Foundation.

Nicolas Hieronimus, 58, joined the L'Oréal Group in 1987. Nicolas Hieronimus was appointed Marketing Director for Laboratoires Garnier in 1993. After an international career as Director of the Garnier Maybelline Division in the United Kingdom, General Manager in France, then International General Manager of L'Oréal Paris and General Manager of L'Oréal Mexico, Nicolas Hieronimus was appointed as the General Manager of the L'Oréal Professional Products Division and joined the Executive Committee in 2008. In 2011, he was appointed President of L'Oréal Luxe, a role that he held until the end of 2018. In 2013, Nicolas Hieronimus became the General Manager of Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was appointed Deputy CEO in charge of Divisions in May 2017. Nicolas Hieronimus was appointed Chief Executive Officer of L'Oréal on 1 May 2021. He has been a Director of L'Oréal since April 2021 and chairs the L'Oréal Fund for Women.

Françoise Bettencourt Meyers, 69, 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, 68, of Belgian and Swiss nationality, after pursuing an international career at the highest level within the Nestlé group, holding various positions in Europe and Latin America, was in 2004 appointed Executive Vice President and Zone Director for zone Americas of Nestlé S.A., before becoming Chief Executive Officer of Nestlé S.A. from 2008 to 2016. Paul Bulcke has served as the Chairman of the Board of Directors of Nestlé since 2017. Paul Bulcke was a Director of L'Oréal from 2012 to June 2014 and then again since 2017. Paul Bulcke is the Vice-Chairman of the Board of Directors, and is a member of the Strategy and Sustainability Committee, the Nominations and Governance Committee, and the Human Resources and Remuneration Committee.

Sophie Bellon, 61, is Chairwoman of the Board of Directors and Chief Executive Officer of Sodexo. After a career in finance in the United States, she joined Sodexo in 1994, where she held various positions, including Chief Executive Officer of the Corporate Services business unit of Sodexo France and as Research, Development and Innovation strategy Manager of Sodexo. Sophie Bellon has been a Director of L'Oréal since 2015. She is the Chairwoman of the Nominations and Governance Committee and of the Human Resources and Remuneration Committee.

Patrice Caine, 52, has been Chairman and Chief Executive Officer of the Thales group since December 2014, after holding management positions in various operating units (Aviation and Naval, Communication, Navigation and Identification, Air Systems, Radio-Communication Products, Network and Infrastructure Systems, and Protection Systems) from 2002 to 2013. Patrice Caine has been a Director of L'Oréal since 2018 and is a member of the Strategy and Sustainability Committee and the Nominations and Governance Committee.

Fabienne Dulac, 55, is Chief Transformation Officer of the Orange Group from April 2023 and is a member of its Executive Committee since 2015. She joined this group in 1997 and held various positions in marketing, business development, communication and digital, before serving as Chief Executive Officer of Orange France from 2015 to April 2023. She is responsible for the implementation of the Orange Group's major transformation projects. She is also a Director of the company La Française des Jeux. Fabienne Dulac has been a Director of L'Oréal since 2019. She is a member of two committees: the Audit Committee and the Human Resources and Remuneration Committee.

Belén Garijo, 62, of Spanish nationality, is Chairwoman of the Management Board and Chief Executive Officer of the Merck group. Belén Garijo previously served as Chairwoman and Chief Executive Officer of Merck Healthcare, an entity encompassing all the pharmaceutical activities of the Merck group. Belén Garijo has been a Director of L'Oréal since 2014 and is a member of the Human Resources and Remuneration Committee. She is also a Director of BBVA (Spain).

Béatrice Guillaume-Grabisch, 58, has been Executive Vice President and Global Head of Human Resources & Business Services of the Nestlé group, which she joined in 2013. She was formerly Chief Executive Officer of Nestlé Germany after a career in various consumer goods groups (Colgate-Palmolive, Beiersdorf, Johnson & Johnson, L'Oréal, Coca-Cola). Béatrice Guillaume-Grabisch has been a Director of L'Oréal since 2016 and is a member of the Audit Committee.

Thierry Hamel, 68, joined the L'Oréal Group in 1979, and has spent a large part of his career in the Professional Products Division, where he currently serves as Project Manager - Sales Excellence & Vocational Training in the Professional Products Division in France. Thierry Hamel was appointed Director representing the employees in April 2022 by the CFE-CGC union for a four-year term.

Ilham Kadri, 53, of French and Moroccan nationality, has served as Chairwoman of the Executive Committee and CEO of Solvay, which she joined in March 2019. She was CEO and Chairwoman of the American company Diversey since 2013. Ilham Kadri has international experience acquired in leading industrial companies (Shell, UCB, Dow, Sealed Air, etc.) where she performed roles in research & development, sales, marketing, strategy, business management and digital technology. She is also a Director of A.O. Smith Corporation. Ilham Kadri has been a Director of L'Oréal since 2020 and Member of the Audit Committee.

Jean-Victor Meyers, 36, has been a member of the Supervisory Board of the family holding company Téthys since January 2011 and is a member of the Supervisory Board of the investment subsidiary Téthys Invest. Jean-Victor Meyers has been a Director of L'Oréal since 2012 and is a member of the Strategy and Sustainability Committee.

Nicolas Meyers, 34, has been a member of the Supervisory Board of the family holding company Téthys since 2011 and a member of the Supervisory Board of the investment subsidiary Téthys Invest since 2016. He has also been a Director of the Bettencourt Schueller Foundation since 2012. He has been a Director of L'Oréal since 2020 and Member of the Audit Committee.

Virginie Morgon, 53, was Chairwoman of the Management Board of Eurazeo from 2008 to February 2023, after 16 years at Lazard. 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.

Alexandre Ricard, 50, has served as Chairman and Chief Executive Officer of Pernod Ricard since February 2015. He joined Pernod Ricard in 2003 after seven years as a strategy consultant at Accenture and as an M&A consultant at Morgan Stanley. In 2004, he was appointed Director of Finance and Administration of Irish Distillers, and then appointed Chief Executive Officer of Pernod Ricard Asia Duty Free in September 2006. In 2008, Alexandre Ricard was appointed Chairman and Chief Executive Officer of Irish Distillers and joined the Executive Committee of Pernod Ricard. In 2011, he joined the General Management of Pernod Ricard as Deputy Chief Executive Officer in charge of the distribution network. Alexandre Ricard has been a Director of L'Oréal since April 2021 and is a member of the Strategy and Sustainability Committee.

Benny de Vlieger, 58, joined L'Oréal Belgium in 1989, representing the Consumer Products Division in Belgium. Benny de Vlieger was appointed Director representing the employees in April 2022 by L'Oréal's Instance Européenne de Dialogue Social (European Works Council) for a four-year term.

2. Resolutions submitted for approval to the Annual General Meeting of 21 April 2023

Renewal of the term of office of Ms Sophie Bellon as Director

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

Ms Sophie Bellon is Chairwoman and Chief Executive Officer of the Sodexo group, and has held various positions within this group for more than 20 years.

Sodexo, a global leader in quality-of-life services, is located in 53 countries and has 422,000 employees worldwide.

Sophie Bellon has been a Director of L'Oréal since 2015. She is Chairwoman of the Human Resources and Remuneration Committee. She chairs the Nominations and Governance Committee until 21 April, 2023; Patrice Caine will replace her from that date, with Ms Bellon remaining a member of this Committee. Ms Bellon was also a member of the Audit Committee until April 2022.

Ms Bellon is an independent director who is highly involved in the work of the Committees and who brings to the Board her interdisciplinary business knowledge, her international experience, her expertise in governance issues, her strategic vision and her commitment to social and societal responsibility.

Over the four years of her tenure as Director, her attendance rate has been 100% for meetings of the Board of Directors and 98% for committee meetings.

Renewal of the term of office of Ms Fabienne Dulac as Director

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

Ms Dulac is Chief Transformation Officer of the Orange Group from April 2023 and has been a member of its Executive Committee since 2015. She joined this group in 1997 and held various positions in marketing, business development, communication and digital, before serving as Chief Executive Officer of Orange France from 2015 to April 2023. She is responsible for the implementation of the Orange Group's major transformation projects.

She is also a Director of the company La Française des Jeux.

Ms Fabienne Dulac has been a Director of L'Oréal since 2019. She is a member of two committees: the Audit Committee and the Human Resources and Remuneration Committee.

She exercises her office as independent director with great commitment and great freedom of judgement. Her contribution to L'Oréal's Board of Directors includes her knowledge of the digital industry, consumers and customer relationships, her expertise in Human Resources and her experience in leading a highly transformational organisation.

Over the four years of her tenure as Director, her attendance rate has been 88% for meetings of the Board of Directors and 84% for committee meetings.

3. Composition of the Board of Directors after the Annual General Meeting of 21 April 2023

If the Annual General Meeting approves the renewals submitted to it in 2023, the expiry dates of the terms of office of the Company's 16 Directors would be as follows:

COMPOSITION OF THE BOARD OF DIRECTORS (after the 2023 Annual General Meeting)		Age	W/M	Nationality	Expiry of term of office	Board Committees: S&S	Audit	Gov.	Rem.
Corporate officers	**Mr Jean-Paul Agon** – Chairman of the Board	66	M	French	2026	C			
	Mr Nicolas Hieronimus – Chief Executive Officer	59	M	French	2025				
F. Bettencourt Meyers and her family	**Ms F. Bettencourt Meyers** – Vice-Chairwoman	69	W	French	2025	●		●	●
	Mr Jean-Victor Meyers	36	M	French	2024	●			
	Mr Nicolas Meyers	34	M	French	2024		●		
Directors linked to Nestlé	**Mr Paul Bulcke** – Vice-Chairman	68	M	Belgian-Swiss	2025	●		●	●
	Ms Béatrice Guillaume-Grabisch	58	W	French	2024		●		
Independent Directors ■	**Ms Sophie Bellon**	61	W	French	2027			●	C
	Mr Patrice Caine	53	M	French	2026	●		C	
	Ms Fabienne Dulac	55	W	French	2027		●		●
	Ms Belén Garijo	62	W	Spanish	2026				●
	Ms Ilham Kadri	54	W	French-Moroccan	2024		●		
	Ms Virginie Morgon	53	W	French	2025		C		
	Mr Alexandre Ricard	50	M	French	2025	●			
Directors representing employees	**Mr Benny de Vlieger**	58	M	Belgian	2026		●		
	Mr Thierry Hamel	68	M	French	2026				●

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

3.1. Independence of Directors

Every year the Nominations and Governance Committee proposes to the Board of Directors that the situation of each of the Directors with regard to their independence be reviewed on a case-by-case basis according to the criteria set out in the AFEP-MEDEF Code.

The review of the independence of these Directors was carried out by the Board of Directors on the basis, in particular, of a study of the relationships existing between the Company and the companies in which the Directors hold offices.

If the Annual General Meeting approves the appointments and renewals that are proposed by the Board of Directors, the number of Independent Directors will be 7 out of 14, *i.e.* an independence rate of 50% (the two Directors representing the employees are not taken into account pursuant to the AFEP-MEDEF Code).

3.2. Balanced gender representation in the Board of Directors

If the Annual General Meeting approves the appointments and renewals submitted to it, the number of women in the Board of Directors would be 7 out of the 14 Directors appointed by the Annual General Meeting, *i.e.* a percentage representation of women of 50% (the two Directors representing the employees are not taken into account pursuant to the French Commercial Code).

3.3. Length of office and minimum number of shares held

The term of office of the Directors appointed by the Company's Annual General Meeting is four years or less to allow a scheduled renewal of the terms of office of Directors. The term of office of a Director who is not appointed by the Annual General Meeting is four years.

Directors appointed by the Annual General Meeting must each hold a minimum of 250 L'Oréal shares: at least 125 shares on the date of their appointment by the Annual General Meeting and the balance no later than 24 months after their appointment (see section 3.7 of the Internal Rules of the Board of Directors, which appears in section 2.3.6 of the 2022 Universal Registration Document). The complete list of the duties of the Directors is provided in section 2.2.2 of the 2022 Universal Registration Document.

Fourth resolution: renewal of the term of office of Ms Sophie Bellon 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 Ms Sophie Bellon's term of office as a Director for a term of four years.

Her term of office will expire at the end of the Annual General Meeting to be held in 2027 and called to approve the financial statements for the previous financial year.

Fifth resolution: renewal of the term of office of Ms Fabienne Dulac 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 Ms Fabienne Dulac's term of office as a Director for a term of four years.

Her term of office will expire at the end of the Annual General Meeting to be held in 2027 and called to approve the financial statements for the previous financial year.

Resolution 6: Establishment of the total maximum amount allotted to directors as remuneration for their office

EXPLANATORY STATEMENT

With a view to better rewarding membership of the Committees, whose work is increasingly important, it is proposed that directors' maximum annual remuneration, which has not changed since 2018, be reviewed.

On the recommendation of the Human Resources and Remuneration Committee, the Board proposes to the Annual General Meeting that directors' maximum annual remuneration be increased to €1,700,000 (from €1,600,000).

This authorisation would supersede the one granted by the Annual General Meeting in 2018.

The principles of how these fees would be broken down are set out in section 2.4.1.1 of the 2022 Universal Registration Document and make provision for a predominant variable portion that is based on attendance.

Sixth resolution: establishment of the total maximum amount allotted to Directors as remuneration for their office

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, resolves to set the total maximum amount allotted to directors as remuneration for their office at €1,700,000 for the current financial year and for each subsequent year until a new resolution is made.

Resolutions 7, 8, 9, 10, 11 and 12: Remuneration of directors and corporate officers of the Company

| EXPLANATORY STATEMENT

The Annual General Meeting is called to approve the remunerations of the Company's directors and corporate officers for 2022 (***ex post*** vote).

The Annual General Meeting must vote every year on the remuneration granted or paid during the financial year ended to directors and corporate officers of the Company.

This "*ex-post*" vote covers two series of resolutions: one concerning all directors and corporate officers, *i.e.*, for L'Oréal, the Directors, the Chairman of the Board of Directors and the Chief Executive Officer; and the other concerning only the corporate officers of the Company, *i.e.*, for L'Oréal, the Chairman of the Board of Directors, Mr Jean-Paul Agon, and the Chief Executive Officer, Mr Nicolas Hieronimus.

Therefore, the shareholders are called, by the vote on the **seventh resolution**, to approve the information on the remuneration of each of the Company's aforementioned directors and corporate officers for 2022 as required by Article L. 22-10-9, I of the French Commercial Code. This information is provided in section 2.4.2 of the 2022 Universal Registration Document.

By the vote on the **eighth resolution**, the shareholders are called to approve the fixed and variable components of the total remuneration and benefits of any kind paid during 2022 or allocated for that year to Mr Jean-Paul Agon, Chairman of the Company's Board of Directors, pursuant to Article L. 22-10-34, II of the French Commercial Code. This information is provided in section 2.4.2.3 of the 2022 Universal Registration Document and is summarised in the following table ("Summary table of the components of remuneration paid in 2022 or allocated for that year to Mr Jean-Paul Agon, Chairman of the Board of Directors").

By the vote on the **ninth resolution**, the shareholders are called to approve the fixed and variable components of the total remuneration and benefits of any kind paid in 2022 or allocated for that year to Mr Nicolas Hieronimus, the Company's Chief Executive Officer, pursuant to Article L. 22-10-34, II of the French Commercial Code. This information is provided in section 2.4.2.2. of the 2022 Universal Registration Document and is summarised in the following table ("Summary table of the components of remuneration paid in 2022 or allocated for that year to Mr Nicolas Hieronimus, Chief Executive Officer").

The Annual General Meeting is also called to approve the remuneration policy for the Company's directors and corporate officers (***ex ante*** vote).

In the **tenth to twelfth resolutions**, the Annual General Meeting is asked to approve, pursuant to the provisions of Article L. 22-10-8 of the French Commercial Code, the remuneration policies for the Company's directors and corporate officers. These policies shall apply as from financial year 2023 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 2022 Universal Registration Document. Shareholders are called to approve separately:

- by the vote on the **tenth resolution**, the remuneration policy for the Company's Directors established by the Board of Directors as provided in section 2.4.1.1 of the 2022 Universal Registration Document;
- by the vote on the **eleventh 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 2022 Universal Registration Document;
- by the vote on the **twelfth resolution**, the remuneration policy for the Chief Executive Officer provided in section 2.4.1.2.1 of the 2022 Universal Registration Document.

Summary table of the components of remuneration paid in 2022 or allocated for that year to Mr Jean-Paul Agon, Chairman of the Board of Directors

Remuneration components submitted for a vote	Amounts allocated for the 2022 financial year or accounting valuation	Amounts paid in 2022 or accounting valuation	Description
Fixed remuneration	€1,600,000		At its meeting of 9 February 2022, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors kept Mr Jean-Paul Agon's fixed remuneration at the gross amount of €1,600,000 on an annual basis.
Benefits in addition to remuneration	€0 €2,289		• **Benefits in kind** Mr Jean-Paul Agon benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. • **Employee benefit scheme** Mr Jean-Paul Agon benefits from the same employee benefit scheme as the senior managers of the Company.

Summary table of the components of remuneration paid in 2022 or allocated for that year to Mr Nicolas Hieronimus, Chief Executive Officer

Remuneration components submitted for a vote	Amounts allocated for the 2022 financial year or accounting valuation	Amounts paid in 2022 or accounting valuation	Description
Fixed remuneration	**€2,000,000**		At its meeting of 9 February 2022, on the recommendation of the Human Resources and Remuneration Committee, the Board of Directors kept Mr Nicolas Hieronimus's fixed remuneration at the gross amount of €2,000,000 on an annual basis. This amount has not changed since 2021.
Annual variable remuneration	**€2,260,000** i.e. 113% of target annual variable remuneration		The annual variable remuneration is designed to align the executive corporate officer's remuneration with the Group's annual performance and to promote the implementation of its strategy year after year. The Board of Directors strives to encourage the executive corporate officer both to maximise performance for each financial year and to ensure that it is repeated and regular year-on-year. The target is set at 100% of the fixed remuneration (or €2,000,000 gross); the annual variable remuneration may reach up to 120% of the fixed remuneration (€2,400,000 gross) if there is outperformance on the objectives.
			CRITERIA FOR ASSESSMENT OF PERFORMANCE FOR 2022
			● **Financial criteria** **60%**
			• Evolution in like-for-like sales as compared to the budget 15%
			• Sales growth differential compared to the main competitors 15%
			• Operating profit as compared to the budget 10%
			• Earnings per share as compared to the budget 10%
			• Cash flow as compared to the budget 10%
			● **Non-financial and qualitative criteria** **40%**
			• CSR criteria: L'Oréal for the Future 10%
			• Human Resources criteria 7.5%
			• Digital development criteria 7.5%
			• Qualitative criteria: Management 7.5%
			• Qualitative criteria: Image, company reputation, dialogue with stakeholders 7.5%
			The assessment is carried out on a criterion-by-criterion basis without offsetting among the criteria. A summary of the achievements for 2022 is available in section 2.4.2.2.2 of the 2022 Universal Registration Document.
			ASSESSMENT FOR 2022 BY THE BOARD OF DIRECTORS' MEETING OF 9 FEBRUARY 2023
			On the basis of the aforementioned assessment criteria, on 9 February 2023 the Board of Directors decided, on the recommendation of the Human Resources and Remuneration Committee, to award gross variable remuneration of €2,260,000 for 2022, or 113% of the maximum target, given the level of achievement of the financial criteria and the qualitative and non-financial criteria of 113.7% and 111.9%, respectively. The assessment elements are detailed in section 2.4.2.2 of the 2022 Universal Registration Document.
		€1,552,667 i.e. 116.45% of €1,333,333 (€1,333,333 is the pro rata of the €2,000,000 of target annual variable remuneration over the period from 1 May to 31 December 2021)	As a reminder, following the approval by the Annual General Meeting of 21 April 2022 of the twelfth resolution, an annual variable remuneration was paid for the 2021 financial year amounting to a total of €1,552,667 since the Board of Directors decided on 9 February 2022 that 116,45% of the maximum objective had been achieved. €1,552,667 is the 116,45% of the €1,333,333, pro rata of the €2,000,000 target annual variable remuneration over the period from 1 May to 31 December 2021.

Remuneration components submitted for a vote	Amounts allocated for the 2022 financial year or accounting valuation	Amounts paid in 2022 or accounting valuation	Description
Performance shares	20,000 performance shares valued at €6,066,600 (estimated fair value according to the IFRS applied for the preparation of the consolidated financial statements)	N/A	Pursuant to the authorisation of the Extraordinary General Meeting of 21 April 2022 (nineteenth resolution), the Board of Directors decided on 13 October 2022, on the recommendation of the Human Resources and Remuneration Committee, to conditionally grant 20,000 shares (ACAs) to Mr Nicolas Hieronimus. This grant is in accordance with the 2022 remuneration policy defined by the Board of Directors on 9 February 2022 and approved by the Annual General Meeting of 21 April 2022. The fair value of one ACAs in the Plan of 13 October 2022, measured according to the IFRS applied for the preparation of the consolidated financial statements, is €303.33, representing, for the 20,000 ACAs granted in 2022 to Mr Nicolas Hieronimus, a fair value of €6,066,600. Final vesting of these shares is subject to achievement of performance conditions which will be recorded at the end of a 4 year vesting period as from the grant date. The number of vested shares will depend: ● in part, criteria for financial performance based on: • growth in comparable cosmetics sales of L'Oréal as compared to a panel of L'Oréal's major direct competitors, • growth in L'Oréal's consolidated operating profit; ● in part, criteria for non-financial performance based on: • fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme (hereinafter "L'Oréal for the Future Commitments"): % of sites that are "carbon neutral"[1]; % of formula ingredients that are biobased, traceable and come from sustainable sources; % of plastic packaging that comes from either recycled or biobased sources; number of people benefitting from the Group's brands' social commitment programmes), and • gender balance within strategic positions including the Executive Committee. Pursuant to the criterion relating to sales, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, L'Oréal must outperform the average growth in sales of the panel of competitors. Below this level, the number of finally vested shares is in decline. If L'Oréal's comparable growth in net sales is lower than the average growth in net sales of the panel of competitors, no shares will be finally vested under this criterion. Pursuant to the criterion related to operating profit, a level of growth, defined by the Board, but not made public for confidentiality reasons, must be met or exceeded in order for all free shares granted to be finally vested by the beneficiaries at the end of the vesting period. Below this level, the number of finally vested shares is in decline. If the operating profit does not increase in absolute value over the period, no share will finally vest pursuant to this criterion. With regard to the achievement of the L'Oréal for the Future Commitments criterion, in order for all the free shares granted to be fully vested by the beneficiaries at the end of the vesting period, an average of 65% of the L'Oréal for the Future Commitments must be achieved during the vesting period. Below this level, the grant decreases. No shares will vest if the average of the results for the L'Oréal for the Future Commitments falls below the minimum level defined by the Board and made public. Pursuant to the criterion relating to gender balance in strategic positions, in order for all the free shares granted to be finally vested by the beneficiaries at the end of the vesting period, the average representation of one of the sexes must account for at least 40% of employees in strategic positions. Below this level, the grant decreases. No shares will vest in relation to this criterion if the average representation of one of the sexes is less than 35% over the vesting period. The grant of shares to Mr Nicolas Hieronimus in 2022 represents 2.86% of the total number of ACAs granted to the 2,647 beneficiaries of this same Plan. In accordance with the authorisation of the Annual General Meeting of 21 April 2022, this grant of shares does not represent more than 0.6% of the share capital, it being understood that the maximum amount granted to corporate officers may not represent more than 10% of the total amount of free shares that may be granted. No share subscription or purchase options or other long-term incentives have been granted to Mr Nicolas Hieronimus in 2022.
Remuneration of Directors	**€0**		Mr Nicolas Hieronimus does not receive any remuneration as Director.

(1) *A site can claim "carbon neutral" status if it meets the following requirements:*
• Direct CO_2 (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
• Indirect CO_2 Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting. See section 4.3.1.1.3. B/.

Remuneration components submitted for a vote	Amounts allocated for the 2022 financial year or accounting valuation	Amounts paid in 2022 or accounting valuation	Description
Benefits in addition to remuneration	€0 €10,594.02		• **Benefits in kind** Mr Nicolas Hieronimus benefits from the material resources needed for the performance of his office such as, for example, the provision of a car with a driver. These arrangements, which are strictly limited to professional use, to the exclusion of all private use, are not benefits in kind. • **Additional social protection schemes: defined contribution pension, employee benefit and healthcare schemes** Mr Nicolas Hieronimus continues to be treated in the same way as a senior manager during the term of his office, which will allow him to continue to benefit from the additional social protection schemes and, in particular, the defined contribution pension scheme, and the employee benefit and healthcare schemes applicable to the Company's employees. The amount of the pension resulting from the employer's contributions for the defined contribution pension scheme will be deducted from the pension due in respect of the defined benefit pension in accordance with the provisions of this collective scheme. The amount of the employer's contributions to the employee benefit and healthcare schemes amounted to €4,217.94 (gross) in 2022, and the amount of the employer's contribution to the defined contribution pension scheme amounted to €6,376.08 (gross).

Seventh resolution: approval of the information on the remuneration of each of the directors and corporate officers required by Article L. 22-10-9, I of the French Commercial Code

Pursuant to Article L. 22-10-34 of the French Commercial Code, the Annual General Meeting, voting with the quorum and majority required for Ordinary General Meetings, approves the information described in section I of Article L. 22-10-9 of the French Commercial Code as presented in section 2.4.2. of the 2022 Universal Registration Document.

Eighth resolution: approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2022 or allocated for that year to Mr Jean-Paul Agon, in his capacity as Chairman of the Board of Directors

Pursuant to Article L. 22-10-34, II of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2022 or allocated for that year to the Chairman, Mr Jean-Paul Agon, as presented in section 2.4.2.3 of the 2022 Universal Registration Document.

Ninth resolution: approval of the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2022 or allocated for that year to Mr Nicolas Hieronimus, in his capacity as Chief Executive Officer

Pursuant to Article L. 22-10-34, II of the French Commercial Code, the Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, approves the fixed and variable components of the total remuneration and benefits of any kind paid during financial year 2022 or allocated for that year to the Chief Executive Officer, Mr Nicolas Hieronimus, as presented in section 2.4.2.2 of the 2022 Universal Registration Document.

Tenth 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. 225-37 of the French Commercial Code, approves the remuneration policy for Directors as presented in the aforementioned report in compliance with Article L. 22-10-8 of the French Commercial Code and restated in section 2.4.1.1 of the 2022 Universal Registration Document.

Eleventh resolution: approval of the remuneration policy for the Chairman of the Board of Directors

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code, approves the remuneration policy for the Chairman of the Board of Directors as presented in the aforementioned report in compliance with Article L. 22-10-8 of the French Commercial Code and restated in section 2.4.1.2.2 of the 2022 Universal Registration Document.

Twelfth resolution: approval of the remuneration policy for the Chief Executive Officer

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code, approves the remuneration policy for the Chief Executive Officer as presented in the aforementioned report in compliance with Article L. 22-10-8 of the French Commercial Code and restated in section 2.4.1.2.1 of the 2022 Universal Registration Document.

Resolution 13: Authorisation for the Company to buy back its own shares

EXPLANATORY STATEMENT

As the existing authorisation is due to expire in October 2023, it is proposed that the Annual General Meeting give the Board of Directors a new authorisation, it being specified that in the event of a public offer being filed by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Company would be able to buy its own shares for the following purposes:

- cancelling them by a reduction in its capital;
- 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 the shares and subsequently using them (as payment, in an exchange or otherwise) in connection with external growth, merger, demerger or contribution financial 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.

This authorisation would take effect on the date of this Annual General Meeting and would expire at the end of a period of eighteen months from the date of this Annual General Meeting. It would render ineffective from that day onwards any previous authorisation for the unused portion with the same purpose.

The purchase price per share may not exceed €600 (excluding expenses). The authorisation would cover a maximum of 10% of the capital – a maximum of 5% of the capital for the shares acquired to be retained and subsequently remitted (for payment, exchange, or other purposes) in the context of transactions for external growth, merger, demerger or contribution – which is, as an indication at 31 December 2022, 53,518,656 shares for a maximum of €32,111,193,720, it being understood that the Company may not, at any time, hold more than 10% of its own capital.

Thirteenth resolution: authorisation for the Company to repurchase its own shares

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Ordinary General Meetings, having reviewed the Report of the Board of Directors, authorises the Board of Directors, with the option to delegate to the Chief Executive Officer, to purchase shares of the Company in accordance with Articles L. 225-210 *et seq.* and L. 22-10-62 *et seq.* of the French Commercial Code, and EU Regulation No 596/2014 of the European Parliament and of the Council of 16 April 2014, and subject to the following conditions.

The Company may buy back its own shares under the conditions defined by the laws and regulations in force, and notably with a view to:

- cancelling them by a reduction in its capital;
- allocating or selling them to employees, directors and corporate officers of the Company and affiliates, under the terms and conditions provided for by French or foreign law, and in particular within the scope of employee profit sharing schemes, free grants of shares or all employee share ownership programmes as well as for the purpose of carrying out any transaction to cover the above-mentioned employee share ownership programmes;
- market-making under a liquidity agreement entered into with an investment services provider, in accordance with the ethics charter recognised by the French Financial Markets Authority (AMF); and
- retaining the shares and subsequently using them (as payment, in an exchange or otherwise) in connection with external growth, merger, demerger or contribution transactions.

The purchase price per share may not exceed €600 (excluding expenses).

The number of shares that the Company may acquire may not exceed:

- for shares acquired to be retained and subsequently remitted (for payment, exchange, or other purposes) in connection with external growth, merger, demerger, or contribution transactions: 5% of the number of shares making up the Company's capital on the date of completion of these buybacks, *i.e.* as an indication at 31 December 2022, 26,759,328 shares for a maximum amount of €16,055,596,860;
- for shares acquired for another purpose: 10% of the number of shares making up the Company's share capital on the date of completion of these repurchases, *i.e.* as an indication at 31 December 2022, 53,518,656 shares for a maximum amount of €32,111,193,720; and
- it being understood that the Company may not, at any time, hold more than 10% of its own capital.

The purchase, sale, exchange or transfer of these shares may be carried out by any means on one or more occasions, on or off the stock market, including in whole or in part, through the acquisition, sale, exchange or transfer of blocks of shares. These means include, where applicable, the use of all financial instruments and derivatives.

These transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned, it being specified that in the event of a public offer being filed by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without the prior authorisation of the Annual General Meeting.

The Annual General Meeting resolves that this authorisation takes effect on the date of this Annual General Meeting and will expire at the end of a period of eighteen 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 14: Delegation of authority granted to the Board of Directors for the purpose of increasing the capital by issuing ordinary shares, with preferential subscription rights for shareholders

| EXPLANATORY STATEMENT

The Annual General Meeting is asked to delegate to the Board of Directors its authority to increase the capital by issuing ordinary shares with preferential subscription rights. The total amount of capital increases that may be carried out in this way may not result in the share capital being increased from €107,037,312.40 on 31 December 2022 to more than €149,852,237.36. This ceilling corresponds to a maximum 40% increase of the capital as of 31 December 2022.

This ceiling will also be affected by any increases that may be carried out under the nineteenth resolution voted on at the Annual General Meeting of 21 April 2022, or the fifteenth, sixteenth, seventeenth and eighteenth resolutions submitted to the vote of this Meeting.

There is no provision for any overallocation option.

This delegation will be valid for twenty-six months from the date of this Annual General Meeting, 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. This delegation renders ineffective any prior delegation for the same purpose.

Fourteenth resolution: delegation of authority granted to the Board of Directors for the purpose of increasing the share capital by issuing ordinary shares with preferential subscription rights for shareholders

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 in compliance with Articles L. 225-129 *et seq.* of the French Commercial Code, specifically Articles L. 225-129-2 and L. 22-10-49 of the French Commercial Code:

1. delegates to the Board of Directors its authority to decide on one or more capital increases by issuing ordinary shares in the Company. This delegation to the Board of Directors is valid for a period of twenty-six months from the date of this Annual General Meeting;
2. decides that the total amount of capital increases that may be carried out in this way may not result in the share capital being increased from €107,037,312.40 on 31 December 2022 to more than €149,852,237.36. This ceilling corresponds to a maximum increase of 40% compared to the share capital as at 31 December 2022. This ceiling will also be affected by any increases that may be carried out under the nineteenth resolution voted on at the Annual General Meeting of 21 April 2022, or the fifteenth, sixteenth, seventeenth and eighteenth resolutions submitted to the vote of this Meeting, it being specified that this total nominal amount does not take into account any adjustments that may be made in accordance with the applicable legal and regulatory provisions and, where applicable, with contractual obligations providing for other adjustments, in order to safeguard the rights of holders of free shares in particular;
3. decides that, if the Board of Directors uses this delegation, the shareholders have preferential subscription rights for shares issued pursuant to this resolution, in proportion to their existing number of shares. If subscriptions as of right and, if applicable, in excess of those as of right, have not absorbed the entirety of a share issue, the Board of Directors may offer all or some of the unsubscribed securities to the public or limit the share capital increase to the amount of subscriptions, provided that the latter achieves at least three-quarters of the increase decided;
4. decides that share capital increases may be carried out at any moment, in accordance with the regulations in force at the time. However, should a third party file a public offer with regard to the shares of the Company, the Board of Directors will not be able to use this delegation of authority during the offer period without prior authorisation of the General Meeting;
5. decides that the Board of Directors will have full powers, with the ability to delegate further under the conditions provided for by law, to implement this delegation within the limits and under the conditions specified above, in order to establish the terms and conditions of the share capital increases and, in general, to carry out all acts and formalities, take any decisions and enter into any agreement that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation and record the final completion of the capital increase(s) made pursuant to this delegation and amend the Articles of Association accordingly; and
6. acknowledges that this delegation renders ineffective any prior delegation for the same purpose.

Resolution 15: Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital by capitalising premiums, reserves, profits or other amounts

| EXPLANATORY STATEMENT

The Annual General Meeting is asked to delegate to the Board of Directors its authority to increase the capital by capitalising premiums, reserves, profits or other amounts.

The maximum nominal amount of share capital increases that may be carried out in this way shall be equal to the total cumulative amount that may be capitalised and shall be included in the overall ceiling set out in the fourteenth resolution put before this Annual General Meeting.

If free shares are awarded, fractional attribution rights shall be neither tradeable nor transferable. The corresponding securities shall be sold, with the sale proceeds being awarded to the holders of these rights.

This delegation will be valid for twenty-six months from the date of this Annual General Meeting, 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. This delegation renders ineffective any prior delegation for the same purpose.

Fifteenth resolution: delegation of authority granted to the Board of Directors for the purpose of increasing the share capital by capitalising 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 in compliance with the provisions of Articles L. 225-129 *et seq.* and L. 22-10-49, and L. 22-10-50 of the French Commercial Code:

1. delegates to the Board of Directors, with the option to delegate further, its authority to decide to carry out one or more share capital increases by capitalising premiums, reserves, profits or other amounts that may be capitalised in the form of awarding free shares or raising the nominal value of existing shares, or by using both of these techniques. This delegation 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 share capital increases that may be carried out in this way shall be equal to the total cumulative amount that may be capitalised and shall be included in the overall ceiling set out in the fourteenth resolution put before this Annual General Meeting or, as applicable, the ceiling set out in a similar resolution that may potentially succeed this fourteenth resolution during the valid period of this delegation. This total nominal amount does not take into account any adjustments that may be made in accordance with applicable laws and regulations and, where necessary, with contractual provisions for other adjustment scenarios, to protect the rights of holders of free shares and of share purchase and subscription options;
3. should the Board of Directors make use of this delegation, resolves that, where appropriate and in compliance with Article L. 22-10-50 of the French Commercial Code, fractional rights shall be neither tradeable nor transferable and that the corresponding securities shall be sold, with the sale proceeds being awarded to holders of these rights within the conditions and time frames set out in applicable regulations;
4. decides that share capital increases may be carried out at any moment in accordance with the regulations in force at the time. However, should a third party file a public offer with regard to the shares of the Company, the Board of Directors will not be able to use this delegation of authority during the offer period without prior authorisation of the General Meeting;
5. decides that the Board of Directors will have full powers, with the ability to delegate further under the conditions provided for by law, to implement this delegation within the limits and under the conditions specified above, in order to establish the terms and conditions of the share capital increases and, in general, to carry out all acts and formalities, take any decisions and enter into any agreement that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation and record the final completion of the capital increase(s) made pursuant to this delegation and amend the Articles of Association accordingly; and
6. acknowledges that this delegation renders ineffective any prior delegation for the same purpose.

Resolution 16: Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital in order to remunerate the contributions in kind given to the Company in the form of equity securities or securities giving access to the share capital of third party companies

| EXPLANATORY STATEMENT

The Annual General Meeting is asked to award a delegation of authority to the Board of Directors enabling it to increase the Company's share capital with a view to remunerating the contributions in kind given to the Company in the form of equity securities or securities giving access to the share capital of third party companies, outside of a public exchange offer, in order to carry out potential external growth transactions.

The Board will review the Capital Contributions Auditor's/s' Report and focus in particular on the value of contributions, if necessary.

The amount of the share capital increase(s) that may be carried out for this purpose would be limited to 2% of the capital on the day of the decision to increase the capital and included in the overall share capital increase ceiling set out in the fourteenth resolution put before this Annual General Meeting.

This delegation will be valid for twenty-six months from the date of this Annual General Meeting, 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.

This delegation may result, by law, in the cancellation of preferential subscription rights for shareholders and remove any previous delegation for the same purpose.

Sixteenth resolution: delegation of authority granted to the Board of Directors for the purpose of increasing the share capital in order to remunerate the contributions in kind given to the Company in the form of equity securities or securities giving access to the share capital of third party companies.

The Annual General Meeting, having reviewed the Report of the Board of Directors, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, and in accordance with the provisions of Articles L. 225-129 *et seq.*, in particular Article L. 225-147 and Articles L. 22-10-49 and L. 22-10-53 of the French Commercial Code:

1. delegates to the Board of Directors, under the conditions provided for by law, the ability to carry out a share capital increase on one or more occasions, up to 2% of the capital on the day of the decision to increase it, on the basis of the Capital Contributions Auditor's Report mentioned in the first and second paragraphs of the aforementioned Article L. 225-147 if necessary, with a view to remunerating the contributions in kind given to the Company in the form of equity securities or securities giving access to the share capital by issuing, on one or more occasions, ordinary shares of the Company, if the provisions of Article L. 22-10-54 of the French Commercial Code do not apply;
2. decides that the amount of the share capital increases that may be carried out pursuant to this resolution will be included in the overall capital increase ceiling set out in the fourteenth resolution of this Annual General Meeting or, as applicable, the ceiling set out in a similar resolution that may potentially succeed this fourteenth resolution during the valid period of this delegation;
3. decides 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 delegation of authority during the public offer period without the prior authorisation of the Annual General Meeting;
4. acknowledges that, in compliance with the law, the shareholders shall have no preferential subscription rights to the shares issued under this delegation of authority;
5. decides that the Board of Directors will have full powers, with the ability to delegate further under the conditions provided for by law, to implement this resolution, in particular in order to:
   - decide for a share capital increase with remunerated contributions,
   - decide on the list of contributed shares or securities, approve, on the basis of the Capital Contributions Auditor's Report mentioned in the first and second paragraphs of the aforementioned Article L. 225-147 if necessary, the valuation of the contributions, establish the terms and conditions of the share issue with remunerated contributions, as well as the amount of compensation to be paid where appropriate, approve the awarding of specific benefits and their value, and reduce, subject to the consent of the contributors, the valuation of the contributions or the remuneration of specific benefits,
   - record the completion of each share capital increase and amend the Articles of Association accordingly,
   - deduct any share capital increase costs from the capital contribution premium and take from this amount the amounts necessary to supplement the legal reserve,
   - more generally, take any and all measures and carry out any formalities that will facilitate the issue, listing and financial servicing of the shares issued under this delegation of authority;
6. sets the period of validity of this delegation of authority at twenty-six months as from the date of this Annual General Meeting; and
7. acknowledges that this delegation renders ineffective any prior delegation for the same purpose.

Resolutions 17 and 18: Delegations of authority granted 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 seventeenth resolution, to delegate the Board of Directors with the authority to decide on a capital increase in favour of the Group's employees who are members of an Employee Savings Scheme.

This delegation granted for a period of twenty-six months would enable the employees of Group companies to subscribe to L'Oréal shares, in France, by registering for the employee savings schemes.

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 eighteenth resolution to delegate to the Board of Directors the authority to decide a share capital increase in favour of Group employees or categories of Group employees outside France.

This delegation granted for a period of eighteen months would make it possible to propose the subscription of L'Oréal shares to Group employees or categories of Group employees outside France, by adapting the conditions of the offering to local specificities.

Pursuant to the seventeenth 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; the discount may not exceed the legal maximum of 30%, it being specified that the Board of Directors, or its delegated agent, is expressly authorised, if he deems wise, to reduce or remove the discount.

Pursuant to the eighteenth resolution, the issue price would be determined under terms and conditions similar to those set for the seventeenth resolution, and could also be set taking into account the specific regime of an offering of shares in the Company that would be carried out within the framework of a share ownership scheme governed by foreign law.

The Annual General Meeting is therefore asked, under the seventeenth and eighteenth resolutions, to delegate to the Board of Directors the authority to decide to increase the share capital of the Company, on one or more occasions, within the limit of 1% of the share capital, which is, for information purposes at 31 December 2022 through the issue of 5,351,866 new shares; this ceiling being applicable jointly to the seventeenth and eighteenth resolutions. The amount of the share capital increases that may be carried out based on the seventeenth and eighteenth resolutions would be included in the overall ceiling which is set out in the fourteenth resolution put before this Annual General Meeting.

Seventeenth resolution: delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of shareholders' preferential subscription rights

The Annual General Meeting, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings and acting in accordance with the provisions of Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 *et seq.* of the French Labour Code:

1. delegates to the Board of Directors the authority to decide to carry out, on one or more occasions, on its own decisions alone, in the proportions and at the times it may consider appropriate, the issuance of ordinary shares or securities giving access to the Company's capital reserved for employees, directors and corporate officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are subscribers of an Employee Savings Scheme;
2. decides to cancel, in favour of the employees, directors, corporate officers and eligible former employees, of the Company and of its French and foreign affiliates as defined by Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, who are subscribers of an Employee Savings Scheme, the shareholders' preferential subscription rights to the shares or securities giving access to the Company's capital; it being specified that the subscription of the shares or securities giving access to the Company's capital issued on the basis of this resolution may be carried out through any employee investment fund and, in particular, a "structured" employee investment fund within the meaning of the regulations of the French Financial Markets Authority (AMF), or any other collective body authorised by the regulations;
3. sets the period of validity of this delegation of authority at twenty-six months as from the date of this Annual General Meeting, and acknowledges that this delegation renders ineffective the unused portion of any prior delegation for the same purpose; it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without prior authorisation of the General Meeting;
4. decides to set at 1% of the share capital existing at the date of this Annual General Meeting, the capital increase that could thus be carried out (namely, for information purposes, as at 31 December 2020, an increase in the share capital by a nominal amount of €1,070,373.12 by issuing 5,351,866 new shares); it being specified that the cumulative amount of the share capital increases that may be carried out under this resolution and the eighteenth 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 seventeenth and eighteenth resolutions;

5. decides that the amount of the share capital increases that may be carried out pursuant to this resolution will be included in the overall ceiling set out in the fourteenth resolution of this Annual General Meeting or, as applicable, the ceiling set out in a similar resolution that may potentially succeed this fourteenth 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 twenty 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 ability to delegate further under the conditions provided for by law, to implement this delegation of authority within the limits and under the conditions specified above, in particular in order to:
   - set the conditions that must be met by the employees and eligible former employees to be able to subscribe, individually or through an employee investment fund, to the shares issued pursuant to this delegation,
   - decide on the list of companies whose employees may benefit from the issue,
   - decide on the amount to be issued, the features, where applicable, of the securities giving rights to the Company's capital, the issue price, the dates of the subscription period and the terms and conditions of each issue,
   - set the time period allotted to the beneficiaries to pay up their securities and the payment terms,
   - set the date, even with retrospective effect, as of which the new shares will carry dividend rights,
   - deduct, where applicable, the costs, taxes and fees of such issues from the amount of the share premiums and deduct, where applicable, from the amounts of the share premiums, the amounts required to increase the legal reserve to the level required by French legislation and regulations in force, and, in the event of an issue of new free shares granted in respect of the employer contribution and/or discount, to deduct, where applicable, the sums necessary for paying up such shares from the reserves, profits or share premiums of its choice, and
   - in general, carry out all acts and formalities, take any decisions and enter into any agreement that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly.

Eighteenth 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 framework of an employee share ownership plan

The Annual General Meeting, voting in accordance with the quorum and majority conditions required for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors, and acting in accordance with the provisions of Articles L. 225-129-2 and L. 225-138 of the French Commercial Code:

1. delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or more occasions, in the proportions and at the times it may consider appropriate, through the issue of shares or securities giving access to the Company's capital with cancellation of shareholders' preferential subscription rights in favour of the beneficiaries defined below;
2. decides to cancel shareholders' preferential subscription rights to the shares and securities giving access to the Company's capital issued within the scope of this delegation of authority and to reserve the right to subscribe them to one or several categories of beneficiaries meeting the following characteristics: (i) employees, directors and corporate officers of affiliates of the Company under the conditions of Article L. 225-180 of the French Commercial Code and Article L. 3341-1 of the French Labour Code and which have their headquarters outside France and/or (ii) for UCITS or other entities governed by French or foreign law, whether or not they constitute a legal person, of employee share ownership schemes invested in shares of the Company whose unitholders or shareholders will consist of the persons mentioned in paragraph (i) or enabling the persons mentioned in paragraph (i) to benefit, either directly or indirectly, from a Company employee share ownership plan or employee share savings scheme;
3. sets the period of validity of this delegation of authority at eighteen months as from the date of this Annual General Meeting, and notes that this delegation renders ineffective the unused portion of any prior delegation for the same purpose; it being specified that in the event of filing of a public offer by a third party with regard to the shares of the Company, the Board of Directors will not be able to use this authorisation during the public offer period without prior authorisation of the Annual General Meeting;

4. decides that the issue price of the new shares, to be issued pursuant to this delegation of authority, will be set, (i) on the basis of an average of the trading prices on the Euronext Paris market for the 20 trading days prior to the date of the decision of the Board of Directors or the Chief Executive Officer, setting the opening date of the subscription period, with a maximum discount of 30%, and/or (ii) at the same price as decided on the basis of the seventeenth 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 could be carried out (namely, for information purposes, as at 31 December 2022, an increase in the share capital by a nominal amount of €1,070,373.12 by issuing 5,351,866 new shares); it being specified that the cumulative amount of the share capital increases that may be carried out under this resolution and the seventeenth 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 seventeenth and eighteenth resolutions;
6. decides that the amount of the share capital increases that may be carried out pursuant to this resolution will be included in the overall ceiling set out in the fourteenth resolution of this Annual General Meeting or, as applicable, the ceiling set out in a similar resolution that may potentially succeed this fourteenth resolution during the valid period of this delegation;
7. decides that the Board of Directors will have full powers, to delegate further under the conditions provided for by law, with the ability to delegate authority on one or more occasions, in particular in order to:
   - set a list of beneficiaries, from one or more categories defined above, or the categories of employees who will be beneficiaries of each issue and the number of shares to be subscribed to by each of them,
   - determine the formulas and methods of subscription which will be presented to the employees in each country concerned, in light, where applicable, of the local legal constraints that apply, and select the countries chosen from those in which the Group has subsidiaries as well as such subsidiaries whose employees will be able to participate in the transaction,
   - decide on the maximum number of shares to be issued, within the limits set by this resolution and record the final amount of each capital increase and amend the Articles of Association accordingly,
   - decide on the dates and any other terms and conditions of such a share capital increase under the conditions provided for by law,
   - deduct the costs of such an increase in capital from the amount of the related share premiums and take from this amount the amounts necessary to increase the legal reserve to one-tenth of the new amount of the share capital resulting from such an increase, and
   - in general, carry out all acts and formalities, take any decisions and enter into any agreement that may be useful or necessary for the due and proper completion of the share issues made pursuant to this delegation of authority and record the final completion of the capital increase(s) made pursuant to this delegation of authority and amend the Articles of Association accordingly.

Resolutions 19 and 20: Partial contributions of the Company's assets to two of its subsidiaries

EXPLANATORY STATEMENT

It is proposed that the Annual General Meeting, as part of the nineteenth and twentieth resolutions, approves two partial contributions of the Company's assets to its subsidiaries that are owned at more than 99%:

- a contribution to L'Oréal France of the complete and autonomous branches of activities (i) Affaires Marché France (marketing activity on the French market for products from the Group's four Divisions – Produits Grand Public France, Produits Professionnels France, Luxe France and Cosmétique Active France), (ii) Domaines d'Excellence (services activity for subsidiaries based in France, carried out by central services and support functions) and (iii) all shares comprising the capital of Luxury of Retail, a subsidiary owned at 100% by the Company;
- a contribution to L'Oréal International Distribution of the complete and autonomous branch of the International Distribution activity (operating the brands of the four Divisions in countries where the brands are not marketed by the Company's subsidiaries, as well as globally driving the distribution network).

The Company wishes to implement a simplification and streamlining of its organisation in order to provide a better operating method for its activities in France. This proposed reorganisation consists in particular of spinning off certain of the Company's operational activities in dedicated structures in order to give them their autonomy.

The Company's Board of Directors has approved the two proposed partial contributions of assets, taking account of social and environmental issues in particular. These draft agreements have been filed with the commercial court at the registered office of the companies concerned and have been published according to the legal terms and timeframe.

The completion date of these contributions will be set at 1 July 2023, subject to extension until 31 December 2023 at the latest.

Each contribution will be made at the carrying value of net assets contributed, based on the parent company financial statements as at 31 December 2022, prior to adjustment that will be made based on the financial statements as at 30 June 2023. All shares of the subsidiaries issued as remuneration for contributions paid will revert to the Company.

Nineteenth resolution: approval of the proposed partial contribution of assets subject to the demerger regime granted by the Company to its L'Oréal France subsidiary, of the complete and autonomous branches of Affaires Marché France and Domaines d'Excellence business activities, as well as Luxury of Retail securities

The Annual General Meeting, voting with the quorum and majority required for Extraordinary General Meetings, having read (i) the Board of Directors' report and (ii) the draft agreement on the partial contribution of assets (the "Agreement") concluded between the Company and its L'Oréal France subsidiary (the "Beneficiary"), approves:

- the Agreement by which the Company provides the Beneficiary, under the legal demerger regime pursuant to the provisions of Articles L. 236-1 to L. 236-6 of the French Commercial Code, complete and autonomous branches of Affaires Marché France and Domaines d'Excellence business activities, as well as Luxury of Retail securities;
- the valuation of the Affaires Marché France branch based on the carrying values of assets contributed of €940,750,949.40 and of assumed liabilities of €820,686,549.63, *i.e.* net assets contributed of €120,064,399.77, based on the Company's parent company financial statements as at 31 December 2022;
- the valuation of the Domaines d'Excellence branch based on the carrying values of assets contributed of €128,493,275.01 and of assumed liabilities of €18,939,375.96, *i.e.* net assets contributed of €109,553,899.05, based on the Company's parent company financial statements as at 31 December 2022;
- the valuation of Luxury of Retail securities, at carrying value, *i.e.* net assets contributed of €825,036.00, based on the Company's parent company financial statements as at 31 December 2022;
- the allocation to the Company, in return for the total contribution made, of 25,383,118 new Beneficiary shares each with a par value of €5, to be created by the Beneficiary as increased share capital. The difference between the Company's total net asset value (€230,443,334.82) and the par value of the shares to be created as a result of the aforementioned capital increase (€126,915,590) will constitute a contribution premium of €103,527,744.82, which will be recorded as a liability on the Beneficiary's balance sheet;
- setting the date of completion of this contribution as at 1 July 2023 (the "Completion Date"), unless it is extended by the Company and the Beneficiary;
- setting the effective date for the accounting and tax plans of said contribution on the Completion Date.

As a result of the foregoing, gives full powers to the Chief Executive Officer, with the option to delegate further, under the applicable legal and regulatory conditions, to:

- record the completion of the partial contribution of assets and its remuneration and implement the adjustment as provided for by the Agreement;
- more generally, and as appropriate, to reiterate the terms of said contribution, establish all acts confirming or additional to said Agreement, including the possibility of extending the completion date of the partial contribution of assets, without this date being after 31 December 2023;
- carry out any observations, conclusions, communications and formalities, in particular the declaration of compliance required by the applicable legal provisions, which might prove necessary for the purposes of completing the partial contribution of assets.

Twentieth resolution: approval of the proposed partial contribution of assets subject to the demerger regime granted by the Company to its L'Oréal International Distribution subsidiary, of the complete and autonomous branch of the L'Oréal International Distribution activity

The Annual General Meeting, voting with the quorum and majority required for Extraordinary General Meetings, having read (i) the Board of Directors' report and (ii) the draft agreement on the partial contribution of assets concluded between the Company and its L'Oréal International Distribution subsidiary (the "Beneficiary"), approves:

- the partial contribution of assets by which the Company provides the Beneficiary, under the legal demerger regime pursuant to the provisions of Articles L. 236-1 to L. 236-6 of the French Commercial Code, the complete and autonomous branch of the L'Oréal International Distribution activity;
- the valuation based on the carrying values of assets contributed of €50,275,481.10 and of assumed liabilities of €38,683,464.42, *i.e.* net assets contributed of €11,592,016.68, based on the Company's parent company financial statements as at 31 December 2022;
- the allocation to the Company, in return for the total contribution made, of 1,277,836 new Beneficiary units, each with a par value of €5, to be created by the Beneficiary as a share capital increase. The difference between the value of the net assets contributed by the Company (€11,592,016.68) and the share capital increase (€6,389,180) will constitute a contribution premium of €5,202,836.68, which will be recorded as a liability on the Beneficiary's balance sheet;
- setting the date of completion of this contribution as at 1 July 2023 (the "Completion Date"), unless it is extended by the Company and the Beneficiary;
- setting the effective date for the accounting and tax plans of said contribution on the Completion Date.

As a result of the foregoing, gives full powers to the Chief Executive Officer, with the option to delegate further, under the applicable legal and regulatory conditions, to:

- record the completion of the partial contribution of assets and its remuneration and implement the adjustment as provided for by the Agreement;
- more generally, and as appropriate, to reiterate the terms of said contribution, establish all acts confirming or additional to said Agreement, including the possibility of extending the completion date of the partial contribution of assets, without this date being after 31 December 2023;
- carry out any observations, conclusions, communications and formalities, in particular the declaration of compliance required by the applicable legal provisions, which might prove necessary for the purposes of completing the partial contribution of assets.

Resolution 21: 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-first resolution: powers to carry out 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 Auditor's Report

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 April 21, 2023 – Seventeenth 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 Annual General Meeting of L'Oreal,

In our capacity as the Statutory Auditors of your Company and in accordance with articles L.228-92 and L.225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegation of authority to the Board of Directors to issue shares or securities granting access to the Company's share capital, with cancelation of preferential subscription rights, reserved for employees, corporate officers and eligible former employees of your Company and of French and non-French entities related to your Company within the meaning of article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labour Code (*Code du travail*), who are members of a Company employee savings scheme, a matter submitted for your approval.

This transaction is submitted for your approval in accordance with the provisions of article L.225-129-6 of the French Commercial Code and articles L.3332-18 *et seq.* of the French Labour Code.

The amount of share capital increases that may be performed, immediately or in the future, under this delegation, is set at 1% of the Company's share capital as at the date of this Annual General Meeting, it being specified that the aggregate amount of share capital increases that may be carried out under this resolution and the eighteenth resolution may not exceed the maximum amount of 1% of the share capital as at the date of this Annual General Meeting, an overall limit applicable to the seventeenth and the eighteenth resolutions.

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 ordinary shares or securities granting access to other securities, or issue securities granting access to securities to be issued.

Paris-La Défense, February 17, 2023

The Statutory Auditors

Deloitte & Associés	Ernst & Young Audit
David DUPONT-NOEL	Céline EYDIEU-BOUTTE

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 April 21, 2023 – Eighteenth resolution

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

L'ORÉAL

14, rue Royale

75008 Paris

To the Annual General Meeting of L'Oreal,

In our capacity as the Statutory Auditors of your Company and in accordance with articles L.228-92 and L.225-135 *et seq.* of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegation of authority to the Board of Directors to issue shares or securities granting access to the Company's share capital, with cancelation of preferential subscription rights, reserved for one or more categories of beneficiaries meeting the following characteristics: (i) employees and corporate officers of entities related to the Company within the meaning of article L.225-180 of the French Commercial Code and article L.3341-1 of the French Labour Code (*Code du travail*), which have their registered office outside France and/or (ii) UCITS or other entities governed by French or non-French law, whether or not they have legal personality, established for the purposes of employee share ownership programs invested in shares of the Company whose unitholders or shareholders will consist of the persons defined in (i) or enabling the persons defined in (i) to benefit, either directly or indirectly, from an employee share ownership or Company employee share savings program, a matter submitted for your approval.

The amount of share capital increases that may be performed, immediately or in the future, under this delegation, is set at 1% of the Company's share capital as at the date of this Annual General Meeting, it being specified that the aggregate amount of share capital increases that may be carried out under this resolution and the seventeenth resolution may not exceed the maximum amount of 1% of the share capital as at the date of this Annual General Meeting, an overall limit applicable to the seventeenth and the eighteenth resolutions.

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.

Paris-La Défense, February 17, 2023

The Statutory Auditors

Deloitte & Associés	Ernst & Young Audit
David DUPONT-NOEL	Céline EYDIEU-BOUTTE

CHAPTER 9

Appendices

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.*

9.1. Statutory Auditors *

	Current appointments			
	Date of first appointment	Date of appointment	Term of office	Expiry date
Auditors				
Deloitte & Associés				
Auditor, member of the Compagnie Régionale de Versailles, represented by David Dupont-Noel 6, place de la Pyramide 92908 Paris-La Défense Cedex (France)	29 April 2004	21 April 2012	6 years	AGM reviewing the financial statements for 2027 to be held in 2028
Ernst & Young				
Auditor, member of the Compagnie Régionale de Versailles et du Centre, represented by Céline Eydieu-Boutte Tour First TSA 14444 92037 Paris-La Défense Cedex (France)	21 April 2022	21 April 2022	6 years	AGM reviewing the financial statements for 2027 to be held in 2028

Fees accruing to auditors and members of their networks payable by the Group: see note 16 of the Consolidated financial statements in chapter 5 of this document.

9.2. Historical financial information included by reference

In accordance with Article 19 of European regulation EU No. 2017/1129 of 14 June 2017, this 2021 Universal Registration Document contains the following information by reference:

- the consolidated financial statements for the year ended 31 December 2021 prepared in accordance with IFRS and the accompanying Statutory Auditors' Report presented on page 343 to 346 of the 2021 Registration Document, filed with the French Financial Markets Authority (AMF) on 17 March 2022 under number D.22-0118, and the information extracted from the 2021 Management Report presented on pages 36 to 45 of the 2021 Registration Document;
- the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRS and the accompanying Statutory Auditors' Report presented on pages 312 to 315 of the 2020 Registration Document, filed with the French Financial Markets Authority (AMF) on 16 March 2021 under number D.21-0125, and the information extracted from the 2020 Management Report presented on pages 33 to 42 of the 2020 Registration Document.

9.3. Declaration by the person responsible for the Universal Registration Document and the Annual Financial Report *

Person responsible for the Universal Registration Document and the Annual Financial Report: Mr Christophe Babule, Chief Financial Officer, on the authority of L'Oréal's Chief Executive Officer, Mr Nicolas Hieronimus.

"I hereby declare that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to alter its scope.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all its consolidated subsidiaries, and that the elements of the Management Report included in this document, as detailed in the cross-reference table available in section 9.7., present a true and fair review of the development and performance of the business and the position of the Company and all its consolidated subsidiaries, together with a description of the main risks and uncertainties that they face."

Clichy, 14 March 2023
On the authority of the Chief Executive Officer,
Christophe Babule,
Chief Financial Officer

* *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.*

9.4. Cross-reference table with the Universal Registration Document

In order to facilitate the reading of this Universal Registration Document, the following table provides the page references of the main information required by Annex 1 of European delegated regulation No. 2019/980, completing the European regulation No. 2017/1129.

Schedule based on annex 1 European delegated regulation No. 2019/980	Pages
14. Board practices	
14.1. Date of expiration of the current tenure	10, 63-70
14.2. Service contracts with the Board of Directors members	62
14.3. Information about the committees	10, 75-78
14.4. Statement of compliance with the regime of corporate governance	54
14.5. Potential material impacts on the corporate governance	54-56, 71
15. Employees	
15.1. Number of employees	16, 209
15.2. Shareholdings and stock options of the directors and corporate officers	63-70, 350, 354
15.3. Arrangement involving the employees in the issuer's capital	350, 381-383
16. Major shareholders	
16.1. Shareholders having more than a 5% interest in the issuer's capital or voting rights	350-351
16.2. Existence of different voting rights	379
16.3. Control of the issuer	N/A
16.4. Arrangement, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	N/A
17. Related party transactions	115-116, 308-309
18. Financial information concerning the Company's assets and liabilities, financial position and profits and losses	
18.1. Historical financial information	36-42, 338, 388
18.2. Interim and other financial information	N/A
18.3. Auditing of historical annual financial information	313-316, 340-343
18.4. Pro forma financial information	N/A
18.5. Dividend policy and amount	21, 23, 358
18.6. Legal and arbitration proceedings	148-149, 304-306
18.7. Significant change in the issuer's financial or trading position (or negative statement)	43
19. Additional information	
19.1. Share capital	
19.1.1. Subscribed and authorised share capital	348-349
19.1.2. Shares not representing capital	N/A
19.1.3. Treasury shares	350-351
19.1.4. Convertible, tradable securities or securities bearing rights of subscription	N/A
19.1.5. Acquisition rights and/or bonds attached to subscribed not liberated capital or to any capital increase	N/A
19.1.6. Options on share capital	N/A
19.1.7. Historical information on share capital	349-350
19.2. Memorandum and Articles of Association	346-347
19.2.1. Business activity	346
19.2.2. Rights, privileges and restrictions applying to shares	N/A
19.2.3. Provisions likely to defer, delay or prevent a change in control	N/A
20. Material contracts	N/A
21. Documents on display	347

9.5. 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 French Financial Markets Authority (AMF).

Schedule based on Article L. 451-1-2 of the French Monetary and Financial Code and on Article 222–3 of the General Regulation of the AMF	Pages
1. 2022 Annual Financial Statements	317-369
2. 2022 Consolidated Financial Statements	253-312
3. 2022 Management Report of the Board of Directors of L'Oréal	392-392
4. Declaration by the person responsible for the 2022 Annual Financial Report	309
5. Statutory Auditors' Report on the 2022 financial statements	340-343
6. Statutory Auditors' Report on the 2022 consolidated financial statements	313-316
7. Fees of Auditors	309

9.6. Cross-reference table with the AMF tables on the remuneration of directors and corporate officers

The following thematic table has been prepared in order to make it possible to look at the information provided on remuneration from the perspective of the presentation in the form of 11 tables recommended by the AMF in its guide for preparing universal registration documents published on 5 January 2022 (see also AFEP-MEDEF Code).

Tables with regard to Remuneration provided for in the AMF's recommendations	Pages
Table No 1. Summary of the remuneration, stock options and performance shares granted to each corporate officer	112 2nd table 113 2nd table
Table No 2. Summary of the remuneration of each corporate officer	112 1st table 113 1st table
Table No 3. Remunerations granted to Directors and other remuneration received by non-executive corporate officers	103
Table No 4. Stock options for the subscription or purchase of shares granted during the financial year to each corporate officer by the issuer and by any Group company	N/A
Table No 5. Stock options for the subscription or purchase of shares exercised during the financial year by each corporate officer	112 113
Table No 6. Shares granted free of charge to each corporate officer	112 3rd table 113 3rd table
Table No 7. Shares granted free of charge that have vested for each corporate officer	112 113
Table No 8. History of grants of stock options for the subscription or purchase of shares	112 3rd table 113 3rd table
Table No 9. Stock options for the subscription or purchase of shares granted to the ten employees who are non-executive corporate officers receiving the largest number of options and options exercised by them	354
Table No 10. Historical information on free grants of shares	356, 112 3rd table, 113 3rd table
Table No 11. Commitments related to the termination of the functions of corporate officer.	111

9.7. Management Report cross-reference table

In order to review the elements of the Management Report, the following thematic table makes it possible to identify the main information provided for by Articles L. 225-100 *et seq.*, L. 22-10-35 et L. 22-10-36, L. 232-1 and R. 225-102 *et seq.* of the French Commercial Code and the specific section of the Annual Report related to the corporate governance pursuant to Articles L. 225-37, paragraph 6 *et seq.*, L. 22-10-8 *et seq.* of the French Commercial Code.

Elements of the 2022 Management Report	References	Pages
Group situation and activity on 2022		
Situation of the Company during the past fiscal year and objective and exhaustive analysis of the business development, results and financial situation of the Company and the Group, in particular its debt situation, in relation to the volume and complexity of business	L. 225-100-1, I-1°, L. 232-1, II, L. 233-6 and L. 233-26 of the French Commercial Code	36-42
Key financial performance indicators	L. 225-100-1, I-2° of the French Commercial Code	16-23
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	16-17, 24, 46-49, 162 - 231
Significant events since the beginning of the current fiscal year	L. 232-1, II and L. 233-26 of the French Commercial Code	43-45
Company and Group foreseeable trends and outlooks	L. 232-1, II and L. 233-26 of the French Commercial Code	45
Identity of the main shareholders and voting rights holders in the General Meeting, and modifications during the fiscal year	L .233-13 of the French Commercial Code	350-351
Existing branch offices ("*succursales*")	L. 232-1, II of the French Commercial Code	50
Significant acquisitions during the fiscal year of equity interests in companies which have their registered office in France	Article L. 233-6 paragraph 1 of the French Commercial Code	339
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	27-35
Table of Company results over the past five fiscal years	R. 225-102 of the French Commercial Code	338
Information on suppliers and customers payment terms	D. 441-6 of the French Commercial Code	337
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	141-150
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	147-148, 160-161, 169-174, 180-181, 183-187, 307-308
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	295-299
Anti-corruption policy	Loi n° 2016-1691 of December 9, 2016 called « Sapin 2 »	228-229
Vigilance Plan and update on its effective implementation	L. 225-102-4 of the French Commercial Code	126-140
Corporate governance		
Information on remuneration		
Remuneration policy for directors and corporate officers	L. 22-10-8, I, paragraph 2 of the French Commercial Code	91-102
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	102-109
Relative proportion of the fixed and variable remuneration	L. 22-10-9, I-2° of the French Commercial Code	94
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	109-111
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	108

Elements of the 2022 Management Report	References	Pages
Annual change in the remuneration, the Company's performances, the average remuneration of the Company employees and the abovementioned ratios over the five past fiscal years	L. 22-10-9, I-7° of the French Commercial Code	108
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	91-93, 103-107
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	91
Derogation from the remuneration policy and any other derogations	L. 22-10-9, I-10° of the French Commercial Code	102
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	112-113
Attribution and retention of free share grants to Corporate Officers	L. 225-197-1 and L. 22-10-59 of the French Commercial Code	112-113
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	63-70
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	348
Procedures for exercising the General Management	L. 225-37-4, 4° of the French Commercial Code	54-55
Composition, preparation and modus operandi of the work of the Board of Directors	L. 22-10-10, 1° of the French Commercial Code	57, 72-74
Description of the diversity policy, objectives and results applied to Board members (including application of the principle of balanced representation of women and men on the board)	L. 22-10-10, 2° of the French Commercial Code	58-60
Limits provided by the Board of Directors on Chief Executive Officer's powers	L. 22-10-10, 3° of the French Commercial Code	83
Reference to of the AFEP-MEDEF Corporate Governance Code and application of the comply or explain principle	L. 22-10-10, 4° of the French Commercial Code	54, 114
Specific conditions related to shareholders' attendance at the Annual General meeting	L. 22-10-10, 5° of the French Commercial Code	347
Description and implementation of the evaluation procedure of non-regulated agreements	L. 22-10-10, 6° of the French Commercial Code	74, 77, 89
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	350-351
Share ownership and capital		
Structure and change in Company capital and threshold notifications	L. 233-13 of the French Commercial Code	350-351
Acquisition and disposal by the Company of treasury shares	L. 225-211of the French Commercial Code	352
Employee share ownership	Article L. 225-102, paragraph 1 of the French Commercial Code	350-351
Possible adjustments for securities giving access to share capital in case of buybacks of shares or financial transactions	R. 228-90 and R. 228-91 of the French Commercial Code	N/A
Information on trading by directors and corporate officers and related persons in shares of the Company	L. 621-18-2 of the French Monetary and Financial Code	115
Amount of dividends paid out in respect of the three previous fiscal years	243 *bis* of the French Tax Code	23, 358
Non-financial statement	L. 225-102-1, L.22-10-38, R. 225-105 of the French Commercial Code	See Cross-reference table, 239-241
Other information		
Additional tax information	223 *quater* and 223 *quinquies* of the French Tax Code	337
Injunctions or financial penalties in respect of anti-competitive practices	L. 464-2 of the French Commercial Code	306

9.8. Glossary

AFEP-MEDEF Code: a code of corporate governance comprising a set of recommendations drawn up by the *Association Française des Entreprises Privées* (AFEP) and the *Mouvement des Entreprises de France* (MEDEF), in the light of consultation with various market players, on corporate governance issues. L'Oréal refers to this Code.

***Autorité des Marchés Financiers* (AMF)**: the French financial markets authority, an independent, public, stock-market authority, which is responsible for the protection of savings invested in financial products, investor information and the proper functioning of the markets.

Beauty Tech: new technologies for the cosmetics industry intended to enhance science via large-scale cutting-edge technologies and to offer unparalleled beauty experiences (see section 1.1.2.3).

Board of Directors: the collegiate body that defines the Company's business strategy and monitors its implementation, in accordance with its corporate interest, taking into consideration the social and environmental challenges associated with its business activity.

"**Carbon neutral**"**:** A site can claim "carbon neutral" status if it meets the following requirements:

- Direct CO_2 (Scope 1) = 0, with the exception of the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO_2eq./year; and
- Indirect CO_2 Market Based (Scope 2) = 0.

The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status thus defined is achieved without offsetting. See section 4.3.1.1.3. B/.

CDP (formerly the "Carbon Disclosure Project"): an independent, recognised, international not-for-profit organisation, offering a system for assessing a company's strategy, initiatives and results in the fight against climate change, sustainable water management and forest protection.

Code of Ethics: Available in 45 languages, and in French and English Braille, it is distributed to all employees worldwide. It enables employees to understand how Ethical Principles (Integrity, Respect, Courage and Transparency) 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, 18 supplements to the Code of Ethics have covered certain aspects of it in more detail (see section 4.3.3.).

Company: the Company is the parent company, L'Oréal S.A. (see paragraph 5.1.).

Consolidated Financial Statements: the consolidated financial statements include the financial statements of all the companies within the L'Oréal Group.

Create the beauty that moves the world: **L'Oréal's sense of purpose (*raison d'être*)**. 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. A full explanation of L'Oréal's sense of purpose is given in section 1.1.1.

CSR: corporate social, societal and environmental responsibility (see chapter 4 in particular).

EFRAG: European Financial Reporting Advisory Group, responsible for advising the European Commission and mandated by the latter to develop sustainability standards under the Corporate Sustainable Reporting Directive.

L'Oréal BOOST: the latest programme in the L'Oréal for Youth initiative, launched by the Group in July 2021, aimed at the under-30s. It aims to offer 20,000 students each year access to a selection of on-demand, digital courses from Coursera, a leading provider of online learning for students and businesses.

L'Oréal for Youth: a comprehensive, long-term programme launched in 2021, which aims to support the employment of young people and improve their employment prospects. The Group is committed to increasing the number of job opportunities aimed at those under the age of 30, offering training packages and rolling out coaching and mentoring initiatives. As part of this programme, L'Oréal also grants scholarships to support students from disadvantaged areas (see section 4.3.2.).

L'Oréal for the Future: the second generation of L'Oréal's commitments to sustainable development. The programme was launched in June 2020 with a new set of particularly ambitious targets for 2030, in order to cover all the impacts associated with the Group's value chain. The programme, which aims to ensure that the Group's business activities remain within the planetary boundaries defined by environmental science, thus marks a new ambition for the sustainable development of L'Oréal with the intention of capitalising on previous achievements (see section 1.3.2 and chapter 4).

Market capitalisation: the market value of a company at a given moment. It is calculated by multiplying the market price by the number of shares comprising the share capital. At 31 December 2022, the market capitalisation of L'Oréal was €178.5 billion.

Non-financial performance statement: the full range of information required by the regulations (European Directive of 22 October 2014 transposed into French law by the Order of 19 July 2017) on environmental, social and human rights, the fight against corruption and tax avoidance (see cross-reference table in section 4.6.1). This information is reported alongside additional, non-mandatory information in chapter 4.

Operations: a support department that 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. With its brands, it contributes to offering consumers worldwide the most advanced cosmetics products and services. It guarantees consumers compliance with strict standards of quality, safety, security and societal and environmental responsibility all over the world.

Packaging: all the materials which, without being part of the product itself, are sold with the product for the purposes of enabling or facilitating its protection, transportation, storage, presentation, packing, identification and use by consumers.

Parent company financial statements: The parent company financial statements correspond to the annual financial statements of the Company, L'Oréal S.A. (the parent company).

Preferential dividend: a dividend increase equal to 10% of the dividend granted to any shareholder who can prove at the end of a financial year, that shares have been registered in their name for at least two calendar years and that they continue to be registered in their name at the date of payment of the dividend (see "Registered Shares").

Product with an improved environmental profile: in the case of new products, a product for which environmental improvement is measured in relation to an average of the brand's existing and comparable products; for an updated product, environmental improvement is measured and compared to the earlier product.

Registered shares: shares registered in the shareholder's own name, enabling the issuing company to identify them by name. Pursuant to Article 15 of the Articles of Association of L'Oréal, any shareholder who can prove at the end of a financial year, that shares have been registered in their name for at least two calendar years and that they continue to be registered in their name at the date of payment of the dividend paid for that financial year, will be entitled to a preferential dividend on the shares that are thus registered, equal to 10% of the dividend.

Risk factors: risks specific to L'Oréal that are key to making informed investment decisions (see section 3.5.).

Scopes 1, 2 and 3: the categories in which greenhouse gas emissions are classified. According to the Green House Gas Protocol, Scope 1 emissions are "direct emissions from sources owned or controlled by the reporting entity". Scope 2 emissions are "indirect emissions related to the consumption of electricity, heat or steam necessary for product processing or operating the reporting entity". Scope 3 emissions are "other indirect emissions related to product supply chain (upstream emissions) and the use of products and services during their life cycle (downstream emissions)".

Sense of purpose (raison d'être): see "Create the beauty that moves the world" and section 1.1.1.

Share & Care: a programme created in 2013 and deployed in all our subsidiaries, that offers employees a set of benefits organised around four pillars, which were updated in 2021: welfare schemes, healthcare, work/life balance and the working environment (see section 4.3.2.4).

Shareholder structure: shareholders, whether individuals or legal entities, of L'Oréal, who own a portion of the capital of the company in the form of shares (see sections 1.1.3 and 5.3).

Sharing Beauty With All: a sustainability programme launched by L'Oréal in 2013 with sustainable production, sustainable innovation, sustainable consumption and shared growth targets for 2020.

Social selling: the approach that uses social networks to find new customers and/or sell products.

Solidarity Sourcing: a responsible purchasing programme launched in 2010 whereby L'Oréal is committed to 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 (see section 4.3.3.6).

Specialised committees of L'Oréal's Board of Directors: The Board of Directors has set up four specialised committees to help all Directors carry out their principal duties in a collective manner: the Strategy and Sustainability Committee, the Audit Committee, the Human Resources and Remuneration Committee, and the Nominations and Governance Committee. The duties of these Committees are set out in detail in section 2.3.3.

SPOT: a tool that calculates the environmental and social footprint of a product in accordance with the European Commission recommendation. It is based on a rigorous scientific methodology for assessing environmental impacts. SPOT has been rolled out to all Group brands (except recent acquisitions). It is an integral part of product launch processes, putting sustainable innovation at the very heart of product development. See section 4.3.1.3.1.

Supply Chain: the process of planning, executing and monitoring all activities relating to flows of materials and information, the purchase of raw materials, the intermediate processing of the product and its delivery to the end customer.

Taxonomy: under European Regulation 2020/852 of 18 June 2020, refers to a framework for classifying economic activities that have a positive impact on the environment (see section 4.31.4.4).

TCFD (Task Force on Climate Related Financial Disclosure): a working group set up by the G20 Financial Stability Board that created a system for disclosing climate-related financial information (see section 4.3.1.4.3).

TSR: the rate of return of a share over a given period, combining dividends received and capital gains realised.

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